

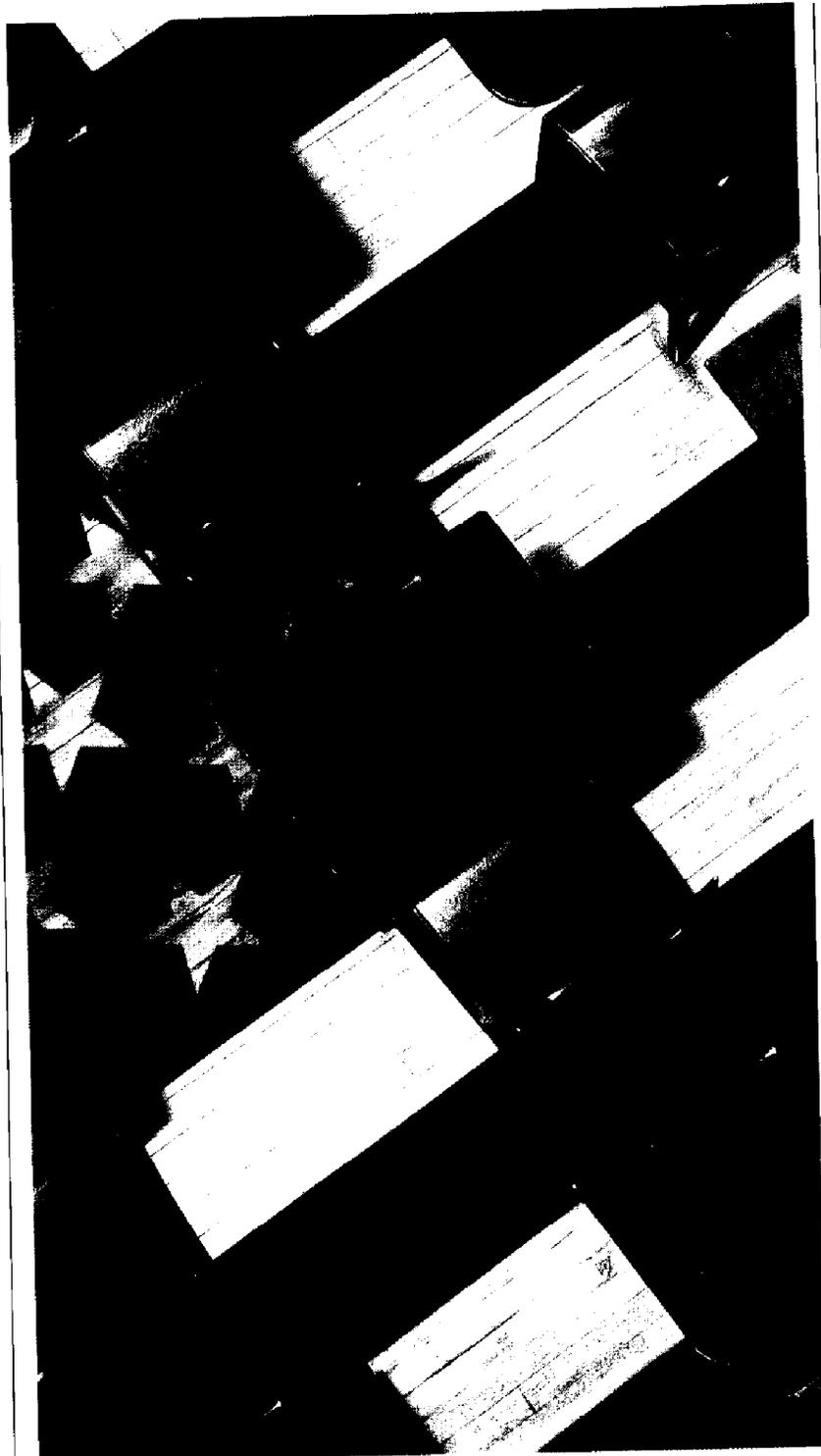
# THE G·A·O

A QUARTERLY SPONSORED BY THE U.S. GENERAL ACCOUNTING OFFICE

# JOURNAL

147985

SP-127



---

## LEARNING TO LEAD

*The changing  
federal role  
in education*

---

## HISTORIC TRANSITION

*Responding to the  
fall of Communism  
in Europe*

---

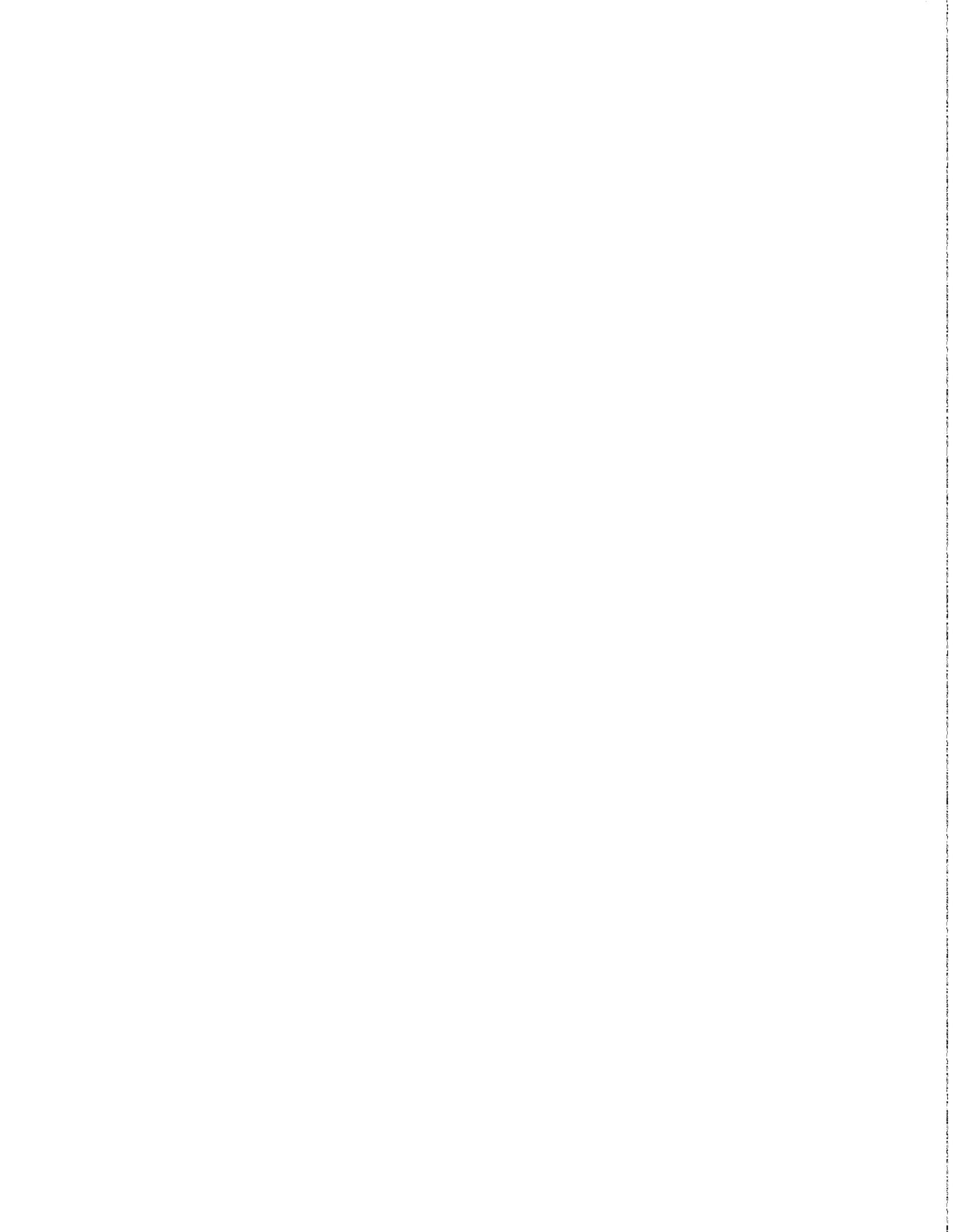
## MANAGERS' HELPERS

*The emergence  
of government  
consultancies*

---

NUMBER 16

FALL/WINTER 1992



# THE G·A·O

A QUARTERLY SPONSORED BY THE U.S. GENERAL ACCOUNTING OFFICE

# JOURNAL

NUMBER 16  
FALL/WINTER 1992

## C O N T E N T S

---

### THE CHANGING FEDERAL ROLE IN EDUCATION

---

- VISIBILITY AND LEADERSHIP:  
THE CHANGING FEDERAL ROLE IN EDUCATION 3  
*Beatrice Birman*

---

- THE READINESS GOAL 12  
*Sharon L. Kagan*

---

- THREE STUDIES AT THE LOCAL LEVEL 19
  - East Park Elementary School 20
  - Prince George's County Public Schools 22
  - Pasadena High School 24

---

- FROM SCHOOL TO WORK 27  
*Sigurd R. Nilsen & Ellen B. Sehgal*

---

- THE FIRST STEP TOWARD REFORM 33  
*Albert Shanker*

---

### RESPONDING TO THE FALL OF COMMUNISM IN EUROPE

---

- THE UNITED STATES IN EUROPE:  
STAYING THE COURSE TO WIN THE PEACE 44  
*Brewster C. Denny*

---

- A HISTORIC TRANSITION 51  
*Frank Conahan & Katherine Schinasi*

---

- WHAT EASTERN EUROPE NEEDS NOW 59  
*Peter Bylsma*

---

- WHERE MANAGERS TURN FOR HELP 68  
*Linda G. Morra*

- 
- Robert L. Barry and Gerard V. Bradley, editors, *SET NO LIMITS: A REBUTTAL TO DANIEL CALLAHAN'S PROPOSAL TO LIMIT HEALTH CARE FOR THE ELDERLY*, reviewed by Eleanor Liebman Johnson • Geoffrey Perret, *THERE'S A WAR TO BE WON: THE UNITED STATES ARMY IN WORLD WAR II* and Cpt. Carol Barkalow with Andrea Raab, *IN THE MEN'S HOUSE: AN INSIDE ACCOUNT OF LIFE IN THE ARMY BY ONE OF WEST POINT'S FIRST FEMALE GRADUATES*, reviewed by J. Allan Hovey • 76
-

# THE G·A·O

A QUARTERLY SPONSORED BY THE U.S. GENERAL ACCOUNTING OFFICE

# JOURNAL

• *Comptroller General  
of the United States*  
CHARLES A. BOWSER

• *Editorial Advisors*  
HARRY S. HAVENS,  
*Chairman*  
THEODORE C. BARREAU  
JAMES F. HINGHMAN  
DONALD J. HORAN

• *Office of Public Affairs*  
CLEVE E. CORLETT,  
*Director*

• *Editor*  
STEPHEN ALTMAN

• *Staff*

*Senior Editor*  
ROBIN NETHERTON

*Associate Editors*  
LINDA F. BAKER  
HANNAH F. FEIN  
DEBORAH A. SIGNER

*Text Editor*  
DIANE REINKE

*Coordinator*  
ALLISON POWELL

• *Design*  
KROHN, INC.

• *Office of Information  
Management and  
Communications*  
KEVIN BOLAND,  
*Director*

*Production*  
PATRICIA PETERSON

• *Editorial Advisory Board*

JOHN F. AHEARNE  
GEORGE J. ALEXANDER  
EDWARD BALES  
NORTON M. BEDFORD  
ROBERT F. BORUCH  
NORMAN M. BRADBURN  
JOHN BRADEMAS  
MARVIN BRESSLER  
JOHN C. BURTON  
JAMES L. CHAN  
MICHAEL N. CHETKOVICH  
SHELDON COHEN  
WILLIAM T. COLEMAN, JR.  
MICHAEL COLLINS  
MORRIS W. H. COLLINS, JR.  
ROBERT CURVIN  
BREWSTER C. DENNY  
JOHN T. DUNLOP  
PAUL L. FOSTER  
J. RONALD FOX  
MARTHA W. GILLILAND  
PATRICIA A. GRAHAM  
ROBERT HAVEMAN  
CHARLES T. HORNGREN  
MELVIN R. LAIRD  
HERMAN B. LEONARD  
ALAN B. LEVENSON  
DAVID F. LINOWES

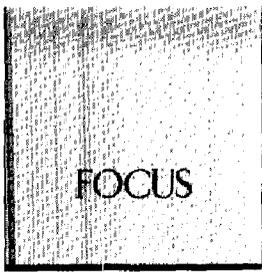
BEVIS LONGSTRETH  
CHARLES F. LUCE  
BRUCE K. MacLAURY  
JOHN L. McLUCAS  
DORIS MEISSNER  
ASTRID E. MERGET  
W. LEE NOEL  
ALFRED E. OSBORNE, JR.  
KATHERINE D. ORTEGA  
RUSSELL E. PALMER  
MERTON J. PECK  
RAYMOND E. PEET  
AULANA L. PETERS  
DONALD A. PETRIE  
GEORGE W. PHILLIPS  
JOHN B. RIIINELANDER  
ELLIOT RICHARDSON  
J. ROBERT SCHAETZEL  
EDWIN H. SIMMONS  
J. EDWARD SIMPKINS  
ALVIN R. TARLOV  
SUSAN J. TOLCHIN  
ROBERT WARNER  
ROBERT WEAVER  
SIDNEY J. WEINBERG, JR.  
KAREN H. WILLIAMS  
CHARLES J. ZWICK

*THE GAO JOURNAL* is published quarterly by the Office of Public Affairs, Rm. 6901, U.S. General Accounting Office, Washington, D.C. 20548. First class postage paid at Washington, D.C.

*WRITERS* whose work appears in the *GAO Journal* speak for themselves only. Unless otherwise indicated, their views or opinions should not be construed as the policy or position of GAO or any other organization with which they may be affiliated.

*EDITORIAL CORRESPONDENCE:* By mail to the above address. Letters to the editor are encouraged. Unsolicited manuscripts will be returned only if accompanied by a self-addressed, stamped envelope.

*POSTMASTER:* Send changes of address to the *GAO Journal*, Office of Public Affairs, Rm. 6901, U.S. General Accounting Office, Washington, D.C. 20548.



THE CHANGING  
FEDERAL ROLE  
IN EDUCATION

*Beatrice Birman*

# VISIBILITY AND LEADERSHIP: THE CHANGING FEDERAL ROLE IN EDUCATION

*Although short on money and authority, the federal government still can make a difference.*

**O**VER THE PAST few years, Americans have become intensely interested in elementary and secondary education—but not for the first time. More than a generation ago, Sputnik's launch prompted a national examination of American schools, which led to innovations, and some real improvements, in science and mathematics teaching. In the 1960s, as discrimination and poverty emerged as national issues, many Americans saw education as a way to help disadvantaged children, and schools became a strategic battlefield in the War on Poverty. Today, public attention to education reflects worries that the nation is losing its economic competitiveness and perhaps its standing in the world. Once again, Americans are looking at education as a key solution to a national problem.

*Most analysts agree that schools will have to improve dramatically if the nation's children are to be ready for the economic realities of the next century.*

While the federal government has certainly responded to such public concerns, its role in education has traditionally been quite limited. States and local school districts have jurisdiction over virtually all matters involved in the day-to-day operation of the nation's schools: curricula, textbooks, teacher certification and hiring, class size, and more. The authorities who call the tune also pay the piper, as states and localities provide nearly all of the funding for the nation's schools. The federal contribution to U.S. spending on education has never exceeded 10 percent; in fiscal 1990, the federal government contributed only about 6 percent.

---

*BEATRICE BIRMAN is Assistant Director in the Education and Employment Issue Area of GAO's Human Resources Division.*

Still, the federal role in education has been important in ways these figures do not convey. In particular, the federal government is in a unique position to provide visibility and leadership on crucial issues. Today, it is taking an active role in focusing the nation's concerns about American schools and in supporting the nation's response to education problems.

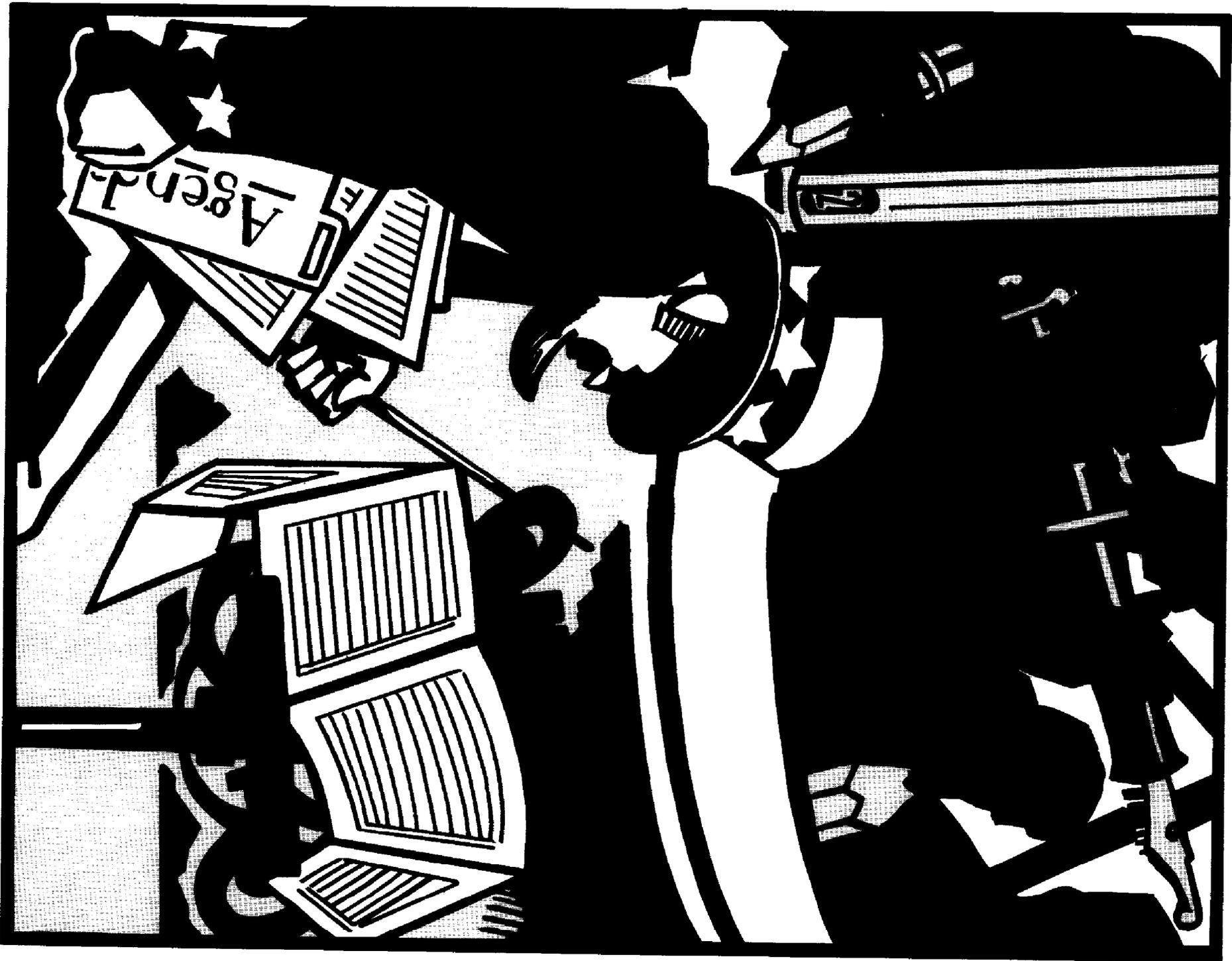
## **The government and education**

To the extent that it has been involved in education, the federal government traditionally has developed targeted programs to address specific national needs. The government has consistently supported functions that could be accommodated only on a national level—for example, conducting broad-based research and collecting nationwide statistics. Since the early part of the century, it has been deeply involved in vocational education. During the explosive population growth of the 1950s, the federal government spent more than \$1 billion on school construction. And in the wake of Sputnik's launch in 1957, the government began to provide grants through the National Science Foundation to develop mathematics and science curricula and to train teachers.

*Rather than presenting a specific problem—to which the government might respond with a targeted program—the current concern encompasses the nation's education system as a whole.*

The largest federal programs in elementary and secondary education originated in the 1960s and 1970s, as the nation sought to ensure equal access to education for particular groups of students who had been inadequately served, such as those who were poor, disabled, or not proficient in English. Today, Chapter 1 of the Hawkins-Stafford Education Act (originally enacted in 1965 as the Elementary and Secondary Education Act) provides more than \$6 billion in federal funds each year to pay for remedial education to children in high-poverty areas. The Individuals with Disabilities Education Act (enacted in 1975 as the Education of the Handicapped Act) uses about \$2.8 billion annually, principally to support state and local efforts to ensure children with disabilities a free and appropriate public education. And the Bilingual Education Act, enacted in 1968, provides more than \$200 million each year to help school districts serve children with limited proficiency in English.

Underlying these programs was the perhaps unconscious assumption that the existing education system was worthwhile, and that some children simply needed help to enter the system or to succeed in it. But that view has since shifted. Most of today's discussions about improving American education start with quite a different idea: that the nation's schools are failing to provide *all* children—not just those who are disadvantaged or excluded—with the education they will need to function as adults in our society.



Perhaps the loudest cry about the inadequacy of the nation's schools has come from the business community, whose members have voiced alarm about the lack of skills among entry-level workers. The idea that the nation's children are being poorly educated also has been fueled by the fact that American children do not perform as well as those of other countries on educational achievement tests. Heated debates persist about just what these international comparisons mean and what the federal government should do in response. But most analysts agree that schools will have to improve dramatically if the nation's children are to be ready for the economic realities of the next century.

Such a shift in focus poses a challenge to the traditional federal approach to education. Rather than presenting a specific problem—to which the federal government might respond with a targeted program—the current concern encompasses the nation's education system as a whole. More and more Americans are coming to believe that nothing short of fundamental reform will save the nation's schools. Meeting this need may require something more than special-purpose education programs of the sort that the federal government has tended to fund.

### **The new national perspective**

**T**he current perception that education can play a vital role in maintaining the nation's economic competitiveness has produced a surprising consensus among political leaders, who until recently tended to go their separate ways on education policy. Early in 1990, the President and the nation's governors agreed to a set of six National Education Goals for the year 2000 and established the National Education Goals Panel to monitor progress toward these goals. Today, the panel has 14 members: eight governors, two administration representatives, and four Members of Congress.

*The National Education Goals Panel has endorsed stimulating school reform by creating national standards for education performance and a system of assessments linked to those standards.*

The goals panel and other groups have endorsed the idea of stimulating broad-based, coherent efforts at school reform by creating national standards for education performance and a system of assessments linked to those standards. While many concerns have been raised about national assessments, the idea of setting national standards has attracted a great deal of support among many governors and Members of Congress as well as from the White House. To deal with the thorny issues of national standards and national assessments, the President and Congress agreed to legislation in 1991 establishing the National Council on Education Standards and Testing (NCEST), a commission of 32 educators, researchers, government officials, and others. In January 1992, NCEST issued a report containing concrete proposals

to set national standards for five core subjects and to develop a system of national assessments reflecting those standards.<sup>1</sup> (For more about national standards and assessments, see the accompanying article “The First Step Toward Reform,” by Albert Shanker.)

Some groups have already been developing standards for specific subjects, with or without federal support. For example, in 1991, the National Council of Teachers of Mathematics produced its own national standards for math. In an effort called the New Standards Project, funded by the Pew Charitable Trusts and the MacArthur Foundation, a consortium of states and school districts is developing standards and

*Setting national standards does not mean giving control of the schools to the federal government. Instead, the government supports the development of standards by outside groups.*

forms of assessment geared to those standards. Meanwhile, the federal government, through a variety of entities—such as the Department of Education (ED), the National Science Foundation, the National Endowment for the Humanities, and the National Endowment for the Arts—has helped fund the development of standards in science, geography, history, the arts, and civics.

Federal activity in establishing national goals, standards, and assessments could probably not have occurred even a few years ago. The relative powers of federal, state, and local authorities in shaping education policy have long been a source of tension, and over the years states and localities have expressed fears that federal involvement would diminish their authority over the operation of the education system. When ED was formed in 1979, opponents worried that it would impose a national curriculum. At that time, any discussion of national standards would certainly have been viewed as a step toward federal control.<sup>2</sup>

Today, the goals panel and NCEST have addressed these concerns by drawing a distinction between “national” and “federal” solutions to the country’s education problems. They stress that setting national goals and standards does not mean putting control of the schools into the hands of the federal government. Rather, the federal government is stimulating and supporting the development of standards by outside groups. The officials involved emphasize that states and localities will decide for themselves whether or not to adopt these standards.

The changing national climate also is evident on the state level, in the new willingness of states to measure their progress in a national context. That was not the case in the late 1960s, when Congress created the National Assessment of Educational Progress (NAEP)—a standardized assessment of what students in selected grades know about certain subjects—as “the nation’s report card.” At that time, politicians and educators alike strongly opposed any national test that would permit state-to-state comparisons. As a result, NAEP was designed to provide data on only the national and regional levels.

But today, state leaders are among the strongest proponents of expanding NAEP to produce information about student performance in individual states. Since 1990,

NAEP has conducted state assessments on a trial basis in several subjects and grade levels. State officials may have recognized that state-by-state information can help them develop education policy—particularly important in an era when people frequently move around the country and when states must compete with one another to attract employers. Officials may also have discovered that state rankings—high or low—can make useful ammunition when it comes time to argue for education funding. Whatever their reasoning, the push for state-based data indicates that the states are now evaluating themselves by national benchmarks. They may, therefore, be more willing than before to consider proposals for national standards and national assessments.<sup>3</sup>

## **What the government can do**

Traditionally, policymakers have addressed education problems by prescribing specific procedures to achieve improvements; they have paid less attention to whether these changes have actually produced the intended results. But as experience from many social programs shows, simply prescribing changes from the top rarely leads to genuine, long-lasting reform.<sup>4</sup> Real improvement in the schools will require agreement—and a matching effort—on the local level, where the business of education actually occurs. Recognizing this, current federal-level education proposals generally would try to balance leadership from the government—either federal or state—with efforts from localities.

*Prescriptions from the top rarely lead to genuine reform, so current federal education proposals generally try to balance federal or state leadership with efforts from localities.*

Policymakers in both Congress and the administration have focused on two general approaches the federal government can take to improve schools. First, the government can support the development of national goals and standards, while leaving it to states, school districts, and schools to determine how best to achieve those goals and standards. Second, the government can also foster improvement and innovation by schools and school districts. Each of these approaches poses a particular challenge for policymakers to maintain the necessary balance among federal, state, and local effort.

To begin with, the federal government must make sure that in promoting national goals, standards, and assessments, it does not in fact impose decisions on states and localities. Many policymakers maintain that a well-structured framework of national standards can allow for a great deal of local discretion. Yet the very act of setting national standards may stack the deck in favor of particular decisions on the state and local level. For example, because the National Education Goal covering student achievement lists only five subjects (English, mathematics, science, history, and geography), some critics have predicted that states and localities will allocate fewer of their scarce resources to such areas as foreign languages and the arts.

New assessment instruments may, in practice, create similar pressure. Schools often end up “teaching to the test”—that is, structuring curricula around the topics emphasized in standardized tests. If the tests are good ones—that is, if they truly

reflect agreed-upon standards of what children should know and be able to do—this may be a good thing. Even so, the assessments may lead educators to narrow their curricula; subjects that are not assessed may shrink in importance.

The second strategy for reform poses a different challenge for policymakers. While many in Congress and the administration agree on the importance of fostering improvement at the local level, they differ sharply on the best way to do so. The administration's education plan calls for voluntary commitments by localities

*There has been no concerted federal action to support local school reform. Localities are pursuing a wide range of approaches with differing degrees of effort.*

to become "America 2000" communities and for the development of "break-the-mold" schools to serve as models of innovation.<sup>5</sup> The administration also has promoted competition, through school choice, as a primary engine for school reform, most recently by proposing a "G.I. Bill for children"—a \$500-million demonstration program that would provide \$1,000 "scholarships" for low- and middle-income students who wish to attend either public or private schools.

In contrast, bills being considered by Congress aim at fostering systemic reforms within states, by encouraging states to make coordinated changes in all aspects of their education systems—goals, curriculum frameworks, professional development, and so on. These bills would allow states wide latitude in the types of reforms they could adopt, as long as they follow specified procedures.

Because of this disagreement over approaches, there has been no concerted federal action to support local school reform. Local-level efforts remain, as always, inconsistent; various localities are pursuing a wide range of approaches with differing degrees of effort. At the same time, Congress and the administration, through such groups as the goals panel and NCEST, are moving forward on national standards and national assessments. In all, this raises the possibility that despite the best intentions, the top-down push for standards and assessments will not be adequately balanced by broadly dispersed, bottom-up reform activity.

## **The risk of inequity**

**E**ven as federal policymakers develop new approaches to education policy, they must ensure that the pursuit of school reform does not interfere with already-established efforts to promote equal access to education for particular groups of children—for example, those who are poor, disabled, or not proficient in English. If policymakers aren't careful, new initiatives could make existing inequities worse. It is possible that the push to raise standards across the board, and to judge the success of the system according to whether it meets those standards, may actually widen the educational gaps among groups of students. What is important is not simply to focus on achieving success, but to ensure that all children have an equal opportunity to succeed.

Some people have questioned the premise that all of the nation's schools need dramatic improvement; they argue that the problem lies primarily in isolated, poverty-stricken urban and rural schools. While a few such schools have attracted

attention for succeeding despite the odds, these cases are rare. Unless reform efforts address the problems of the neediest schools, any education reform program would be a cruel hoax for the growing proportion of children who live in poverty.

To begin with, establishing a sufficient level of basic resources at all schools may in fact be a prerequisite to any broader reform effort. Recognizing this, some Members of Congress have begun to consider how the federal government might help reduce the dramatic local-level disparities in school financing, even though the federal government has never actively participated in this arena. Some advocates have proposed using federal funding for Chapter 1 programs as a lever for school finance reform within the states.<sup>6</sup> Another approach might be to develop “service delivery standards” to ensure that all schools provide students with an adequate opportunity to learn. That is, instead of requiring a particular level of funding, the service delivery standards would determine whether schools met criteria in such areas as staffing, teacher proficiency, and teaching materials.<sup>7</sup>

*The pursuit of education reform must not interfere with efforts to promote access for particular children—for example, those who are poor, disabled, or not proficient in English.*

Of course, money alone will not revitalize the neediest schools; reform efforts must also seek to identify and implement approaches that will work in these schools. It is becoming increasingly evident that addressing the educational needs of poor children involves more than just targeted education programs. Many of the federal government’s traditional education programs—those created during the War on Poverty—are based on a kind of “inoculation theory”: If children receive a dose of good preschool services (say, through the Head Start program) or some extra education support (say, through Chapter 1), then they may become successful in school and pull themselves out of poverty, without any further assistance. Research on the lasting effects of Head Start and Chapter 1 suggest that this may not be the case. At least two major weaknesses of the inoculation approach are evident: First, programs to help children “catch up” will accomplish little in the long run unless schools are effective enough to build on that base. Second, attempts to improve education will not succeed unless they are accompanied by efforts to address the many other needs—physical, psychological, and emotional—of children in poverty.

Disadvantaged children may require services that are more comprehensive, consistent, and continuing than the leaders of the War on Poverty ever imagined. In any case, policymakers must address the difficult questions of whether and how any effort to improve schools for *all* children also will address the special needs of particular groups, and what will be the role of existing targeted programs in broader education reform efforts.

## **Acting now**

**W**hile education is now taking center stage in debates about domestic policy, it may not be there for long. The attention of policymakers to any single issue can be

short and tends to fade in the absence of quick successes. Given the difficulties of promoting improvement in 50 states, 16,000 school districts and nearly 100,000 schools nationwide, quick results may be too much to expect.

An especially difficult question is how to address all of these issues—promoting the national education goals, encouraging improvements in individual schools, and maintaining advances in equity—against a backdrop of budget problems at all levels of government. As no new infusion of cash seems imminent, policies at the federal, state, and local levels are likely to emphasize the more efficient use of existing resources. Three areas in particular stand out as likely candidates for support.

- First, the general scarcity of resources is likely to result in an expansion of interest in early childhood education programs, based on the belief that programs that prevent problems early in life are less costly than those that try to address them later on. Head Start, the nation's premier program to help students before they enter school, has enjoyed increasing support in the past few years, as have other federal and state programs for young children.
- Second, scarce resources are likely to result in a renewed appreciation of the need to make every minute of the school day count. Therefore, the search for cost-effective education practices will no doubt continue at the local level, as schools, districts, and states seek to deal with their own problems, with or without federal support.
- Third, regardless of budget questions, programs that promote better linkages between the education system and the job market will gain more backing—both in communities seeking to shore up local economies, and among federal policymakers who cannot ignore the now-constant cry for improving American competitiveness.

Articles in this issue of the *GAO Journal* take a closer look at each of these areas—preparing for school, improving individual schools, and moving from school to work—as well as at the movement toward national standards and assessments. •

---

1. *Raising Standards for American Education: A Report to Congress, the Secretary of Education, the National Education Goals Panel, and the American People* (Washington, D.C.: National Council on Education Standards and Testing, Jan. 24, 1992).

2. The Department of Education Organization Act, which established ED in 1979, answered state and local concerns by specifying that ED officials shall not "exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system." While ED's support for standards and assessments is carried out within the constraints of this legislation, these constraints do not apply to all federal agencies.

3. There has been considerable controversy over the way NAEP's governing board has performed the complex task of establishing standards for judging state performance. For details, see *National Assessment Technical Quality* (GAO/PEMD-92-22R, March 11, 1992).

4. Milbrey W. McLaughlin, "The Rand Change Agent Study Revisited: Macro Perspectives and Micro Realities," *Educational Researcher*, December 1990, pp. 11-16.

5. *America 2000: An Education Strategy* (Washington, D.C.: U.S. Department of Education, 1991). In this plan, the President calls on local communities to adopt the National Education Goals, develop a strategy to achieve them, design a method for measuring results, and plan for and support an innovative "New American" school. Communities that do so are to be designated by the governors of their states as "America 2000" communities.

6. "Commission on Chapter 1 Interim Report," released by the Council of Chief State School Officers, April 6, 1992.

7. One proposal of this type is discussed in the NCEST report.

*Sharon L. Kagan*

# THE READINESS GOAL

*A child's preparation for learning—and for life—  
must begin long before the first day of school.*

*“By the year 2000, all children in America will start school  
ready to learn.”*—First of the six national education goals  
announced by the President in January 1990

**O**NE MIGHT THINK that achieving the readiness goal would be a high priority for the United States. After all, as a people, we cherish our children. Children are regarded not only as today's joy, but also as tomorrow's hope: the return on our social investments, the ethical and moral infrastructure of a rapidly changing society.

Despite the value we place on our children, the policy attention we give them has been couched more in rhetoric than in reality. Our Constitution does not explicitly recognize children; they have always been

was enacted so that mothers could join the World War II work force—and the act was summarily abolished at war's end.<sup>1</sup> And Head Start, our premier program for child development and family education, was the by-product of another war, the War on Poverty.

Not the product of war, but of a changing public spirit, the recently announced National Education Goals have ushered in a new era in child and family policy. The three objectives of the readiness goal—providing high-quality preschool programs for disadvantaged children, giving parents training and support, and ensuring children's health and nutrition—suggest a fresh, comprehensive strategy, one that places children front and center and that requires new ways of thinking about child and family life in the United States.

Indeed, the readiness goal asks us to reconsider longstanding policy conventions: It demands that we examine the polemics that have—and that will—frame public policy for American children and families. Writing in 1984, Julius Richmond and Milton Kotelchuck, then at Harvard's Division of Health Policy Research and Education, suggested three conditions as necessary prerequisites for social policy change: first, a knowledge base; second, political will; and third, social strategy.<sup>2</sup> Discussing each in turn, I will suggest that as never before in our national history, we are positioned to meet the readiness goal.

*Scholarly debate about readiness is more than academic; disagreement has led to conflicting or inconsistent practices in schools and obscured the path to useful federal policy.*

the province of families, not of the body politic. And until recently, many policies affecting children's services were by-products of a far broader socioeconomic agenda. For example, the Lanham Act, which provided the beginnings of a national child-care system,

---

*SHARON L. KAGAN is senior associate at the Bush Center in Child Development and Social Policy at Yale University in New Haven, Connecticut. She chairs the Goal I Technical Planning Group of the National Education Goals Panel.*

## **Knowledge base**

**F**or decades, scholars have debated both how to define readiness and how best to measure it. The argument is more than academic; the ongoing disagreement about readiness theory has led to conflicting or inconsistent practices in schools and has obscured the path to useful federal policy.

One can think of the debate as a tug-of-war between two primary views of readiness.<sup>3</sup> On one hand, readiness can be seen as “readiness to learn”—the level of development at which a child has a range of specified capacities, including attention, motivation, physical development, emotional maturity, and intellectual ability. A second view, dubbed “readiness for school,” calls for a more limited set of thinking and language skills—for instance, the ability to identify colors, copy a square, or count to 100.

Uncomfortable with these two conflicting theories, educators and psychologists have developed approaches combining elements of both. One prominent approach maintains that children should attain a fixed standard of performance *before* they enter school (as with “readiness for school”), but also advocates allowing children to develop at their individual rates (as with “readiness to learn”). Rather than placing children in school environments that are too advanced, or changing schools to accommodate individual differences, proponents of this view recommend keeping children out of school until they are deemed ready, typically through testing. This idea, embraced by many school districts in the 1970s and 1980s, also made sense to many parents, who chose to delay their children’s entry into school to give them an extra year to develop.<sup>4</sup>

An alternative approach, which has recently been gaining support, rejects the idea that development is



a precondition for learning. Instead, it suggests that learning and development go hand in hand. Educators who hold this view maintain that children should *not* be kept out of school on the grounds that they are “developmentally unready,” because the school experience itself will stimulate their development. They believe in making schools ready for children—all children.<sup>5</sup>

### **The knowledge base and practice**

Given this theoretical conflict, it is not surprising that teachers have widely varying ideas of what constitutes readiness and how to evaluate it. A child deemed ready for first grade by one kindergarten teacher might well be deemed unready by the teacher in the next room. Similarly, districts and states repeatedly debate the age at which children will be allowed to enter school—a policy proxy for gauging readiness. In some locales, changing the school entry date has become a biennial ritual.

To standardize practices among teachers, schools, and districts, school authorities have often turned to tests. However, many educators and psychologists have challenged readiness testing for several reasons.

*Teachers have widely varying ideas of what constitutes readiness. A child deemed ready for first grade by one teacher might well be deemed unready by another.*

First, very young children have short attention spans and lack the skills to take paper-and-pencil tests. Second, many of the tests are methodologically flawed.<sup>6</sup> Third, despite their questionable validity, test data are often used as the chief—or the only—criterion for retaining or tracking children. Many of the tests were not designed for this purpose, and misusing them this way can cause lasting harm. Surveys of children indicate that being held back is their third worst fear, preceded only by losing a parent or going blind. In particular, youngsters who are held back or kept out recognize they are not making normal progress and often end up with poor attitudes toward school.<sup>7</sup>

The overall result of these practices has been to delay many children in entering the educational sys-

tem. Indeed, a 1989 survey found that “in most districts between 10 percent and 50 percent of children chronologically eligible to enter kindergarten did not do so as a result of test scores.”<sup>8</sup> Such practices raise questions of inequity, as these children labeled “unready” and denied access to kindergarten are disproportionately male, poor, or non-English-speaking.

### **The knowledge base and policy**

Recognizing that the debate over theory has led to confused and sometimes counterproductive practices, educators are showing a new willingness to address the problem of defining readiness. The Technical Planning Group of the National Education Goals Panel—a group of experts convened to help advance the national goals—has drafted a definition of readiness that builds upon past theories.<sup>9</sup> This definition takes into account a child’s physical well-being and motor development, social and emotional development, approaches toward learning, language use, and cognition and general knowledge. The preliminary definition has been well-received by educators, and work is under way to amplify the definition, develop an appropriate assessment system, and monitor the nation’s progress toward the readiness goal.

Though details of the definition are important, so is the fact that educators, psychologists, and physicians are working together to reach a consensual definition of readiness—an essential first step in advancing a coherent policy agenda. Such a consensual definition could serve as a basis for efforts to measure the nation’s progress and for a practical system of assessment. It could also provide a framework for reconsidering policies relating to the full range of children’s developmental needs and for reforming the current fragmented delivery system.

### **Political will**

**T**he will to address the needs of young children has escalated dramatically in the last five years, spurred partly by changing demographics (especially the surge of mothers into the work force) and by research

showing the effectiveness of early-intervention programs such as Head Start. The issue has commanded new attention in many sectors. In Congress, bills that would once have gone begging for co-sponsors now gain broad support from both sides of the aisle. The National Governors' Association has devoted considerable attention to the national education goals, and many states are establishing readiness task forces involving educators and concerned citizens. Professional societies and federal agencies are crafting position statements<sup>10</sup> and undertaking studies on readiness, and business and nonprofit organizations have also launched activities to promote readiness. In short, the window of opportunity is open.

### Opening a new window

No one can be sure, however, whether that window will remain open long enough—or even whether it is open wide enough. Many people, knowing that legislative attention is often short-lived, are pressing for swift and dramatic action. At the same time, others feel that if we focus too closely on readiness, we may risk losing sight of the bigger picture: Unless schools develop and implement reforms, families receive more support, and America comes to grips with racial and economic tensions, attention to readiness—no matter how well-intentioned—will be for naught.

If commitments to children and families are to attain a permanent and prominent place in national policy, interest must be both lasting and wide-ranging. Achieving readiness is more than making sure children can count, label, and sequence; it involves rethinking social values and commitments. It represents a change in how the public views its responsibility to young children and in how government carries out its part of that responsibility.

*Achieving readiness is more than making sure children can count, label, and sequence; it involves rethinking social values and commitments.*

This is not an easy change to make. The readiness goal challenges, and realigns, many prevailing assumptions. To begin with, it runs contrary to precedent by admitting a public concern not only for

children of the disenfranchised, but for *all* children. In addition, with its objective “every parent in America will be a child’s first teacher,” the goal implies that we must acknowledge the need for all parents—father and mother, working and non-working—to parent effectively. And in establishing such objectives as high-quality preschool programs and health and nutrition care, the goal underscores the importance of a comprehensive approach to programs for young children and families. Finally, the goal negates decades of categorical approaches by demanding we integrate services across domains and agencies. In short, the readiness goal appropriately forces us to shift our mindset from simple constructs and individual programs to a comprehensive strategy, one that regards investing in young children as a legitimate policy for the 21st century.

### Social strategy

If the nation is willing to consolidate its knowledge of readiness and to accept a new political responsibility, then two of the three prerequisites for policy change are likely to fall into place. But the third—social strategy—remains more confused than cohesive: While many avenues for pursuing readiness exist, there is as yet no means to bring them together, and no organizing force to do so.

To begin with, the nation is not starting with a clean slate. A comprehensive effort to ensure readiness will need to build upon a broad assortment of existing programs, involving people and institutions in at least the following six areas.

- *Families.* Because the family is a child’s first and most important teacher, a solid readiness approach must involve existing community-based programs that promote parenting skills, family support, and family well-being. “Family-friendly” policies in the work place, to help parents juggle the demands of children and jobs, are also worth support.

- *Neighborhoods and communities.* Young children need safe neighborhoods with playgrounds, libraries, and parks. A readiness effort should embrace community intervention programs that help ensure safe and stimulating surroundings for children.

- *Federal and state programs.* A major component of a national readiness effort should be to expand or refine successful government programs, such as Head Start; the school breakfast program; Even Start; and the Women, Infants, and Children program. Chapter 1 of the Hawkins-Stafford Education Act has done much to provide extra instruction for educationally at-risk children; its 1993 reauthorization could help promote readiness by focusing on prevention rather than just treatment. Expansion of health services—including well-baby clinics, childhood immunization programs, and Medicaid's preventive services for children—can be considered as an element of readiness policy as well as health-care policy. And considering that 4.2 million poor children who are eligible for free or reduced-priced lunches fail to apply for them, the nation needs to consider whether a universal breakfast and lunch program might be a more effective strategy to ensure that the nation's children are adequately nourished.

- *Child-care and early-education services.* Our current piecemeal system of preschool services, plagued by insufficient support and inequitable access, will be hard pressed as it now stands to do its part in ensuring readiness for *all* children. One existing idea worth expanding is that of the “quality” set-asides in the

- *Schools.* As direct providers of preschool services, as hubs for communities, and as the institutions that will deal with children over time, schools have special responsibility for promoting readiness. Schools can contribute much to this effort—for instance, by admitting rather than screening out children, adopting new approaches for restructuring the early grades, training teachers in child development and sensitizing them to diverse cultures, and improving procedures for assessing readiness. In addition, schools can collaborate on readiness programs with other institutions: government agencies, libraries, parks, businesses, and charities.

- *Media.* Children's perceptions of the world are shaped not only by their own experiences, but also by the images in the mass media, especially television. A broad-based readiness agenda would enlist the media in efforts to curb violence in broadcasting and to increase educational programming.<sup>11</sup> The media can also play a role by educating parents through appropriate television programming.

### Linking many elements

Obviously, many programs and institutions that already exist could play some role in promoting readiness. The question, then, is how to incorporate these often unrelated elements under the umbrella of a comprehensive readiness agenda.

The key is to move away from a program-based approach. We as a nation tend to take a “brand-name” approach to policy—that is, we fund what is familiar. Demonstration programs known to Congress and state legislatures are often expanded, while equally viable programs are ignored simply because they are not in the policy limelight. Further, so wedded are we to brand-name programs that we insist they never change. We fail to acknowledge that a program must be flexible if it is to keep abreast of changing needs, and if it is to be replicated in many places and under different circumstances.

Because educational systems are administered on the local level and vary widely by community,

*A comprehensive effort to ensure readiness will need to involve families, neighborhoods, federal and state programs, preschool services, schools, and the media.*

Child Care and Development Block Grant program. This provision requires that 5 percent of the grants must go to improve the quality of child-care programs through such efforts as teacher training and higher salaries. This percentage should be increased. Training in early childhood fields could be also be promoted through current programs for student loans and grants. And to ease the transition to kindergarten, any readiness effort should help preschools and schools forge better links with one another in such matters as teaching methods, training, parent participation, and the provision of comprehensive services.

defining policy according to specific, strictly defined programs is rarely effective. We would do better to base policies on a set of common principles that could be adapted to local needs. A few essential principles for readiness programs—for example, prevention,

*Defining policy by specific, strictly defined programs is rarely effective. We would do better to establish a set of common principles to be adapted to local needs.*

comprehensiveness, parent involvement, and cultural sensitivity—could be proposed and developed by specialists in such fields as family support and child development, and then amplified into sets of criteria against which programs could be developed.

By stressing the mission and principles of projects rather than their labels or funding sources, we might be able to identify hundreds of programs and institutions already dedicated to meeting the needs of young children and families. Incorporated into a network, these might constitute the base of a national system of “child and family centers.” I use the term “centers” broadly, to apply both to programs (for example, community-based family support programs or Chapter 1 programs) and institutions (such as schools, day-care centers, and clinics). Instead of competing or working at cross-purposes, various centers could see themselves as part of the same enterprise, conceptually aligned even while operating under different auspices and with different legislative oversight. More important, without changing their missions, they could be marshalled and strengthened in service to the readiness agenda.

## **The government’s role in social change**

So far, I have suggested a course for attaining the readiness goal, in which many sectors, agencies, and disciplines share responsibility for working toward the

goal. What part of that responsibility should belong to the federal government?

In addition to building on existing programs, the government can take on five tasks: collecting and disseminating useful data, generating relevant research, creating mechanisms to support the readiness goal, seeding services where they are needed, and crafting comprehensive legislation.

- *Collecting and disseminating useful data.* Little codified information on readiness programs exists at most local levels, in most states, or at the federal level. A means for discerning who needs what kinds of services—and for determining what constitutes “need”—would be tremendously helpful. Moreover, expanding the national database of child and family centers would enable policymakers to arm themselves with solid information to justify policy changes. The federal government should provide technical assistance so that data collected at different local-level sites will be compatible nationwide.

- *Generating relevant research.* Individual scholars generate useful empirical research that can be used to direct both practice and policy. Yet too often research suffers from small scale, short duration, or shaky methodology. At the same time, questions crucial to practitioners and policymakers go unaddressed in the scholarly community. For instance, we know little about the comparative cost-effectiveness of different kinds of child and family interventions, such as family day care, center care, and home visit programs. And we need more information on the relationships between regulation, cost, and quality of child care. The government could help answer such questions by enhancing its support for research on issues related to the readiness goal and its three objectives.

- *Creating mechanisms to support the readiness goal.* Unlike many other national policy issues, readiness has no obvious “home.” The issue is tossed about like an institutional dodge-ball among the areas of education, human services, mental and physical health, and community development, at the local, state, and federal levels. Because it seems unlikely

that any authority will declare one agency or institution to be in charge of readiness, it will probably remain the province of the many connecting entities—collaborations, task forces, councils—that have already emerged. These arrangements span agencies and disciplines and effectively serve to integrate *all* the many players involved in readiness. The government should encourage and fund such mechanisms so that readiness will be rightfully regarded as a shared cause.

- *Seeding services where they are needed.* In many communities—particularly poor ones—services to young children and their families are so scarce that intensive federal intervention is required. No needy community should lack programs in early care and education, parenting, and health, even if that means direct financial support from the federal government.

*The nation must bring more than just empty rhetoric to the readiness goal. Supporting institutions that can nurture young children must be a national priority.*

- *Crafting comprehensive legislation.* The nation must bring more than just empty rhetoric to the readiness goal: It needs tone and texture, resources and real incentives. Legislators must work seriously to craft a national policy on children, perhaps under a comprehensive children's bill that brings together disparate issues. Supporting institutions that can nurture young children—families, work places, neighborhoods, communities, child-care settings, preschools, schools, media—must be regarded as a national priority.

In short, policymakers—and all of us as Americans—can do much to advance the readiness agenda. We can consolidate the readiness knowledge base, particularly by developing an interdisciplinary consensus on readiness. We can strengthen political will by unifying agencies and professions into a comprehensive readiness effort. We can adopt a social

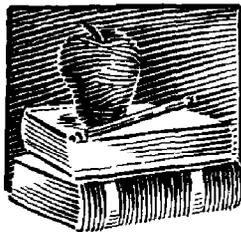
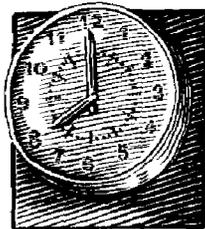
strategy that identifies the many different people and institutions with a legitimate role in readiness, and that links them into a cohesive network of support.

It is in the national interest that our children be prepared for formal schooling. There's no shortage of desire to help them, and no lack of technical knowledge on how to do so. We simply need to gather our knowledge, our will, and our resources into a real readiness effort. •

1. E. Cahan, *Past Caring: A history of U.S. preschool care and education for the poor, 1820-1965* (New York: National Center for Children in Poverty, 1989).
2. Julius B. Richmond and Milton Kotelchuck, "Commentary on Changed Lives," in *Changed Lives: The effects of the Perry Preschool Program on youths through age 19*, ed. J.R. Berrueta-Clement et al. (Ypsilanti, Mich.: High/Scope Press, 1984), pp. 204-210.
3. Sharon L. Kagan, "Readiness 2000: Rethinking rhetoric and responsibility," *Phi Delta Kappan*, December 1990, pp. 272-279.
4. Frances L. Ilg and Louise B. Ames, *School Readiness: Behavior tests used at the Gesell Institute* (New York: Harper & Row, 1965).
5. Lev S. Vygotsky, *Mind in Society: The development of higher psychological processes* (Cambridge, Mass.: Harvard University Press, 1978).
6. Samuel Meisels, "Developmental Screening in Early Childhood: The interaction of research and social policy," *Annual Review of Public Health*, Vol. 9, 1988, pp. 527-550.
7. Lorrie A. Shepard and Mary Lee Smith, "Effects of kindergarten retention at the end of first grade," *Psychology in the Schools*, October 1987, 346-357.
8. M. Therese Gnezda and Rosemary Bolig, "A National Survey of Public School Testing of Prekindergarten and Kindergarten Children," paper commissioned by the National Forum on the Future of Children and Their Families (National Academy of Sciences) and the National Association of State Boards of Education, 1989.
9. Technical Planning Subgroup, *Report on School Readiness* (Washington, D.C.: National Education Goals Panel, Sept. 4, 1991).
10. For example, see the National Association for the Education of Young Children's "Position Statement on School Readiness" (*Young Children*, Vol. 46, No. 1, November 1990, pp. 21-23); and the U.S. Department of Education's *Preparing Young Children for Success: Guideposts for achieving our first national goal* (Washington, D.C.: 1991).
11. Ernest L. Boyer, *Ready to Learn: A mandate for the nation* (Princeton, N.J.: Carnegie Foundation for the Advancement of Teaching, 1991).

# THREE STUDIES AT THE LOCAL LEVEL

*No major solutions—  
just hard work, open minds, and lots of team spirit.*



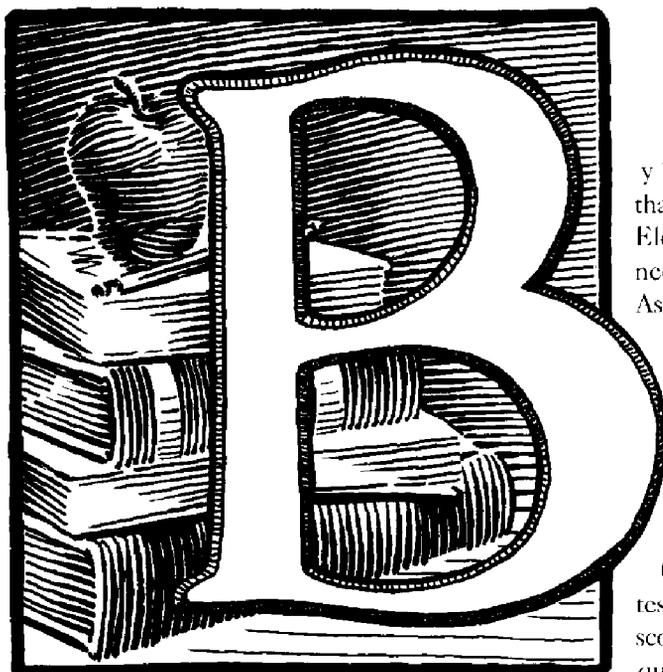
*P*olicymakers may differ over strategies for school reform, but they agree on at least one important matter: A successful education program will not only prescribe change on the national level, it will also encourage schools and school districts to develop innovative solutions of their own. Some schools and school districts are already doing exactly that, as they seek to make the most of always-scarce resources.

Because every local situation is different, solutions are as varied as the schools that have developed them. The examples that follow represent three quite different cases, including a small Southern elementary school, a 172-school system in the East, and a large West Coast high school. And they illustrate only three of the many possible local-level approaches to reform—one centered on curriculum, one on environment, and one on structure.

Different as they are, these cases share a few common elements. Each effort consists not of piecemeal fixes, but of school-wide or district-wide reform under a coherent, comprehensive plan. Each builds on the ideas of a specific researcher in the field of education. Each seeks to improve schooling for all students, not just certain disadvantaged groups or low achievers. And each has caught the eye of federal policymakers eager to learn about—and call attention to—innovative approaches.

## East Park Elementary School

Mary F. Alfred & Judy Ruspoli



y 1980, it was clear that East Park Elementary school needed immediate help. As with many schools that serve a predominantly poor, minority population, East Park suffered from low academic performance and morale. On standardized tests, most students scored in the bottom quarter compared with

students nationwide, and some of the children's scores were in the lowest 1 percent. Moreover, the school was burdened with a feeling of despair: Staff and parents alike expected that students would fail—and assumed that they could do no better.

It was evident that any improvement was going to require full-scale change. Faculty and administrators needed to define a realistic vision for success and a clear plan for achieving it. And if we on the staff were to convince ourselves—as well as parents and students—that such an effort was worthwhile, we would need tangible evidence: dramatic, measurable improvements in student performance.

East Park was not the only troubled school in the Moss Point District, and in 1980, the superintendent

---

*MARY F. ALFRED is Supervisor of Instruction for Moss Point School District in Moss Point, Mississippi, a system of six elementary schools, two junior highs, and one high school. Until 1990 she was principal of East Park Elementary, a Moss Point school enrolling about 600 students from an urban area near Mobile, Alabama. JUDY RUSPOLI teaches fourth-grade language arts at East Park.*

introduced a district-wide effort for reform based on a method he had used successfully in other districts before coming to Moss Point. That method, the Systematic Approach for Effectiveness (SAFE), was developed by Robert and Betty Corrigan of the Institute of Effective Learning, a research and training organization in New Orleans. SAFE involves five interrelated steps: identifying real needs and problems, creating strategies to solve those problems, teaching and testing, staff collaboration, and instructional management.

- *Real needs and problems.* We began with the most basic questions: Just what should students learn? In what order should they learn it? And how should we measure their learning? To answer these questions, we began by looking at standardized tests and textbooks to get a sense of the national consensus on what students should be expected to know. We then balanced that information with our own experience and ideas.

Over the course of the 1981-82 school year, the staff of East Park and the five other Moss Point elementary schools worked together to create a detailed set of district-wide objectives for learning. We specified 18 to 25 objectives per grade level in each subject area. Next, we identified the many small parts, or "subskills," that went into each objective. For example, one objective for fourth-graders in the area of English was to learn to use proper nouns. This involved such subskills as differentiating common and proper nouns, capitalizing proper nouns, and using them in writing.

We then decided the order in which all these pieces could best be mastered. Finally, we wrote test questions reflecting the subskills within each objective. Those questions formed the basis for "criterion tests"—tests we could use to directly measure students' mastery of the objective.

- *Solution strategies.* Once we had mapped out objectives, we could begin to develop strategies. Now the question we needed to answer was not simply what students should learn, but rather how we could best teach them.

Obviously, some of our traditional teaching practices were effective for some students, and some practices were entirely ineffective. We needed new ideas, skills, and programs. In 1984, the district initiated extensive training for all teachers in a variety of generic practices, including a comprehensive teaching approach, writing

skills, and computer-assisted instruction.

Each teacher was given the flexibility and freedom to apply these new skills creatively in her classroom. While the broad selection of methods

provided teachers with many choices, the overarching structure of the objectives ensured that all the teachers would seek to accomplish the same things, and the criterion tests provided a means to determine whether their approaches were working.

• *Teaching and testing.* Teachers followed a classroom routine of teaching and testing. After spending a few days or weeks teaching a specific objective, the teacher would measure students' understanding using the criterion test. The routine allowed for a "reteach-retest loop" to ensure that students mastered each objective before moving on to the next.

If teachers were to make this work while maintaining the necessary pace, they needed swift feedback on students' performance. We began using a computer to score criterion tests quickly and to generate the results in grade-book format. Teachers had test results in usable form within a day or two of testing. Although teachers could usually guess how well individual students were doing, the hard data either validated the teachers' assumptions or called attention to problems they might not have recognized as quickly on their own.

• *Collaboration.* The glue that held this entire effort together was a strong sense of collaboration among the staff. Close interaction between the principal and teachers, or among teachers in a given subject area, produced a collegial, supportive climate in which everyone could freely exchange ideas for effective classroom practices, talk over details of the curriculum, and raise questions or propose changes.

The computer-generated reports helped focus

discussions on real results, and decisions on allocating resources and setting priorities were based on hard data. Because staff members shared responsibility for students' achievement throughout the school, we found we could assess elements of the system—such as specific learning objectives or classroom pacing—constructively.

• *Instructional management.* To be effective, these activities—teaching, testing, evaluation, and revision—needed to occur within a well-managed framework. The steady stream of hard data from the criterion tests proved essential not only for teachers' use in running their classrooms, but also for the administration's management of the school as a whole. The principal, as well as the teachers, saw the reports and could identify any discrepancies. In the collegial environment we had developed, poor results became challenges for improvement rather than grounds for criticism. Strategies that worked were celebrated—and replicated—by the entire staff.

We had hoped our effort would produce tangible results quickly—and it did. Our first real milestone occurred in May 1983, when more than 90 percent of the students were able to answer more than 90 percent of the questions on the annual statewide test. Of the remaining 10 percent of students, all scored above 75 percent.

Within three years, average scores for East Park students' achievement on major standardized tests reached the national average—the range from the 40th to the 60th percentile—in all areas. Test scores have fluctuated from year to year since then, but they have always been at or above this range.

Parents realized the school was changing and offered support. They attended meetings and learned what the staff hoped to accomplish, and knew for the first time that their children were expected to learn and master the classroom material. Parents were able to see their children's test results and could work with teachers on their children's strengths and weaknesses.

Parental support escalated when test results were announced, and both parents and the community developed a sense of pride. In a 1986 bond election, more than 80 percent of those voting supported a referendum to renovate the school, add air conditioning, and equip two new kindergarten classes.



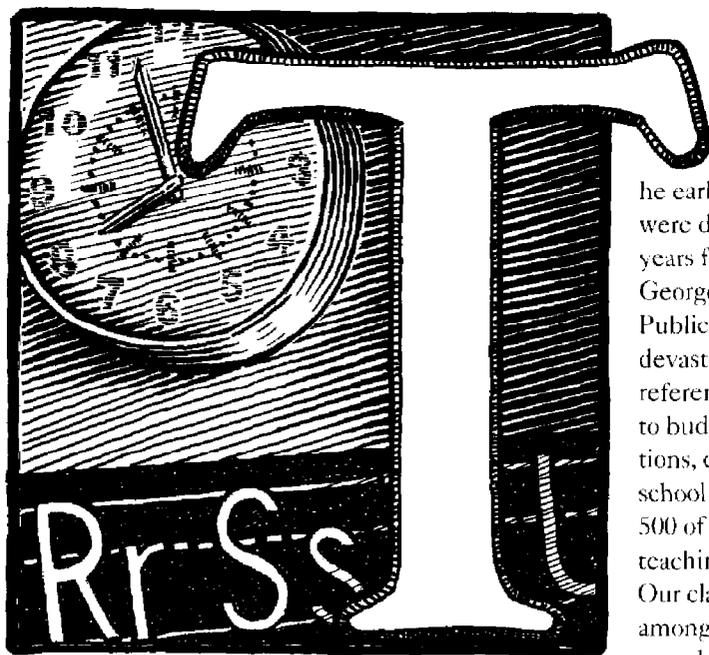
*“We began with the most basic questions: Just what should students learn? In what order should they learn it? And how should we measure their learning?”*

Maintaining this success has required continuous work. Teachers have attended training sessions during each school year, and many teachers have returned during the summer to undergo additional training and prepare for the next school year. They also have reviewed and revised the curriculum and criterion tests annually.

The reform effort has proved cost-effective as well; it cost approximately \$50,000 to implement the SAFE program in the district. The most important factor in our success has been personal commitment to change and to developing new skills. At East Park, we believe the results were worth the effort.

## Prince George's County Public Schools

*Jan Stocklinski & Louise Waynant*



The early 1980s were difficult years for Prince George's County Public Schools. A devastating tax referendum led to budget reductions, costing the school system 500 of its 6,000 teaching positions. Our classes were among the most crowded in the state,

and teachers' salaries dipped to the lowest in the Washington, D.C., metropolitan area. Although student performance had been improving gradually, test scores for the system's students still were below state and national averages.

The school system's problems were compounded by unresolved desegregation issues. About two-thirds of the county's students were black, but the racial distribution varied widely among schools. Educators and community members noticed unacceptable differences between

white and minority students according to such measures as test scores, attendance, and enrollments in higher-level courses. Many parents felt disconnected from the school system, and they questioned the system's commitment to helping all students succeed.

Since those troubled days, Prince George's County has established itself as a pacesetter for minority student achievement and innovative instructional programs. The shift began with a simple but important step: We acknowledged that the problem was ours, not our students'. At its heart were our low expectations for students—minority students in particular. Amid the fiscal and political difficulties, the system's teachers and staff had begun to question their power to make a difference—and so had settled for less.

In 1985, recognizing these problems, we developed a mission statement for the school system that emphasized a strong commitment to helping all students participate and achieve. Of the many actions we took to fulfill this mission, one of the most important was to adopt a comprehensive reform program developed by James Comer, a Yale professor of child psychiatry known for his work in troubled schools in New Haven, Connecticut. In the spring of 1985, our Superintendent of Schools, John A. Murphy, invited Comer to visit and discuss ways in which his methods might help our school system.

The Comer School Development Program—or the "Comer Process," as we call it—is not a particular instructional method or curriculum. Rather, it is a mechanism by which everyone involved in students' education—faculty, administrators, parents, and others—can join in plans and decisions that affect the school. With its emphasis on high expectations, child development, school climate, and parent involvement, the Comer Process seemed a perfect match for the challenges we had identified, and it provided a means for carrying out the improvements we had already decided to undertake.

---

*JAN STOCKLINSKI is Supervisor of the School Development Program in the Department of Equity Assurance in Prince George's County Public Schools, and LOUISE WAYNANT is the Associate Superintendent in the Division of Instruction. Prince George's is the 15th largest school system in the nation, with 172 schools enrolling 113,000 students in an urban and suburban area near Washington, D.C., and Baltimore, Maryland.*

One important reason we chose Comer's approach was that it does not focus solely on academics, but also on the general well-being of students and families. After all, learning does not take place in isolation; children want to achieve not just for the joy of learning but also to please the significant adults in their lives. Comer pointed out

that all of us—parents and educators—must work together to help children develop control, direction, motivation, and personal responsibility. Only when this happens will children learn.

We began by introducing Comer's program in 10 of our elementary schools. These schools, which were among those with the largest minority enrollments in the school system, had been earmarked for improvements in an earlier desegregation case in federal court. Because the system was unable to bring them in line with the court's desegregation guidelines at that time, the system agreed that these schools would receive additional resources. Therefore, they seemed ideally suited for implementation of the Comer Process.

Murphy and Comer met several times with system administrators, the principals of the 10 schools, and school teams representing staff, teachers, and parents to acquaint them with the process and provide training. The teams were then to introduce the Comer Process to their schools. We tried to include a

broad cross-section of "stakeholders" from the start, so that as many people as possible would gain a sense of empowerment and involvement in the changes taking place.

A school adopting the Comer Process establishes three teams. The School Planning and Management Team, which coordinates various activities, consists of the principal, counselor, and

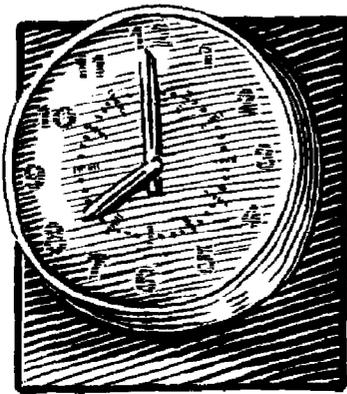
representative teachers, support staff, and parents (and, for secondary schools, student representatives). There's also a PTA, or parent team, and a "mental health" team—made up of the counselor, psychologist, social worker, nurse, special educators, and some teachers—that concentrates on children with special needs. These teams meet regularly to establish and carry out a comprehensive plan specific to the school. The plan outlines goals and objectives for instruction, staff development, school climate, family involvement, and other matters. Activities and programs are then evaluated according to whether they further the overall plan.

While some of the school representatives returned from orientation eager to begin work immediately, others took up to a year longer to start. In particular, people needed to get used to the notion that parents and support staff were to join in decisions and activities that until now had been the exclusive province of the teachers or principal. The process required schools to consider the perceptions, attitudes, and values of a wide range of people—a difficult task for those who had held low expectations for the children, their families, and their communities.

The key to this shift was intensive training. In special workshops and on the job, faculty and staff learned techniques of collaboration, problem-solving, and decision-making, as well as principles of child development. At the same time, interested parents were trained in ways to work with their children at home.

As word of the Comer Process spread, other schools in the system asked to be included. By the 1991-92 school year, 30 elementary schools and two high schools were using the Comer Process. In addition, 13 middle schools began the program in 1988 as part of a controlled test funded by the MacArthur Foundation. As part of this project, we have been collecting extensive data from these 13 schools as well as from 10 middle schools that did not adopt the program. With this side-by-side comparison, we hope to be able to see exactly what sort of differences the Comer Process makes for adolescents.

For now, it has been hard to measure the changes, because the schools in which we first introduced the Comer Process were undergoing other improvements at the same time. Still, we have seen some significant signs of progress. For instance, at Barnaby Manor Elementary in Oxon



*"We acknowledged that the problem was ours, not our students'. Amid fiscal and political difficulties, the system's teachers and staff had begun to question their power to make a difference—and so had settled for less."*

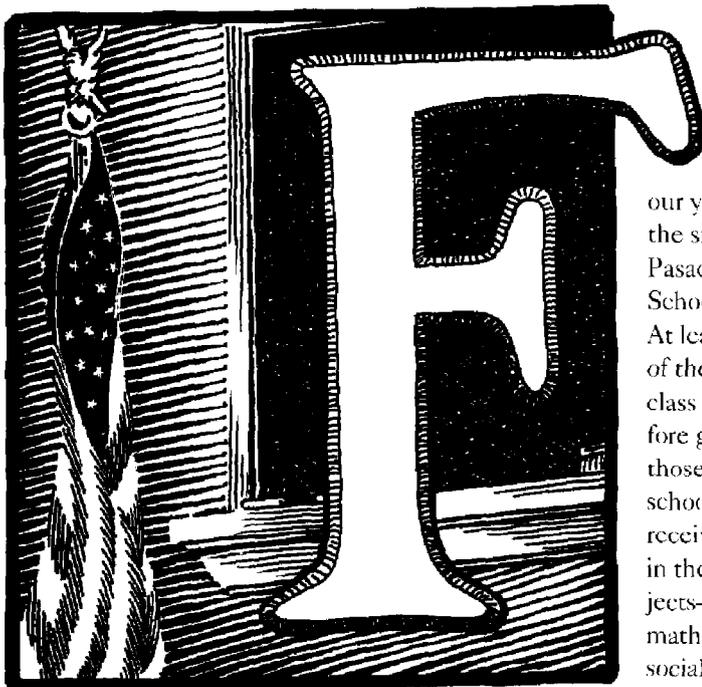
Hill, Maryland, so many parents turned out for the Black History Month dinner that the program had to be moved to a larger space at the local high school. At Columbia Park Elementary in Landover, Maryland, suspensions dropped from as many as 32 per year to only two or three per year. Student attendance increased, and the number of students held back from advancing to the next grade dropped dramatically.

Another improvement that has been harder to measure is the new sense of spirit and camaraderie in the Comer schools. A climate has developed that allows students, staff, and parents to take risks, to try out new ideas, and to constructively challenge the status quo.

We still have a long way to travel. The process has required essential changes in the way we work. It has demanded that we believe in our students' ability to achieve, and our actions and behavior must demonstrate those beliefs. This has not been an easy shift to make. But if many of us do believe, we can make a real difference for *all* students.

## Pasadena High School

*Judy G. Coddling*



our years ago, the situation at Pasadena High School was dismal. At least 36 percent of the 1988 senior class dropped out before graduating. Of those who stayed in school, 40 percent received D's or F's in the core subjects—English, math, science, and social studies.

Only 13 percent of our graduates enrolled in one of California's state universities. Standardized test scores were very low, and so was attendance.

Many students already had serious problems when they first arrived at the school. The typical entering student was performing 2.3 years below grade level. Most were from low-income families or unstable homes. Too many experimented with drugs or got pregnant.

The school experience did little to help. Many of our students found school alienating rather than engaging. Often, teachers simply lectured without involving the students, and few were familiar with current teaching theories and techniques. In general, our school structure supported docility and failure rather than success.

It became obvious that Pasadena High simply was not working for many of its students. In 1988, through much soul-searching and discussion, the faculty concluded that we could no longer close our hearts and minds to what was happening. We had to do whatever it would take to break the cycle of educational failure.

We realized that the way our school was organized and run—the routine of curriculum and instructional methods, the allocation of money and authority—had become obsolete. The good old days, in which such structures made sense, were gone; we needed to change to match a new era. Because everything important within our school is intertwined, we knew we could not redesign the school piece by piece. Restructuring meant rethinking everything we did and re-examining our basic beliefs about teaching, learning, and the school environment.

We devoted the 1988-89 school year to planning the restructuring process. We selected a planning team, visited other schools, and read about approaches to school reform. Committees of school leaders reviewed previous practices and considered improvements in everything from curriculum to scheduling.

We drew heavily on the theories put forth by Theodore Sizer of Brown University. By 1984,

---

*JUDY G. CODDING is principal of Pasadena High School in California, an urban, comprehensive high school of 2,200 students in grades nine through twelve.*

Sizer had codified a set of nine principles to guide the Coalition of Essential Schools, a national secondary-school reform effort. We invited Sizer to

visit; the entire staff heard him speak and also read about the Coalition's ideas. A team of 10 teachers, school and district administrators, and a professor from the University of Southern California attended a national conference of the Coalition in St. Louis, Missouri, and also visited Coalition schools on the East Coast.

In the spring of 1989, we decided to restructure the ninth-grade program for the next fall and to expand the new system to an additional grade level each year. The new entering freshmen—the Class of 1993—would lead our restructuring as they advanced through high school.

In redesigning Pasadena High, we made five basic assumptions. First and most important was the premise that *all* students can and must learn and succeed, and should have equal opportunity to do so. By “all

students,” we mean not only the “typical” student, but also those in our special education program, our bilingual program, our gifted program, and our

Chapter 1 program of remedial instruction. Second, we acknowledged that students learn at different rates and in different ways. Third, we recognized that teachers, principals, and parents must raise expectations for *all* students. Fourth, we agreed that teachers, as they plan, teach, and test, need to focus on the results they want students to achieve. And fifth, we determined that we needed to get rid of the things that distracted us from or interfered with our mission.

And just what were we trying to accomplish? We set three goals: To create a more personal environment for our students; to form a partnership with the home; and to make the student the worker, the active learner. To meet these goals, we had to remake and streamline our school.

We divided the school into five learning units called “Houses.” Each house has its own teaching faculty, a head teacher, a guidance counselor, and part-time clerical staff. Each of the 400 or so students in a house are assigned to a team of two to four teachers. All the house's teachers join to discuss student progress, develop curriculum, meet with parents, and so on.

We have been able to use the house structure to make improvements in several important areas. For example:

- *Curriculum.* We are developing an interdisciplinary curriculum to reflect our belief that real understanding and problem-solving requires integrating different skills and areas of knowledge. The curriculum stresses the skills of reading, writing, speaking, listening, and creating, and covers the subject areas of history, English, math, foreign language, science, and the arts.

- *Active participation.* The houses encourage students to be active rather than passive. Students work together, with frequent coaching from teachers rather than formal lecturing.

- *Personalization.* Students in large schools such as ours often join gangs because they lack another source of support and connection. To fight the tendency toward anonymity, each teacher serves as a personal adviser to 30 students, working with them in such areas as self-esteem, leadership, conflict resolution, and decision-making.

- *Governance.* The faculty of each house creates its own mechanisms for holding students accountable and sets its own policies on such matters as



*“We set three goals:  
To create a more  
personal environment, to  
form a partnership with the  
home, and to make the  
student the active learner.  
To meet these goals, we had  
to remake our school.”*

communication with parents, discipline, and tardiness. In short, we are trying to put the authority in the hands of the professionals who work most closely with the students.

- *Assessment.* We are working to design assessment tools based on the student's ability to produce—rather than simply reproduce—knowledge. We look at both a student's "portfolio" (a collection of work that shows efforts, progress, and achievement) and "exhibition" (skill in such areas as speaking and writing, personal and civic development, and critical thinking).

Since we began our restructuring, we've learned that remaking a high school takes much longer than we expected—possibly a generation. But we've seen some real progress already. By spring 1991, the proportion of students receiving "D's" or "F's" fell to 25 percent—not good enough, but better. We also saw a significant increase in performance on standardized tests.

Perhaps more telling, regular attendance in core

subjects jumped dramatically—from 68 percent in 1988-89 to 92 percent in 1989-90. And we lost track of only eight students—out of a class of 632—between their ninth- and 10th-grade years.

Yet despite the progress we've seen here, I worry about other children. I wonder if the American public truly has the will or care to educate our young people. I fear that the political clout is not there to support a major overhaul of the education of *all* of our children, and that the education agenda will end up a collection of quick fixes.

And I am convinced that the educational establishment cannot remake American education by itself. All the institutions of our society—family, government, business, universities—must acknowledge their stake in education and lend a hand to the schools. Our students' performance will not improve unless the entire nation helps. As an ancient African proverb says, "It takes the whole village to raise a child." •

*Sigurd R. Nilsen & Ellen B. Sehgal*

# FROM SCHOOL TO WORK

*Our education system needs to do more for students who don't go on to college.*

**T**HE UNITED STATES is known worldwide for offering its youth abundant opportunity to attend college. About half of all young Americans continue their studies after high school. But at the same time, the U.S. education system largely ignores the other half—those who do not intend to go to college. Many of those young people remain woefully unprepared to enter the work force.

To begin with, many of them lack the reading, writing, and math skills they need to get a job. Employers largely agree that entry-level workers should read and write at least at the eighth-grade level, and

percent of young American adults function below the 8th-grade level.<sup>1</sup> By the time they reach age 25, more than one-fourth of the nation's youth now aged 16 to 24 will lack the skills required for most entry-level positions. That translates to more than 9 million young people: 5.5 million high-school dropouts and 3.8 million who graduate without achieving high-school competency.<sup>2</sup>

Moreover, the system does little to help students move effectively from school to work. While many of the nation's foreign competitors have established programs to train young people, orient them to the working world, and place them in jobs, young people in America frequently find themselves adrift, with little understanding of how to learn useful skills or find employment. The situation has not changed much since Willard Wirtz, then U.S. Secretary of Labor, told a House committee in 1968, "By and large, young people leave school without having learned about the nature of jobs which exist in a community, the different opportunities in different industries, what employers expect from employees, and the agencies which can give them help."<sup>3</sup>

The limited attention given to work-bound youth is especially apparent in the amounts of public money spent on the education and training of young people. On average, the U.S. government invests more than \$10,000 in postsecondary training for every

*The inadequate preparation of young workers exacts a high cost from both individuals and society.*

*According to one conservative estimate, the social cost totals \$10 billion annually.*

many jobs in the fields expected to grow fastest—for example, health services and computer technology—require even higher levels of ability. Yet some 20

---

*SIGURD R. NILSEN is Assistant Director in the Education and Employment Issue Area of GAO's Human Resources Division. At the time this article was written, ELLEN B. SEHGAL was also Assistant Director in the Education and Employment Issue Area. She is now Assistant Director in GAO's Office of Program Planning.*

collegebound student. Non-collegebound young people—high-school graduates as well as dropouts—account for an average of \$1,500 each in public spending on training after they leave school. Obviously, college education is far more expensive and therefore can reasonably command a greater share of public funds. But the disparity is so great as to suggest that the United States gives non-collegebound youth short shrift.

Although most Americans consider funding for higher education a vital national and economic investment, they typically view support for training young workers—especially those least equipped to succeed in the labor market—as a social matter rather than an economic one. Yet the inadequate preparation of young workers exacts a high cost from both individuals and society. One year's cohort of high school dropouts and deficient high school graduates may forgo an estimated \$150 billion to \$300 billion in earnings over their lifetimes—about \$135,000 to \$300,000 each.<sup>15</sup> In addition, the government must spend more not only on welfare, but also on such social problems as crime and drug abuse. According

*Few formal bridges exist to help the young make the transition from school to work. Left to themselves, large numbers of young people end up jobless or stuck in dead-end jobs.*

to one conservative estimate, the social costs of ill-prepared youth total \$10 billion annually.<sup>5</sup>

Increasing the investment in education and training might reduce these losses; to what extent is unclear. But no one can dispute the fact that an ill-prepared work force will continue to cost this nation dearly. As policymakers, educators, and employers have come to recognize that the nation's economic health and its global competitiveness depend in part on the quality of its workers, they are paying more attention to the need to educate non-collegebound young people and to help them make the transition to work.<sup>6</sup>

To identify ways to do this, GAO looked closely at the school-to-work transition in the United States and in four foreign countries known for training their workers well. What we learned from this comparison suggests some concrete steps the United States can take to better prepare its youth for work.

## **Unprepared for work**

The United States has no coherent overall strategy for preparing youth for employment. In fact, the system that has evolved actually prevents many young people from getting the preparation they need. While many characteristics of the American education system contribute to this, three stand out as particularly important.

First, many children have trouble keeping up in school. Some simply are not ready when they enter school, and some fall behind later and are unable to catch up. An early lag in basic academic skills can hamper a student's progress throughout the school years and in subsequent life. The federal government has invested deeply in the Head Start program (which brings educational and social services to 3- to 5-year-olds from low-income homes) as well as in Chapter 1 programs (which provide remedial instruction, primarily in the elementary school grades). But the problem is so great that these programs fall short of reaching most children who need help.

Second, few formal bridges exist to help young people make the transition from school to work. Schools stress the connection between academic achievement and college admission, and school officials typically help collegebound students select and apply to colleges. But the progress of a student bound for the labor market is typically seen as the student's responsibility, not the school's. Few non-collegebound students are given any idea of the job opportunities open to them or the requirements employers are likely to set. Many do not see the relevance of schooling to work, and therefore have no motivation to do well in school.<sup>7</sup> Left to themselves, large numbers of young people flounder in the labor market, jobless or stuck in dead-end jobs with little promise of advancement.

Third, limited opportunities exist for non-college training after high school, and not all programs are equally effective. "Second-chance" programs (government-sponsored programs that provide job-skill training, typically to low-income youth) devote little attention to reading and writing, and the programs are generally short-term—usually less than five months. Moreover, these programs reach only a small proportion of those who could benefit; under 10 percent of eligible young people participate in the Job Training Partnership Act (JTPA), the largest second-chance



program. Other types of non-college training also have shortcomings. Proprietary schools (profit-making trade and technical schools) enroll large numbers of young people, but many of these schools fail to provide useful training. Apprenticeship programs, which offer intensive training, generally are of high quality, but these serve relatively few people—only 2 percent of American high school graduates, of whom less than 20 percent are under age 23. Moreover, whatever the source of the training, employers have no way of knowing whether participants have mastered particular skills because no consistent standards exist for determining competency. Certification in the United States often means only that a person has completed a training program; it does not guarantee that he or she has learned anything.

## How other countries prepare youth for work

To see how our foreign competitors prepare their youth for work, GAO looked at four nations—England, Germany (West Germany at the time of the study), Japan, and Sweden—that have national policies to prepare youth for the work place.<sup>8</sup> Specific practices for preparing workers vary from country to country; each system is rooted in different traditions, and each has problems of its own. Still, certain characteristics recur. Three of these, in particular, may prove relevant to the United States.

**1. Each system tries to help all students do well in school, beginning with the early school years.** U.S. schools take it as a matter of course that some students will not keep up with the rest of the class. In the countries GAO studied, school officials try to give all children an even start. They generally avoid grouping students by ability in the early grades, devote special attention to students with learning difficulties, pay teachers relatively well, and allocate comparable resources to all schools.

Japanese educators, for example, have high expectations for all students. They assume that all students who try hard can achieve, so they encourage effort and perseverance. Further, they emphasize the achievement of the entire class, so that all students work to help keep their classmates from lagging

behind. Such attitudes probably contribute not only to Japanese students' high test scores, but also to the fact that Japanese students' scores show far less variation within groups than U.S. students' scores.

The foreign systems also work to give all students equal educational opportunity regardless of differences in socioeconomic status and academic talent. Japan establishes uniform teacher salaries and funds

*Foreign employers and employment services give students guidance on choosing fields of work, combine schooling with on-the-job training, and offer help with job placement.*

schools according to the number of students they serve, so that schools in poorer areas are on a par with those in affluent neighborhoods. Sweden provides extra resources to needy schools, such as those in remote rural areas or in areas with relatively large proportions of immigrant students. In the United States, however, funding is determined locally and differs greatly among school districts. Teacher salaries also vary widely by locality.

**2. Schools and employers work together to guide young people's transition from school to work.** Foreign employers and employment services play a much more active role than their U.S. counterparts: They provide students with information about different occupations and guidance on choosing fields of work; they combine schooling with work experience and on-the-job training; and they offer help with job placement. For example:

- In 1983, England reformed its national curriculum to give all secondary school students structured work experience and orientation to the working world. Also, "careers officers" from the public employment service work with teachers to provide young people with job information and placement assistance.
- In Germany, employers play a significant role in the transition from school to employment, with almost all non-collegebound youth participating in an extensive apprenticeship program. Apprenticeships, which usually run three years, begin at age 15 or 16. Apprentices typically spend one to two days a week in state-run schools, studying vocational and academic subjects, and the rest of the week receiving on-the-job training

from employers. In addition to imparting specific skills, the apprenticeship system introduces youth to the ways of the working world.

- In Japan, a system that links schools and industry ensures that nearly all high school students seeking work have jobs when they graduate. Each high school has ties with particular employers, who set aside a certain number of jobs for the school's graduates. More prestigious employers recruit from the higher-ranked schools. Japanese employers usually base hiring decisions on schools' recommendations, which primarily reflect students' grades and attendance records.
- In Sweden, all students receive work orientation early in their education, starting as young as age 7. By age 15, students will have completed six to 10 weeks of work orientation. Students choosing a vocational field are typically trained in school but also have practical training with an employer. A 1988 initiative added a third year to vocational high school programs, including work experience for much of the year.

**3. Each nation devotes significant resources to training jobless youth.** Sweden, for example, guarantees education, training, or employment to all out-of-school teenagers. Municipal authorities keep track of 16- and 17-year-olds who leave school and help them get work or go back to school. When they turn 18, the public employment service takes over, providing such services as counseling and placement in training programs and jobs. At the time of GAO's study, England's Youth Training Scheme guaranteed up to two years of work experience and training for all jobless 16- and 17-year-olds who were not in school; since then, England has restructured its program to include more classroom training.

Some governments help maintain the quality of training by establishing national standards for testing and certification. Trainees who pass competency tests receive nationally recognized credentials, which carry weight with potential employers. For instance, under Germany's apprenticeship system, committees representing government, employers, and unions develop apprenticeship curricula, examinations, and certification procedures. Similarly, England's National Council for Vocational Qualifications has worked with industry to develop national skill standards, which are used to guide the content of training programs and to measure competency gained from training.

## What the United States can learn

A nation's practices reflect its own traditions, and it is not always appropriate or reasonable to try to reproduce another country's programs here in the United States. Still, educators and officials who wish to improve education and training in the United States can draw some ideas from the examples of other nations. In particular, federal, state, and local governments might consider these steps:

- First, aim to help all children gain the academic skills they need to succeed in either college or the work place. This would require raising expectations for, and concentrating more attention on, those children doing poorly in school in the early grades. It would also mean improving the status of teachers, adopting instruction methods that encourage student effort, expanding early intervention programs, and ensuring that schools have adequate resources.
- Next, improve the quality and utility of school and industry training programs by encouraging the development of training standards and meaningful ways to certify levels of competence. This would hardly be easy, however; establishing a system of national standards would require cooperation between government and industry, and standards can be costly to institute and difficult to keep up-to-date.
- Finally, develop closer links between schools and employers to improve the school-to-work connection. In particular, this should involve acquainting students with work requirements and opportunities (including the importance of education to work success); promoting apprenticeship-type programs that combine education and work; and helping young people obtain suitable entry-level employment.

That last point—improving the transition from school to work—is perhaps the most urgent. And in fact, several separate programs already exist in the United States that work toward that goal. These programs could provide a good base on which to build a more concerted nationwide effort to help young people into the work place. For example:

**Cooperative education** is an apprenticeship-type program for high-school students that provides work experience and on-the-job training, together with job-related classroom instruction. GAO examined high-quality co-op programs and found that they have strong promise for improving students' transition to work.<sup>9</sup> Students learn about the working world, acquire job skills, and often are offered permanent employment with their co-op employer. Also, the students are likely to finish high school and to seek additional education later. Employers benefit, too, by gaining prescreened, motivated job candidates and by having the chance to "try out" potential employees.

Two principal barriers stand in the way of expanding cooperative education. One is lack of awareness about co-op programs, primarily on the part of employers. The other barrier is a bias against programs that do not specifically prepare students for college. Many people see co-op as part-time work for academically weak students, offered as a substitute for school. GAO's observations of high-quality programs did not support this negative view; instead, GAO found strong programs that offered an opportunity for experiential learning, skill training, and employer contact.

To expand the use of co-op, GAO recommended that the Department of Education gather data about co-op programs nationwide, make these data available as a guide to improving programs, and promote those of high quality. The Department could also ask states to encourage schools to give students written summaries of their training and written assessments by their supervisors, which could then serve as a form of certification. In addition, schools should consider whether skill standards now being developed by the Departments of Education and Labor might apply to co-op programs.

**School-to-apprenticeship programs** also combine school with work to give young people structured skill training.<sup>10</sup> Students in school-to-apprenticeship programs enter an apprenticeship in their senior year in high school. They work part-time, receiving on-the-job training, and obtain related instruction in school. After graduation, they enter full-time apprenticeship for two to four more years. When they complete the apprenticeship, they receive a certificate of journeyman's status recognized throughout the industry.

Despite some increase in interest in school-to-apprenticeship programs, most apprenticeship

programs in the United States today are geared to adults. No more than 3,500 high school students were in school-to-apprenticeship programs in 1990, compared with 283,000 adult apprentices. School-to-apprenticeship programs are not more widespread for several reasons. First, they are difficult to put in place. Second, many apprenticeships—in the construction industry, for example—are physically hazardous, raising legal and insurance problems when minors are involved. And third, the supply of adult apprentices has traditionally exceeded the demand, so many people do not see any need to recruit students.

**“Tech prep” programs** link secondary and

*The nation's ability to train the forgotten half of its young people—the ones who do not go to college—is vital to improving productivity, generating growth, and sustaining global competitiveness.*

postsecondary education in a concentrated career-based plan. Tech prep typically consists of a structured program of education during the last two years of high school plus two more years at a technical school or community college. Coursework involves a core of math, science, communications, and technologies designed to lead to an associate degree or certificate in a specific career field, such as electronics, drafting, accounting, or telecommunications.

**High school academies** are schools-within-schools—that is, extensive programs of study within conventional high schools—that integrate academic education with vocational training. They also include career development and enrichment activities as well as work experience. Academies are often designed for students at high risk of failing in school.

## Applying the lessons

Many of these programs incorporate elements of strategies that have proved effective abroad. Yet while other countries' approaches can provide useful lessons, they cannot be applied wholesale in the United States—in particular, because the federal government

has only limited authority to institute any programs for training workers. Here, the primary responsibility for education and training rests with state and local governments.

Still, nationwide strategies to address the growing problem of an unprepared work force will require strong national leadership and a more active federal role. The Departments of Education and Labor could stimulate people in state and local government, industry, and labor to work together to better prepare America's future workers. In the long term, the nation's ability to train the “forgotten” half of its youth—the ones who do not go on to college—is vital to improving productivity, generating economic growth, and sustaining American competitiveness in the world economy. •

1. Irwin Kirsch and Ann Jungeblut, *Literacy: Profiles of America's Young Adults* (Princeton, N.J.: National Assessment of Educational Progress, Educational Testing Service, 1986).

2. These figures are from an analysis performed for GAO by using *Current Population Survey* data from the Bureau of Labor Statistics.

3. Statement of W. Willard Wirtz, Secretary of Labor, to General Subcommittee on Education, House Committee on Education and Labor, Feb. 28, 1968.

4. See *Training Strategies: Preparing Noncollege Youth for Employment in the U.S. and Foreign Countries* (GAO/HRD-90-88, May 11, 1990). GAO developed this estimate using methods developed by James S. Catterall, professor of education at the University of California Los Angeles.

5. Social costs were derived from *Children in Need: Investment Strategies for the Educationally Disadvantaged* (New York: Committee for Economic Development, 1987).

6. See *America's Choice: High Skills or Low Wages!: The Report of the Commission on the Skills of the American Workforce* (Rochester, N.Y.: National Center on Education and the Economy, June 1990) and *The Forgotten Half: Non-college Youth in America*, interim report on the school-to-work transition, Commission on Work, Family, and Citizenship (Washington, D.C.: William T. Grant Foundation, January 1988).

7. John H. Bishop, “The Motivation Problem in American High Schools,” Center for Advanced Human Resource Studies Working Paper #88-13 (Cornell University, Oct. 28, 1988); and James E. Rosenbaum, “Empowering Schools and Teachers: A New Link to Jobs for Non-College Bound,” in *Investing in People: A Strategy to Address America's Workforce Crisis*, Background Papers, Vol. 1 (Commission on Workforce Quality and Labor Market Efficiency, 1989).

8. See *Training Strategies: Preparing Noncollege Youth for Employment in the U.S. and Foreign Countries*.

9. See *Transition From School To Work: Linking Education and Worksite Training* (GAO/HRD-91-105, Aug. 2, 1991).

10. For more information on the U.S. apprenticeship system, see *Apprenticeship Training: Administration, Use, and Equal Opportunity* (GAO/HRD-92-43, March 4, 1992).

*Albert Shanker*

# THE FIRST STEP TOWARD

# REFORM

*National standards and  
assessments would tell students how they're doing—  
and prompt them to do better.*

**A**S RECENTLY AS a few years ago, if you had dared even to talk about the desirability of national standards and a national system of assessments, you would have been considered a radical or a nut. "Sure," you would have been told, "that's the way it's done in most other industrialized countries." And, "Sure, students in these countries achieve at much higher levels than ours." But you would also have been reminded that the education systems in those countries are, typically, under the control of their central governments. And the mere suggestion of the federal government's dictating what American children learn in



local schools would have been enough to bring the discussion to a close.

The idea of national standards and assessments continues to arouse queasiness, at the very least, in many people. However, we are beginning to realize that our fragmented system—or rather non-system—of education standards and assessments is doing more harm than good. We have also come to realize that we can create a national system of standards and assessments that does not involve federal control over our schools.

No major educational change, let alone one as major as the introduction of a national system of standards and assessments, is likely to take place unless people believe major improvements are necessary. But people who are ready to believe that children in some of our schools are indeed getting a very poor education often think that everything is fine in the schools their own children attend.

*The poor achievement of our students is a matter for enormous concern. The future of our democratic form of government depends on our educating a large proportion of our young people.*

It is easy for parents to subscribe to this notion because they see their kids and their neighbors' kids getting into college. What they don't realize is that anyone who has graduated from high school in the United States can get admitted to at least one college, no matter how poor the student's grades. In all but a relatively small number of colleges, admissions are not at all competitive. Ability to pay, far more than achievement, determines who goes to college.

Middle-class parents are also reassured by the results of standardized tests, which tell them that the overwhelming majority of students in their schools are "above average." Unfortunately, these results obscure much more than they illuminate about student achievement.

For one thing, the tests themselves are typically low-level, multiple-choice exams. Kids do not have to write essays or work out problems; generally, recalling bits of information is enough. In the second place, scores on these tests are not based on any standards for what constitutes an excellent, adequate, or poor performance. They are all norm-referenced—that is, the scores reflect how a sample group of kids did. If almost everyone did miserably, a child who did a little better than that may look as though he did very well indeed. In short, these tests don't even tell us what our students know and are able to do, let alone what they can achieve relative to what we believe they should achieve at that particular point in their schooling.

Our best and most intelligible source for information about the achievement of U.S. students is the National Assessment of Educational Progress (NAEP), a congressionally mandated program that has been testing samples of U.S. students at ages 9, 13, and 17 for more than 20 years. NAEP results consistently show that our

---

*ALBERT SHANKER is President of the American Federation of Teachers, based in Washington, D.C.*

students are doing poorly. Almost all have attained basic numeracy and literacy, but the average achievement level is disappointingly low, and very few students reach top levels of achievement. For example, according to recent NAEP assessments, only 19 percent of 17-year-olds did even an “adequate” job when given a description of food on the frontier and asked to write a brief essay on why food today is different. Only 7 percent achieved NAEP’s highest level in reading, which involves the kind of material these 17-year-olds will encounter in college courses.<sup>1</sup> And only 5 percent were able to handle what NAEP considers graduation-level work in math.<sup>2</sup>

One big surprise is that NAEP results show that poor achievement is not just a public-school problem. When you control for the big differences between public-school and private-school students in parents’ education and courses taken, public-school students do as well as students from private schools—even though private schools are able to select their kids and public schools must accept all comers.<sup>3</sup>

The poor achievement of our students is a matter for enormous concern. The future of our democratic form of government depends on our educating a large proportion of our young people. So does our competitiveness in the world market.

## **What students in other countries can do**

Everyone knows stories about exchange students from France or Germany who are amazed at how little is required of elementary and high school students in this country. Of course, we can dismiss these observations as anecdotal. Yet almost every piece of evidence we have suggests that pre-college students in our competitor nations are generally held to higher standards, work harder, and achieve more than U.S. students.

On international comparisons of student achievement, U.S. students consistently score at or near the bottom. Critics vigorously dispute results on tests like these, pointing to technical problems with the way international examinations have been administered and with the way the data have been read. But when every international comparison over several years puts our kids among the lower-achieving students, you have to suspect that we have a problem.

*Almost every piece of evidence we have suggests that pre-college students in our competitor nations are generally held to higher standards, work harder, and achieve more than U.S. students.*

But let’s ignore these direct comparisons and look at the national university entrance exams in some other industrialized nations. They should be a good measure of what is expected of collegebound students and what the successful ones achieve. When we do this, the impression we get is sobering, to say the least.

In Germany, for example, academic-track students take a group of exams called

the *Abitur*, involving five full days of writing and problem solving. A sample question about “the Weimar Republic and national socialism,” from the three-and-a-half-hour general history exam, asks students to do such things as “describe the political conflicts that took place at the national level between the proclamation of the republic and the opening of the constitutional assembly” and “determine political convictions” from an excerpt of a speech.<sup>4</sup>

The French *baccalaureat* exam also requires both broad and deep knowledge of complex materials. Again, it is not enough for students to have memorized material so they can parrot it back; they must show they can use what they know. One of the questions on a four-hour history and geography exam asked students to spend two hours discussing “the evolution of domestic policy in the Soviet Union from 1953 to today.” Or students could write about the development of the American presidency since 1945 or European resistance to the Nazis between 1939 and 1945.<sup>5</sup>

There are many legitimate objections to comparing these exams with our NAEP. They are demanding, high-stakes tests based on coursework students have taken. Students know what’s expected of them on the tests and study hard to pass them. None of this is true of NAEP. Moreover, looking at the questions students are asked

*U.S. students are not dumber than kids in other nations. But other nations demand a lot from students and their students meet these demands. We demand very little, and that’s what we get.*

is not the same thing as seeing what would constitute an excellent response—or a marginal one. Still, it seems clear that students who can pass exams like the *Abitur* or the *baccalaureat* would easily be in the top 5 percent of NAEP achievers.

How many students pass them? In Germany, approximately 30 percent of all 19-year-olds pass the *Abitur*. In France, 67 percent of all 15- to 16-year-olds were enrolled in college-track secondary schools in 1990; 50 percent of the total number of 15- and 16-year-olds took the exams for the *bac*, and 38.5 percent passed.<sup>6</sup>

These percentages tell us that the usual way of explaining the discrepancy between our students’ achievement and that of students in other countries—that is, that other countries concentrate on educating only a tiny elite—is clearly not the case. Germany and France are educating more students to a higher level than we are. The same is true of Japan. It’s not too much to say that a large proportion of students who pass the *Abitur* or the *baccalaureat* are on a par with the tiny percentage of U.S. students who get into highly selective colleges. And it’s not too harsh to say that, given their current levels of performance, 90 percent of our students would never be admitted to universities in these countries.

How can we account for these shocking differences in achievement? It’s certainly not that U.S. students are dumber than kids in Germany or France or Japan. The

blunt fact is that our competitors demand a lot from students and their students meet these demands. We demand very little, and that's what we get. Put it another way, one big difference between our competitors' education systems and ours is that they have national standards—and exams that are based on these standards.

## **Why we don't have national standards**

**N**ational standards are based on a clear and agreed-upon picture of what youngsters leaving secondary school should know and be able to do. In countries that have such standards, educators work backward from that picture to decide what kids need to learn and when, and what constitutes excellent, adequate, and failing levels of performance. Youngsters and their parents understand that there are certain expectations about what students will achieve. Teachers know what to teach and—with help from parents—pressure the kids to meet the standards. Textbooks and other materials are tightly focused on giving students the content they need.

Exams go hand in hand with these standards, and unlike our standardized tests, they are based on the curricula students have been taught. Students are carefully prepared for these exams and study hard for them. And when they pass, they have a credential that certifies to all concerned—parents, institutions of higher education, future employers—what they know and can do. This contrasts sharply with most of our high school diplomas, which certify primarily that recipients have spent the required amount of time in school.

*The 15,000 U.S. school districts and 50 states all have rights and responsibilities in the area of curriculum. The result is a crazy patchwork of programs and requirements and tests.*

Countries that link national education standards and student examinations reap the additional benefit of ensuring a better-prepared teaching force. Once you achieve consensus on standards and examinations for students, you answer a question that has perpetually troubled us: How do you educate and assess teachers? Our competitor nations settled this long ago. Teachers have to be able to teach curricula that reflect the national education standards, and they have to be up on the various techniques and strategies for teaching these curricula. Our silly and destructive debates about whether it's more important for teachers to know content or pedagogy do not exist in these countries. Teachers must have a command both of the subject matter and of how to teach it to youngsters.

In the United States, we have no agreement about what students are supposed to learn except in the most general terms. We agree, for example, that they should study

American history, but what does that mean? Should graduating seniors be able to write an essay on the development of the American presidency, or is it enough that they know when the Civil War took place and can name a couple of the important issues? The answer to this question will vary according to where you ask it, because our 15,000 school districts and 50 states all have rights and responsibilities in the area of curriculum.

The result is a crazy patchwork of programs and requirements and tests. A handful of commercial textbook series form the basis for the curriculum in many districts. This might be O.K. if the texts were excellent, but they're not. Publishers need to sell as many copies as possible, so they try to reflect the varying wishes—which are often more political than educational—of many different states and school districts. As a result, the texts are typically unfocused, massive, and boring.

Standardized tests, which are supposed to be curriculum-neutral (so they can be used in school systems with differing curricula), in fact exercise a powerful—and negative—influence on curriculum. Because accountability for schools and teachers is tied to these tests, curriculum is often narrowed to match the very basic and simple-minded stuff kids will be asked on the tests.

Foreign visitors asking why we put up with this inequitable non-system—especially when we can look at the examples of other countries whose students perform so much better than ours—would get several answers. They would be told

*We fail to give youngsters in non-academic tracks an education of value. And because of our lack of standards, we're not doing too well with kids in the academic tracks, either.*

that education in those countries is under the control of central governments, and we value our tradition of local control. Those countries are homogeneous, and ours is diverse. Their education systems are elitist, determining the future lives of kids by the way they are tracked; ours is a mass system dedicated to equity. Education in those countries is a grueling and mind-numbing process that takes the joy out of learning. Our system places a premium on creativity, building self-esteem, and helping kids learn how to learn. Above all, it lets children be children.

This formulation is very flattering to our way of doing things. The trouble is, there's not a lot of truth in it. The local control we like to talk about has been drastically eroded. Most states now pay more of the bill for public education than local school districts, so they have taken back much of the power and responsibility originally ceded to localities. And both state and local governments have surrendered responsibility to textbook and testing companies. We've seen state takeovers of local systems suffering from "educational bankruptcy"; state reform initiatives that have made new rules about everything for every school in the state;

and, in the case of Kentucky, the reorganization of an entire system. Some local school boards themselves seem ready to throw in the sponge: In Chelsea, Massachusetts, the school board handed over control of its schools to Boston University. And there are people who say that local lay school boards, the traditional vehicles for community control of schools, are an institution whose time has passed.

We have also failed to notice that some of our competitor nations are no longer as homogeneous as they once were, and that diversity has not kept them from insisting on what students should know and be able to do, or lessened popular support for standards. Indeed, French students recently rioted because they feared standards were being relaxed—thus devaluing their hard-earned credentials. Nor are these systems elitist in the way we like to think. Japan, France, Germany, and Korea, for example, are all as committed to mass education as we are. They have managed to raise both the floor and the ceiling of student achievement and, in many cases, to raise their average student performance to the level of our above-average performers.

Tracking? Virtually none of our competitors tracks or otherwise labels children in the early grades. (Most of them don't test in early grades, either, whereas we are test-obsessed.) But the early grades are where we begin tracking and where we begin to send youngsters the destructive message that achievement is a matter of ability, not effort. In fact, we track as much as, if not more than, our competitors. (In the later grades much of our tracking goes on under the name of student "choice.")

Our competitor nations have standards that stretch students in the non-academic as well as the academic tracks. We, on the other hand, fail to give the youngsters in the non-academic tracks an education of value. For many of them, school is nothing more than a holding tank. And because of our lack of standards, we're not doing too well with kids in the academic tracks, either.

Are our students happy and fulfilled in school? Our big dropout rate suggests otherwise. To be sure, our students lead the world in self-esteem, but their performance does not measure up to their good opinion of themselves.

## **From national goals to NCEST—and beyond**

**W**e have begun to realize the heavy price we have paid for maintaining these fictions about our system and for ducking the fundamental issue of standards—and assessments that support these standards. If we are disappointed with the results of nine years' worth of education reform, we should consider that reformers paid little or no attention to the question of what students should know and be able to do. On the state level, they issued volumes of regulations whose message was "do more and do it better." More of what? What's better? The implicit—and often

explicit—answer was to do more of what's on the standardized tests and to make these test scores better.

And how do we now propose to meet the national education goals for student achievement without setting national standards? "By the year 2000, American students will leave grades four, eight, and 12 having demonstrated competency in challenging subject matter, including English, mathematics, science, history, and geography," the third national goal states. But what content and skills do we want our students to master in these fields? What does competency mean? And how will we know it when we see it, let alone communicate to our students what it is? What is an outstanding performance and an acceptable one? Without answers to these and other questions, we may as well consign the national education goals to the graveyard where other education-reform rhetoric is already buried.

Are we going to be able to adopt standards and assessments? The National Council on Education Standards and Testing (NCEST), a body established by Congress and the President to look into this question, recently recommended a system of voluntary national—not federal—standards and assessments. Though NCEST's report leaves some difficult issues to be sorted out, it is a major step in the right direction. It's too bad, then, that more people seem interested in talking about what could go wrong with such a system than about what we need to do to make sure it is properly implemented and monitored.

*National standards are not the same as a national curriculum prescribed from a central office; standards need not, and should not, prescribe every topic and how to teach it.*

What are some of the objections? The first is that, in a pluralistic society, no one has the right to say what all students should know and be able to do or to set standards for performance. I don't know why there should be any problem in agreeing on standards for the three R's, but the point is arguable in other cases—history, for example. People in Florida might be interested in their students' learning history with a slightly different slant from the history taught in Oregon or California. But no one is proposing a system in which, if it's 11 o'clock on May 21, you know that all fourth-graders are learning about Thomas Jefferson's garden at Monticello. National standards are not the same thing as a national curriculum prescribed from a central office; standards need not, and should not, prescribe every topic covered and how to teach it.

The next thing we hear is that national standards will lead to a national curriculum that will narrow what our students know and can do. But is this a serious worry? Now, most of our students are broadly ignorant. If national standards make us concentrate on raising student performance in accordance with our picture of what kids

need to know and be able to do, it's hard to see who would lose by that.

On the other hand, the fear that schools might teach only subjects for which there are standards and assessments is a legitimate one. If we want to be sure that vulnerable subjects like music and art are taught along with math, science, and English, we have to include them in our national standards and establish assessments for them.

What about local control? There's precious little of that left, but look at its legacy: unequal access to high-quality education. Kids who live in communities where there's not much money to spend on schools have to make do with worksheets and outdated textbooks—the bare basics, if that. Kids from wealthier communities where people have a more sophisticated idea of what is basic—and the money to pay for it—get the benefit of high-quality curricula. If anything, national standards might lead us to rethink the way our resources are being used. And they could give local school boards a far more substantial basis than they now have for making decisions about curriculum and assessment.

Nor do we need to worry about stifling teachers' creativity. As it is, we compel them to spend weeks every year trying to teach youngsters how to get high scores on standardized tests. And we subject them to every passing educational fad. Some people assume that national standards and assessments involve an equally rigid, though different, system in which every teacher has to teach the same lesson in the same way and at the same time. Nothing like that is even being contemplated. Teachers will be able to use their creativity in figuring out how to help their students attain the standards. Different teachers will approach a topic differently, just the way different concert pianists approach a piece of music in their own ways; they play the same notes, but their interpretations and styles can vary enormously. And just as musicians try to polish and perfect their interpretations with each performance, teachers will be able to do that with the material they teach.

## **The question of equity**

**I** am acutely aware that our education system does not provide a level playing field, and I therefore understand the fears that national standards and assessments will be just another way of pushing down kids who are already at a disadvantage. But standards do not necessarily lift kids up or push them down. They can be used to sort kids and to weed out ones who don't measure up, or they can be used to cultivate students who don't achieve now because too little is expected of them. These are all decisions within our control, and we are capable of making just ones. It is also the case that national standards may be the best chance we have of leveling the playing field in education and providing access to high-quality curricula and teaching for all our students.

The French and German education systems offer illustrations of how successful clear expectations and good teaching can be with students we would consider disadvantaged.<sup>7</sup> But examples abound in our own country, too. Take the story of math teacher Jaime Escalante and his poor, inner-city students who surprised everyone by getting excellent scores on Advanced Placement math exams. People tend to see that as a story about the kind of miracles a teacher can work. But the real moral—and a more useful one—is that when you set standards for kids, and give them the help and inspiration they need, they can make the cut.

A related issue that worries most critics of a system of national standards and assessments is accountability. Almost everybody believes that we must have school accountability, and so do I. But there are people who are strongly opposed to any mention of accountability—of consequences—for students. If a student does well, they believe, it is because the school has done well by the student; if the student fails to achieve, it is because the system—and the adults in it—have failed. No other education system in the world operates with this assumption, and neither can ours. Students have to know that they can't get educated without working and taking responsibility for their education.

*Standards may be the best chance we have of leveling the playing field in education and providing access to high-quality curricula and teaching for all students.*

I am not advocating consequences for elementary school students. We already test and track young children to death, and that's unproductive and inhumane. Nor am I talking about basing important decisions about kids and their lives on assessment results alone. And we certainly can't abandon the ideal that students deserve two, three, four, and more chances to succeed in their education. In fact, we need to practice our ideal more.

Some people worry in particular about holding poor students accountable because they are already at a tremendous disadvantage. Although higher standards and accountability might be a fine idea for middle-class kids, how, they ask, can these things be fair for poor kids? The answer is that it's unfair and patronizing to decide poor kids can't meet the demands that real standards will put on them. And it's tantamount to saying that poor youngsters are destined to be stuck for life in low-level, low-paying jobs—if they have any jobs at all.

The task instead is to greatly increase the capacity of school systems that serve poor kids. We need to make sure schools have the material and human resources to give their students the additional help in meeting higher standards that they'll need,

in the short run at least. Students are not going to be able to do this overnight, so stakes for students shouldn't kick in overnight, either. If the point of the new system is to cultivate, not weed, we will need to phase it in over a period of several years.

However, national standards and schools geared up to deliver on them will not, in and of themselves, inspire students to achieve. Young people who now do the bare minimum are not going to start exerting themselves just because we say so; there have to be payoffs, incentives. In this, young people are just like adults. If Congress passed a law tomorrow saying that no one had to work any longer—but we'd still get our paychecks and fringe benefits—what would happen? Some people, who love their work, would come in just the same, but there would probably not be too many.

We have to make school achievement important to our students by giving it important and visible consequences. One way to do this is to reconnect achievement in high school with admission to college and, for students who go directly from high school to work, with entry-level jobs that have a real future. That's the way it's done in our competitor nations. It's easy enough to see these incentives, but it will take time to achieve them. Undoubtedly there could be others, too, and we need to look for them and experiment with them to see what works.

A national system of standards and assessments won't solve all our problems—it doesn't get us off the hook in regard to childhood poverty, for example. And we still have to work out many details connected with creating the system and getting it going. But it's the clearest, most sensible, and most promising idea we've seen in a long, long time. The alternatives are to stick with the status quo or to come up with a better idea. The status quo is unacceptable; and if there is a better idea, it's still a secret. ●

---

1. Ina V.S. Mullis et al., *Trends in Academic Progress: Achievement of U.S. Students in Science, 1969-70 to 1990: Mathematics, 1973 to 1990; Reading, 1971 to 1990; and Writing, 1984 to 1990*, National Center for Education Statistics, Report No. 21-T-01 (Washington, D.C.: Office of Educational Research and Improvement, U.S. Department of Education, November 1991), pp. 124-126, 163, 166-167.

2. Ina V.S. Mullis et al., *The State of Mathematics Achievement: NAEP's 1990 Assessment of the Nation and the Trial Assessment of the States*, National Center for Education Statistics, Report No. 21-ST-04 (Washington, D.C.: Office of Educational Research and Improvement, U.S. Department of Education, June 1991), pp. 124-126, 163, 166-167.

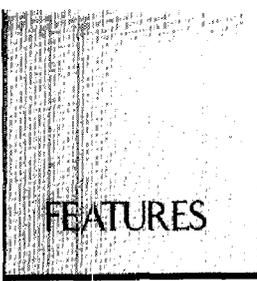
3. Albert Shanker, "Do Private Schools Outperform Public Schools?" *American Educator*, Fall 1991, pp. 8-15.

4. *National Tests: What Other Countries Expect Their Students to Know* (Washington, D.C.: National Endowment for the Humanities, 1991), p. 31.

5. *National Tests*, pp. 12-14.

6. Max A. Eckstein and Harold J. Noah, "How Hard are the Examinations? International Comparisons," paper presented at the September 1990 conference of the Office of Educational Research and Improvement in Washington D.C., and *National Tests*, pp. 9-10. Statistics for Germany were compiled before German unification and refer to West Germany only.

7. E.D. Hirsch, Jr., "Fairness and Core Knowledge," occasional paper (Charlottesville, Va.: Core Knowledge Foundation, 1991), and Dominique Schnapper, "French Elementary Education and Foreign Children," paper prepared for the Houston Conference on Core Knowledge, August 1991.



RESPONDING TO  
THE FACTS OF  
COMMUNISM IN EUROPE

1

*Brewster C. Denny*

# THE UNITED STATES IN EUROPE: STAYING THE COURSE TO WIN THE PEACE

*By helping our former adversaries, we help ourselves as well.*

**H**ERE IN THE fall of 1992, we are witnessing the early efforts of the United States and the other advanced industrial democracies to assist the transition of the states of the former Soviet empire into democratic states with successful mixed economies. The U.S. effort so far has been dangerously late, pathetically small, and—my central argument—lacking in any strategic or institutional coherence. But prodded by the threatened proliferation of nuclear warheads and materials, by an articulate Boris Yeltsin, and by European allies who can hardly believe America's foot-dragging, the U.S. government is beginning to show some promise of action.

Yet the prospect that America's response will be too little and too late becomes more scary with each passing day. The armed conflicts that have erupted in several parts of the former Soviet empire show just how dangerous is the situation, and how urgent is the need of the Russians and of all the others to receive decisive help in the areas of governance and economics.

There is everything to learn and nothing to ignore in the post-World War II Marshall Plan. After all, "there is nothing new in the world except the history you don't know." The words are Harry Truman's—the man whose policies set the course toward the historic and opportunity-filled moment we face today.

---

*BREWSTER C. DENNY is founder and first Dean of the University of Washington Graduate School of Public Affairs, where as Dean and Professor Emeritus he teaches American diplomatic history. He is also Chairman of the Board of the Twentieth Century Fund. This article is adapted and updated from the 1992 Henry M. Jackson Lecture, delivered in April at Whitman College in Walla Walla, Washington.*



## **A desperate and urgent "yes"**

In 1947, the United States, England, and France invited the Eastern European states and the Soviet Union to join the Western European nations in the European Recovery Program. The answer then was a resounding "nyet." But this time around, with the invitation not even extended, we can hear a desperate and urgent "yes." In 1947-48, the American response to a historic challenge was the defining event of a generation. The challenge of 1992 provides the same opportunity for this generation as it did for the last.

Recall the scenario of 45 years ago. But be alert to the familiar themes that can be heard again today:

The U.S. Congress belongs to one party, the presidency to the other. The U.S. economy is in trouble. The national debt is the highest in history. Many people previously employed by a large military establishment and defense industry are out of work. Civilian industrial production is way below capacity. Economic recovery without severe inflation looks difficult. A presidential election approaches. The incumbent, whose tenure follows that of a popular and pragmatic President, is looking at low popularity ratings; there has, in fact, been an active movement to dump him in favor of another candidate. There will be at least one third-party candidate to lure votes away from the President's natural constituency. The probability that the President's party will lose the election is considered high, although his supporters take heart from the fact that the opposition, while controlling Congress, can't seem to offer a popular alternative or even a clear philosophy.

A strong anti-incumbent feeling is running in the country. Throughout most of the pre-convention and pre-election campaign period, the people's interests continue to be almost wholly domestic. Some chide the President for spending too much time on foreign affairs. Historical American isolationism is on the rise again.

In the midst of these circumstances, an urgent international need arises. Foreign leaders ask the United States for help. The President goes to the American people and says that nothing less than the fate of peace and freedom is at stake. A major portion of the Old World, he says, is in desperate shape. The economies of several nations are at a dead stop. People are facing starvation. Black markets and corruption flourish in a sea of poverty. Civil order is in doubt. Countries trying to make the conversion from command economies to free economies lack practical experience or models to follow. Long-standing tribal and ethnic tensions, subordinated during the struggle just completed, are erupting again. Total chaos threatens, with enormous political and even military consequences possible for the United States and the other democratic nations.

By March, the urgent need to respond is clear: The President, addressing Congress and the nation, calls for a firm commitment to meet the challenge. Members of the *opposition* party lead the fight in Congress for the President's program. In a very short time, Congress—on a bipartisan basis—approves this wholly new direction in U.S. foreign policy and votes generous stopgap aid to Europe. In June, the Secretary of State invites the Europeans to draw up a plan detailing their needs as well as their commitment to democratic and free-market principles and to economic cooperation and planning across national borders. Here at home, a bipartisan group crafts a dramatic new aid plan. The temporary assistance already voted by Congress prevents absolute chaos and starvation in the unusually cold winter of 1947-1948. Congress holds exhaustive hearings, and in April of 1948—a presidential election year—it passes a massive aid program that will eventually save the European nations. Named for the Secretary of State who first voiced the need to create it, it is called the Marshall Plan.

**In 1947-48, the American response to the post-war challenge was the defining event of a generation. The challenge of 1992 provides the same opportunity for this generation as it did for the last.**

During these same months, the President and Congress embark on the sensitive task of developing a national economic policy for the United States, including new macro-economic decision-making institutions. In addition, the United States takes the lead in establishing international economic institutions to promote financial stability, development, and free trade. The connection between the U.S. economy and the European situation is manifest. As the President says in persuading his reluctant House Minority Leader to support his proposals, "If we let Europe go down the drain, we're going to have a bad depression in this country."

Even as the presidential and congressional campaigns gather steam, an entirely new administrative organization—the Economic Cooperation Administration (ECA)—is set up by the President and Congress to work with the Europeans to plan each step of the recovery. This trail-blazing institution is headed by a member of the opposition party, just as the legislation creating the program was managed by an opposition Senator.

Following a brief but thorough bipartisan talent hunt, the ECA is staffed by the most able businessmen, academic figures, and career civil servants of the time. A central office is established in Paris, with branches in each of the participating nations. The helpers and the helped work together as colleagues.

Not only are all the near-term objectives of the program achieved, but movement toward a permanent and ultimately successful European Common Market is begun. Isolationists, protectionists, and "America Firsters" in both political parties are decisively routed. European recovery is a bipartisan issue; it simply does not figure in the campaign. When the Senate Minority Leader suggests to the President that it would be good politics to bring the great promise of this program into the race, the President says, "Don't you ever again use that G.D. word 'politics' when foreign policy is under discussion!" The President is reelected and his party regains Congress.

## **A model for our times**

**H**istory, we are often reminded, does not really repeat itself—at least not exactly. But the period I've described could serve as a useful model for our times. Who says an election year must render America impotent?

The stakes are even higher this time. In 1947-48, the United States had the only atomic weapons, and the option of Fortress America, while wrong, was beguiling. The countries now succeeding the U.S.S.R. possess many thousands of nuclear warheads and may still produce more war goods than anything else. The proliferation of nuclear weapons was not a terrible threat in 1947; it is today. And the scope of potential new conflicts, from the Elbe to the Pacific, dwarfs what Europe confronted in 1947. The West could end up facing five Stalins fighting one another over 25,000 nuclear warheads, rather than one Stalin holding 25. So once again, our concern with the survival of both democracy and ourselves justifies doing what simple humanitarianism urgently demands.

The history lesson is plain: We can avoid a terrible world tragedy, save countless lives, and, above all, establish the basis for diverse peoples to take their places among the peace-loving democratic states of the world. Such an effort can also ensure a strong American economy for decades to come, provide a framework for the expansion of social and racial justice, and reduce the defense budget by half. For the United States to do less than what is needed in such a situation

**Our concern with the survival of both democracy and ourselves justifies doing what humanitarianism urgently demands. To do less than what is needed would be as unthinkable today as it would have been 45 years ago.**

**For the former Soviets, the new public sector will be something they must create deliberately and from scratch. They cannot settle for whatever happens to be left over once “privatization” is completed.**

would be as unthinkable today as it would have been 45 years ago.

We will need, as we did then, a spirit of bipartisanship, a mustering of our best talent, a substantial but manageable investment of cash, and leadership that can rally the American people to put this challenge high on the national agenda. Yet some of today’s circumstances differ sufficiently from those that confronted the architects of the first Marshall Plan to make a number of concerns worth special mention.

First, we must recognize just how great is the change we hope to facilitate. While there was some need the last time around to help with the development of democratic institutions in the former totalitarian states, there was no need to invent or to teach their people the concept of a public sector as we know it. That concept was already part of the European tradition. By comparison, the transformation of the former states of the Soviet Empire will be profound. In each of these states, the new public sector must not just be responsible to representative government, but also be capable of providing the framework for a successful mixed public-private economy. For the former Soviets, this kind of public sector will be something they must create deliberately and from scratch. They cannot settle for whatever happens to be left over once “privatization” is completed. For the former Soviets who are suddenly students of western politics and economics, mastering principles and processes wholly new to them will be an enormous challenge. But the challenge will be shared by their teachers as well.

The first Marshall Plan had great teachers: advisors and administrators who had developed the successful regulatory systems, banking laws, and public finance and economic development schemes of the New Deal, and who had made a market economy rise up to meet the strategic objectives of wartime. But can the deregulators and supply-siders of the 1980s help the former Soviets create a public sector capable of fostering economic success and social justice? Can the people in both American political parties who dismantled or weakened many of the unique inventions of a democratic public sector—from progressive taxation to utility, banking, and security regulation—do the job? Can they offer other societies the kind of guidance they will need to make radical but reasoned changes in their institutions and philosophies?

This, then, is a second concern: The level of talent the job will require, and the sorts of administrative structures needed in order to make the best use of that talent. Formal structures will certainly be necessary, if only because the transition from centrally planned economies to mixed public-sector/free-enterprise economies will require very sophisticated planning. The first task of the organization—or organizations—through which the advanced industrial democracies and the “capitalizing” former totalitarian states pursue their strategic planning must be to reach agreement on goals and criteria for the next several years. Both are required if resources and programs are to be targeted effectively. Once goals and criteria are established, the programmatic content will include budgetary planning, capital creation, expert and educational exchange, prioritizing and quality control of joint ventures, consulting, and science and education programs.

We can learn much from the cooperative economic planning that took place under the first Marshall Plan. One lesson is that we must dispatch our “first team”—the best of our economic thinkers from both government and business—to sit down with the former Soviets and work with them to define their needs and to develop their plans. We must again find people with the talent of Paul Hoffman, Ken Galbraith, Harlan Cleveland, Lincoln Gordon, Charles Kindleberger, Donald Stone, Bill Foster, Robert Lovett, Ed Mason, Will Clayton,

Milton Katz, Averill Harriman, Jean Monnet, and Robert Schuman to do this work. I invoke the names of these giants of the European Recovery Program to show the quality required.

### **Needed: A strong and capable organization**

In April 1992, the United States made its first formal commitment to help the states of the former Soviet Union. Well before then, however, a lot of people from the West were already active there, many of them doing very good things, and some not so good. The two most urgent tasks—getting the most lethal parts of the defense complex under control and preventing famine—are already attracting talent and attention. Scientific and educational exchange programs are moving at a fairly brisk pace. Some private companies are doing excellent work, as are foundations, universities, professional associations, and other nonprofits. Joint economic ventures, other kinds of exchange programs, and formal conferences and informal conversations about democratic and free-market processes are all promising.

Their very promise, however, underscores the need for a strong and capable international organization of the Western democracies and the former Soviet states—the helpers and the helped—so that they can make all of this activity as productive as possible. A strong overall planning team—with subteams on such issues as energy, transportation, food, education, and governance—must promptly be put in place.

A brief warning: Thoughtful Russians and others in the former Soviet Empire have already reported that there are too many consultants and con men there already, so a sure-footed planning and quality control operation is urgent. As Janine Wedel said in the *New York Times* (April 5, 1992), “Post-communist Europe is in danger of becoming a playground for consultants and a dumping ground for surplus commodities of only marginal value.” Last fall, one high-ranking Russian leader told a small group of visitors (of whom I was one), “This town is crawling with charlatans from the West who want to sell their services.” Another spoke of “too many consultants and not enough help.”

The quality control operation must begin soon, as must the targeting of resources. Economic decision-making is going slowly and a lot of help will be needed in that department. It would be understandable but unfortunate if post-Soviet leaders or their Western advisors thought that by merely declaring democracy and capitalism, they could accomplish the regionalization and decentralization that are the hallmarks of democratic capitalism.

These leaders have, in fact, a whole society to reorganize, a whole range of institutions to design, create, and staff. But there are many areas in which the West can offer guidance. For example, models for regional transportation, energy, river basins, and natural resources abound in America and Europe. We have much to teach, for instance, based on the success of the Bonneville Power Administration and the several port authorities. Educational successes are worth drawing upon: multi-county and public-private job training programs, as well as decentralized public education. Some of our allies can teach the former Soviets a lot about health-care systems, and we about high-quality medical research and physician training.

We should also consider the huge tasks that confront us in setting our own democracy and economy aright. Helping others may very well help us rebuild our

**What is needed is a strong international organization of the Western democracies and the former Soviet states—the helpers and the helped—so that those activities already under way can be made as productive as possible.**

own infrastructure, educational system, tax and regulatory regimes—our very social fabric. Helping to nurture in other societies the many professions they will require—public accountants, civics teachers, public safety personnel, macro-economists and public finance experts, enterprise and business managers—may turn out to be part of a reciprocal process from which both sides of the former Iron Curtain can learn a lot. My own experience abroad tells me that, by working to help others, we can learn much that will strengthen our own society.

The spirit we bring to the task will be very important. We must remember, first, that we don't know everything. The Russians are a cultured and literate people with a language in which the word for "literate" means more than the ability to read a computer instruction manual. They have a strong intellectual and cultural tradition that a terrible regime could not erase in three-quarters of a century in power. Many of the strongest elements of the former economic system were staffed by highly skilled and well-educated scientists, engineers, technical personnel, and others who came out of excellent in-service training programs and strong educational institutions. The people are well aware that what passed for civics and public finance in the Communist era is totally useless now and left many of them not knowing how to be citizens and public servants. They are giving much thoughtful attention to these issues—a process in which the West could participate and perhaps learn something as well. Last fall, for instance, I participated in some fascinating discussions on the draft of the new Russian Constitution. The people I met were dedicated, able citizens doing the work of modern Madisons and Hamiltons, and doing it well.

## **Enormous changes, all at once**

The changes they are helping to fashion are truly breathtaking. Several transformations will need to be accomplished simultaneously and on a geographic scale unprecedented in human history. Look how many transitions must happen, all at once: from totalitarianism to democracy; from empire to nation, or nations; from a command economy to a mixed public-sector/private-sector economy; from an economy in which the military consumed about half of the country's productive resources, to one based on private consumption; from a strong central government to a decentralized system; from state and local governments appointed by a czar or a dictator to ones elected by local citizens. In all, the task may be the largest ever undertaken in recorded history. On its success may well depend the very survival of the globe.

The International Monetary Fund says the former Soviets will need more than \$44 billion this year alone, and over \$100 billion during the next four years. But as in 1947, the scope of the challenge is no cause for hand-wringing. This is no time to say that we have so much to do at home that we can't afford to help. It is the time to say, "Let's get to work." Our economy will grow exponentially if we can revive that of one-quarter of the world. Those who really help that revival will be welcome trading partners; those who don't may be frozen out. As Boris Yeltsin said, "Don't be late!"

"Marshall Plan II," as it might be envisioned, is a call to service. There is challenging and creative work to be done. The security of Western civilization is at stake in the successful transformation of the former Soviet states to representative governments and mixed public-sector/private-sector economies. In addition, a productive world economy, the avoidance of rapidly approaching world ecological disasters, and the very ideas of representative government and social justice all hang in the balance of how this work is done. It would be worth it to us all to do it well. •

**As in 1947, the scope of the challenge is no cause for hand-wringing. This is no time to say that we have so much to do at home that we can't afford to help. It is the time to say, "Let's get to work."**

*Frank Conahan & Katherine Schinasi*

## A HISTORIC TRANSITION

*As the former Soviet republics continue to change, the United States should work toward cooperative and stable relations.*

**W**ITH THE DISSOLUTION of the Soviet Union—our implacable adversary for nearly half a century—the United States has a chance to rethink its approach not just to military security, but to the entire range of national policies and priorities. The prospect of finally being able to put the Cold War behind us and turn more attention to other issues—health care, education, economic growth, and so forth—

is tantalizing. But whether good things come to pass will depend very much on how well we respond to the vastly different condition of what was once the world's second superpower. The Soviet Union no longer exists. Will we be able to build cooperative and stable relationships with the former Soviet republics? If we don't, much of the reason for optimism may be lost.

In this article, we will review some of the areas



in which cooperation with the former Soviet republics could yield great benefits to both sides. But before doing that, it might be appropriate to discuss the rapidly evolving military and economic situation in what was once the Soviet Union.

## **The new and uncertain security climate**

The Soviet threat to global security, as the West perceived it since the end of World War II, is gone. It is now widely accepted that the United States is at no risk of being attacked by the former Soviet republics, which for the foreseeable future will have neither the capacity nor the intention to take offensive action against the West. The former Soviet republics are now withdrawing or planning to withdraw their troops from Central and Eastern Europe and stepping down from their global commitments in the Middle East, Africa, and the Western Hemisphere.

Yet with the disintegration of the Soviet Union comes a new kind of uncertainty. The successors to the Red Army have not been clearly established. What was once the Soviet General Staff is now the General Staff of the Commonwealth of Independent States, controlling troops and military equipment—including strategic nuclear forces—stationed in various republics. Russia and Ukraine, both members of the Commonwealth, have also established their own military forces. And among the various republics, numerous disputes continue over who owns what; Russia and Ukraine, for example, have competing claims on the assets of the Black Sea fleet, and so far have managed only an interim agreement on resolving them. Meanwhile, the southern republics are displeased with the division of conventional weaponry outlined in the Conventional Forces in Europe Treaty, which was negotiated by the Soviet Union—when there was a Soviet Union.

---

*FRANK CONAHAN is Assistant Comptroller General (ACG) for National Security and International Affairs. KATHERINE SCHINASI is an Assistant Director in the National Security and International Affairs Division.*

The decentralization of control over military assets that has resulted from the Soviet breakup carries potentially dangerous implications for the regional—and even global—spread of arms. Throughout the former Soviet military establishment, officers are selling military goods and services to finance the needs of their own units. For example, the commander of the Pacific Fleet has sold stocks and assets to support his forces; the commander of the Air Force has sold AN-124 aircraft for money to train his pilots.

On a broader scale, the traditional internal Soviet markets for military goods have dried up. Ukraine, no longer able to sell military equipment to Russia, has turned to India and Iraq. China is rumored to be a major purchaser of military goods from the former Soviet republics.

Heightening the uncertainty is an environment in which conscription is being widely ignored while the money to attract volunteer forces is lacking; the new governments are trying to force dramatic shifts in industrial production away from the military; and the longstanding, mutually reinforcing dependencies between the armed forces and the rest of society are disintegrating.

It is clear that the former Soviet republics will have a difficult time refashioning their military establishments along new lines. They will need to develop military doctrines, structure their forces, and identify other military requirements (such as types and numbers of weapons) according to their perceptions of the threats to their security. These perceptions are themselves liable to be fluid for the foreseeable future; the former Soviet republics, as well as the former Warsaw Pact nations, are as likely as not to view one another as threats.

Indeed, since the Soviet break-up, subnational conflicts and ethnic conflicts that cross new national boundaries have erupted with a fury. Regional security already is at risk due to these conflicts; global security eventually could be shaken. More discomfiting still is the fact that four of the former Soviet republics still possess nuclear weapons. Three of them—Ukraine, Kazakhstan, and Byelarus—have agreed in principle to relinquish the nuclear weapons on their soil, but Ukraine and Kazakhstan have not been consistent in their commitment. Russia will continue to possess nuclear warheads and other weapons of mass destruction.

**Since the Soviet break-up, subnational and ethnic conflicts have erupted with a fury. Regional security already is at risk due to these conflicts; global security eventually could be shaken.**

## The economic crisis

Even as the former Soviet republics grope for a new understanding of their security needs, they must somehow transform the military-industrial economies that made the Soviet Union so formidable an adversary of the West. Their challenge—as well as that of the former Warsaw Pact states—is to create a new economic structure in which markets can operate, and to do so before their old command economies collapse entirely.

The economic transformation is only beginning. From the smallest day-to-day commercial transactions to the largest economic enterprises, the confusion and uncertainty that exist right now and the daunting tasks that lie ahead are very apparent. Two examples—one small, one large—will help illustrate.

*The small.* This past spring, the authors rented rooms in a hotel in Kiev. The clerk told them the rate for single rooms would be \$345 a night. That seemed rather high, so they asked the clerk to check with the manager. Soon she returned, informing the authors that if they did not wish to pay \$345 for each room, they could pay 770 rubles instead. This was certainly a better deal. At the prevailing market exchange rate, 770 rubles equalled \$7.70.

*The large.* As part of Russia's privatization program, Russian officials have expressed a willingness to convey some percentage of state-owned economic enterprises to workers free of charge. At the port of St. Petersburg, the authors were told that the plan is all set: The workers will receive 25 percent of the port for free and another 26 percent at a reduced rate. The city of St. Petersburg and a foreign investor—as yet unidentified—will split the remaining 49 percent. But after all this careful divvying-up, a question remains: How much is the port worth? No one knows. Nor has anyone found a basis for figuring it out.

The former Soviet republics have adopted a number of economic and institutional reforms. Although they are in various stages of transition, they are instituting similar measures: liberalizing prices, reforming exchange-rate systems, bringing greater balance to fiscal policies, forcing privatization of state enterprises, and attempting to

contain inflationary pressures. The spur toward policies that promote stabilization has come from the International Monetary Fund (IMF), which has made them a prerequisite for membership.

IMF membership has itself been a precondition for receiving Western assistance. But in the former Warsaw Pact nations, the economic policies required by the IMF have led to dramatic drops in economic output and standards of living—so much so that the World Bank's chief economist has referred to the nations of Central and Eastern Europe as "FDCs": formerly developed countries. Among the ex-Soviet republics, the institution of these stringent new economic policies—along with their effects—has only just started.

The IMF prescriptions have been criticized by some who think the Russians should not be pushed so hard to institute pro-investment measures at the expense of consumer-friendly policies, which may be necessary to maintain the Russian leadership's popular political support. After all, that support will be essential if reforms of *any sort* are to continue. And that support could be in jeopardy if the newly emerging private sector fails to provide jobs before the public-sector enterprises—the heart of the old communist economic infrastructure—are cut off from government funding and forced to fire workers.

Two circumstances further complicate the task of economic reform in the former Soviet republics. The first is the breakdown in trade relationships following the disintegration of the Soviet Union. The second is the fact that the longstanding reliance on military production is no longer valid: The built-in demand for military goods is gone.

*Trading relationships.* Under the Soviet regime, trade was directed by Moscow and the economies of the republics were highly integrated. The breakdown of the old arrangement has caused dramatic drops in trade flows: The World Bank reported a 45 percent decline in Russian imports between 1990 and 1991 and a 40 percent decline in the other republics. The trade relationships among the ex-Soviet republics are further complicated by the scarcity of hard currency with which to pay for imports, as well as by plans on the part of some of the republics to introduce their own currencies.

Not surprisingly, some of the former Soviet republics are now looking westward for potential

**The challenge for the former Soviet republics is to create a new economic structure in which markets can operate—and to do so before their old command economies collapse entirely.**

markets. But the trade and investment policies of the Western nations are not necessarily hospitable to these new initiatives. While Ukraine, for example, believes that it could compete in international wheat markets if given the chance, Ukrainian officials assert that the European Community has raised unfair barriers against Ukrainian imports.

In a broader sense, the international trade environment in which Ukraine and some other ex-communist nations are hoping to establish a foothold is an unsettled one. The lengthy Uruguay round of negotiations under the multilateral *General Agreement on Tariffs and Trade* has failed so far to resolve some contentious issues involving open markets—a situation that does not bode well for those just now trying to expand their access.

*The military and the economy.* The Soviet military supported an enormous share of the Soviet economy. Now the former Soviet republics are striving to decrease their economies' dependence on the military. In the long run, this will free up resources for other economic activities, but in the meantime, significant disruptions are inevitable. For example, many enterprises that once supported a voracious defense establishment have long been accustomed to first call on government funding and other resources. Now many of these factories are confronting a choice: Convert to making products that can compete, or go under.

Many of them, however, are merely continuing down the path to obsolescence, and the system still allows them to do it. Production in many Russian defense plants has already been cut dramatically, labor operates at a fraction of its previous levels, and empty floor space and idle machines abound. Yet to some extent, orders are still coming in and are still being filled. To keep operating, the plants turn increasingly to credits from their suppliers and to the banking system for funds. And since the banking system offers these plants unlimited lines of credit, there is nothing to force them to restructure their operations.

Even those enterprises that are trying to restructure and become competitive are facing severe problems. For one thing, the products they have ready for market—and to which they are tying their future—are, for the most part, significantly

less sophisticated than the defense-related items they used to produce. For another, the expectations they bring to their new ventures are the product of an economic and political environment that is changing at an incredible pace, making it hard to make reliable predictions.

For example: Outside Moscow there is an energy-intensive government aerospace testing facility that has been aggressively—and successfully—marketing its services abroad. Its management, however, is counting on energy prices to rise to only one-third of world market levels; for the facility to remain competitive, the Russian government would need to subsidize its remaining energy costs. But the opposite course—decontrol of energy prices—is precisely the sort of economic reform being advanced in Russia today. Something has got to give.

If economic reforms are to succeed in the former Soviet republics, a new sort of thinking will be required in the defense sector. The people who enjoyed the fruits of the previous system still want to maintain their traditional privileged position. That's only natural. But restructuring along capitalist lines will require that they begin to think like capitalists.

Under the Soviet system, for example, customers were determined by directives rather than won over in the marketplace: A dissatisfied customer did not mean less business. But with the old system crumbling away, the former communists must learn about markets. Customers will need to be *won*, and investments will need to be made to meet market demands. If the former Soviet republics are to compete, they will need to go beyond the relatively easy adjustments—such as turning out new kinds of goods on old equipment—and begin making strategic, long-term changes.

Scientific research—both basic and applied—is an area in which one can see the reluctance to shift resources and invest differently than before. With the waning of the military in Russia, there is less need—and fewer resources available—for government-supported, defense-related science. Yet Russia's scientists seem hesitant to adjust either the number of scientists or the level and mix of scientific research. Instead, they hope for someone

**Many factories that once supported a voracious Soviet defense establishment now confront a choice: Convert to making products that can compete, or go under.**

to pay the bills for the traditional level of science and scientists.

The former Soviet republics hope that the United States and the other Western nations will be the new customers for their goods, as well as the new bill payer for their science. Granted, Western governments can be expected to provide some technical and financial assistance to those enterprises making the transition to private ownership and non-military production. But Western entrepreneurs, who will need to provide the lion's share of the necessary funds, are old hands at the capitalist game: They cannot be expected to put much of their capital into the former Soviet republics if managers there do not begin thinking—and making their own investment decisions—according to the logic of the marketplace.

## **Opportunities for cooperation**

It is clear that the situation—both military and economic—in the former Soviet republics then is in flux and will remain that way for a long time. But what should the United States do *now*? If one assumes that our broad aim should be to establish and maintain cooperative and stable relationships with the former Soviet republics, then what are the best first steps?

When that question comes up, the subject of funding the transition is usually the first to arise. But an effective American response to the dissolution of the Soviet Union need not involve huge amounts of money so much as a set of appropriate policy decisions and a leveraging of resources that are already available. Obviously, the United States could use financial aid to support its objectives in the region. But the capital requirements of the former Soviet republics would overwhelm the resources of any single donor nation. Just as valuable, perhaps, would be technical assistance—the transfer of ideas and knowhow. To have the greatest effect, technical assistance would be aimed at supporting the most critically needed changes.

As yet, however, no real agreement exists in the United States as to the specific targets of assistance or the level of funding. As of this writing, Congress and the administration have yet to agree on a fiscal year 1992 program for the former Soviet republics.

## **Arms and technology control**

The most far-reaching prospect presented by the collapse of the Soviet Union and the Warsaw Pact is that of decreasing the worldwide production of weapons. Two related objectives would be to gain widespread agreement on constraining the use and sale of the weapons that continue to be built and on limiting the proliferation of weapons of mass destruction. Neither task will be easy. The demand for military equipment will always exist somewhere in the world, and the pressure to make and sell arms will be especially strong in countries searching for foreign markets and the hard currency they can provide.

Restricting the spread of sensitive technologies presents a different concern in the post-Cold War setting. The Coordinating Committee on Multilateral Export Controls, the Cold War mechanism for controlling technologies, was composed of countries that had a common enemy—the Soviet Union—and concerned itself with an agreed-upon set of items that represented advanced technologies. These days, however, the common enemy is gone, and the ingredients for weapons of mass destruction are not confined to the advanced technologies controlled by the United States and its allies. The chemicals used to make fertilizer, for example, are the same chemicals used to make chemical weapons. The capacity to develop and build weapons of mass destruction is more widespread than ever before.

Yet a number of institutions and agreements are already in place that could provide the basis for an enhanced commitment to limiting the transfer of weapons and the proliferation of technologies. One example is the International Atomic Energy Agency (IAEA): In the wake of the Persian Gulf War, there have been calls to strengthen its role in controlling nuclear materials. Another is the Nuclear Non-proliferation Treaty. The renewal of

**An effective American response to the dissolution of the Soviet Union need not involve huge amounts of money so much as a leveraging of resources that are already available.**

the treaty—set for 1995—will provide the international community with an opportunity to show its resolve to further reduce the risks surrounding nuclear weapons. Other existing treaties provide similar chances to strengthen the international commitment to controlling chemical weapons and missile delivery systems.

Of the former Soviet republics, Russia, in particular, may play a crucial role in arms control by helping to strengthen existing conventions or by supporting new proposals. The Russians have already joined the United States in initiatives to reduce nuclear arsenals below previously negotiated START levels. In addition, Russian officials have expressed a willingness to increase support for IAEA.

Russian officials have declared their desire to adopt the conventions of the Coordinating Committee on Multilateral Export Controls, joining with the Western countries in preventing the spread of military technologies to such high-risk customers as Libya and Iraq. And the U.S. proposal to establish a council—one that would include former Eastern Bloc countries—to discuss technology transfers recognizes that changes are already occurring in the international system.

Still, the determination to fulfill these new commitments has not yet been tested. Already, Russia has proposed a sale of Russian missile technology to India to which the United States has objected, claiming that the sale would violate the Missile Technology Control Regime. And Russia has not backed its calls for a strengthened IAEA with any financial support.

These problems notwithstanding, a lot of promising opportunities exist right now in the area of arms control. But it will be difficult to make real progress until the United States reaches some hard decisions of its own involving arms sales, the principles of non-proliferation, and the adequacy of existing institutions. The nation may need to examine its own role as arms exporter, weighing the benefits to the domestic economy of selling arms against the benefits in other areas of restraining sales. The long-held American position in favor of limited nuclear testing may also need to be reconsidered, especially in light of those who argue, now that the Soviet Union is dissolved, for banning

such testing entirely. The nation's defense policies were shaped largely by the perception of the preeminence of the Soviet threat, so their currency may well need reconsidering.

### **Multilateral institutions**

The times offer a further opportunity to reshape the multilateral institutions that have supported Western security for close to half a century, with an aim now toward maintaining stability in a post-Cold War world at lower costs. The role of NATO, the Conference on Security and Cooperation in Europe, the United Nations, and other organizations will all need to be reexamined. Among the things to consider will be the way international disputes are settled in the new environment, how peacekeeping forces will be constituted and employed, and how the security needs of the former Soviet Union and Warsaw Pact nations can be accommodated.

### **Economic and scientific cooperation**

The opportunities for greater economic cooperation are more limited than those for security cooperation and will take a much longer time to realize. Discussions that have been taking place in the scientific community—particularly regarding space exploration—may prove fruitful. Scientific support and exchange programs with the former Soviet republics may also yield some mutual economic benefits. In the short term, however, the United States will be able to provide more help than the former Soviet republics can return.

### **Foreign assistance is justified but problematic**

Traditionally, the United States has provided a large portion of its foreign assistance as a way of meeting its security objectives. Assistance to the Philippines, for example, has been tied to the presence of American military bases. Likewise, aid to Greece and Turkey has been based on their

**Progress on arms control will require that the United States make some hard decisions of its own involving arms sales, the principles of non-proliferation, and the adequacy of existing institutions.**

position on NATO's southern flank, and aid to Israel and Egypt has helped stability in the Middle East. In many respects, U.S. assistance to the former Soviet republics could be justified on similar grounds.

Early U.S. efforts in the area focused on short-term humanitarian food and medical assistance. Last winter, the Department of Defense (DOD) provided transportation for food and other commodities supplied by the Agency for International Development (AID), the Department of Agriculture, and others.

Now, the United States is moving toward longer-term technical assistance. A number of such programs are already in place. Credit guarantees through the Department of Agriculture, the Export-Import Bank, and the Overseas Private Investment Corporation are available to those republics that qualify. Technical assistance, funded with Economic Support Funds, is being provided by AID, Peace Corps volunteers, the Department of Commerce, the Department of the Treasury, and various private nongovernmental organizations. The areas in which this assistance is planned or already being delivered range from housing and energy to business development and financial sector reform. Other U.S. agencies, such as the National Aeronautics and Space Administration and the Environmental Protection Agency, are exploring ways to continue cooperative research projects that were begun when the Soviet Union still existed.

Among the efforts made so far to assist the former Soviet republics, the program most directly linked to U.S. security concerns was carried out at the direction of Congress, which appropriated \$400 million from the fiscal year 1991 DOD budget to help reduce the risks posed by the Soviet nuclear arsenal.

This program is still taking shape. As in other cases that will surely arise over the coming months, the most effective application of the aid needs to be determined before the aid is given. The funding to reduce nuclear risks was appropriated at a time when there were no formal proposals on how best to reduce risks. On neither side—Russian or American—had the implications of the program been identified. The Russians, for instance, have

proposed using part of the \$400 million to build a temporary storage facility for nuclear materials. Building such a facility has implications for the eventual final disposition of those materials. The United States must respond to the proposal even though no agreement has been reached on what that final disposition ought to be. As always, to proceed without thinking things through can be self-defeating. Indeed, some people believe that the incentives to meet the technical requirements for receiving the aid—engineering drawings, cost estimates, and the like—have diverted the Russians from putting more of their energies into the primary goal of the program: dismantling nuclear weapons.

A more recent example offers more hope. The United States has agreed, in principle, to purchase highly enriched Russian uranium for use in U.S. commercial nuclear power plants, thereby eliminating the Russians' need to store the uranium as well as the likelihood that anyone else will end up using it to produce nuclear weapons—by initial accounts, a "win-win" proposal. The dollar costs, however, are likely to be high.

Constraints on the resources available for aiding the former Soviet republics make it imperative that assistance programs be carried out in a coordinated way. Multilateral institutions can play a large role: In the security field, that means, most prominently, the United Nations and NATO; in the economic field, the IMF and the World Bank. But coordinating with these multilateral organizations will be a complex and delicate process. For one thing, their goals may not coincide precisely with those of the United States. For another, their programs may not be subject to as much scrutiny as the United States might prefer in order to ensure that their programs are actually accomplishing those goals. Even broad agreement at the policy level will not necessarily translate into coordinated programs on the ground.

One other thing to consider: Recognizing that the resources available for aiding the former Soviet republics are limited, they must be divided among the republics in a way that is perceived as fair. If they are not, those providing the aid may in fact sour future relations with some of these states—accomplishing exactly the opposite of what the aid was intended to do.

**The United States provides much of its foreign assistance as a way of meeting its security objectives. Assistance to the former Soviets could be justified on similar grounds.**

The only analogous U.S. assistance experience—assisting Eastern Europe in its transition from communism—has been a sort of experimental effort, carried out under the overall coordination of the State Department. This approach has seen its share of problems, yet the State Department is again taking the lead as programs to aid the former Soviet republics take shape.

So far, the approach to aiding Central and Eastern Europe and the former Soviet republics—a nontraditional approach, at best—has resulted in some messy arrangements. It is even hard to know just how much aid is being given: Not only are multiple U.S. agencies involved in the effort, but their expenditures on foreign assistance programs do not always show up in their budgets. Without so much as a rudimentary idea of what programs are in place, it is difficult indeed to ensure that these programs are meeting U.S. objectives, operating in tandem, or working effectively.

Already, the lack of coordination among assistance programs to Central and Eastern Europe has made these programs less effective than they should be. Therefore, it is important that as assistance to the former Soviet republics gets under way, the roles and responsibilities of the various agencies involved are made clear. Right now, no single organization or agency seems fully equipped to guide the overall effort. And funding for the U.S. program remains problematic.

Past experience in the foreign assistance business may provide some lessons in aiding the former Soviet republics. For example, one effort that has received high marks from the participants is the DOD program to teach Western principles to military officers in Eastern Europe—a transfer of ideas that requires relatively little funding. The

State Department has also expressed its intentions to apply specific lessons learned from its programs in Eastern Europe to its programs in the former Soviet republics. These include the need for a greater on-the-ground presence and for identifying those specific sectors in which reforms must take place early in order to support a successful transition to a market-based economy.

## A long, complex process

From what we have seen over the past couple of years, the transformation of the former Soviet republics will entail a long, complex, and inevitably painful process. The challenges they face are monumental. It will take the United States considerable time, as well, to establish a new set of security objectives and to decide how best to achieve a cooperative and stable relationship with the states that constituted its former nemesis. Meanwhile, domestic issues—those of long standing and those just emerging—will continue to demand attention and funding, and will refuse to wait until matters between the United States and the former Soviets are entirely resolved.

The period ahead will be one of enormous transition, but U.S. security has already been enhanced by the collapse of the Soviet Union and maintaining that enhanced security is a powerful incentive for the United States to continue to be involved. The new opportunities for both the United States and its former adversaries will be more likely to be fulfilled if we remember just how far the world has come in a brief span of time and how truly extraordinary these opportunities are. •

**Domestic issues—longstanding or just emerging—will continue to demand attention and funding, and will refuse to wait until matters between the United States and its former adversary are entirely resolved.**

*Peter Bylsma*

3

# WHAT EASTERN EUROPE NEEDS

**NOW** *Involvement by the West is in its own best interests.  
But what is the best way to help?*



**T**HE EUPHORIA RESULTING from the fall of Communism in Eastern Europe<sup>1</sup> has evolved into the somber realization that a long, difficult period lies ahead. Conditions left by the previous regimes will make it hard for the various countries to make the transformation to a market economy. Without substantial help from the West, the gains made thus far may be lost. Yet the level of help that is needed may be higher than Western governments are willing to support. The best long-term hope for the region lies in the creation of a business climate and infrastructure that can attract foreign private-sector investment.

At the moment, the business climate is too risky and the business infrastructure too underdeveloped to attract sufficient foreign participation. Given these constraints, substantial technical assistance and advice can provide a low-cost method of preparing the countries for the needed foreign investment. In the meantime, greater access to Western markets and continued financial assistance would provide some relief to the region.

---

*PETER BYLSMA is an evaluator working on Eastern European trade and investment issues in GAO's European Office. The views he expresses in this article are his own and do not necessarily reflect those of GAO.*

## The communist inheritance

The new governments of Eastern Europe inherited a number of major problems from the previous communist regimes. Four of these problems come immediately to mind.

First, most of the countries have a large foreign debt. Poland's \$49-billion debt was reduced to \$34 billion by the Paris Club in 1991, but its recent decision to raise public spending could jeopardize the reduction. Either way, Poland's debt remains high. Hungary's \$21-billion debt is the highest in the region per capita, and Bulgaria has defaulted on its debt of \$12 billion. Romania and Albania pursued policies of no foreign debt, but destroyed their economies by refusing the foreign financing that might have been used for modernization.

Second, each country still has large, state-controlled monopolies that are highly inefficient. In each case, the state has controlled all aspects of production—usually organized under a few large, inflexible government ministries. Incredible inefficiencies developed out of the central planning system and in the absence of market competition. Nearly all the state enterprises carry excess workers as part of the government's full-employment policy.

Third, the countries all lack the modern equipment and technology needed to operate competitively. The old regimes failed to modernize the physical infrastructure, choosing instead to direct additional resources toward industrial production. Today, lacking a modern industrial base, the Eastern European countries find themselves unable to produce competitive products that could be exported to the West and generate badly needed hard currency.

Finally, Eastern Europe's emphasis on industrial production has come at the expense of the environment. Vast stretches of river are dead—so polluted that the water is unsuitable even for industrial use. Massive air pollution has resulted from coal-burning power plants and metallurgy

industries that have no emission controls. Under the previous regimes, environmental laws were routinely ignored, and the low fines for polluters provided no incentive for them to change their practices or clean up the mess. In East Germany,

Hungary, Poland, and Czechoslovakia, these serious environmental problems were a major motivation for social and political change.

Under the burden of this inheritance, the Eastern European countries will have a hard time making the transition to free-market economies. Modernizing infrastructures and cleaning up the environ-

*"The previous regime, with its arrogant and intolerant ideology, reduced man to a production force and nature to a production tool."*

—*Vaclav Havel, Former President of Czechoslovakia*

ment will be very costly, while the enormous debt and limited domestic capital in these countries will make financing these activities very difficult. In addition, breaking up and privatizing the large monopolies is already proving to be tricky. One reason is that many of these industrial dinosaurs hold limited appeal for investors; another is the fact that longstanding accounting methods failed to place accurate values on assets and exports. Moreover, few of the people who are trying to carry out economic transition have any clue about how to operate in a market economy.

The increasing social unrest brought about by economic hardships may further complicate the transition. In the past, the government took care of people's basic needs. Now, they worry about being on their own. With the economies now in depression, unemployment has risen from less than 1 percent in 1989 to 16 percent or more in several countries. Inflation—throughout the region, where prices used to be stable—rose past 100 percent in 1991. The absence of a social safety net has created fears of deprivation and social unrest. The secret police are no longer feared, and cuts in police

**Eastern Europe still features highly inefficient state-controlled monopolies. In each case, the state has controlled all aspects of production—usually organized under a few large, inflexible government ministries.**

strength, along with hard economic times, have resulted in rising crime and gang violence.

If the experience of the former East Germany is any indication of things to come, life in Eastern Europe will get much worse before it gets better. East Germany had the strongest economy of the communist countries. Yet even with the deep pockets of its western brother and free access to Western Europe's markets, its unemployment rate has topped 16 percent and may rise to 35 percent. Over half of eastern Germany's state-owned companies are not economically viable and will not survive the privatization process.

## **Why should we help Eastern Europe?**

The West's attention to Eastern Europe has been somewhat diverted in the last year by the breakup of the former Soviet Union and the chaos in the Balkans. While problems in these areas are a global concern, a number of reasons could be advanced for continuing to focus on the emerging Eastern European countries and helping them to create strong and stable market-oriented economies.

*First, strong and stable Eastern European economies could provide a large market for American goods.* The 100 million people<sup>2</sup> in the region want and need just about everything, and many prefer U.S. products to those of other countries. They have a huge need for things the United States can provide, including environmental protection technology, modern telecommunications equipment, energy production equipment and technology, and energy-efficient industrial products. Eastern Europe's appetite for U.S. goods is already growing: U.S. exports to the region have nearly doubled since 1987. In 1991, exports exceeded \$1.2 billion, creating a \$210-million trade surplus.

*Second, strong Eastern European economies could help diminish the need for the arms industries that played*

*a key role in the Warsaw Pact economies.* The nations of Eastern Europe want to convert their arms industries to civilian purposes, but they cannot afford to do so when their other industries are closing because their products are not competitive. Poland has about 80 plants that produce military equipment and parts, primarily for export; Slovakia, with unemployment three times that of the Czech republic, was the leading manufacturer of tanks, armored cars, and artillery guns for the Warsaw Pact countries. The decreased need for these items by the successor republics of the former Soviet Union—their largest customer—has put a squeeze on their arms industries. The upshot is that they continue to look for customers in the developing world, including Libya, Iran, Yugoslavia, and Pakistan. Czechoslovakia, for instance, has offered Iran a radar system reportedly capable of detecting Stealth aircraft.

*Third, strong economies in Eastern Europe could help slow the expected mass migration into Western Europe.* A European Community survey taken earlier this year indicated that 30 percent of those polled in Eastern Europe have seriously considered emigrating to Western Europe for work. Based on this poll, an estimated 13 million people could end up migrating west; other estimates have ranged as high as 40 million. In Germany, the first Western European country most immigrants reach, large-scale migration has already led to housing shortages and higher rents.<sup>3</sup> It has also caused extremism to raise its ugly head again: Over the past year, right-wing and neo-Nazi movements in Germany have grown with the number of immigrants.

For years, people in Eastern Europe have looked to the West as a beacon of hope, and today they are counting on the United States to play a key role in helping them create a new way of life. Just as strong Eastern European countries might help build the new world order, weakness and instability in that region could diminish U.S. trade potential, keep the arms flowing to radical regimes, lead to massive westward migration, and ultimately promote the scapegoating and nationalism so

**Instability in Eastern Europe could diminish U.S. trade potential, keep arms flowing to radical regimes, lead to massive westward migration, and ultimately promote the scapegoating and nationalism feared on the continent.**

widely feared on the continent. Therefore, involvement by the West is in its own best interests. But what is the best way to help?

## **How the West can help**

Support for Eastern Europe requires a balanced approach. There is a need to:

- provide better market access as an outlet for the region's few products that are competitive in the West;
- provide financial assistance to lessen the transition pains until foreign investment picks up;
- provide technical assistance to increase the region's capacity to absorb foreign capital and investment; and
- increase the level of foreign investment, which will have to provide the lion's share of the capital, technology, and know-how necessary to revive the Eastern European economies.

Let's look at each more closely.

### **Better market access**

Former Czechoslovakian President Vaclav Havel recently said that what Eastern Europe needs most is trade, not aid. The remark points to one of the keys to Eastern Europe's future economic growth: access to Western markets. According to Jacques Attali, President of the European Bank for Reconstruction and Development (EBRD), which was established specifically to help with the transformation of Eastern Europe, much of the region's recovery depends on an open door on trade.

Market access is vital because Eastern Europe's traditional trade patterns have all but disintegrated, wreaking economic havoc in the various countries. The Council for Mutual Economic Assistance (CMEA),<sup>4</sup> the primary trade body in the former communist world, was essentially dissolved in 1991. At that time, Eastern European regional trade switched to world market prices and hard-currency exchanges. However, that trade has been

cut significantly by hard-currency shortages, the breakup of the former Soviet Union (Eastern Europe's principal trade partner), and the redirection of trade to the West by the eastern Germans. In 1991, exports between Europe's members of CMEA declined by over 50 percent. The U.N. embargo on Iraq also depressed exports, since Iraq had established weapons-for-oil barter deals with several Eastern European countries. The U.N. embargo on Yugoslavia is having a similar effect.

The drop in export demand is a major reason for the region's economic depression. The International Monetary Fund (IMF) estimated that the decline in traditional exports accounted for half to three-fourths of the total output decline for all Eastern European countries except Hungary. Given the impact of reduced trade and weakened economic activity throughout the region, most of these countries need to stimulate economic growth by expanding their exports in alternative markets. The most promising of these markets is, of course, the West.

But the job of increasing exports will not be easy. Since most Eastern European products are not competitive by Western standards, thus far only a portion of Eastern Europe's trade decline has been offset by exports to Western Europe. One of Eastern Europe's problems has been the shortage of hard currency, which limits Eastern Europeans' ability to purchase the imports they need to produce higher-quality goods. Another factor has been lack of experience: It will simply take time for them to develop the products and marketing skills necessary to compete in Western markets.

In the meantime, Eastern Europe is having problems exporting to the West its few competitive items, such as steel, textiles, and agricultural produce. Although the G-24 nations<sup>5</sup> identified Western market access as a priority area from the beginning, they agreed that access should be determined on a bilateral basis. As a result, Western countries have blocked more generous trade terms on some key commodities. For example, free trade between Hungary and the European Community (EC) is to start in 2001, but will exclude agricultural products. The EC has lifted all quotas

**Given the impact of reduced trade throughout the region, most Eastern European countries need to expand exports in alternative markets. The most promising of these markets is, of course, the West.**

on about 60 percent of Hungarian exports, but has excluded textiles. That Western countries should preach free trade while closing their markets to Eastern Europe's few competitive products is widely seen in Eastern Europe as the height of Western hypocrisy, and market access remains a hot issue in East-West relations.

The United States is not a major importer of the East's goods,<sup>6</sup> but could still take additional steps to improve the market-access situation. If, for example, the United States were to drop its tariffs and other barriers to trade, Western Europe might be encouraged to do the same. This might eventually lessen the Eastern European inclination to fill the trade void by exporting arms.

### Financial assistance

The Eastern European countries do not have the financial resources to address their own problems, and the Western private sector is reluctant to invest as much as the Eastern Europeans would like. Therefore, Western governments and international agencies, such as the World Bank and the IMF, will have to provide the bulk of the financial assistance for a while. Financial assistance will help soften the economic hardships, address problems of debt and soft currencies, and ultimately help preserve the progress made so far. Without it, many people in the region may have second thoughts about the new economic systems and begin longing for the "good old days" of Communism; people can at least survive on rotting tomatoes, but they will starve looking at nice, juicy ones that cost too much to buy.

The financial needs of the Eastern Europeans are overwhelming. The cost to modernize will run into the trillions of dollars since their infrastructures have been badly neglected and since tougher standards will need to be met if the countries want to join the European Community. For example, it will cost \$200 billion over the next 20 to 30 years just to modernize the power generation, transmission, and use systems in five Eastern European countries. The former Soviet Union will need five times that amount for the same purpose.<sup>7</sup> A German research institute estimated that it will

cost \$200 billion to clean up industrial pollution in Eastern Europe; this does not, by the way, include the cost of cleaning up the substantial pollution left behind by the Soviet armed forces. The Congressional Budget Office estimates that \$15.5 trillion will be required by the year 2020 for Eastern Europe, including eastern Germany, to reach rough comparability with western Germany.<sup>8</sup> (See Table 1.)

Obviously, the amount of assistance needed far exceeds the amount that other nations may be willing or able to provide. Germany, Japan, and the United States—the three great economic powers—all have serious financial problems. The German government, the most logical source of aid, is already looking at over \$1 trillion in unification costs. Capital

Table 1

ESTIMATED GROSS CAPITAL<sup>1</sup> NEEDED BY EASTERN EUROPE<sup>2</sup> TO REACH ROUGH COMPARABILITY WITH WESTERN GERMANY

(in billions of dollars<sup>3</sup>)

	By the year	
	2020	2040
Eastern Germany	2,384	4,006
Bulgaria	1,135	1,926
Czechoslovakia	2,307	3,996
Hungary	1,270	2,120
Poland	5,476	10,162
Romania	3,013	5,289
TOTAL	15,585	27,499

<sup>1</sup> The gross capital needed includes (1) the change in the net stock of capital required to bring a rough estimate of 1990 capital stocks up to 80 percent of that of western Germany's capital-to-labor ratio in the arbitrary year, and (2) the cumulative flows of capital needed to cover depreciation of the physical capital stock.

<sup>2</sup> Projections were not made for Albania, but because it is the nation with the smallest economy in the region, its gross capital requirements are estimated to be small compared with those of the other countries listed.

<sup>3</sup> Measured in 1989 prices using 1989 purchasing-power-parity exchange rates.

Source: *How the Economic Transformation in Europe Will Affect the United States*. Congressional Budget Office, December 1990.

**Financial assistance to Eastern Europe will help preserve the progress made so far. Without it, many in the region may have second thoughts about the new systems and begin longing for the "good old days" of Communism.**

requirements among the states of the former Soviet Union will put further demands on the pot of funds available for assistance. How much money has been made available so far? According to the G-24, the Western industrialized countries committed over \$39 billion to Eastern Europe in the 1990-1991 period. (See Table 2.) In addition, the World Bank, the IMF, and the EBRD have committed another \$14.4 billion, bringing the total to nearly \$54 billion. Some of this assistance has taken the form of export credits tied to the import of a specific country's goods, but these credits have not been widely used by Eastern Europe because they would increase foreign debt.

The U.S. policy of providing assistance in the form of grants has been well received in Eastern Europe. Grants do not tie aid to a country's exports, do not create debt, and can get there fast. Seventy percent of U.S. assistance to Eastern Europe is in the form of grants, with only 6 percent in the form

of export credits. As a result, U.S. assistance is arriving quickly.

**Considering another Marshall Plan**

When the discussion turns to financial aid for Eastern Europe and the former Soviet Union, thoughts of another Marshall Plan often come to mind. This makes good sense; after all, there are many similarities between the post-World War II era and the situation currently facing Eastern Europe. But significant differences exist as well. Here are some that ought to be kept in mind:

- The Marshall Plan assistance program ran officially for less than four years—from April 1948 to the end of 1951. Most experts believe the severity and scope of the problems facing Eastern Europe will require a much lengthier assistance program.<sup>9</sup>

**Table 2**

**G-24 ASSISTANCE COMMITMENTS FOR EASTERN EUROPE,<sup>1</sup> 1990-1991**

*(in billions of dollars)*

	Grants	Export Credits	Other Assistance	Total
European Community <sup>2</sup>	6.5	5.9	11.3	23.7
Other European Countries <sup>3</sup>	1.3	.8	1.4	3.5
United States	4.7	.4	1.6	6.7
Japan	.7	.7	1.5	2.9
Canada	1.5	.2	.1	1.8
Other <sup>4</sup>	*	.6	.1	.7
<b>TOTAL</b>	<b>14.7</b>	<b>8.6</b>	<b>16.0</b>	<b>39.3</b>

<sup>1</sup> Includes \$.15 billion for Estonia, Latvia, and Lithuania.

<sup>2</sup> Includes both bilateral assistance and contributions to collective European Community efforts.

<sup>3</sup> Austria, Finland, Iceland, Norway, Sweden, Switzerland.

<sup>4</sup> Australia, New Zealand, Turkey.

\* Less than \$.05 billion.

Source: G-24 Documents, April 1992.

- Western Europe received a total of \$12.4 billion during the period, an amount equivalent to \$65.4 billion in 1989 dollars. International debt was low in the 1940s, and most of the aid was in the form of grants. Today, foreign debt is high and there is a worldwide shortage of capital. The amount of aid needed this decade will be many times greater than the amount provided under the Marshall Plan.
- When the Marshall Plan began, the economies of Western Europe were already starting to recover, allowing the aid to build on that momentum. However, today's Eastern European economies are still in decline, and except for Hungary and perhaps the Czech republic, the bottom is not yet in sight.
- The Western European countries had a long history of market economies and behaviors, and a tradition of democratic political institutions, when the Marshall Plan began. However, with the possible exception of Hungary (which was allowed to start dabbling in capitalism in 1968), the Eastern Europeans are building their market economies from scratch. Their inexperience will limit their ability to put financial assistance to its quickest and most effective uses.
- The number of potential donors now far exceeds the number who provided aid in the 1940s. While this might seem to increase the available resources, it also makes coordination more difficult. For instance, the EC personnel responsible for coordinating the G-24 response have had difficulty learning what the member countries are doing in the region. This is partly due to the fact that, for competitive reasons, some countries do not want others to know what they are planning or doing. Rather than coordinate assistance, the G-24 usually acts as a clearing-house for information after actions have already been taken.

These differences between the late 1940s and the early 1990s are significant. But they do not constitute sufficient reason to forego financial aid to Eastern Europe—or, for that matter, to the former Soviets. In fact, in light of the huge sums owed by the West's former adversaries and their

continuing search for markets for their military products, the rationale for providing financial assistance may be stronger today than it was then. But providers and recipients alike need to be realistic about what financial assistance can

*“Whereas the Marshall Plan was long on grant aid and short on technical assistance, Western aid to Eastern Europe, at least initially, should reverse their relative importance.”*

—U.N. Economic Commission for Europe

accomplish: It cannot, by itself, come close to providing the capital, technology, and know-how needed to ensure a permanent economic transition in Eastern Europe.

The need for financial assistance will continue for years, even with improved market access. Given the region's economic decline and political uncertainties, it is likely that private

investment in the near term will be far less than the amount required. So financial assistance must be an important, although proportionately minor, part of the West's overall strategy to support Eastern Europe.

### Technical assistance

In my discussions with various Eastern Europeans, a constant theme has been the need for management training and technical advice: “We want to change, but don't know how. Send us people who can teach us how to make our lives better.”

Compared with many other kinds of aid, technical assistance is relatively cheap, and it increases Eastern Europe's ability to absorb financial assistance. It also helps lay the groundwork for attracting the foreign investment that will have to supply or finance the majority of the necessary capital, technology, and training. And it can lead to better opportunities for foreign trade, as Eastern European countries become more aware of the various technologies available in the West. Foreign advisors can help Eastern Europeans

- develop management skills, such as accounting and budgeting;

**Providers and recipients alike need to be realistic about financial assistance: It cannot, by itself, provide the capital, technology, and know-how needed to ensure a permanent economic transition in Eastern Europe.**

- learn the marketing and related skills required to improve exports and compete in a global economy;
- create the institutions necessary to a market economy, such as stock markets, modern banking systems, and social safety nets;
- develop a legal framework that reduces business risks;
- learn how to make use of computer and other modern technologies;
- learn English, the international language.

While the U.S. government has provided well-focused technical assistance in a variety of areas, it has not contributed much to the multilateral institutions that could generate trade opportunities. For example, the U.S. contribution to EBRD's technical assistance fund amounts to less than 1 percent of the \$119-million total, ranking just ahead of contributions from Switzerland and Finland. Contributions from Western European countries amount to \$99 million.<sup>10</sup>

**In the long run, foreign investment will have to be the main source of funds for revitalizing the Eastern European economies. And companies, not banks, are the most promising source of foreign capital.**

### Foreign investment

In the long run, foreign investment will have to be the main source of funds for revitalizing the Eastern European economies. And companies, not banks, are the most promising source of foreign capital. Eastern Europe needs foreign investment to create jobs, make consumer goods available, and produce exports that will generate badly needed hard currency.

Although statistics on the number of joint ventures in Eastern Europe are scarce (and often somewhat misleading), the level of Western investment has been minimal to date. A lot of private investors would be more ready to provide capital if the business climate in Eastern Europe were more inviting. Even Hungary, which is considered to have the best business climate in the

region, has major problems. For example, the banking system in Hungary is so primitive that General Electric has to pay its Hungarian employees not by check or electronic transfer, but by bringing trucks full of cash to the plant. As the Chairman of the Hungarian National Bank recently said, "The use of cash in Hungary is at the level of the 1930s in America. Almost all employees take their pay home in their pockets."<sup>11</sup>

One often-overlooked impediment to foreign investment is Eastern Europe's psychological aversion to making a profit. Many in the region fear and distrust the West's methods and profit motives. For decades, Eastern Europeans were taught that profits were evil, and the effects of 40 years of propaganda cannot be erased overnight. Private consultants in Budapest told me that German firms, despite the temptation to focus on eastern Germany, where there is a common language and currency, are still very interested in Hungarian business opportunities because of Hungary's 25-year experiment of "goulash capitalism" and profit orientation. Firms in eastern Germany simply lack the necessary experience with a market economy.

U.S. firms are generally unfamiliar with Eastern Europe and therefore do not recognize the investment opportunities it offers. Unfortunately, many people in the U.S. business community don't know the difference between Bucharest and Budapest, nor could they name more than a city or two in Romania or Hungary. Some U.S. investors are held back by the belief that the Western Europeans—particularly the Germans—have the inside track. True, German and other Western European firms are active in Eastern Europe. But it is also true that many Eastern Europeans fear a renewal of German domination and welcome American investment. Many American firms, with their traditional focus on domestic markets, fail to adequately appreciate a potentially huge one in Eastern Europe.

To attract foreign investment, the Eastern Europeans themselves will have to resolve a

number of troublesome issues, such as property ownership and environmental cleanup liability. But Eastern Europe is actively taking steps to correct the impediments to foreign investment, and there are opportunities specific to each country. In addition, the regional labor force includes trained engineers, scientists, and other technical personnel, and labor costs are low given their level of education. Furthermore, the U.S. government has put in place a number of programs to help reduce the business risks and encourage investment. It remains to be seen, however, whether the U.S. private sector expands its vision to include this potentially fertile but unfamiliar terrain.

## **Hope deferred could lead to chaos**

**F**reed from communist propaganda, the people of Eastern Europe are now very much aware of the gap between their standard of living and that of the West. For a while, they had high hopes that democratization and the move to market economies would quickly narrow the difference. But now many are starting to question the political and economic changes that have taken place, and some are concerned with maintaining social cohesion in the face of continuing decline.

Without an effective approach on the part of West, the gains of the past three years could be lost. Better access to Western markets, continued financial and technical assistance, and significant foreign investment will be needed for a much longer time than many once thought. For any of these measures to be effective, the Eastern Europeans will have to persevere in their reforms. Without some reasonable progress in a reasonable amount of time, a return to the totalitarianism is not out of the question. As the

American poet Langston Hughes wrote years ago, a dream deferred can explode. •

1. In this article, Eastern Europe refers to Albania, Bulgaria, the Czech and Slovak Federal Republics, Hungary, Poland, and Romania. It does not refer to the former Soviet Union or Yugoslavia.

2. Including Yugoslavia and its former republics and the former Soviet Union, the population for the entire region is 400 million.

3. Germany's constitution allows any victim of political persecution the right of asylum. Immigrants declare themselves to be victims of oppression, and once a person is in Germany, it can take years to validate these claims. In the meantime, an asylum seeker has access to generous government assistance. Only about 7 percent of the applications for asylum are ultimately determined to be genuine cases for political asylum, according to the latest statistics. This percentage is similar to those in other European Community countries.

4. The CMEA was also known as COMECON. At the time of its collapse, the European members of CMEA consisted of Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and the Soviet Union. The CMEA also included Cuba, Mongolia, and Vietnam. East Germany had previously been a member. In addition, Yugoslavia was an associate member, and China and North Korea were observers.

5. The Group of 24 was established to coordinate assistance to Eastern Europe. It includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

6. U.S. imports from Eastern Europe were less than \$1 billion in 1991.

7. *Energy Reforms in Central and Eastern Europe—The First Year* (Geneva: United Nations Economic Commission for Europe, 1991).

8. The western Germany standard is determined by projecting out to an arbitrary end date the level of real capital per worker in western Germany in 1990, and then applying the same standard to the projected size of the labor force in the country in question.

9. In its May 1992 report *Poland and Hungary: Economic Transition and U.S. Assistance* (GAO/NSIAD-92-102), GAO noted the widespread belief that Poland will require at least another 10 years of U.S. assistance.

10. Country contributions as of September 1, 1992, were provided by EBRD's Project Enquiries Unit.

11. Hungarian press interview with Peter Bod in *Magyar Nemzet*, March 24, 1992, translated and reported by the Foreign Broadcast Information Service in the *Daily Report—East Europe*, March 31, 1991.

*Linda G. Morra*

# WHERE MANAGERS TURN FOR HELP

*Internal consultancies are starting to catch on among governments around the world.*

**L**IKE PRIVATE BUSINESSES, government agencies need good management. Yet government managers throughout the industrialized world are better known for their failings than their effectiveness. According to the stereotype, government managers are constantly battling to keep one step ahead of disaster—typically facing problems only after they grow to crisis proportions and relying on “quick fixes” rather than lasting solutions.

Like most stereotypes, this one has some basis in fact. But it doesn't tell the full story. In fact, many of today's public-sector officials have learned to manage effectively using tools from the private sector—tools like strategic planning, financial and information management systems, quality assurance, and human resource development.

---

*LINDA G. MORRA is Director of the Education and Employment Issue Area of GAO's Human Resources Division. Charles I. Patton, Jr., a member of GAO's Executive Candidate Development program, assisted with this article.*

Governments in many industrialized nations, including the United States, have long depended on private consultants for advice on applying these tools. More recently, as the demand for better management methods has increased, some countries have found it worthwhile to develop in-house management expertise. This often takes the form of an internal consultancy, a government organization whose primary role is to help other agencies find and fix their management problems.

Internal consultancies come in many shapes and sizes. For example, Australia's “Development Group,” part of the country's Public Service Commission, works only in human resource development; its 10 staff members do policy development and training in addition to consulting. Denmark's consultancy service draws on 50 employees who also handle such governmentwide administrative issues as personnel policy, public information, and information technology. Finland's consultancy, part of the nation's Administrative Development Agency, helps central, provincial, and local government agencies with everything



from strategic reorganization to crisis management; in 1990, its 20 employees served 30 agencies. Canada's consultancy employs more than 100 staff members, who last year conducted 500 projects in many areas of management for more than 50 organizations—and also helped manage 1,100 small third-world development projects.

Despite their differences, internal consultancies around the globe generally have certain characteristics in common—for example, the potential advantages they offer over their private-sector counterparts. To begin with, an internal consultancy usually shares a common culture with its

management expertise, while the agencies' new employees can build on the familiarity they developed during their consultant work.

Of course, these benefits involve some trade-offs. The very familiarity that an internal consultant brings to a government project may also make that person less effective. For example, a private-sector consultant may be more likely to analyze situations in new and unconventional ways, while one who has been part of the system may tend to take a less imaginative view. Outside consultants may also be more familiar with innovative management techniques, which almost always emerge in the private sector. And while internal consultants can claim that their insider status helps them establish trust and exert influence, private consultants may make the equally valid point that as outsiders, they have more leverage: After all, they were brought in specifically because their opinion was valued.

**BECAUSE AN INTERNAL CONSULTANCY IS  
ITSELF A GOVERNMENT AGENCY, ITS PEOPLE  
ARE LIKELY TO UNDERSTAND THIS ENVIRONMENT  
AND TO APPRECIATE ITS CHALLENGES.**

government clients. Although any government agency has its own culture to some extent, the differences between the public and private sectors are far more dramatic than the distinctions among agencies. This is especially true when it comes to management, because almost all government managers work under similar constraints in such areas as hiring, budgeting, and purchasing. Because an internal consultancy is itself a government agency, its people are likely to understand this environment and appreciate the challenges.

Internal consultants also offer the advantage of specialization. Government clients who rely on private firms often end up paying again and again to bring consultants up to speed. Internal consultants, however, develop experience and knowledge that remain in the organization, to be applied to the next project. Some governments, going a step further to get the most of these people's experience, encourage them to eventually transfer full-time to agencies they have served. This way, the client agencies benefit from the infusion of

## **The internal consultancy in other countries**

**I**nternal consultancies often share characteristics with private-sector firms, but the degree to which they do so varies substantially from country to country. The organizations also differ greatly in their size, staff, and details of operation. Each reflects the culture and political situation in which it was developed, and each has certain strengths and weaknesses.

Perhaps the most illuminating differences are in the relationship between the consultancies and their clients. In some countries, such as Canada, the internal consultancy behaves in many ways like a private consulting firm. In other countries, such as Denmark, the consultancy works more as an arm of the government in the conventional sense. Following are a few of the key areas in which this difference in approach becomes most apparent.

### Who gets things started?

Many elements that define the client/consultant relationship follow from the crucial question of who initiates projects. Some consultancies provide services only on request, as if they were private-sector firms. Other agencies initiate projects themselves, sometimes to fulfill a wide-ranging mandate to improve government operations.

For example, Canada's Government Consulting Group (GCG)<sup>1</sup> operates much like a private-sector firm. It actively markets its services not only to agencies in the national government, but also to other public-sector clients: provincial agencies, nationalized corporations, foreign governments, and international organizations such as the United Nations and the World Bank. Clients contract for GCG's services just as they would hire a private firm, and while GCG accommodates most requests, it declines projects it considers beyond its scope or abilities. Central government authorities are generally not involved in GCG's projects, except as clients themselves.

Denmark's consultancy service—part of the Department of Management and Personnel (DMP) in the Ministry of Finance—works quite differently. The consultancy service's purpose is to help turn general political directives for "modernizing" the public sector into practical programs in

help the agency choose a private consultant.

In other cases, however, DMP will impose an administrative review upon an agency having problems. Such reviews also involve top executives from the budget ministry and the Prime Minister's office, and the agency must comply with the review process. Officials from Denmark's consultancy service note that the unpleasant possibility of an imposed investigation can encourage agency managers to seek voluntary help when problems first occur.

Each arrangement has advantages. On one hand, agencies that seek out management advice are more likely to be receptive to it. Those that have a review suggested to them, or even imposed upon them, are likely to be less cooperative.

On the other hand, reviews may be more comprehensive when they are initiated by the consulting organization. When a client agency initiates a project, it may also specify the areas to be addressed. If the client does not realize what work is needed—or if the client deliberately sidesteps particular problem areas—then the consultants might do only the job they were asked to do and ignore other situations that actually need more attention. But if the consultants initiate the review, they may be less likely to arrive with a preconceived notion of where the problems lie. In turn, they may be better able to identify longstanding or systemic problems, even if the recipient agency is unaware of those problems or reluctant to call attention to them.

AGENCIES THAT SEEK OUT ADVICE ARE MORE LIKELY TO BE RECEPTIVE TO IT. ON THE OTHER HAND, REVIEWS MAY BE MORE COMPREHENSIVE WHEN THEY ARE INITIATED BY THE CONSULTING ORGANIZATION.

state agencies. To this end, its staff stays in close contact with the managers of the various ministries, with whom they discuss any management problems that arise. If an agency cannot solve a problem itself, the service may take on the project (assuming it fits within its mission and resources) or else

### Who pays for the consultancy's work?

Some consultancies help support their activities by charging a fee for their services, much as private-sector consulting firms do. This is most likely to be the case with consultancies that work at the request of client agencies.

For instance, in 1970, Canada's consultancy organization became the first organization in Canada's public service to recover all its direct costs by charging fees. Since 1986, it has also been

responsible for covering all of its indirect costs, including support services, as well as a share of its parent department's overhead. To meet these obligations, GCG subcontracts a large volume of work—enough to generate about 60 percent of its revenue—to individuals and small firms in the private sector. (This is in keeping, by the way, with GCG's mandate to give small businesses access to government consulting projects.)

In contrast, Denmark's consultancy service does not ask payment of clients that fall within its

further action up to that agency. At the other extreme, a consultancy may report to a central legislative body, which may have the authority to follow up on the client agency's response or even enforce compliance with the consultancy's recommendations. The way results are handled also influences the way the consultancy evaluates its effectiveness.

For example, Canada's GCG works on a strictly confidential basis, just as a private-sector firm would. GCG is not required to report its findings to anyone but the client agency, and it does not get involved in implementing its recommendations unless the client hires it to do so, under a new contract. GCG evaluates a project's success first on the objective basis of whether it was completed on time and within budget, and then on the more subjective basis of the client's satisfaction. And just as a private firm might cite its rate of repeat business as a sign of its effectiveness, GCG points to the fact that 75 percent of its work is done for returning clients.

Denmark's consultancy service, on the other hand, does not keep reports confidential, but it does allow its clients to set conditions on the use of published findings. For example, contracts typically require that the recipient agency's involvement in a consultancy project will not affect the Ministry of Finance's allocations of the agency's staff and budget. The consultancy itself has limited authority to encourage a client to act on its recommendations. While the consultancy can draw some informal support from associated agencies, including the budget department and the office of the Auditor General, most of the client's response is beyond the consultancy's scope. Not surprisingly, the consultancy does not depend on the client for evaluation; it measures its success according to the degree of improvement in the agency.

Again, each choice involves trade-offs. Confidentiality enables the consultant to be more forthright about problems than it might be if the report were to be made public. Still, this can mean less accountability: If a report is kept private, the client can easily bury unfavorable results or ignore

#### CONSULTANCIES THAT CHARGE FEES FOR THEIR SERVICES

ENJOY THE BENEFIT OF BEING SELF-SUPPORTING. BUT THEY MAY BE RELUCTANT TO GIVE HARSH NEWS TO AN AGENCY THAT IS PAYING FOR THEIR WORK.

broadly defined "normal working area." These include not only agencies of the central government, but also public utilities, such as the country's railway, postal, and police organizations. Occasionally, however, the unit will extend its services, for a fee, to organizations on the borderline between the public and private sectors—for example, the Danish Broadcasting Corporation or the Danish Association for International Cooperation.

Consultancies like Canada's that charge fees for their services enjoy the benefit of being self-supporting. And consultants working on a fee basis tend to be particularly responsive to their clients' concerns. But there is a trade-off here as well: Consultants who take fees may be reluctant to give harsh news to an agency that is paying for their work. Combined with the client agency's influence in initiating and defining a project, the fee-based arrangement may add even more pressure to the consultant to overlook embarrassing or politically sensitive problems.

#### **What happens to the results?**

Some consultancies report their findings on a confidential basis only to the client, leaving any

recommendations. This is particularly true when the client is a government agency with high turnover in managers, since the results of a review may disappear with a change in leadership.

Private reports are most likely to work with consultancies that operate on a client-driven, fee-for-service basis, presumably because the client recognizes the need for help and wants the information enough to pay for it. For consultancies that initiate their own projects and do not receive a fee, making a report public may be the only way to ensure that the results are treated seriously.

## **The consultancy role in the United States**

**I**n the United States, no single agency serves explicitly as the federal government's internal consultancy. The Office of Management and Budget (OMB) would seem the logical candidate to fill this role, but so far its energies have been focused elsewhere.

OMB plays a key part in the administration's budget decisions. The President and Congress also look to OMB for leadership in improving government operations. But this dual mandate suggests competing priorities: It may simply not be realistic to expect OMB to provide broad management

that OMB improve its leadership on major management issues and work more closely with agency and congressional leaders to address those issues.

OMB has begun to take some steps in this direction. The Chief Financial Officers' Act of 1990 created a Deputy Director for Management in OMB to oversee many of the government's general management functions. OMB has filled that new position and appointed a staff of about 18 professionals. These "management examiners" serve as a source of management expertise for various departments, informing their personnel about new and ongoing management initiatives and monitoring their efforts to correct problems. Management examiners, along with budget staff, also serve on special review teams that function like consultants to help agency executives solve major problems.

For example, in December 1990, OMB and the Department of Education (ED) initiated a joint review of ED's student aid programs, with the goal of designing a plan to strengthen ED's management of this area. The review relied heavily on the accumulated work of GAO and ED's Office of Inspector General, both of which had cited serious problems in student loan administration over many years. (For more detail on these problems, see "Untangling the Stafford Student Loan Program" in the *GAO Journal*, Issue #15, Spring/Summer 1992.) In April 1991, the Secretary of Education and OMB's director announced a sweeping management improvement plan to restructure ED's student aid programs. Yet action has been slow on the report's recommendations.

Without doubt, OMB's review drew attention to longstanding management problems and possible solutions. Those solutions, however, will require long-term efforts, as well as legislative and administrative changes. Because OMB's activities necessarily reflect the administration's policies, the question remains whether OMB will continue to pursue action on its own recommendations as administrations change.

Given these recent actions, it is not inconceivable that OMB might eventually take on a larger role in improving government management. But

OUR GOVERNMENT HAS NO CENTRAL AGENCY EXPRESSLY  
DEVOTED TO IMPROVING MANAGEMENT. IN THE ABSENCE  
OF SUCH AN ORGANIZATION, GAO HAS FOUND ITSELF  
BECOMING A CHIEF SOURCE OF MANAGEMENT ASSISTANCE.

leadership while confronting the growing and, to some extent, conflicting demands of formulating and defending the President's budget.

In May 1989, GAO reported that OMB's management leadership efforts have generally accomplished little.<sup>2</sup> GAO's report recommended

for the most part, OMB still continues to place its priorities on "budget" rather than on "management." Recognizing this, some legislators have offered proposals over the years to separate the two functions, perhaps even establishing a new Office of Federal Management.

For now, lacking either a strong management component in OMB or a separate management office, the federal government has no central agency expressly devoted to improving management. In the absence such an organization, GAO has found itself becoming a chief source of management assistance. One way in which GAO offers this help is through general management reviews (GMRs)—comprehensive evaluations of overall management activities at specific federal agencies.

### **GAO's management services**

**G**AO introduced broad-scale management reviews in the early 1980s as a logical step toward carrying out its basic mission—to achieve honest, efficient management and full accountability throughout government. GMRs were designed to

WHEREAS MOST GAO STUDIES FOCUS ON SPECIFIC PROGRAMS, ITS GENERAL MANAGEMENT REVIEWS ADDRESS AGENCYWIDE ISSUES, SUCH AS STRATEGIC PLANNING AND HUMAN RESOURCE MANAGEMENT.

complement GAO's traditional audit and evaluation work. Whereas most of GAO's studies focus on specific programs, its GMRs address agencywide issues, such as strategic planning and human resource management. And while GAO does most of its audits and evaluations at the request of

Congress, it generally initiates management reviews itself.

In choosing an agency for a GMR, GAO applies criteria that include the size of the agency, its visibility to and impact on the public, the degree of congressional interest, and the agency's openness to change. Although GAO proposes the reviews, it does not impose them; agencies are free to refuse the service. GAO recognizes that a review done without support from the agency would be of limited value. Because recommendations may call for fundamental changes in the agency's operation, it is important to have a commitment from the top. At the same time, while agency heads are understandably hesitant to invite the government's audit agency to come in and look for problems, they are welcome to ask GAO for a review.

The precise nature of the reviews varies with the issues the agency faces. The first GMRs focused on program agencies—those that bear primary responsibility for providing services to the public, such as the Departments of Labor, Justice, and Transportation. Eventually the effort expanded to include central management agencies, such as OMB, the Office of Personnel Management, and the General Services Administration. Since 1984, GAO has issued more than 19 reviews, and nine more are under way.

In carrying out GMRs, GAO bears less resemblance to Canada's fee-for-service GCG than it does to Denmark's consultancy service, whose job is to implement the country's management policies. Because GAO initiates its reviews, GAO determines their scope and focus. GAO does not charge agencies for any of its services, so it is not subject to pressure to provide the answers clients want. And GAO makes its findings public: The taxpayer pays for the work, so the taxpayer gets to see the results.

GAO also assesses its effectiveness not by client satisfaction, but by tangible results—that is,

whether agencies respond to its suggestions. Agencies are not required to implement GAO's recommendations, but they are required to report their action (or lack of it) to Congress. Moreover, because GAO sets its own agenda when it does GMRs, it has the freedom to conduct periodic follow-up reviews, generally every three to four years. These reviews ensure that GAO's recommendations have not been ignored or forgotten, and they give agency heads an added incentive to move forward.

GAO's unique status within the U.S. government adds a dimension that distinguishes it from its counterparts in other countries. Like internal consultancies in other countries, GAO can offer government agencies a first-hand understanding of the public-sector culture. Yet as a legislative-branch agency reporting to Congress, GAO also enjoys a degree of distance—and independence—from its executive-branch clients.

This dual nature enables GAO to cooperate closely with an agency on a GMR, yet also to take a more investigative stance toward the same agency in an audit. Of course, this can pose a certain challenge: Even as some of GAO's staff members are working with an agency on a GMR, others must continue with audits of specific programs within that same organization.

Therefore, when GAO approaches agencies to suggest a GMR, it makes a point of presenting itself as a helper, not an adversary. As it happens, agencies rarely refuse a GMR. Most agency heads recognize their problems and understand why their agencies would make good candidates for review. (One agency that did turn down an offer of a GMR—the Food and Drug Administration—still agreed with GAO that it needed management help; it used an outside consultant to do the job.)

At best, GAO can work with agency heads to ensure that the process addresses the agencies' most pressing management problems—just as a

private consultant would. An example is GAO's ongoing review of the Department of Veterans Affairs (VA), which began in May 1989.<sup>3</sup> VA recognized that the demographics of the veteran population would be changing dramatically over the next decade, presenting serious challenges in such areas as delivering health care and administering benefits. The Secretary of Veterans Affairs asked GAO for assistance in developing a strategic management plan. GAO helped the agency with this and also with its information resources and financial management. GAO is now working with VA on human resource management and performance monitoring systems.

GMRs represent a change both for GAO and for the government agencies with which it does business. The reviews allow GAO to move into the collaborative position of offering help, rather than simply calling attention to problems. And it presents agencies with the chance to use GAO's expertise—and their own initiative—to find and fix potential trouble spots.

Yet while this role may be new for GAO, it is a well-established one worldwide. Other industrialized nations have recognized that one way to overturn the stereotype of ineffective government management is to provide its managers with the help and the opportunity they need to improve their operations—*before* problems become crises. With its management reviews, GAO is carrying out much the same task in the United States. ●

1. The GCG was known as the Bureau of Management Consulting until a 1990 reorganization. At that time, the consulting organization became a branch of a larger agency called Consulting and Audit Canada, which also includes an audit services branch.

2. See *Managing the Government: Revised Approach Could Improve OMB's Effectiveness* (GAO/GGD-89-65, May 4, 1989).

3. GAO has so far produced one report from this review: *Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans* (GAO/HRD-90-109, August 31, 1990).



### HEATED REPLIES

Robert L. Barry and Gerard V. Bradley, editors  
**SET NO LIMITS: A REBUTTAL TO DANIEL  
 CALLAHAN'S PROPOSAL TO LIMIT  
 HEALTH CARE FOR THE ELDERLY**

*Urbana, Illinois, and Chicago: University of Illinois  
 Press, 1991. 134 pp.*

*By Eleanor Liebman Johnson*

**D**ecisions about who gets what kind of health care are no longer made just by doctors and patients, but also by insurance company officials, hospital administrators, and government functionaries. These people, constantly looking for ways to hold down expenses, must decide who should get treatment—and how much. It is at the point where economics meets ethics that some of the most difficult questions of the health-care crisis arise.

Medical ethicist Daniel Callahan faced up to some of these questions in his 1987 book *Setting Limits: Medical Goals in an Aging Society* (which I reviewed in the *GAO Journal*, Issue #1, Spring 1988). Looking especially at the problems of caring for older patients, Callahan talked about rationing curative treatment, setting standards for targeting medical research dollars, creating alternative

---

*ELEANOR LIEBMAN JOHNSON is Assistant  
 Director for Management Issues in GAO's Human  
 Resources Division.*

structures for financing and delivering health care, and redefining the generations' responsibilities toward each other. At the heart of his controversial discussion was a proposal that public funds should not be spent to extend life beyond a "natural" or "acceptable" duration—say, 80 years or so.

Callahan's suggestions set off a national debate that raged on radio and TV talk shows, in newspaper columns and op-ed pages, and within the health care and public policy communities. Some of this discussion appears now in *Set No Limits: A Rebuttal to Daniel Callahan's Proposal to Limit Health Care for the Elderly*, the proceedings of a conference at the University of Illinois College of Law in October 1989. After a prologue by syndicated columnist Nat Hentoff, the six essays in *Set No Limits* are grouped into three sections: moral and ethical aspects, legal and jurisprudential aspects, and public policy and economic aspects. In an epilogue, "Will the Real Daniel Callahan Please Stand Up?," the editors of the collection analyze the differences they perceive between *Setting Limits* and Callahan's 1990 follow-up book, *What Kind of Life: The Limits of Medical Progress*.

The first section is hardly promising: The reader must wade through the almost unintelligible writing of the first two authors, Robert L. Barry and Robert P. George. The moral and ethical arguments lie buried in sentences like this one from George's essay: "'Good' is predicated of ultimate reasons for action not univocally, i.e., in the same sense, but analogically; what basic goods have in common is precisely—and only—their status as ultimate reasons for action (reasons that are reducible neither to each other nor to some common underlying reality—e.g., some nonnatural quality called 'goodness')."

Still, several consistent moral and ethical premises do underlie all the essays. The various authors agree that Callahan takes a radical view not only of life, death, and aging, but also of inter-generational obligations, the role of the state, and the rights of individuals. They believe that life is intrinsically good and death is undesirable, and that it is moral to relieve suffering even by means that may hasten death, but not to seek death as an end in itself. They maintain that present circumstances do not call for doing away with these traditional ethics, and that it is inappropriate to view the elderly as an exception.

The authors of the three essays in the middle of the book—Hadley V. Arkes, Robert A. Destro, and Marshall Kapp—do the best job of examining the implications of these beliefs. These pieces stand out as logical and clearly written, raising issues that not only refine portions of the debate, but also cast serious doubt on some of Callahan's basic ideas, especially that of using age as a criterion for dispensing medical care.

Destro, in particular, provides a sound argument against excluding portions of the population from the community on the basis of their assumed "potential." He examines issues of discrimination, arguing that the provision, financing, and rationing of medical services should be subject to scrutiny under the nondiscrimination laws. He asks why Callahan focuses on the elderly: Is the problem "the elderly themselves, their excessive demands for health care, or [society's] generally excessive demand for health care"? By reframing the issue in this way, Destro more clearly defines the slippery slope: As soon as you start deciding that groups of people can be denied care because of an inability to lead a "useful" life, you open the door to excluding many others—people with disabilities, for example.

Unfortunately, Destro concludes that because of the complexity of the issues, no limits should be set on a societal level; decisions should "stay" on a personal level. He misses the point. Insurers and policymakers—those who control the money—are even now making such decisions by regulating Medicare and Medicaid reimbursement, private insurance coverage, and federal funding of medical research. As Callahan has stated, limits are being set already, and not in a manner that most of people would consider justifiable.

Kapp saves us from Destro's hands-off conclusion by recognizing the problem and proposing an alternative public-policy solution: If the elderly should be subject to limitations simply because they are the only Americans who now enjoy a public insurance program, then "the better answer" is to replace Medicare with a "universal national health insurance program with built-in, integral, tight cost controls. . . . Limits then could be imposed ethically based on individual capacity for benefit or the type of service, without devaluing any particular group of persons." Kapp concludes by noting that while Callahan's plan is "objectionable," the issues are serious, and that opponents of Callahan's approach

should propose "social policies of their own" to address them.

Kapp's view that Callahan is asking the wrong questions raises some provocative questions of its own: Just what is the health-care problem? Does it require rationing to solve it? If so, on what criteria, if not age, might that rationing be based? We enter Lawrence DeBrock's chapter on economics expecting answers to these questions. Instead, we get an unsatisfying presentation: DeBrock displays the tools of economic analysis by which he might make an argument, and he states conclusions, but there is no link; he never really makes a case.

These authors characterize Callahan's book as fascinating and frustrating. The same could be said about their own effort. Before reaching the truly excellent pieces in the middle of the book, the reader must wade through a counterproductive emotional tirade against Callahan. Consider this diatribe from the editors' preface: "The inverted logic of Callahan's claims opens the door to the highly skewed logic of the right-to-die. Callahan's myopic view and the twisted logic of this age-based rationing system have led us to the contorted logic of *Cruzan* [a 1990 right-to-die case], and we can expect even further skewing of normal logic because of Callahan's views."

Why do the editors put the reader through the agony of the opening chapters? One possible explanation is that the issue of age-based rationing evokes the same types of emotional response as discussions about abortion or the handicapped. In addition, the preface notes that the authors are reacting not only to Callahan's arguments, but also to the power of Callahan's position as head and cofounder of the Hastings Center, a leading medical ethics institute. They suggest that the Center's "close relationship with the American Medical Association (AMA)" means that "the ethical positions adopted by the Hastings Center and promoted by Callahan have usually become those adopted by the AMA. . . . Thus, in raising questions about Callahan's proposal, questions are being raised about a policy that might well be adopted by one of the most influential lobbying organizations in the nation." Unfortunately, the initial melodramatic approach is more likely to appeal only to the people who oppose Callahan's positions already, rather than change the minds of those who agree with him or who were leaning in that direction. ●



**ARMS AND THE WOMAN**

Geoffrey Perret

---

**THERE'S A WAR TO BE WON: THE UNITED STATES ARMY IN WORLD WAR II**

---

*New York: Random House, 1991. 623 pp.*

Cpt. Carol Barkalow with Andrea Raab

---

**IN THE MEN'S HOUSE: AN INSIDE ACCOUNT OF LIFE IN THE ARMY BY ONE OF WEST POINT'S FIRST FEMALE GRADUATES**

---

*New York: Poseidon Press, 1990. 283 pp.*

*By J. Allan Hovey*

**G**eoffrey Perret and Carol Barkalow have produced what are surely two of the most illuminating and absorbing reads in recent military history. Although worlds apart in scope and method, both offer a deft mix of analysis and anecdote to depict the U.S. Army at work on its problems. The sole *issue* common to both—the place and prospects of

---

*J. ALLAN HOVEY is a senior evaluator in GAO's National Security and International Affairs Division.*

women in the U.S. Army—is one that Perret's account of World War II manages to cover in less than four of its 623 pages. The issue emerged during the war itself and, as Barkalow's memoir and recent headlines attest, remains a major opportunity-cum-headache for the American military, not least the Army. But the U.S. Army, as Perret's work dramatizes, has met any number of far more daunting challenges.

Sensing in the deeds of the World War II Army "hidden depths, powerful historical currents, plumb lines to significance, lost anchors of character," Geoffrey Perret set out in this book to describe "how the wartime Army was created, how it went to war, what it did when it got there and why it was so good it never lost a campaign." He found all he was looking for, and conveys it to the reader with authority and style.

When the war broke out in Europe in 1939, the U.S. Army was in trouble. Equipment, organization, training methods, and tactical doctrine were throwbacks to past wars, overseen by a War Department that was itself "a monument to the powers of accretion and inertia." Yet by war's end, "the Army had several million battle-hardened combat troops, tactical nuclear weapons, TOT [On Time, On Target] artillery fire, 100 percent mobility, medical evacuation helicopters, the best battlefield communications anywhere and much besides. It was at least a decade ahead of any other army in the world."

It was a citizen army trained and led by a new breed of professional soldiers found and groomed for greatness in the years prior to the war by General George C. Marshall. Under that leadership, the Army performed unprecedented prodigies of procurement, construction, mobilization, training, and fighting—of reform, innovation, improvisation, courage and sacrifice. The achievement is, as Perret says, "filled with lessons about the people of this country." What might not the nation accomplish in its present time of troubles and discontent if it could find in its soul what William James called "the moral equivalent of war; something heroic that will speak to men as universally as war does"?

Meticulous scholarship (including some 1,300 endnotes) infuses Perret's gripping narrative. He is candid and specific on destructive interservice or interallied confrontations, unseemly political

infighting, and the costly idiosyncracies of the various commanders.

But most of his story is indeed about other things: "Hidden depths"—like the incredible endurance and ferocity of Robert Frederick's legendary 1st Special Service Force, which specialized in spearhead tasks and never failed to take an assigned objective. Or like all the GIs in combat who found the will to persevere "despite failure, homesickness, the deaths of friends, fears of crippling wounds . . . to close with an enemy they did not hate . . . to kill another human being so an idea might live, to suffer beyond comprehension for an abstraction, yet be neither fanatical nor brutish." "Lost anchors of character"—like George Marshall, at the pinnacle of his career, laying his job on the line on five occasions to preserve a deeply held principle or policy. "Powerful historical currents"—like what happened to race relations in an army that "couldn't win the war without blacks." Like what happened to women . . .

In a chapter he calls "Coalition Warfare" describing the wartime service of black Americans, Japanese Americans, and female Americans, Perret offers a four-page sketch of the Army's traumatic first steps toward gender integration. With the creation, at Marshall's urging, of the Women's Auxiliary Army Corps (WAAC) in March 1942, "the Army got around to asking itself, 'How many soldiers' jobs could be done by women?'" The answer: up to half—an idea, Perret says, that shook the Pentagon to its foundations.

Women formally became part of the Army in June 1943, when Congress established the Women's Army Corps (WAC) to replace the auxiliary. Marshall had hoped for a force of 500,000. At its peak, the WAC reached 100,000. Male resistance was fierce. The men in charge "managed to damage recruiting, disorganize training and undermine morale. . . . Nor did [they] make a serious effort to counter the slander campaign that portrayed the WAAC as being rife with lesbians, nymphomaniacs, hookers, and syphilitics. Millions of people believed the WAAC had been created to provide sex for soldiers and thereby sustain their morale."

Yet in the final analysis, Perret concludes, "There was little regret among the women who'd served. The argument over their place in the Army had been settled. Despite the lies and hostility, the lack of recognition and the easily wounded male ego,

the WAC won its war: Women had a permanent place in the Army."

Still and all, what the WACs won in 1943 was only the first battle of a protracted war that continues half a century later. There is evidence aplenty of this in Carol Barkalow's *In the Men's House*. Barkalow graduated from West Point in 1980 as part of the academy's first female contingent. Her memoir is a thoughtful, by turns painful and amusing account of what she and her women classmates—and, by extension, female soldiers generally—have been going through while making the Army a more nearly equal-opportunity employer and thereby expanding women's place in the services and the world.

Barkalow's memoir is a neat weave of narrative and comment, with excerpts from her diaries and from interviews with some 60 others in her cast of characters: classmates, upperclassmen, instructors, superior officers, and eventual subordinates. It starts with a sampling of life in "Beast Barracks," the Cadet Basic Training, where the plebes got their first taste of the academy's traditional hazing regime, compounded for the women by sexual harassment that violated regulations and ran the gamut from sophomoric to barbaric. The narrative ends with Barkalow's nearly three years of service in Germany as a lieutenant in Air Defense Artillery (the missile platoon she led had 70 soldiers—of whom 95 percent were male) and her subsequent stateside tour as a company commander in the Transportation Corps.

Of the 119 women who entered West Point with Barkalow in 1976, 62 graduated in 1980. From the start, physical training for women has been the same as that for men: obstacle courses, bayonet drills, pugil stick fighting, hand-to-hand combat, and 72-hour stints of nonstop infantry training and patrolling. They practice marksmanship, do three-mile runs (in 27 minutes or less for the women), free-climb a 73-foot cliff, and rappel themselves off it. They can also, like Barkalow, become airborne-qualified by surviving five 1,250-foot parachute jumps. The physical standards—running times, requisite number of pushups, and the like—are lower for women than for men, but quite sufficient, Barkalow says, to tax them "beyond [their] limits."

Such "gender norming" of the Army's physical fitness requirements has led some observers to

charge that "double standards" are hurting unit morale and readiness. But physical requirements (normed by age categories as well as gender) govern retention in the service. Qualification for any given Military Occupation Specialty (MOS) is determined under single standards of proficiency in specified tasks, and evidence is lacking that proficiency has been significantly impaired. The same single-standard principle would no doubt apply to the physically more rigorous combat specialties from which women are now excluded by law or regulation.

Herein lies the sole remaining unresolved issue of policy affecting women in uniform: whether the remaining combat exclusion rules should be rescinded, giving women access to all combat specialties, with the attendant enhancement of both risks and career opportunities. Controversy still rages over this issue, but as a practical matter, it may be closer to resolution than it seems. As we saw in the Gulf War, women today are eligible for a wide range of dangerous jobs in combat support and combat service support units. Furthermore, Congress last year revoked the Air Force combat exclusion law and modified the Navy law to allow women to fly combat aircraft and serve with air components on Navy combat vessels.

What's left of the debate concerns direct roles in ground and maritime combat and in special units like the Navy SEALs. Under a congressional mandate, the presidential Commission on the Assignment of Women in the Armed Forces is assessing present combat exclusion policies and will submit recommendations before the end of the year. One can, however, already discern the elements of a national consensus that should narrow the issue and facilitate the remaining policy judgments.

The national debate has highlighted three questions: the right of women to equal-opportunity employment, the potential impact on unit readiness and national security, and the possibility of women being included in the draft.

Data from public opinion polls, from sociological research, and from the debate itself suggest

that there is broad national agreement on at least three basic premises. First, for the armed services, mission readiness must take precedence over other considerations—including, if necessary, a gender-neutral accession policy. The issue here is simply whether combat exclusion or equal opportunity will best serve that objective. Second, physical qualification for any combat MOS can and should be determined by reference to a set of relevant standards applicable to both women and men without distinction. Third, subject to the first two propositions, women have a proper claim to equal opportunity in the armed services.

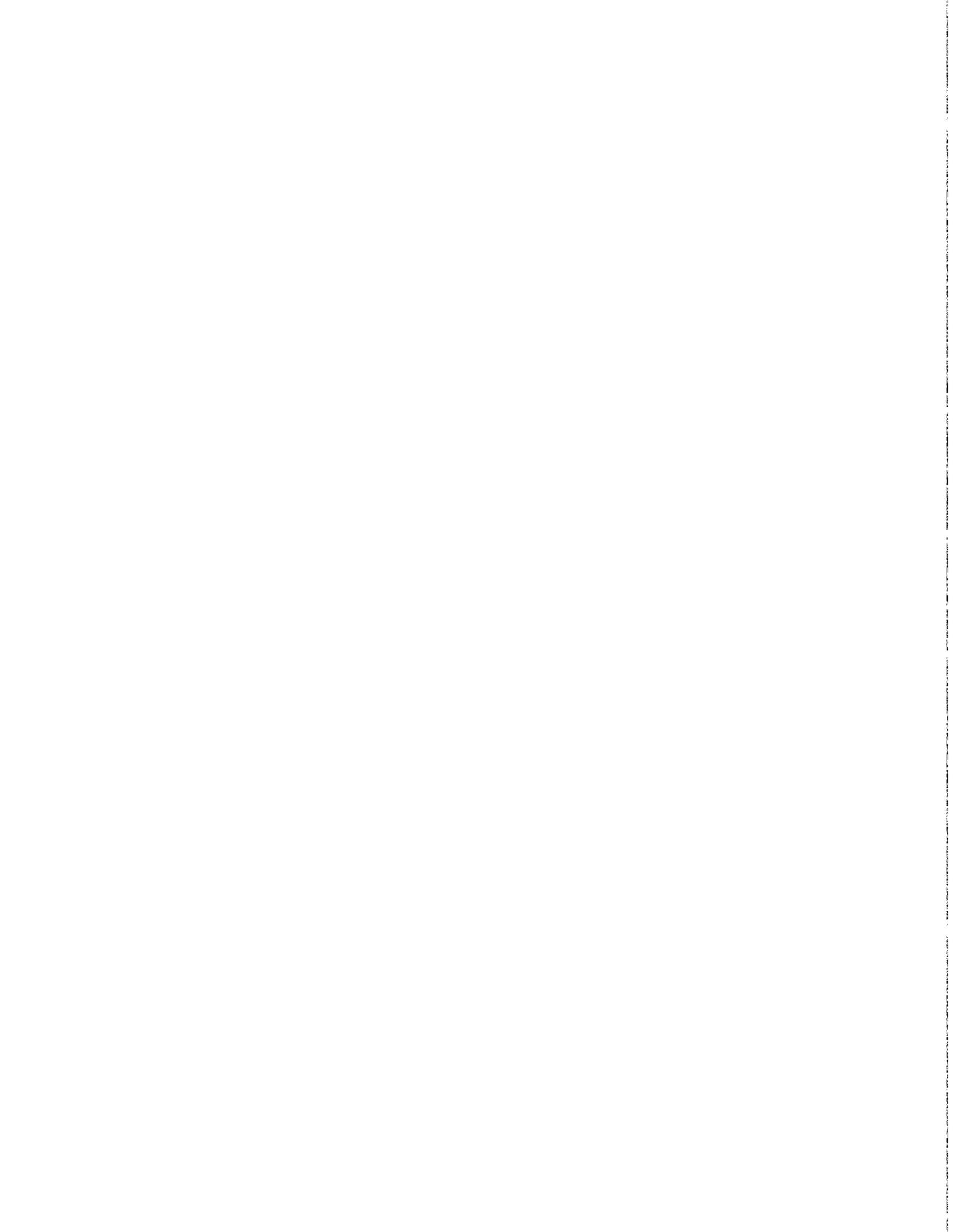
Might this position be said to meet all legitimate demands of both militant feminists and macho males? Barkalow, for one, seems to think so. As she told *Newsweek* (August 5, 1991), "The training and physical strength standards should be uniform," but the "bottom line" should be that the services get "the flexibility to assign the best-qualified person to the job, regardless of gender."

For those women who may eventually make it into currently excluded combat specialties, a greater obstacle to equal opportunity is likely to remain for some time: sexual discrimination and harassment. American men generally—although well ahead of the curve worldwide—still have much to learn about the injustice and trauma such conduct inflicts. (See, for example, GAO's June 2, 1992, testimony on student treatment before the Subcommittee on Manpower and Personnel of the Senate Armed Services Committee.)

On this, Defense Department policy is beyond reproach. But as headlines and official studies continue to remind—and as Barkalow and her female cohort in uniform continue to learn first-hand—policy has yet to prevail over shortcomings of indoctrination and discipline. One can reasonably think of this, whatever may be done about combat exclusion, as one more mission that Perret's and Barkalow's army will in the end accomplish with distinction. Until it does, attempts to integrate fully qualified women into combat units will prove troublesome for units and unnecessarily painful for individuals. •

---

Illustration credits—Pages 5, 13, 29, 33, 76, and 78: Les Kanturek. Pages 19–25: Chris Angrisani. Pages 45–59: Karen Stolper. Page 69: David Wisniewski.



UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

*Official Business  
Penalty for Private Use \$300*

First Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100