

## Chapter 6

# Political Economy of Public Administration: Efficiency and Equity Tradeoff

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### ABSTRACT

*Public administration is fundamentally a discipline closely linked to management. Scholars and practitioners alike have argued that government, nonprofit, and health organizations should use public resources in the most efficient manner possible, and calls to “run government like a business” are frequent. At the same time, scholars and practitioners have also argued that public organizations should also provide an equal opportunity for all, and administrators have faced public pressure and mandates, for example, to ensure that “no child [is] left behind.” This chapter reviews literature regarding efficiency and equity in public administration, and uses examples from both government and healthcare to illustrate the inherent tradeoff between efficiency and equity in practice.*

### INTRODUCTION

Public administration is fundamentally a discipline closely linked to management. Woodrow Wilson, considered a founder of the modern discipline of public administration, made the following claim in his 1887 essay *The Study of Administration*:

DOI: 10.4018/978-1-5225-4177-6.ch006

*It is the object of administrative study to discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy. (p. 197)*

Given therefore that public administration rests on this heritage, efficiency is frequently associated with both theory and practice in the field. Efficiency is quite simply defined as seeking the maximum return on a given investment. However, administrators also must balance efficiency with a desire that everyone has an equal opportunity to pursue goals; that is, equity. The purpose of this chapter is to provide an historical context to the efficiency and equity tradeoff followed by application within the economics and public policy sphere including tax policy and healthcare.

## **EARLY PUBLIC ADMINISTRATION: AN ERA OF EFFICIENCY**

### **Classical Organization Theory and Efficiency**

In early literature often associated with public administration, efficiency was king. In addition to Wilson's 1887 article, classical organization theory, which is still highlighted in public administration today, espouses the benefits of efficiency. One of the largest proponents of efficiency in classical organization theory was Frederick Winslow Taylor. Frederick Taylor is considered a central figure in managerial analysis, and published a seminal work called *The Principles of Scientific Management* in 1911. As the title of his book would suggest, Taylor argued that processes should be scientifically studied to find the most efficient way to complete a task. Taylor felt that scientifically improving processes was critical to address "the great loss which the whole country is suffering through inefficiency in almost all of our daily acts" (1911, p. 7).

A central feature of Scientific Management was the time and motion study. In these studies, someone would observe motions workers were going through to complete their job tasks and time them with a stopwatch (thus, time and motion). Modifications would then be made to achieve the most efficient mode of production. For example, tools in a factory would be located in exactly the location where they would produce the most efficient outcome. We can picture Scientific Management occurring in modern public organizations. For example, an office copier might be moved to the location where employees would need to travel the least amount of distance to reach it. Similarly, forms might be arranged in a manner where the person using them could access them in the easiest manner possible. Efficiency could also be applied outside of an office setting. Traffic signals could be timed so that the maximum number of travelers could navigate an intersection in a given day. Courses could be scheduled in a university so that buildings are most efficiently used.

Other classical organization theorists also advocated for efficiency in organizations. For example, Max Weber argued efficiency could be achieved through the bureaucratic form of organization. This form of organization operated with clearly defined rules, expert training, and hierarchy of authority. Weber did, however, warn that bureaucracies do have the potential to exhibit self-serving and secretive behaviors (Rainey, 2014).

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