Explaining State Government Administrative Reform: Focusing on Performance-Based Budgeting and State Executive Branch Reorganization

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EXPLAINING STATE GOVERNMENT ADMINISTRATIVE REFORM
- FOCUSING ON PERFORMANCE-BASED BUDGETING AND
STATE EXECUTIVE BRANCH REORGANIZATION -

By

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**TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF TABLES</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>CHAPTER 1. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>CHAPTER 2. CONCEPTUAL FRAMEWORK</td>
<td>10</td>
</tr>
<tr>
<td>CHAPTER 3. METHODOLOGY</td>
<td>28</td>
</tr>
<tr>
<td>CHAPTER 4. FINDINGS</td>
<td>43</td>
</tr>
<tr>
<td>CHAPTER 5. DISCUSSION</td>
<td>55</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>58</td>
</tr>
<tr>
<td>BIOGRAPHICAL SKETCH</td>
<td>69</td>
</tr>
</tbody>
</table>
LIST OF TABLES

1-1. Comprehensive State Executive Branch Reorganization .......... 2

1-2. Performance-based Budgeting Legislation in the U.S. States ..... 4

4-1. Estimation Results for Event History Analysis Model of Performance-bases Budgeting ..................................................... 43

4-2. Estimation Results for Event History Analysis Model of State Executive Branch Reorganization ........................................ 48

4-3. Coefficient Estimates for Event History Analysis Models of the Two Reforms (1) ................................................................. 52

4-4. Coefficient Estimates for Event History Analysis Models of the Two Reforms (2) ................................................................. 53
ABSTRACT

What are the causes of administrative reform? Even though the question is critical in understanding administrative reform efforts and their impacts on administration and society, much remains to be understood about this process. In this dissertation, I will examine the following research question: What accounts for the occurrence of two types of state-level administrative reform - the adoption of performance-based budgeting legislation and comprehensive state executive branch reorganization? I focus on these reforms because they are core administrative reform processes. More importantly, the examination of two reforms within a single study provides an opportunity to examine the differences in the adoption prospects and process (Chackerian and Mavima, 2001).

Administrative reform matters. Government structural reorganization has been used to cope with rising fiscal stress, the lack of managerial control over state bureaucracies (Franklin, 2000; Gortner, Mabler, & Nicholson, 1997; Meier, 1980), and is not infrequently part of the political rhetoric in campaigns (Garnet 1980; Chackerian 1996). Budget reform also has been used to cope with economic and fiscal pressures, citizen demands for better program outcomes and low taxes (Berry, Brower, & Flowers, 2000). Administrative arrangements are crucial since they affect “who gets what” and the flow of costs and benefits over time. They have distributional consequences among interested actors (Feiock & Stream, 1998).

My framework attempts to integrate the micro level political market approach with macro perspectives that point to the importance of external forces. There are diverse administrative reform theoretical perspectives. In my view, administrative reform can be explained in terms of the political market in which elected officials provide administrative reform to constituents based on their costs and benefits and constituents supply political support based on their costs and benefits (Feiock & Stream, 1988; Keohane, Revesz, & Stavins, 1997; Dixit, 1996). However, these micro aspects of the political market are embedded in macro environmental forces such as institutions and more general socio-economic conditions (Chackerian, 1996; DiMaggio & Powell, 1983;
Berry & Berry, 1990). Therefore it is important to consider the macro environmental forces as well as the micro political market factors simultaneously.

The units of analysis for this study are forty-eight U.S. continental states. Annual data for each of the variables in this study were collected for 48 U.S. continental states for the 17-year time period 1980 to 1996. The reason why I choose the year 1980 is related to “new federalism” and the beginning of the Reagan administration. From that time, not only were federal grants to states severely cut, but also states played more important roles in the federal system. This new trend, the so-called “Resurgence of the States” (Bowman, 1998) or “New Federalism” (Dye, 1990), provide the ideal context to study state government activities in terms of administrative reform. In addition, I choose 48 U.S. continental states to capture neighboring state effects on administrative reform.

To answer the research question of what accounts for state administrative reform, I will integrate both the micro and macro factors and also consider the interaction effects among the factors. Micro factors are elements in the political market in which political exchange occurs between demand-side forces such as individual tax burden, conservative citizen ideology, fiscal stress, bureaucratic density, and business density and supply-side forces such as institutional turnover, conservative government ideology, unified government, and electoral competition. However, these micro factors do not exist in a vacuum, but are embedded in more broad macro forces. In this model, I consider four macro forces such as neighbor adoption, professional organization density, economic growth, and population density. In addition, I expect some interaction effects between the micro and macro factors.

I used Event History Analysis as statistical method of my research. Based on the analysis, I found several important factors that have effects on the adoption of administrative reform some in common for both reforms, some unique to each. The factor that is common to both types of administrative reform is individual tax. Unique factors in regard to budgeting are: bureaucratic density, legislative turnover, and electoral competition. The adoption of performance budget reform occurs less when the power of bureaucracy is greater, more when there is legislative turnover and less when electoral competition is high. In contrast to the adoption of performance budget reform, the unique adoption factors for reorganization are conservative government ideology and higher population density. The power of bureaucracy has statistically significant
and negative effect on the adoption of performance budget reform, while it does not have significant effect on the adoption of state executive branch reorganization. Legislative turnover has statistically significant and positive effect on the adoption of performance budget reform, but does not have significant effect on the adoption of state executive branch reorganization. Also, electoral competition has statistically significant and negative effect on the adoption of performance budget reform, but does not have statistically significant effect on the adoption of state executive branch reorganization. Even the patterns of interaction effects are somewhat unique for each of these reforms. There are no significant interaction effects in the model of performance budget reform. However, there are a few significant interaction effects in the model of state executive branch reorganization including neighbor adoption / unified government and economic growth / legislative turnover.

These differences in the adoption processes might have important implications for a theory of administrative reform implementation. As Chackerian & Mavima (2001) and Matland (1995) suggest, different types of reforms lead to different factors being influential. This analysis is suggestive of the fact that the dynamics and influences on “administrative reform” may be very different depending on the nature of the reform.
CHAPTER 1
INTRODUCTION

What are the causes of administrative reform? Even though the question is critical in understanding administrative reform efforts and their impacts on administration and society, much remains to be understood about this process. In this dissertation, I will examine the following research question: What accounts for the occurrence of two types of state-level administrative reform - the adoption of performance-based budgeting legislation and comprehensive state executive branch reorganization?

Administrative reforms are typically justified as tools to achieve greater efficiency, effectiveness, and responsiveness even though their forms and methods vary (Chackerian & Mavima, 2001; Conant, 1988), and other objectives may in fact be more important. However, a large scale reorganization of administrative arrangements is not easy to decide upon and to implement because it often requires substantial administrative effort and leadership resources (Chackerian & Mavima, 2001). It also involves numerous veto points and complexities (Mazmanian & Sabatier, 1989). Administrative reform can involve diverse types such as civil service reform, budget and fiscal reform, decentralization, structural reorganization, deregulation, strategic planning, total quality management and so on (Berry, Chackerian, & Wechsler, 1999). In this dissertation, I focus on two types of administrative reform - structural reorganization of the state executive branch and legislative adoption of performance-based budgeting requirements in the U.S. states. I focus on these reforms because they are core administrative reform processes. More importantly, the examination of two reforms within a single study provides an opportunity to examine the differences in the adoption prospects and process (Chackerian and Mavima, 2001).

Background

State Executive Branch Reorganization
Since the beginning of 20th century, state executive branch reorganization has been a persistent concern for governors, legislatures, administrative agencies, and their constituencies. The rationale for efforts to reorganize the state executive branch in the U.S. are rooted intellectually in the works of Woodrow Wilson (1887) and the Brownlow committee’s (1937) emphases of efficiency, effectiveness, and economy (Conant, 1988). The prescribed means for achieving these goals is establishment of responsible and effective chief executive as ‘the center of energy, direction, and administrative management’ as well as streamlining the executive branch (Conant, 1988).

### Table 1-1: Comprehensive state executive branch reorganization (80s–90s)

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
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<tbody>
<tr>
<td>Alabama</td>
<td>1987</td>
</tr>
<tr>
<td>Connecticut</td>
<td>1995</td>
</tr>
<tr>
<td>Iowa</td>
<td>1985</td>
</tr>
<tr>
<td>Mississippi</td>
<td>1989</td>
</tr>
<tr>
<td>Montana</td>
<td>1995</td>
</tr>
<tr>
<td>New Jersey</td>
<td>1982</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1987</td>
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<tr>
<td>New York</td>
<td>1987</td>
</tr>
<tr>
<td>South Carolina</td>
<td>1993</td>
</tr>
<tr>
<td>Wyoming</td>
<td>1989</td>
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</tbody>
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Structural reorganizations have been classified in many different ways, but one that is important for this research distinguishes between “partial” and “comprehensive” (Garnet, 1980; Conant, 1993; Chackerian, 1996) as March and Olson have noted “Continual, but piecemeal changes in administrative structures and procedures have been supplemented periodically by more grandiose, and more explicit, efforts to review and reorganize the administrative apparatus of government” (March & Olson, 1983). Put differently there are relatively long periods in which small, partial changes are
characteristic of the reform process, but these are punctuated by short periods of dramatic, comprehensive change. The pattern has been described by some as – “punctuated equilibrium” (Baumgartner & Jones, 1993). My focus is on relatively large scale or comprehensive reorganizations rather than partial incremental reorganizations. In this dissertation, I study the ten comprehensive state executive branch reorganizations that occurred during 1980s and 1990s identified in Table 1.

Performance-Based Budget Reform

A second major reform of state administration is change of the budgeting system. Budgeting and its reform has important impacts on administrative behavior (Osborne & Gaebler, 1992). Budget reform has been a recurring phenomenon in the U.S. states, from PPBS (Planning-Programming-Budgeting System) in the 1960s, to ZBB (Zero-Based Budgeting ) in the 1970s, and to PBB (Performance-Based Budgeting) in the 1990s (Berry, Brower, & Flowers, 2000). Performance-based budgeting is defined as “requiring strategic planning regarding agency mission, goals and objectives, and a process that requests quantifiable data that provides meaningful information about program outcome” (Melker & Willoughby, 1998, p.66).

This notion of performance-based budgeting is diffused widely. The federal government adopted performance-based budgeting with the Government Performance and Results Act of 1993. Forty-seven state governments have adopted some elements of performance-based budgeting. Among the fifty U.S. states, thirty-one have adopted some form of performance-based budgeting legislation and sixteen have initiated it with administrative guidelines (Melkers & Willoughby, 1998). Performance-based budgeting has proved popular among many sub-national governments. Among the nine hundred jurisdictions studied by the Governmental Accounting Standard Board Survey, approximately four hundred jurisdictions had adopted performance measures and three hundred jurisdictions plan to use performance measures in the future (Walters, 1997).

The detailed contents of performance-based budgeting systems vary across states, but the system usually requires measurement of results, outcomes, and impacts (Melkers
& Willoughby, 1998). In this sense, performance-based budgeting is different from previous budget reforms in that it focuses on outcomes as benefits to citizens or society when compared to previous budget’s focus on inputs and outputs (Lu, 1998). My focus is on the thirty states identified in Table 2 where performance-based budgeting legislation was adopted during mainly the 1990s.

<table>
<thead>
<tr>
<th>state (year)</th>
<th>state (year)</th>
<th>state (year)</th>
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**Why is administrative reform important?**

Administrative reform matters. Government structural reorganization has been used to cope with rising fiscal stress, the lack of managerial control over state bureaucracies (Franklin, 2000; Gortner, Mabler, & Nicholson, 1997; Meier,1980), and is not infrequently part of the political rhetoric in campaigns (Garnet 1980; Chackerian 1996). Budget reform also has been used to cope with economic and fiscal pressures, citizen demands for better program outcomes and low taxes (Berry, Brower, & Flowers, 2000).

Seidman(1970) suggests that reform is undertaken to advance political goals. Administrative reform may be designed to obtain political ends such as upgrading a
program’s importance, changing a program’s emphasis, saving a failing program, or for some symbolic objective (Radin and Hawley, 1988).

Others have suggested that administrative arrangements are crucial since they affect “who gets what” and the flow of costs and benefits over time. They have distributional consequences among interested actors (Feiock & Stream, 1998). The choice of organizational structure is a political choice and the organizational structure has significant impact on bureaucratic policymaking (Hammond, 1986). Also, reorganization may alter institutional rules which affects the transaction costs for citizens seeking to influence public decision-making (Maser, 1985; 1998). Changed administrative arrangements are utilized by elected officials to address transaction costs problems and to deliver durable benefits to their constituencies (Horn, 1995).

**Theories of Administrative Reform, Policy & Institutional Change**

**The Garbage Can Perspective**

Can administrative reform be predicted? If it can be predicted, is it a “garbage can” process (March & Olson, 1983) or can it be explained by a more “stable” set of factors (Garnet, 1980; Chackerian, 1996)? March & Olson (1983; Cohen, March, & Olson, 1972) argue that administrative reorganization occur in organized anarchies where ambiguities are widespread. These situations are characterized by three general properties: fluid participation as in high turnover of decision makers; problematic preferences in that people often don’t know what they want; and unclear technology. March & Olson argue that “The general absence of precise rules controlling access to decision making opportunities makes it likely that reorganizations will become garbage cans, highly contextual combinations of people, choice opportunities, problems, and solutions” (p. 286) and thus “The course of events surrounding a reorganization seems to depend less on properties of the reorganization proposals or efforts than on the happenstance of short-run political attention, over which reorganization groups typically have little control” (p.286). The garbage can character of reorganization, according to
March and Olson, is accentuated by the ambiguities of problems and solutions that lead to different interpretations of them (March & Olson, 1983).

The Garbage Can model has been subject to criticism recently (Bendor, Moe, & Shotts, 2001) with regard to the scientific foundation of the model and the incompatibility between the theory and the computer simulation model it is based on. The critics charge that the model ignores where structure comes from or why it takes the forms it does (structure as an exogenous factor) – the instrumental use of structure by political leaders is pervasive and crucial to understanding of organizations. Also, the garbage can theory should identify the causal structure of institutional behavior, but does not. Olson (2001) responds to the critiques by arguing they do not make serious efforts to understand the complexities of political actors, the organized setting within which they operate, and institutional change. Actors may be driven not only by calculated expected utility driven by incentive structures, but also habit, emotion, and interpretation of internalized shared rules – “Political actors are constituted both by their interests, by which they evaluate their expected consequences, and by the rules embedded in their identities and political institutions” (p.196).

The implication of the garbage can perspective, as developed here, is that both micro self-interest and macro institutional rules are important considerations in administrative reform. It also suggests that there are varying degrees of stability and predictability. The institutional framework is likely to be relatively stable and predictable while more micro aspects of reform may be less predictable. In the following sections, I will further develop the distinction between micro and macro approaches to reform.

Micro Approaches: Political Economy

The political economy approach views administrative reform as the result of a political market in which state policy makers supply administrative reform to constituents and organized interests (Keohane, Revesz, & Stavins, 1997; Feiock & Stream, 1998). Within the boundary of this positive political economy perspective, extent work has tended to focus either on the demand side or the supply side. Demand-side approaches have focused on both exogenous events that stimulate demands for a specific policy and
on organized interests seeking benefits from government policy (Stigler, 1971). This approach emphasizes constituent demands, organized interests, and events that mobilize collective action.

Supply side approaches on the other hand have focused on the political incentives of policy makers who are the supplier of policy as well as on institutional structures for political decision-making (Kingdon, 1989; Kalt & Zupan, 1984). This approach pays little attention to the demand-side factors.

A more integrated framework is developed here by considering political exchanges between voters and elected officials and by simultaneously considering the influence of demand and supply forces on policy choice. The equilibrium outcome is reflected in the adopted administrative reform (Keohane, Revesz, & Stavins, 1997).

Micro Approaches: Transactions Cost Politics and Governance Structure

The Transaction Cost Approach originated from Coase’s (1937) concept of information costs under uncertainty and was developed further by Williamson (1981). According to the theory, the most cost-efficient governance structure is selected among several governance structures such as hierarchy, market, and hybrid. This transaction cost approach has been extended to the political process by examining the transaction costs in exchange between political decision-makers who are the suppliers and the demanders of public policy.

Murray Horn (1995) argues that legislators and constituents engage in exchange since legislators seek electoral support while constituents want private benefits or reduced private costs. Therefore, the amount of net electoral support that legislators get from enacting legislation relies upon the flow and durability of benefits and costs that the legislation is expected to produce for private interests. The adoption of reorganization legislation affects “who gets what” and the legislative costs and benefits over time. In this perspective, however, there is a focus on the costs of adopting legislation. There are four major transactions costs: the cost of legislative decision making and private participation, the costs of commitment, agency costs, and uncertainty costs.
Decision making costs are the time and effort that legislators invest to reach agreement and the time and effort affected private interests have to expend to participate in implementation or administration. The commitment problem is about the durability of legislation benefits. This is influenced by the ability of future legislatures to amend or repeal legislation and by how the legislation is administered.

Agency costs result from the fact that administrators may not comply with the preferences or intentions of the enacting legislators. Constituents may be uncertain about the private benefits and costs associated with the legislation. Risk-averse constituents will provide less support in proportion to the risk they face.

In short, according to Horn (1995), administrative arrangements are important since they affect “who gets what” from legislation and the flow of legislative costs and benefits over time. The distinctive governance structure and procedural arrangements are chosen by elected officials to address the transaction costs problems, that is, to minimize those transactions costs.

**Macro Approaches**

As noted above, there has been an increasing merging of micro and macro considerations in the literature, but never-the-less there remain differences in emphasis. Most macro approaches consider the institutional setting, but they also focus on the macro socio-economic conditions that drive the policy process. The distinction between supply and demand is not usually explicitly made, but it is often implicit in these frameworks. The reorganization model provided by Chackerian (1996) focuses on the fundamental long-term trends in socio economic conditions. Chackerian’s (1996) perspective also differs from the political economy approach in that he argues that agenda-setting in the policy process is driven both by objective conditions and subjective meanings. These forces affect demands for governmental action as well as the policies that are offered as solutions which in turn are influenced by the institutional environment. For example, prevailing fashionable ideas in the organizational fields legitimate certain ways of organizing and therefore the range of possible reforms available to policy makers.
(Chackerian, 1996; DiMaggio & Powell, 1991). During periods of economic decline, human resources in the public sector are the first target to cut since “public sector management rhetoric focuses on structural solutions and rational control in down [economic] waves to increase productivity because human resource investments are very large” (Chackerian, 1996, p. 31). By adding these macro level factors to the political market model, I seek to provide a more complete explanation for administrative reform. In chapter two, my integrated model will be presented.

**Time Periods**

Most of the reorganizations occurring during the 1980s and 1990s have not been systematically studied. In my opinion, it is important to focus on the administrative reforms of that period because Reagen’s ‘New Federalism’ provided more powers and responsibilities to state governments and this has had important effects on the relationships among federal, state, and local government (Dye, 1990). There has been a resurgence of the states within the federal system (Bowman, 1986). This change in federal system might influence significantly state activities, especially major state administrative reform activities.
My framework attempts to integrate the micro level political market approach with macro perspectives that point to the importance of external forces. As I have shown, there are diverse administrative reform theoretical perspectives. In my view, administrative reform can be explained in terms of the political market in which elected officials provide administrative reform to constituents based on their costs and benefits and constituents supply political support based on their costs and benefits (Keohane, Revesz, & Stavins, 1997; Feiock & Stream, 1988; Dixit, 1996). However, these micro aspects of the political market are embedded in macro environmental forces such as institutions and more general socio-economic conditions (Chackerian, 1996; DiMaggio & Powell, 1983; Berry & Berry, 1990). Therefore it is important to consider the macro environmental forces as well as the micro political market factors simultaneously.

**Micro Factors: The Political Market**

Important questions with respect to the political market are: (1) who are suppliers of administrative reform policies? and (2) what are the roles of elected officials and bureaucrats? According to Crain (1977), “the policy outcomes supplied through the public sector are demanded ex ante by individuals with their votes” (p.830). Votes are exchanged for public-policy outcomes in the political marketplace. Administrative reform is the result of a political market in which government officials supply policies to constituents and organized interests (Keohane, Revesz, & Stavins, 1997; Feiock & Stream, 1998). As consumers and suppliers exchange goods and services in the market, this perspective views the policy choice of administrative reform as the result of political exchange between elected officials and voters. Campos (1989) links interest group demand with legislative supply of policy. According to him, the policy choice is the equilibrium of the interaction between interest groups who choose the level of resource
allocation to lobbying for their preferred policy and legislators who vote for policy that maximize supports or contributions from interest groups.

Following Feiock and Stream (1998), I use the political market metaphor to examine administrative reform by linking demands and interests of actors for state administrative reform, as revealed by the socio-economic variables, to the interests of state policy makers. I see political institutions as mediators of the process of policy supply and demand (Feiock & Stream, 1998). According to this integrated approach, state administrative reform is the result of a structured political market in which state policy makers supply administrative reform to constituents and organized interests.

It is also important to note that costs and benefits have both objective and subjective dimensions. What is perceived to be a cost or benefit will be shaped by ideological preferences. Officials not only seek reelection, but also seek to advance policies based on their ideologies (Feiock & Stream, 1998). The role of ideology suggests that these micro demand and supply factors in the political market do not exist in the vacuum. They are embedded in the macro socio-economic trends, ideas, and environmental forces (Chackerian, 1996; DiMaggio & Powell, 1983; Berry & Berry, 1990).

Macro Forces: Socio-Economic & Environmental Elements

Micro political market factors are embedded in more broad macro forces. I consider three major macro forces: socio-economic forces, diffusion, and the professions.

I include two socio-economic forces: long-range economic trends and population density. Long-range economic trends have been shown to have significant impact on state government activities such as state executive branch reorganization (Chackerian, 1996). According to Chackerian (1996), long waves of economic growth and decline are very important factors that affect reorganization of government agencies (Barly & Kunda, 1992; Chackerian, 1996).

In addition, administrative reform may be influenced by social forces. Van Riper (1958) and Waldo (1948) contend that reorganization is caused by broad historical forces such as urbanization, industrialization, war, population growth, etc. This argument
is consistent with Herbert Kaufmann’s (1991) suggestion that organizations best adapted to their environments are more likely to exist in an organizational field. Also related to this perspective is the notion that serious unmet social conditions can be perceived as serious problem or “crisis” and these occasions help move administrative reorganization on to the governmental agenda (Cobb & Elder, 1983; Kingdon, 1984, Sabatier, 1988). For example, even though serious socio-economic conditions themselves do not require the reorganization of transportation or health agencies, “it creates a general climate in which decision makers are more likely to ask if reorganization is an appropriate response” (Chackerian, 1996). Population density is admittedly a crude but perhaps significant indicator of complex social problems and thus provides the conditions for administrative reform.

Policy emulation through diffusion is the second macro force. Theorists of policy innovation (Berry & Berry, 1990, 1992) argue that state political leaders tend to emulate other states’ policies that seem to be popular and effective particularly when they are operating under conditions of high uncertainty. Theorists in the new institutionalism in sociology (DiMaggio & Powell, 1983) argue that individuals and organizations deal with uncertainty by imitating the conventional ways of practice through the mimetic process.

Third, from the new institutional perspective, the important role of professions as institutional agents has been consistently argued (Scott, 1995; Meyer, 1994; Chackerian, 1996). Professionals control formal knowledge and play an important role in the agenda setting process (Meyer, 1994; Scott, 1995). “The professions construct cognitive frameworks that define arenas within which they claim jurisdiction and seek to exercise control” (Scott, 1995, p.95-96). Professionals exercise their power via cognitive and normative processes and rule by controlling belief systems through their primary leverages of ideas. In addition, professions may influence policy by making recommendations or proposals for administrative reforms from positions of direct authority in the reform process. (Scott, 1995).

Interaction Effects
I also expect interactions occur among certain micro and macro factors. Although all individuals or organizations within a given environment are subject to the effects of environmental forces, all actors do not respond to these environmental forces in the same way (Scott, 1995). Greenwood & Hinings (1996) argue that while institutions shape organizational arrangements, radical change in organizations can occur through the interplay between values, interests, power, and capacity within organizations and institutions.

It is also argued that the political and economic factors and environmental factors interact in influencing the probability of an adoption of innovation (Berry & Berry, 1990). Berry & Berry (1990, 1992) argue that adoption of innovation is a function of both internal determinants and regional diffusion processes. These processes interact with one another in a multiplicative way. The internal determinants models postulate that the factors causing state government to innovate are internal political, economic, and social characteristics of a state. The regional diffusion models focus on the influence of neighboring states, assuming that states emulate their neighbors when faced with policy problems. Berry and Berry integrate those two approaches. This framework implies a way to integrate the political market model with more macro external determinants.

**Policy Types & Administrative Reform Process**

Since this study focuses on two administrative reforms, performance-based budgeting and state executive branch reorganization, there is a question of whether or not the two administrative reform processes are similar. Research on policy types is helpful here (Lowi, 1964, 1970, 1972; Salisbury, 1968; Hayes, 1978; Wilson, 1973, 1980; Salazar, 1988). According to these researchers, the policy type shapes the political process including the actors involved, effective resources and strategies, and the nature of the negotiation in the political process (Salazar, 1988). To what extent and how is the process of performance budget reform and structural reorganization different and similar? Particularly helpful for understanding differences in administrative reform policy is Matland’s (1995) Ambiguity-Conflict Model. He distinguishes four situations associated with different types of policy implementation: ‘low conflict-low ambiguity
(administrative implementation: administrative resources required), ‘high conflict-low ambiguity (political implementation: power required), ‘high conflict-high ambiguity (symbolic implementation: contextual conditions required), and ‘low conflict-high ambiguity (experimental implementation: coalition strength required). Chackerian & Mavima (2001) classify budget and reorganization reform as in the low - moderate range of conflict-ambiguity. According to their arguments based on the Florida’s comprehensive administrative reform case, reorganization is frequent because the critical resources for reorganization are ‘administrative’ and they are widely available. Therefore, “perceived implementation costs are low in the sense that a clear set of existing statutes, rules, and procedures are usually available to guide the process” (Chackerian & Mavima, 2001, p.14) and “staffs in the Executive Office of the Governor and in the Legislature are experienced in the use of reorganization rules and procedures” (p.15). However, in the long-term, “as implementation moved to the more micro level, the marginal costs and tradeoffs increased” (p.15).

With regard to the performance-based budgeting reform, implementation costs can be spread over a long period of time, and agencies can reduce costs by learning from experience with phased-in implementation and because of long-time experience with budgeting processes. However, in relation to the performance measures, they may be very difficult to develop both technically and politically. New measures and flexibility provisions often must be approved by the Legislatures and by the Executive Office of the Governor. Overall, policy conflict and ambiguity is moderate in performance-based budget reform and so performance-based budget reform is doable and possibly resulting in long-term cost savings (Chackerian & Mavima, 2001). In short, the critical resources for the both performance-based budget reform and reorganization are ‘administrative’ and they are largely available in the sense that a clear set of rules and procedures are usually available to guide the reorganization process. Agencies reduce costs with phased-in implementation and long-time experience with budgeting process.

This implementation typology suggests that the market for reform in these two cases may not be very different in terms of the costs involved. The perceived costs of reform might be quite similar although the benefits might be variable.
The fiscal and economic situation might affect the two administrative reforms differently because of their different foci. State structural reorganization focusing on consolidation and cutback might occur relatively more often when fiscal and economic stress is relatively high as a way to cope with the stress (Caiden, 1995; Peters, 1995). However, budget reform focusing on results and responsiveness to citizens and society might occur more when fiscal and economic situation is not in severe decline. In periods of relative abundance, there are more planning, rewards and incentives for performance, which are not available in periods of economic decline. In short, economic health may allow a greater supply of reform policy by providing incentives to supply it.

Based on these similarities and differences between the two administrative reforms and the integrated theoretical framework that combines both micro and macro factors, hypothetical propositions to be tested in this research are presented in the next section.

Propositions and Independent Variables for Administrative Reform

Demand-Side Factors: Micro

As demand-side factors, I include demands from individuals as well as those from organized interests. They are indicated by the tax burden, citizen ideology, fiscal health (or stress), density of bureaucrats, and density of business interests.

Individual tax burden

Citizens as taxpayers have concerns about their tax burdens, efficiency of government, and benefits to them as results of their tax payments. Higher tax burden creates demands for administrative reform to lessen tax burdens and to improve government efficiency and performance. Under a declining economy, states face both citizens demands to show what their taxes produce and a climate of resisting any new taxes (Berry, Brower, & Flowers, 2000). This suggests the first proposition:
$P_1$: Over all, the greater individual tax burdens, the more likely a state is to adopt administrative reform.

Conservative Citizen Ideology

Citizens have preferences and ideological orientations as to the appropriate scope and range of government activities. Democracy requires a close relationship between government policy and popular preferences and ideologies (Berry et al., 1998). Citizen ideology is generally conceived as the mean position on a conservative-liberal continuum of the active electorate (Erikson, Wright, and McIver, 1993). With regard to the scope or range of government, liberal citizens prefer active and positive government activities when compared to conservative citizens who prefer small government (Berry & Lowery, 1987). In relation to this tendency, conservative citizens might demand administrative reform to control bureaucracy relatively more and to make government as small as possible. During 1980s, mainly conservative politicians and economic stress led to administrative reform (Peters, 1995). This suggests the following proposition:

$P_2$: The more conservative citizen ideology of a state, the more likely a state is to adopt administrative reform.

Fiscal Health (Stress)

Elected officials will consider the availability of fiscal resources when they plan administrative reform. If there is fiscal stress, it will not be easy to advance administrative reform that is costly to implement since it will aggravate the fiscal stress. Fiscal health enhances the ability to adapt to new situations (Mohr, 1969). This suggests that political leaders operating under healthier fiscal conditions will be more likely to supply reforms (Parker, 1997). Performance based budgeting, which requires somewhat more resources to implement may be more likely to be adopted in periods of surplus than reorganization which requires fewer new resources.
On the other hand, serious fiscal conditions can create demands for administrative reform like lottery adoption or cutbacks that might be helpful to cope with the fiscal stress (Berry & Berry, 1990; Caiden, 1995; Peters, 1995; Noell, 1974). A serious fiscal condition may increase the demand for reorganization in these times even though supply will be limited by resources.

\[ P_3: \text{The more the fiscal stress of a state, the more reorganization is likely to occur.} \]

\[ P_4: \text{The less the fiscal stress of a state, the more performance budget reform is likely to occur because of the somewhat greater subjective costs of performance budgeting reform.} \]

**Bureaucratic Density**

Bureaucrats have their own self-interests and may not comply with the intentions of elected officials and do not necessarily share the interests of elected officials and their constituents (Horn, 1995). They are said to maximize budgets for their own well-being and to be interested in perks and promotion possibilities accompanying government growth (Buchanan, 1977; Niskanen, 1971). It is also suggested that bureaucrats will resist administrative reforms like performance-budgeting reform that increase control of elected officials by providing both incentives and punishments. Reforms may also increase uncertainties and difficulties in their working procedures. With regard to reorganization, bureaucrats will also resist reorganization that reduces their jobs and other benefits. In addition, changes in the power arrangements among bureaus that might be caused by reform might lead to bureaucratic resistance (Meier, 1980). According to the organizational innovation theory of Mohr (1969), bureaucrats are obstacles to reform in these cases. These suggest the following proposition:

\[ P_5: \text{The more powerful the bureaucracy of a state, the less likely a state adopt administrative reform of any type.} \]
Business Density

Elected officials are very sensitive to business interests since they are important sources of political support. Business interests have crucial influences and special advantages in the policy-making process in the United States (Lindblom & Woodward, 1998). The business sector has huge funds but also organizational resources. While it is much more difficult for large group of diffuse interests like general citizens to exert influences on administration or legislation, business interests with a high per capita stake in a specific legislation has more influence on administration or legislation (Horn, 1995). In short, these arguments suggest that business will be influential demanders of policy.

On the one hand, business sector might want to administrative reform like performance budget reform to make government work for results prone to business interests. On the other hand, business interests might want to maintain the status quo and will not like reorganization of government agencies that might break the close relationships with their partners and increase transaction costs. Reorganizations might also be supported by business interests, but these interests might be much more highly segmented and not related to support of overall reorganizations which while not expensive in the short run are shown to be of less value for increasing economy. These suggest the following proposition:

\[ P_6 : \text{The stronger business interests of a state, the more likely a state adopt performance budget reform.} \]

\[ P_7 : \text{The density of business interests will be unrelated to the adoption of reorganizations.} \]

Supply-Side Factors

The preference for administrative reform of political leaders who occupy political institutions and their capacities to achieve it are shaped by several factors. I include four
In a democratic society, elections are tools for selecting alternative preferences or forms of public policy including the form of government and a method of resource allocations. Newly elected leaders may have different policy preferences from the defeated incumbents. A new administration or legislature may have different preferences than defeated incumbents and are therefore powerful forces for agenda change (Kingdon, 1984, Sabatier, 1988). Research strongly supports the conclusion that new leaders change policy more than do longer standing incumbents (Bunce, 1981; Wolman et al., 1996; Feiock & Stream, 1995; Feiock & Clingemayer, 1999). Newly elected political leaders may want to restructure administrative arrangements to make sure that their interests are well reflected by administrative agencies (Horn, 1995). They might want to minimize transaction costs and to increase their control over the bureaucracy. This suggests the following propositions:

\[ P_8: \text{Administrative reform is most likely in the first year of a new governor's term.} \]

\[ P_9: \text{Administrative reform is most likely in the first year when the majority of legislative house has changed.} \]

**Conservative Government Ideology**

Elected officials not only seek reelection, but also advance policies based on their ideologies regarding “good government” (Feiock & Stream, 1998). In a democratic society, there should be a strong connection between government policy and the ideological orientations of political leaders (Berry et al., 1998). Liberal politicians tend to support redistributive policies such as welfare policy and favor strong government action, while conservative politicians tend to favor smaller government (Buchanan, 1977; Berry
& Lowery, 1983; Garland, 1988). Therefore, Conservative political leaders might seek to consolidate and reduce government size through reorganization more than liberal political leaders. Reorganizations during 1980s were largely caused by conservative politicians and economic stress (Peters, 1995). Although this explanation has been challenged in several ways (Lowery & Sigelman, 1982), there are also literatures that support this explanation (Cameron, 1978). With regard to the performance budget reform that is largely geared to control bureaucracy, it seems to be related to conservatives more than liberals since conservatives are less likely to trust government. This suggests the following proposition:

\[ P_{10}: \text{The more conservative government ideology, the more likely is administrative reform.} \]

**Unified Government**

Elected officials might think about the political feasibility when they consider large-scale administrative reform. With regard to this, if a party controls both executive and the legislatures, new large scale policy adoption might be much easier (Hansen, 1983). Unified government represents the capacity of a government to reform (Garnet, 1980; Berry & Berry, 1990). Also, it can reduce decision making costs (Horn, 1995). However, according to some research results, this is not always the case (Berry & Berry, 1990; Chackerian, 1996). With regard to state executive branch reorganization, Chackerian (1996) argues that governors who have the same party affiliation as the majority of legislators are more likely to depend upon informal working relationship and networks instead of formal restructuring to achieve their goals. In Florida, state executive branch reorganization occurred when the first Republican governor and the largely Democratic legislature became interested in reorganizing the existing working patterns of the old one-party system (Chackerian, 1994). In spite of Chackerian’s findings, the weight of the evidence suggests the following:
$P_{11}$: Administrative reform is more likely when the party of the governor and the majority party in both houses of the legislature are the same.

Electoral Competition

Electoral competition creates pressures on elected officials to respond to the demands of constituents (Key, 1949; Dawson & Robinson, 1963; Dye, 1966, 1984; Holbrook & Percy, 1992). Key (1949) argues that elected officials will make efforts to provide benefits through liberal policies to the lower class whose numbers are large among voters. However, with regard to administrative reform, electoral competition might affect administrative reform differently when compared to the welfare policy. Administrative reform disturbs the previous equilibrium of administrative arrangements that serves incumbent politicians and brings about distributional consequences (Feiock & Stream, 1998). Given these characteristics of administrative reform, strong competition among actors will provide strong incentives for incumbent politicians to maintain administrative arrangements that serve to them, even though minor or less controversial change of administrative reorganization might be adopted (Garnet, 1980). This suggests the following proposition:

$P_{12}$: The more electoral competition, the less likely is administrative reform.

<Macro Factors>

Economic Growth

Long-term economic waves or trends are very important factors that affect reorganization of government agencies (Barly & Kunda, 1992; Chackerian, 1996). Specifically, economic recession tends to press government to seek administrative reform as a way of responding to its consequences (Chackerian, 1996; Caiden, 1995; Peter, 1995). For example, “A survey of state budget officers in 1991 indicated that forty states experienced deficits that year and that states tended to perceive the economic downturn to
be not just a matter of surviving a recession, but a matter of restructuring state government” (Chackerian, 1996, p.29). However, performance-budget reform might occur more when the economic situation is not so dire because in these circumstances there are the necessary resources available for planning, rewards and performance incentives. This suggests the following propositions.

\[ P_{13} : \text{Performance-budget reform will occur more frequently during periods of economic growth and occur less often during waves of economic decline.} \]

\[ P_{14} : \text{Reorganization will occur less often during periods of economic growth and occur more often during waves of economic decline.} \]

**Population Density**

Reorganization may also be a product of social problems. Reorganization is primarily an attempt to cope with social problems or to adapt actual or anticipated changes in organizational environments (Mosher, 1967). Serious social conditions can be perceived as a serious problem or “crisis” and help move administrative reorganization onto the policy agenda (Cobb & Elder, 1983; Kingdon, 1984, Sabatier, 1988).

Population density is a rough indicator of the extent and complexity of social problems (Parker, 1997) and might be positively associated with administrative reform. This suggests the following proposition.

\[ P_{15} : \text{The higher the population density in a state, the more likely is administrative reform.} \]

**Diffusion, Competition, & Isomorphism**

State political leaders tend to emulate other states’ policy that seems to be popular and effective. To improve organizational performance, many states search for referent political units as an administrative reform model. The referent units may be defined in terms of geographic proximity, similar socio-political-economic characteristics,
communication links, etc.. Berry and Berry (1990) focus on the influence of neighboring jurisdictions. Similarly, DiMaggio & Powell (1983) argue that organizations tend to emulate the conventional ways when they face uncertainty, thereby resulting in structural isomorphism. In addition, competition among states for scarce resources (Tiebout, 1956) can lead to administrative reform. Local residents might choose to live in reformed state and this might give pressures states elected officials to reform their administrative arrangements. This suggests the following proposition:

\( P_{16} : \text{Administrative reform is more likely where the neighboring states have adopted administrative reforms.} \)

Professional Organization Density

The important role of professions as institutional agents has been argued consistently (Scott, 1995; Chackerian, 1996). Professionals control formal knowledge in this ‘secularized and rationalized time’ (Meyer, 1994; Scott, 1995). “The professions construct cognitive frameworks that define arenas within which they claim jurisdiction and seek to exercise control” (Scott, 1995, p.95-96). Professionals exercise their power via cognitive and normative processes and rule by controlling belief systems through their primary leverage over ideas. They try to influence policy by making recommendations or proposals for administrative reform (Scott, 1995). This suggests the following proposition:

\( P_{17} : \text{Administrative reform is more likely when the presence of professional organizations is strong.} \)

< Interaction Effects>

Although all individuals or organizations within a given environment are subject to the effects of environmental forces, all actors do not respond to these environmental forces in the same way (Scott, 1995). While institutions shape organizational
arrangements, key actors in organizations can articulate and execute their strategic views (Greenwood & Hinings, 1996). I expect some interaction effects between the micro and macro factors. Since there can be numerous combinations among the factors, I will consider several interactions that I think important theoretically.

**Neighbor Adoption * Institutional Turnover**

Powerful diffusion forces are the pressures for a state to emulate conventional reform ideas (DiMaggio & Powell, 1983). These include practices in neighboring state innovation (Berry & Berry, 1990). This condition may interact with the political institutions that may facilitate or block the reform process (Chackerian, 1996). Since a new administration or legislature may have different preferences than the defeated incumbents, they tend to change policy more than long standing incumbents (Bunce, 1981; Wolman et al., 1996; Feiock & Stream, 1995; Feiock & Clingemayer, 1999; Kingdon, 1984; Sabatier, 1988). Neighborhood diffusion forces may have stronger effects on the adoption of administrative reform when new ones replace existing governors or legislatures. This suggests the following proposition.

\[ P_{18} : \text{The effect of previously adopting neighboring states on adopting administrative reform is greater when an existing governor is replaced by a new governor.} \]

\[ P_{19} : \text{The effect of previously adopting neighboring states on adopting administrative reform is greater when a majority party is replaced by another party in a legislature.} \]

**Neighbor Adoption * Unified Government**

Diffusion forces of neighboring effects (Berry & Berry, 1990; DiMaggio & Powell, 1983) supporting administrative reform may also interact with the unified government to overcome obstacles to reform. If a party controls both the executive and legislatures, new large scale policy adoption might be much easier (Hansen, 1983). Therefore, the effects
of diffusion forces on the adoption of administrative reform might be stronger when there is unified government.

\( P_{20} \): The effect of previously adopting neighboring states on adopting administrative reform is greater when the party of the governor and majority of the legislatures are the same.

**Economic Growth * Institutional Turnover**

Serious economic decline increases the likelihood government will seek administrative reform (Chackerian, 1996; Caiden, 1995; Peters, 1995). This condition may interact with a change of leadership. Since a new administration or legislature may have preferences different than the defeated incumbents (Bunce, 1981; Wolman et al., 1996; Feiock & Stream, 1995; Feiock & Clingemayer, 1999; Kingdon, 1984; Sabatier, 1988), serious economic decline might have stronger effects on the adoption of large scale of reorganization when existing governors or majorities of legislatures are replaced by new ones. This suggests the following proposition.

\( P_{21} \): The effect of economic decline on adopting administrative reform is greater when an existing governor is replaced by a new governor.

\( P_{22} \): The effect of economic decline on adopting administrative reform is greater when the majority of existing legislature is replaced by a new one.

**Economic Growth * Unified Government**

While serious economic decline that presses government to seek administrative reform as a way of coping with the problems can have independent effects on the adoption of administrative reform, this condition may interact with the capability of political institutions that may facilitate or block the reform (Chackerian, 1996). Even though an economy declines, the adoption of administrative reform might not be easy
when institutional capacity to proceed the reform is weak (Peter, 1995). Therefore, economic decline might have stronger effects on the adoption of reorganization when the same party controls both the governorship and the legislatures. This suggests the following proposition.

\( P_{23} : \text{The effect of economic decline on adopting administrative reform is greater when the party of the governor and the majority party in both legislative houses are the same.} \)

**Professional Organization Density * Institutional Turnover**

Professionals control belief systems, and influence policy by making recommendations or proposals for administrative reform (Scott, 1995). However, the influence of professionals might interact with political institutions that facilitate or block the reform (Chackerian, 1996). Professionals might have stronger effects on the adoption of administrative reform when there is institutional turnovers since a new administration or legislature may have different preferences than the defeated incumbents (Bunce, 1981; Wolman et al., 1996; Feiock & Stream, 1995; Feiock & Clingemayer, 1999; Kingdon, 1984; Sabatier, 1988). This suggests the following proposition.

\( P_{24} : \text{The effect of the professions on adopting administrative reform is greater when an existing governor is replaced by a new governor.} \)

\( P_{25} : \text{The effect of the professions on adopting administrative reform is greater when an existing legislature is replaced by a new legislature.} \)

**Professional Organization Density * Unified Government**

While the professions may have independent effects on the adoption of administrative reform, this condition may interact with the capability of the political institutions (Peters, 1995). If a party controls both the executive and legislative branches of government, large scale policy adoption might be much easier (Hansen, 1983). The
effects of the professions on the adoption of administrative reform might be stronger when there is a unified government rather than divided government.

\[ P_{26} : \text{The effect of the professions on adopting administrative reform is greater when the party of the governor and the majority party in both legislatures are the same.} \]
CHAPTER 3
METHODOLOGY

Unit of Analysis

The units of analysis for this study are forty-eight U.S. continental states. Annual data for each of the variables in this study were collected for 48 U.S. continental states for the 17-year time period 1980 to 1996. The reason why I choose the year 1980 is related to “new federalism” and the beginning of the Reagan administration. From that time, not only were federal grants to states severely cut, but also states played a more important role in the federal system. This new trend, the so-called “Resurgence of the States” (Bowman, 1998) or “New Federalism” (Dye, 1990), provide the ideal context to study state government activities in terms of administrative reform. In addition, I choose 48 U.S. continental states to capture neighboring state effects on administrative reform.

Model & Hypotheses

To answer the research question of what accounts for state administrative reform, I will integrate both the micro and macro factors and also consider the interaction effects among the factors. Micro factors are elements in the political market in which political exchange occurs between demand-side forces and supply-side forces. However, these micro factors do not exist in a vacuum, but are embedded in more broad macro forces. In this model, I consider four macro forces such as neighbor adoption, professional organization density, economic growth, and population density. Figure 1 provides an overview of the model.
Figure 1: Integrated Theoretical Model for Explaining Administrative Reform
The hypotheses for the model and the related operational indicators are as follows:

<table>
<thead>
<tr>
<th>Propositions</th>
<th>Hypotheses &amp; Independent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MICRO FACTORS</strong></td>
<td></td>
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<tr>
<td><strong>DEMAND-SIDE</strong></td>
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<td><strong>Individual Tax Burden</strong></td>
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<tr>
<td><strong>Conservative Citizen Ideology</strong></td>
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<tr>
<td><strong>Fiscal Stress (Availability)</strong></td>
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</tbody>
</table>
| **Bureaucratic Density** | | $P_5$: The more powerful the bureaucracy of a state, the less likely a state adopts administrative reform of any type. $H_5$: The larger full-time equivalent employment of state government per 10,000 population (BUREAU), the less likely is a state to adopt administrative reform of any type.
### Business Density

**P₆**: The stronger business interests of a state, the more likely a state adopt performance budget reform

**P₇**: The density of business interests is likely to be unrelated to the adoption of reorganizations.

### SUPPLY-SIDE

#### Institutional Turnover

**P₈**: Administrative reform is more likely in the first year of a new governor’s term.

**P₉**: Administrative reform is more likely in the first year of a new legislature’s term

### Conservative Government Ideology

**P₁₀**: The more the government ideology is conservative, the more is likely administrative reform.

### Unified Government

**P₁₁**: Administrative reform is more likely when the party of the governor and the majority party in both legislatures are the same.

**H₆**: The higher the percentage of the workforce of entire industry among total population (BUS) of a state, the more likely a state adopt performance budget reform

**H₇**: The percentage of the workforce of entire industry among total population (BUS) of a state is not likely to be related to the adoption of reorganization.

**H₈**: Administrative reform is more likely in the first year of a new governor’s term.

*Gubernatorial turnover (GOVTURN): a dummy variable that equals “1” in the immediately following year of gubernatorial turnover (election) year, “0” otherwise

**H₉**: Administrative reform is more likely in the first year of a new legislature’s term

*Legislative turnover (LEGTURN): a dummy variable that equals “1” in the immediately following year of legislative turnover (election) year, “0” otherwise

**H₁₀**: The smaller the government ideology measure (GOVIDEO) developed by Berry et al. (1998), the more likely is administrative reform.

**H₁₁**: Administrative reform is more likely to occur when the governor’s party and the majority of the two legislative houses are the same.
<table>
<thead>
<tr>
<th><strong>Electoral Competition</strong></th>
<th><strong>MACRO FACTORS</strong></th>
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</thead>
<tbody>
<tr>
<td>$P_{12}$: The more electoral competition, the less likely is administrative reform.</td>
<td></td>
</tr>
<tr>
<td>$H_{12}$: The larger the Holbrook &amp; Dunk (1993) index score of electoral competition (ELETCOM), the less likely is administrative reform</td>
<td></td>
</tr>
<tr>
<td><strong>MACRO FACTORS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Economic Growth</strong></td>
<td></td>
</tr>
<tr>
<td>$P_{13}$: Performance-budget reform might occur more during trends of economic growth and occur less during waves of economic decline.</td>
<td>$H_{13}$: Performance-budget reform may occur more often when per capita GSP (Gross State Product) increases.</td>
</tr>
<tr>
<td>$P_{14}$: Reorganization might occur more during trends of economic decline and occur less during waves of economic growth.</td>
<td>$H_{14}$: Reorganization may occur more often when per capita GSP (Gross State Product) decreases.</td>
</tr>
<tr>
<td><strong>Population Density</strong></td>
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</tr>
<tr>
<td>$P_{15}$: The higher the population density of a state, the more likely is administrative reform.</td>
<td>$H_{15}$: The higher the population per square mile (POPDENS), the more likely is administrative reform.</td>
</tr>
<tr>
<td><strong>Neighbor Adoption</strong></td>
<td></td>
</tr>
<tr>
<td>$P_{16}$: Administrative reform is more likely to be positively related to neighboring effects</td>
<td>$H_{16}$: Administrative reform is more likely the larger the number of neighboring states that have adopted administrative reform (NEIGHBOR).</td>
</tr>
<tr>
<td><strong>Professional Organization Density</strong></td>
<td></td>
</tr>
<tr>
<td>$P_{17}$: Administrative reform is more likely when the presence of the profession is strong</td>
<td>$H_{17}$: Administrative reform is more likely when the number of professional organizations in a state (PROFESSION) is larger.</td>
</tr>
</tbody>
</table>
### INTERACTION EFFECTS

**Neighbor Adoption** * Institutional Turnover

<table>
<thead>
<tr>
<th>Equation</th>
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<tr>
<td>$P_{18}$</td>
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<td>The effect of previously adopting neighboring states on adopting administrative reform is greater when existing legislatures are replaced by new ones.</td>
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**Neighbor Adoption** * Unified Government

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<td>$P_{20}$</td>
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**Economic Growth** * Institutional Turnover

<table>
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<tr>
<td>$P_{21}$</td>
<td>The effect of economic wave on adopting administrative reform is greater when an existing governor is replaced by a new governor.</td>
</tr>
<tr>
<td>$P_{22}$</td>
<td>The effect of economic wave on adopting administrative reform is greater when existing legislatures are replaced by new legislatures.</td>
</tr>
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</table>

**Economic Growth** * Unified

<table>
<thead>
<tr>
<th>Equation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_{18}$</td>
<td>The effect of the number of neighboring states that share borderlines and have already adopted reorganization on adopting administrative reform is stronger when an existing governor is replaced by a new governor.</td>
</tr>
<tr>
<td>$H_{19}$</td>
<td>The effect of the number of neighboring states that share borderlines and have already adopted reorganization on adopting administrative reform is stronger when the majority of legislative house is replaced.</td>
</tr>
<tr>
<td>$H_{20}$</td>
<td>The effect of the number of neighboring states that share borderlines and have already adopted reorganization on adopting administrative reform is greater when the party of the governor and the majority party in both legislative houses are the same.</td>
</tr>
<tr>
<td>$H_{21}$</td>
<td>The effect of the per capita Gross State Product on adopting administrative reform is greater when an existing governor is replaced by a new governor.</td>
</tr>
<tr>
<td>$H_{22}$</td>
<td>The effect of the per capita Gross State Product on adopting administrative reform is greater when the majority of legislative house is replaced.</td>
</tr>
</tbody>
</table>
Government

P23: The effect of economic wave on adopting administrative reform is greater when the party of the governor and the majority party in both legislatures are the same.

Professional Organization Density *
Institutional Turnover

P24: The effect of the professions on adopting administrative reform is greater when an existing governor is replaced by a new governor.

P25: The effect of the professions on adopting administrative reform is greater when an existing legislature is replaced by a new legislature.

Professional Organization Density *
Unified Government

P26: The effect of the professions on adopting administrative reform is greater when the party of the governor and the majority party in both legislatures are the same.

P23: The effect of the wave of the per capita Gross State Product on adopting administrative reform is greater when the party of the governor and the majority party in both legislatures are the same.

H24: The effect of the number of professional organizations on adopting administrative reform is greater when an existing governor is replaced by a new governor.

H25: The effect of the number of professional organizations on adopting administrative reform is greater when the majority of an existing legislature is replaced by a new one.

H26: The effect of the number of the professional organizations on adopting administrative reform is greater when the party of the governor and the majority party in both legislative houses are the same.

Statistical Method : Event History Analysis

There are several types of event history analysis whose goals are to explain a ‘qualitative change’ or ‘event’ or ‘failure’ that occurs in the behavior of a unit at a particular point in time (Allison, 1984; Tuma and Hannan, 1984; Yamaguchi, 1991; Hosmer & Lemeshow, 1999). In his research on state executive branch reorganization, Chackerian (1996) focuses on the age or duration of an organizational form until
reorganization event occurs instead of focusing on dichotomous results like “reorganized” or “not reorganized”.

In this paper, I will focus on “adoption of administrative reform” or “not adoption” rather than on the amount of time that a subject is at risk while under observation. Therefore, the dependent variables are dichotomous variables that have “1” (“adopted”) or “0” (“not adopted”). With regard to the dichotomous dependent variable as the probability of adopting a policy, it is criticized as simplifying reality and not distinguishing variances among policy adoptions such as between ‘superficial or symbolic’ and ‘deep or substantial’ adoption, and between initial adoption and reinvention (Glick & Hays, 1991). To study the variations among policy adoptions is important. Also, it is still very important to study the determinants of policy adoption when compared to the cases of non-adoption. Therefore, in this study, as the first stage of understanding the adoption of administrative reform, I will use the dichotomous dependent variable. In a future study, the variations among the adoption of administrative reform will be examined.

In this discrete time model, the period of analysis is divided into a set of distinct units –years -. “Risk set” in this research is the set of states in the sample that are “at risk” of having a chance of experiencing the event – the adoption of administrative reform – at a particular time. “Hazard rate” is the probability that a state will experience the adoption of administrative reform (viz., state executive branch reorganization and state performance-based budgeting legislation) during a particular time. This hazard rate is determined by a set of independent variables.

The data set involves a varying number of observations for the states. The dependent variable time series for each of adopting states consists of a series of “0”s beginning 1980 and ending in the year before the state adopts administrative reform, followed by a “1” in adoption year. For a state not adopting the two administrative reform by 1996, the time series for the dependent variable has only “0”s.

Event history analysis has advantages over the traditional cross-sectional approach for state innovation research (Berry & Berry, 1990). It can provide the effects of states’ characteristics that vary substantially from year to year on the probability of the adoption of administrative reform. That is, the coefficient estimates can be used to calculate
predicted probabilities that a state with specified characteristics will adopt a policy in any given year. Furthermore, these predicted probabilities could be used to assess the nature of interactions among the determinants of adoption probability. Event history analysis allows for censored and truncated data. Most of all, event history analysis can generate meaningful empirical results even when the number of events is too rare to be conducted using regression analysis (Berry & Berry, 1990). The parameters of the model are estimated based on the maximum likelihood method.

Since my model integrates both micro and macro factors and also considers the interactions among the factors, a question of how to specify the interactions in my model can be raised. With regard to testing for interaction in models with binary dependent variables like this event history analysis, there have been disputes about whether or not to include the interaction terms in the model. Nagler (1991) and Frant (1991) argue that the interaction terms (X1X1) should be included in the probit or logit model with each interactive variable (X1, X2) and other independent variables. The hypotheses are assessed by examining the statistical significance of the coefficient estimate for the interaction term. However, other researchers (Wolfinger & Rosenstone, 1980; Jacobson, 1990; Berry & Berry, 1990) argue that the multiplicative terms should not be included in the probit or logit model since the model is inherently interactive with regard to the effects of X1 and X2 on the probability of adoption. Instead, tests for interactions can be done by using “the maximum likelihood estimates of the coefficients to calculate predicted values of Pr (Y=1) at selected values of X1 and X2 and then estimating how the amount of change in Pr(Y=1) resulting from a fixed change in X1 varies with the level of X2” (Berry, 1990).

Recently, based on a critique of previous approaches, Berry (1999) proposes an alternative. It does include multiplicative terms in a probit or logit model. However, hypotheses about interaction are tested differently depending on whether the dependent variable of conceptual interest is the observed dichotomous variable or a latent, unbounded, continuous variable that is measured by the observed dichotomous dependent variable. In the latter case, hypotheses testing the interactions should be done by directly examining the maximum likelihood estimates of the coefficients for the multiplicative...
terms. In the former case, such as the adoption of administrative reform, the propositions are tested by analyzing changes in the predicted probability.

Because there is no consensus on the methodology regarding interaction effects in models with binary dependent variables, I first built my model without interaction terms as indicated below. After that, I built a model including interaction terms.

\[
PBB_{i,t} = \Phi (\beta_1 \text{TAXBUR}_i,t + \beta_2 \text{CITIDEO } i,t + \beta_3 \text{FISCAL } i,t-1 + \beta_4 \text{BUREAU} + \beta_5 \text{BUS}_i,t + \beta_6 \text{GOVTURN}_i,t + \beta_7 \text{LEGTURN } i,t + \beta_8 \text{GOVIDEO } i,t + \beta_9 \text{UNIFIED } i,t + \beta_{10} \text{ELECTCOM } i,t + \beta_{11} \text{ECOWAVE}_i,t + \beta_{12} \text{NEIGHBOR}_i,t + \beta_{13} \text{PROFESSION}_i,t + \beta_{14} \text{POPDENS } i,t)\]

\[
\text{REORG } i,t = \Phi (\beta_1 \text{TAXBUR}_i,t + \beta_2 \text{CITIDEO } i,t + \beta_3 \text{FISCAL } i,t-1 + \beta_4 \text{BUREAU} + \beta_5 \text{BUS}_i,t + \beta_6 \text{GOVTURN}_i,t + \beta_7 \text{LEGTURN } i,t + \beta_8 \text{GOVIDEO } i,t + \beta_{9} \text{UNIFIED}_i,t + \beta_{10} \text{ELECTCOM}_i,t + \beta_{11} \text{ECOWAVE}_i,t + \beta_{12} \text{NEIGHBOR}_i,t + \beta_{13} \text{PROFESSION}_i,t + \beta_{14} \text{POPDENS } i,t )\]

\(N(i) : 1 \to 48 \ (48 \text{ states}) \), \(T(t) : 1 \to 18 \ (1980 \to 1997)\)
In addition, I tried another model that includes a single interaction term between demand and supply to see whether or not there is interaction effect between demand and supply factors as in a market. For this, I first made an index for all of the supply side factors and an index for all of the demand side factors. To construct the index, I changed all the values of a variable into relative value based on the mean value of the variable. I then added all the values of the variables according to demand group variables and supply group variables.

Operationalizations & Data Sources

Dependent Variables

REORGi,t\(^1\) is a dichotomous dependent variable which has the value of “1” (“adoption of reorganization”) or “0” (not adoption of reorganization).

PBBi,t \(^1\) is a dependent variable that has dummy value of “1” (“adoption of performance-based budgeting legislation”) or “0” (“not adoption of performance-based budgeting legislation”).

\(\Phi\) denotes the cumulative normal distribution function.

Independent Variables

<Micro Variables>

Demand-Side Variables

I include indicators of both aggregate demands of individuals and organized interests. Individual tax burden (TAXBUR) is measured by the per capita tax collection in a state.

Data sources are Compendium of State Government Finances (Department of Commerce, Department of Commerce, 1999). My focus is on relatively large scale or comprehensive reorganizations rather than partial incremental reorganization and comprehensive reorganization means reorganization that “involves the creation, abolition, or reorganization of at least four discrete agencies that involve four or more functional areas such as the creation of a new department”.

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\(^1\) My focus is on relatively large scale or comprehensive reorganizations rather than partial incremental reorganization and comprehensive reorganization means reorganization that “involves the creation, abolition, or reorganization of at least four discrete agencies that involve four or more functional areas such as the creation of a new department.”
Bureau of the Census, annual report), Current Population Reports (U.S. Bureau of the Census) and Statistical Abstract of the United States (U.S. Census Bureau). Citizen ideology (CITIDEO) is measured by the index developed by Berry et al.(1998). Data source is the updated 1960-1997 citizen ideology series (ICPSR # 1208) by Berry et al. (1998). I selected the citizen ideology measure because, on the one hand, the measure as dynamic measure can reflect annual change of public mood when compared other citizen ideology measure that is static (Erikson, Wright, & McIver, 1993), and, on the other hand, it appears to have both validity and reliability².

Fiscal stress or availability (FISCAL) is measured by the index of (total state revenue-total state expenditure) divided by total state revenue. Data sources are Compendium of State Government Finances (Department of Commerce, Bureau of the Census, annual report) and Statistical Abstract of the United States (U.S. Census Bureau, annual report). Density measures are provided both for government (BUREAU) and business (BUS). Bureaucratic density is measured by the number of full-time equivalent employment of state government per 10,000 population. Data sources are Public Employment (U.S. Bureau of the Census) and Statistical Abstract of the United States (U.S. Census Bureau, annual report). Business density is measured by the proportion of the workforce in the entire industry (services, manufacturing, wholesale and retail trade, etc.) among total population. Data sources are Employment and Earnings (U.S. Bureau of Labor Statistics, monthly) and Statistical Abstract of the United States (U.S. Census Bureau, annual report).

Supply-Side Variables

² To develop the measure, Berry et al. (1998) first identify the ideological position of each member of Congress in each year using interest group rating. Then, they estimate citizen ideology in each district of a state using the ideology score for the district’s incumbent, the estimated ideology score for a challenger to the incumbent, and election results that presumably reflect ideological divisions in the electorate. The citizen ideology in a congressional district in a given year is estimated by averaging the ideology scores for major party candidates, using weights that are proportional to each candidate’s share of support in the district. Finally, citizen ideology scores for each district are used to compute an unweighted average for the state as a whole. See William D. Berry, Evan J. Ringquist, Richard C. Fording, Russell L. Hanson. “Measuring citizen and government ideology in the American states” in the American Journal of Political Science. Volume 42, Issue 1 (Jan., 1998). 327-348.
I include four supply forces in my model: institutional turnover, government ideology, electoral competition, and unified government. Institutional turnover includes two indicators. One is gubernatorial turnover and the other is legislative turnover. Governor turnover (GOVTURN) is a dummy variable that equals “1” in the immediately following year of gubernatorial turnover (election) year, “0” otherwise. Legislative turnover (LEGTURN) is also a dummy variable that equals “1” in the immediately following year of legislative turnover (election) year, “0” otherwise. Data sources are *Book of the State (The Council of State Government, biennial)* and *Statistical Abstract of the United States (U.S. Census Bureau, annual report)*. Government ideology (GOVIDEO) is measured by the index developed by Berry et al. (1998) which combines the annual ideology scores for five major actors in state government such as the governor, and major legislative parties. The data source is *the updated 1960-1996 government ideology series (ICPSR#1208)* by Berry et al. (1998). Like the citizen ideology measure, it is a dynamic measure that can capture the change in the ideology of states’ political leaders. As policy mood changes (Stimson, 1991, 1994), it is better to use dynamic measure rather than static measure of government ideology.

Electoral competition (ELECTCOM) is measured by Holbrook & Dunk (1993) index of electoral competition. Garnet (1980) and Chackerian (1996) measure interparty

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3 The measure is constructed by Berry et al. (1998) as follows:

$$\text{GOVTIDEO}_{s,t} = (.25)\left[\left(\text{POW:DEM:LOW}_{s,t} \times \text{ID:DEM:LOW}_{s,t}\right) + \left(\text{POW:REP:LOW}_{s,t} \times \text{ID:REP:LOW}_{s,t}\right)\right] + (.25)\left[\left(\text{POW:DEM:UPP}_{s,t} \times \text{ID:DEM:UPP}_{s,t}\right) + \left(\text{POW:REP:UPP}_{s,t} \times \text{ID:REP:UPP}_{s,t}\right)\right] + (.50)\left[\text{ID:GOV}_{s,t}\right]$$

where \(\text{GOVTIDEO}_{s,t}\) is the overall ideology of government in state \(s\) and year \(t\). \(\text{POW:DEM:LOW}_{s,t}\) and \(\text{POW:REP:LOW}_{s,t}\) are the Democrats’ and Republicans’ share of power within a state’s lower and upper chambers respectively. \(\text{ID:DEM:LOW}_{s,t}\) and \(\text{ID:REP:LOW}_{s,t}\) are the average ideology scores of Democrats and Republicans in a state’s lower and upper chambers respectively. \(\text{ID:GOV}_{s,t}\) is the governor’s ideology, equal to the average ideology score of all members of the state legislature in the governor’s party.


4 Holbrook & Dunk (1993) used the ICPSR data which are taken from State Legislative Election Returns in the United States (1968-1986) to construct the index. The index is based on several components such as the percentage of the popular vote won by the winning candidate, the winning candidate’s margin of victory, whether or not the seat is safe based on the winning percentage of 55% or more as a safe seat, and whether or not the race was contested. Then, each of the four components are averaged across districts and combined into a single index value for each state from 1982 to 1986. As the scale increases from 0, it indicates stronger competition. See Thomas M. Holbrook & Emily Van Dunk. Electoral competition in the
competition by two times of the ratio of the second party membership in the legislature. The Ranney index of inter-party competition\(^5\) also has been used, but I select the Holbrook & Dunk’s measure that is based on district-level outcomes of state legislative elections since it appears to be better in terms of validity and reliability (Holbrook & Dunk, 1993). Data sources are America Votes (Elections Research Center, biennial) and Statistical Abstract of the United States (U.S. Census Bureau, annual report). Unified government (UNIFIED) is measured by a dummy variable that equals “1” if there is same party majority control over executive and both legislatives at the time of administrative reform, “0” otherwise. Data sources are America Votes (Elections Research Center, biennial), Book of the State (The Council of State Government, biennial) and Statistical Abstract of the United States (U.S. Census Bureau, annual report).

<Macro Variables>

Economic Growth (ECOWAVE) is measured by per capita GSP (Gross State Product). The data source is the Statistical Abstract of the United States (U.S. Census Bureau, annual report). To measure the regional diffusion and competition forces, I use the number of neighboring states (NEIGHBORS) that share the borders and have already adopted administrative reform.\(^6\) I measure the Professional Organization Density (PROFESSION) using the number of professional organizations in a state. The data source is County Business Patterns (U.S. Bureau of the Census, annual).

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\(^5\) The Ranney Index is computed based on the average of four components such as (1) the percentage of seats held by the Democrats in the state house; (2) the percentage of seats held by the Democrats in the state Senate; (3) the percentage of vote won by the Democratic gubernatorial candidate(s); and (4) one if the Democrats controlled both houses and the governorship, zero otherwise. The index is folded to remove partisan bias and so the measure is bound by .50 to 1; with 1 indicating the highest degree of competition and .50 indicating the lowest degree of competition. See Bibby, John F., Cornelius P. Cotter, James L. Gibson and Robert J. Huckshorn. "Parties in State Politics." (Notes, page 575) in Politics in the American States. Ed., Virginia Gray, Herbert Jacob and Robert B. Albritton (1990).

density (POPDEN) is measured by the number of population per square mile. Data source is the *Statistical Abstract of the United States (U.S. Census Bureau, annual report).*
CHAPTER 4
FINDINGS

4-1. Performance-based budgeting legislation

The results of the model for the adoption of performance-based budgeting legislation are presented in Table 1. They are estimated using event history analysis. The Log

| Variables               | coefficients | Predicted direction | Actual direction | Z     | P>|Z| |
|-------------------------|--------------|---------------------|------------------|-------|-----|
| Micro Factors           |              |                     |                  |       |     |
| Demand-Side Factors     |              |                     |                  |       |     |
| TAXBUR                  | .0013853     | +                   | +                | 2.16  | 0.031** |
| FISCAL                  | 1.2046490    | +                   | +                | 1.49  | 0.137 |
| BUREAU                  | -.0080166    | -                   | -                | -1.94 | 0.053** |
| BUS                     | .0097112     | +                   | +                | 0.25  | 0.802 |
| CITIDEO                 | .0131119     | -                   | -                | 0.82  | 0.412 |
| Supply-Side Factors     |              |                     |                  |       |     |
| UNIFIED                 | .0024713     | +                   | +                | 0.02  | 0.986 |
| GOVTURN                 | .1198190     | +                   | +                | 0.35  | 0.730 |
| LEGTURN                 | .6373214     | +                   | +                | 2.08  | 0.037** |
| POLCOMP                 | -.0295588    | -                   | -                | -1.99 | 0.047** |
| GOVIDEO                 | -.0101934    | -                   | -                | -1.41 | 0.158 |
| Macro Factors           |              |                     |                  |       |     |
| NEIGHBOR                | .1826531     | +                   | +                | 1.45  | 0.146 |
| PROFESSION              | -.0003093    | +                   | -                | -0.25 | 0.799 |
| PCGSP                   | .0000701     | +                   | +                | 1.40  | 0.160 |
| POPDENS                 | -.0010844    | +                   | -                | -1.36 | 0.172 |
| Intercept               | -3.278832    |                     |                  | -1.44 | 0.150 |

Note: All significant tests except intercept are one-tailed (intercept: two-tailed test).
*p<.10, **p<.05
likelihood is – 65.018264 and Prob>chi2 is 0.0000 and Pseudo $R^2$ is 32.67%.

Even though the adoptions of performance-based budgeting legislation are rare with only 3.65% of the total number of observations in the sample, most of hypotheses are supported in terms of either direction or statistical significance. My research results confirm several important relationships between the adoption of state performance-based budgeting legislation and several independent variables such as individual tax burden, electoral competition, legislative turnover, and bureaucratic density.

Higher individual tax burden has been confirmed as creating demands for performance-based budgeting legislation (Berry, Brower, & Flowers, 1999; Caiden, 1995; Peters, 1995). The positive relationship between the adoption of performance-based budgeting reform and individual tax burden was confirmed as statistically significant at the 0.05 level of significance.

With regard to the relationship between fiscal health and the adoption of performance-based budgeting legislation, the result shows positive relationship between the two variables as expected. Elected officials will consider the availability of fiscal resources when they plan costly performance budget reform. This research result supports Parker’s (1997) argument that political leaders operating under healthier fiscal conditions will be more likely to supply reforms. However, it was not confirmed as statistically significant.

Bureaucrats act as self-interested actors who resist administrative reform (Niskanen, 1971; Buchanan & Tullock, 1977). This research result shows the negative relationship as expected between the power of bureaucracy and the adoption of performance-based budgeting legislation. The greater the power of the bureaucracy of a state, the less likely is a state to adopt performance-based budgeting legislation which is typically an arrangement to control bureaucrats. Bureaucrats resist performance budget reform also because it increases uncertainties and difficulties in their working procedures. It was confirmed at the 0.05 level of significance.

This research shows the positive relationship between business density and the adoption of performance-based budgeting legislation. Business interests seem to want
performance based budget reform to make government work for better results. However, the relationship was not confirmed as statistically significant.

With regard to the relationship between citizen ideology and the adoption of performance-based budgeting legislation, the more conservative the citizen ideology, the more likely is the adoption of performance-based budget reform. However, it was not confirmed as statistically significant. According to this research result, citizen ideology does not have important effect on the adoption of performance-based budget reform.

With regard to supply-side variables, all predicted directions of the relationships have been confirmed. First of all, institutional turnover has positive relationship with the adoption of performance-based budgeting reform. According to previous research, developments in the political sphere and a new administration or legislatures are powerful determinants of policy change (Wolman et al., 1996; Kingdon, 1984; Sabatier, 1988; Feiock & Clingemayer, 1999). There is a statistically significant and positive relationship between legislative turnover and the adoption of performance-based budgeting reform at the 0.05 level of significance. Newly elected coalitions in the legislatures tend to have different preferences from incumbent legislatures and produce more policy changes. However, even though the relationship between gubernatorial turnover and the adoption of performance-based budgeting reform is in the expected direction, it was not confirmed as statistically significant.

With respect to the relationship between unified government and the adoption of performance-based budgeting legislation, the result shows positive relationship between the two variables, but it was not confirmed as statistically significant. According to this result, administrative reform does not necessarily occur more when the party of the governor and the majority party in both houses of the legislatures are the same.

With regard to the relationship between electoral competition and the adoption of performance budget reform, this research shows a negative relationship between the two. Generally, in relation to welfare policy, electoral competition creates pressures on elected officials to provide benefits through liberal policies to the lower class (Key, 1949; Dawson & Robinson, 1963; Holbrook & Percy, 1992). However, electoral competition affects administrative reform differently. This research result confirms Chackerian (1996)’s hypothesis by showing that there is a negative relationship between electoral competition and...
competition and the adoption of performance-based budgeting legislation. Administrative reform disrupts the previous equilibrium of administrative arrangements that serve incumbent politicians and brings about distributional consequences (Feiock & Stream, 1998). Given this characteristic of administrative reform, strong competition among legislators will bring about strong incentives of incumbent politicians to maintain the status quo that serves them, even though less controversial reorganization might be adopted. According to this research result, the more electoral competition, the less likely is the adoption of performance budget reform.

With regard to the relationship between government ideology and the adoption of performance-based budgeting legislation, the result shows negative relationship between the two variables as expected. The more conservative government ideology, the more likely is performance budget reform. However, it was not confirmed as statistically significant. Therefore, administrative reform does not necessarily occur more when government ideology is more conservative.

With regard to macro variables, some of the predicted relationships with the adoption of performance budget reform confirms some expected association, but not all. First, the relationship between the adoption of performance-based budget reform and neighbor adoption shows the expected positive relationship indicating the importance of diffusion, competition, or isomorphism (Berry & Berry, 1990; Tiebout, 1956; DiMaggio & Powell, 1983). However, it was not confirmed as statistically significant.

With regard to the relationship between professional organization density and the adoption of performance-based budgeting reform, the result is the opposite direction of that expected, although it is not statistically significant. Professional organizations do not play significant roles in adopting performance-based budgeting reform.

With regard to the relationship between macro economic capacity and the adoption of performance-based budgeting reform, this research shows the expected positive direction. Macro economic capacity seems to be a slack resource important for adopting performance-based budgeting reform. However, it was not confirmed as statistically significant.

With regard to the relationship between population density and the adoption of performance-based budgeting reform, the result is opposite of that expected, even though...
the relationship is not statistically significant. Population density does not play significant roles in adopting performance-based budgeting.

In summary, the results confirm that the adoption of performance budget reform occurs more when individual tax burden is higher, electoral competition is less severe, bureaucratic density is lower, and there is a legislative turnover.

4-2. State Executive Branch Reorganization

The results of the model for the adoption of state executive branch reorganization are presented in Table 2. They are also estimated using event history analysis. The Log likelihood is – 30.645268 and Prob>chi2 is 0.0748 and Pseudo R$^2$ is 26.58%.

The adoptions of state executive branch reorganization are rare with only 1.74% of the total number of observations in the sample. Few of the hypotheses are supported at statistically significant levels except for the micro demand factor of tax burden and the supply side factor of conservative government ideology and the macro factor of population density. This failure of hypothesis confirmation extends to three demand side factors in that the relationships are in the unexpected direction although not significant. In the case of the supply side factors and macro factors all variables are associated in expected directions.

With regard to demand-side variables, higher individual tax burden has been confirmed as creating demands for state executive branch reorganization (Caiden, 1995; Peters, 1995; Cobb & Elder, 1983; Kingdon, 1984; Sabatier, 1988). The positive relationship between the adoption of state executive branch reorganization and individual tax burden was confirmed as statistically significant at the 0.1 level.

With regard to the relationship between fiscal health, bureaucratic density and conservative citizen ideology and the adoption of state executive branch reorganization, the relationships are not in the predicted direction. Only business density is, as expected, negatively related to reorganization adoption.
Table 4-2

Estimation results for event history analysis model of state executive branch reorganization

| Variables       | coefficients | Predicted direction | Actual direction | Z    | P>|Z| |
|-----------------|--------------|---------------------|------------------|------|-----|
| Micro Factors   |              |                     |                  |      |     |
| Demand-Side     |              |                     |                  |      |     |
| TAXBUR          | .0025734     | +                   | +                | 1.61 | 0.107* |
| FISCAL          | .8772696     | -                   | +                | 0.26 | 0.791 |
| BUREAU          | .0058024     | -                   | +                | 1.13 | 0.259 |
| BUS             | -.0777944    | -                   | -                | -1.50| 0.135 |
| CITIDEO         | .0005276     | -                   | +                | 0.02 | 0.982 |
| Supply-Side     |              |                     |                  |      |     |
| UNIFIED         | -.3052765    | +                   | -                | -1.38| 0.168 |
| GOVTURN         | .3142747     | +                   | +                | 0.81 | 0.418 |
| LEGTUR          | .4254872     | +                   | +                | 0.80 | 0.423 |
| POLCOMP         | -.0260834    | -                   | -                | -1.12| 0.261 |
| GOVIDEO         | -.0247594    | -                   | -                | -1.78| 0.076*|
| Macro Factors   |              |                     |                  |      |     |
| NEIGHBOR        | .3364784     | +                   | +                | 0.90 | 0.369 |
| PROFESSION      | .0023136     | +                   | +                | 1.08 | 0.282 |
| PCGSP           | -.0001501    | -                   | -                | -1.37| 0.172 |
| POPDENS         | .0025522     | +                   | +                | 2.24 | 0.025**|
| Intercept       | 2.849218     |                     |                  | 0.91 | 0.363 |

Note: All significant tests except intercept are one-tailed (intercept: two-tailed test).
*p<.10, **p<.05

With regard to supply-side variables, all predicted directions of the relationships except unified government variable have been confirmed by the research results. Institutional turnover has positive relationship with the adoption of state executive branch reorganization as suggested by previous research (Wolman et al., 1996; Kingdon, 1984; Sabatier, 1988; Feiock & Clingemayer, 1999). Newly elected coalitions in the legislatures or governors tend to have different preferences from incumbent legislatures or governors.
and produce more policy change. However, the relationships are not confirmed as statistically significant.

With regard to the relationship between unified government and the adoption of state executive branch reorganization, the result shows negative and opposite relationship between the two variables that I expected, but it was not confirmed as statistically significant. The negative relationship between the two variables is consistent with Chackerian(1996)’s findings.

With regard to the relationship between electoral competition and the adoption of state executive branch reorganization, this research result shows negative relationship between the two that I expected. Generally, in relation to welfare policy, electoral competition creates pressures on elected officials to provide benefits through liberal policies to the lower class (Key, 1949; Dawson & Robinson, 1963; Holbrook & Percy, 1992). However, with regard to administrative reform, electoral competition might affect administrative reform differently when compared to the welfare policy. Administrative reform shakes previous equilibrium of administrative arrangements that serve incumbent politicians and bring about distributional consequences (Feiock & Stream, 1998). Given this characteristic of administrative reform, strong competition among legislators will bring about strong incentives of incumbent politicians to maintain administrative arrangements that serve them, even though minor or less controversial change of administrative reorganization might be adopted. However, the relationship was not confirmed as statistically significant.

With regard to the relationship between government ideology and the adoption of state executive branch reorganization, the result shows negative relationship between the two variables. The more conservative government ideology, the more is likely state executive branch reorganization. This relationship was confirmed as statistically significant at the 0.10 level.

With regard to macro variables, all predicted directions of the relationships are confirmed. Neighbor adoption has positive relationship with the adoption of state executive branch reorganization as suggested in previous research that emphasize on the importance of diffusion, competition, or isomorphism processes (Berry & Berry, 1990;
Tiebout, 1956; DiMaggio & Powell, 1983), but it was not confirmed as statistically significant.

The relationship between the professional organization density and the adoption of state executive branch reorganization is, as expected, positive, but not statistically significant. Apparently, professional organization density does not play a significant role in adopting state executive branch reorganization.

The relationship between macro economic growth and the adoption of state executive branch reorganization is negative, as expected, but not statistically significant.

The relationship between population density and the adoption of state executive branch reorganization is both in the expected direction and statistically significant.

In short, the results confirm that the adoption of state executive branch reorganization occurs more when individual tax burden is higher, government is conservative, and population density is higher.

4-3. Administrative reform model including interaction terms

The interaction terms for the adoption of performance budget reform and state executive branch reorganization are presented in Table 3. The results are estimated using event history analysis. In relation to specifying the interaction in models, I followed Nagler (1991) and Frant’s (1991) arguments that the interaction terms (x1x2) should be included in the probit or logit model with each interactive variable (x1, x2), and other independent variables. The hypotheses are assessed by examining the statistical significance of the coefficient estimates for the interactive terms.

Overall, the model for the adoption of performance budget reform fits the data better than without the interaction terms. The log likelihood is – 62.187679 and Prob>chi2 is 0.0000 and Pseudo R^2 is 0.3560. The findings confirm several important relationships between the adoption of performance budget reform and individual tax burden, electoral competition, and bureaucratic density. However, there are no significant relationships between the adoption of performance budget reform and interaction terms.

The model for state executive branch reorganization with interaction terms also improves the fit. The log likelihood is –23.756881 and Prob>chi2 is 0.0416 and Pseudo
$R^2$ is 0.4309. The results confirm some relationships between the adoption of state executive branch reorganization and the independent variables including interaction terms such as population density, the interaction between neighbor adoption and unified government, and the interaction between economic trend and legislative turnover.

Specifically, even though there are no significant relationships between the adoption of state executive branch reorganization and neighbor adoption, unified government, economic growth, and legislative turnover, it is confirmed that the interaction between neighbor adoption and unified government and the interaction between economic growth and legislative turnover have significant effect on the adoption of state executive branch reorganization. These results show that the effect of neighbor adoption on the adoption of state executive branch reorganization is stronger when there is unified government and also the effect of economic growth on the adoption of state executive branch reorganization is stronger when there is legislative turnover.

In summary, the interaction terms improved the fits in both models. Also, with respect to the state executive branch reorganization model, it was discovered that even though each variable itself was not statistically significant factor on the adoption of state executive branch reorganization, the interactions between neighbor adoption and unified government and between economic growth and legislative turnover have statistically significant effects on the adoption of state executive branch reorganization.

In addition, I tried another model that includes a single interaction term between demand and supply. For this, I first made an index for all of the supply side factors and an index for all of the demand side factors. To construct the index, I changed all the values of each variable into relative value based on the mean value of the variable. I then added all the values of the variables according to demand group variables and supply group variables. The results are presented in Table 4.
Table 4-3
Coefficient Estimates for event history analysis models of the two reforms

<table>
<thead>
<tr>
<th>Variables</th>
<th>Performance Budget Reform</th>
<th>Reorganization</th>
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<tbody>
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<td>Predicted direction</td>
<td>Actual direction</td>
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<td>Micro Factors</td>
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<tr>
<td>Demand-Side Factors</td>
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<tr>
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<td>+</td>
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<td>PROFESSION* LEGTURN</td>
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<td>PROFESSION* UNIFIED</td>
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<tr>
<td>Intercept</td>
<td>-2.81395</td>
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Note: All significant tests except intercept are one-tailed (intercept: two-tailed test).
*p<.10, **p<.05
The model for performance budget reform fits the data well. The log likelihood is –64.924056 and Prob>chi2 is 0.0000 and Pseudo $R^2$ is 0.3277. My research results confirm a few important relationships between the adoption of performance budget reform and some independent variables such as individual tax burden, electoral competition, and bureaucratic density. However, a single interaction between demand and supply was not confirmed as statistically significant.

The model for state executive branch reorganization fits the data roughly. The log likelihood is –29.885153 and Prob>chi2 is 0.0701 and Pseudo $R^2$ is 0.2840. My research results confirm a few important relationships between the adoption of state executive branch reorganization and some independent variables such as unified government, population density, and government ideology. However, a single interaction between demand and supply was not confirmed as statistically significant.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Performance-Based Budget</th>
<th>State Executive Branch Reorganization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro Factors</strong></td>
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<td>Demand-Side Factors</td>
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<td>.00954</td>
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<td>GOVVIDEO</td>
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Table 4-4

Coefficient Estimates for event history analysis models of the two reforms
### Table 4-4 - continued

<table>
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<tr>
<th>Variables</th>
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<td>POPDENS</td>
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<td>.00264**</td>
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<tr>
<td><strong>Interactions</strong></td>
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</tr>
<tr>
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</tr>
</tbody>
</table>

Note: All significant tests except intercept are one-tailed (intercept: two-tailed test).

*p<.10, **p<.05
CHAPTER 5
DISCUSSION

In this dissertation, I tried to develop more integrative model of administrative reform in terms of both performance based budgeting and state executive branch reorganization. I tested the model using event history analysis.

I found several important factors that have effects on the adoption of administrative reform some in common for both reforms, some unique to each. The factor that is common to both types of administrative reform is individual tax. Unique factors in regard to budgeting are: bureaucratic density, legislative turnover, and electoral competition. The adoption of performance budget reform occurs less when the power of bureaucracy is greater, more when there is legislative turnover and less when electoral competition is high.

In contrast to the adoption of performance budget reform, the unique adoption factors for reorganization are conservative government ideology and higher population density.

The power of bureaucracy has statistically significant and negative effect on the adoption of performance budget reform, while it does not have significant effect on the adoption of state executive branch reorganization. Legislative turnover has statistically significant and positive effect on the adoption of performance budget reform, but does not have significant effect on the adoption of state executive branch reorganization. Also, electoral competition has statistically significant and negative effect on the adoption of performance budget reform, but does not have statistically significant effect on the adoption of state executive branch reorganization.

Even the pattern of interaction effects are somewhat unique for each of these reforms. There are no significant interaction effects in the model of performance budget reform. However, there are a few significant interaction effects in the model of state
executive branch reorganization including neighbor adoption / unified government and economic growth / legislative turnover.

These differences in the adoption processes might have important implications for a theory of administrative reform implementation. As Chackerian & Mavima (2001) and Matland (1995) suggest different types reform lead to different factors being influential.

Based on these findings and literatures, it seems to me that a somewhat different model is appropriate for each of the reforms. The model for the adoption of performance budget reform might be built with demand-side variables such as individual tax burden, bureaucratic density, and supply-side variables such as legislative turnover and electoral competition. The model for the adoption of state executive branch reorganization might be built with demand-side variable such as individual tax burden, supply-side variables such as conservative government ideology, legislative turnover, and unified government; macro variables such as population density, economic growth, and neighbor adoption, and interaction between neighbor adoption and unified government and between economic growth and legislative turnover.

In both, institutional turnover and higher tax burden creates demand for administrative reform. As suggested above (Chackerian & Mavima, 2001; Matland, 1995) these varying influences on the adoption of the two reforms might be explained by the inherent differences in the types of reforms. The Ambiguity-Conflict model (Matland, 1995; Chackerian & Mavima, 2001) suggests that the ability to measure outcomes has an important influence on the adoption process. In the research it seems reasonable to assert that developing budget performance measures may be technically and politically very difficult. Developing objective performance measures in the public sector is not easy technically and it is politically difficult because the measures must be approved by the legislatures and governors. On the other hand, the critical resources for reorganization are administrative and are usually available in most state governments to guide this often type of reform (Chackerian & Mavima, 2001).

In Korea, individual performance-based pay system is resisted by bureaucrats who prefer a seniority-based allocation or equal distribution of payments. The rationale often heard for this position is the difficulties of measuring performance objectively in the public sector. More generally it seems reasonable to assert where political competition is
high, it will be even more difficult to agree on performance measures among electoral competitors.

On the other hand, reorganization might be more influenced by government ideology, population density, and economic decline. Reorganizations during 1980s were caused largely by conservative politicians and economic stress (Caiden, 1995). Also, higher population density creates new social needs and demands to which reorganization may be seen as a direct and politically relevant response. In short, reorganization may have occurred to respond to changing new demands from social problems caused by higher population density. This analysis is suggestive of the fact that the dynamics and influences on “administrative reform” may be very different depending on the nature of the reform.

My research has limitations. First of all, I studied only two types of administrative reform and therefore is of limited generalizability. Civil service reform, decentralization, privatization are but a few of the additional possibilities for study. Second, my research is limited with regard to space and time. I focused on the 1980s and 1990s, the period since Reagan’s election. This is a period in which new federalism changed the powers and responsibilities among federal, state, local governments. Perhaps these findings are unique to this historical period. To enhance generalizability, further research in other time periods should be conducted. Third, in relation to testing methodology for interaction in models with dichotomous dependent variables like event history analysis, there have been disputes about how to test the interaction effects. The results can be argued by other researchers who have different views in relation to the methodology.
REFERENCES


66


Date and Place of Birth: March 25, 1957 (Seoul, Republic of Korea)

Education


MPA, Graduate School of Public Administration, Seoul National University(1982).

B.A. in Social Studies, Seoul National University(1980)

Professional Experience

Director General, Appointment & Promotion Review Division, CSC
Review of appointment and promotion for higher civil service of grade 3 or over.

Director, Personnel Policy Division, CSC
Design of the Civil Service reform initiatives.
Government-wide HR audit.

Director, Planning & Management Division, CSC
Planning and coordination of divisional activities.

Deputy Director, Personnel Division, Ministry of Government Administration(MOGA)
Human Resources Planning in the Korean Government.

Deputy Director, Office of Inspector General, MOGA
Developing and implementing anticorruption measures

Deputy Director, Computer Training Division, MOGA
Reorganizing computer training programs for the 21st century