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# Incremental Consolidation and Comprehensive Reorganization of American State Executive Branches

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*Many questions remain about the causes and implications of state government reorganization. Using an original data set on agency consolidation in the states between 1950 and 1992, we show that executive branch restructuring occurs incrementally as well as through better recognized comprehensive reorganization. With continuous state-space modeling we show that these different reform paths are related and driven by distinct political and economic conditions. We also show that, contrary to previous findings, state attempts to alter their administrative organizations do impact long-term employment growth rates. Although smaller in magnitude, incremental as well as comprehensive reforms can enhance administrative efficiency. Further, unlike the Baumgartner and Jones (1993, 2002) punctuated-equilibrium model, we do not find evidence that incrementalism gives way to bursts of nonincremental change. Rather, incremental adjustments to the status quo may be sufficient to reduce the possibility the possibility of comprehensive reorganization at any point in the future.*

Throughout the post-WWII period, American state governments rationalized their bureaucracies and centralized executive power by consolidating agencies, commissions, and departments (Chubb 1985; Conant 1992; Elling 1990). These state executive branch reorganizations are usually described as having occurred “comprehensively.” In a short time, executive branches moved from a pattern of near stasis to a burst of activity where they streamlined and shifted their administrative bodies in pursuit of greater managerial centralization and administrative efficiencies. We argue here that this is only part of the story. In many states change was gradual and piecemeal rather than rapid and comprehensive, suggesting a second path to executive restructuring and reform, one that involves adjustments within departments and agencies over a longer term.

These two distinct patterns of reform offer an illustrative contrast to the punctuated-equilibrium model of political and institutional change (Jones 1994; Jones, Sulkin, and Larsen 2003; Baumgartner and Jones 1993, 2002). Punctuated-equilibrium offers important insight

into how incremental and nonincremental changes are often parts of the same process. Across a range of policy areas, markets, institutions and budgets there is evidence of a similar pattern rooted in decision making and institutions: years of incremental “negative feedback” give way to nonincremental “positive feedback” (Baumgartner and Jones 1993; see also Bosso 1987). This bringing together of “peaceful incrementalism and jarring change” (Baumgartner and Jones 2002, 4), or “policy stasis and policy punctuations” (True, Jones, and Baumgartner 1999, 98) contrasts sharply with earlier studies that tended to look at each in isolation of the other.

In this research we use an original data set that tracks two patterns of change within state executive branches between 1952 and 1992. One is the reconfiguration of executive branches along the lines of well-defined organizational models. These *comprehensive reorganizations* are characterized by top-down decision making, extensive administrative reorganization within a short period of time (typically one or two years), and the elimination and consolidation of as many as 281 administrative bodies. The

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other pattern through which executive branches were restructured also involves the consolidation and elimination of administrative bodies. But in this pattern of *incremental consolidation*, decision making is decentralized rather than top-down and modular rather than holistic across all agencies with change occurring over many years.

With continuous state-space failure time methodology we investigate these two models of change, the relationship between them, and the factors that shape the route followed by each state.<sup>1</sup> While sympathetic to Jones' argument that "what needs to be explained at the level of the political system is a considerable degree of policy lurching" (1994, 26), we find that restructuring patterns across the states yield clear evidence of lurching in some states and a lack of it in many others. But we do not contend that incrementalism and comprehensive punctuations are unrelated. Rather, where punctuated equilibrium models suggest a pervasive shifting from equilibriums characterized by incrementalism to bursts of nonincremental change we show that is not the case with the state executive branch changes studied here. Instead, incremental adjustments to the status quo—"nibbling away" (Hayes 1992, 191) at problems in one or several departments and agencies at a time—may be sufficient to greatly reduce the possibility a state will pursue a comprehensive reorganization at any point in the future. While incremental and nonincremental change are, in other words, related, we demonstrate that economic and political conditions also affect the type of change a state pursues in this area and this choice shapes later actions that the state may or may not take.

Further, we find that executive branch restructuring through the gradual elimination of administrative bodies has led to greater efficiencies than previous research suggested. Meier's (1980) study remains the most systematic and authoritative in assessing the impact of reorganization on state employment growth, but his analysis was limited by the length of his time-series, the statistical technologies available to him, and the prevailing focus on comprehensive reorganizations. We not only have a longer amount of time for these effects of restructuring to have taken hold, but more powerful time-series tools as well. Most critically, we can assess the impact of both incremental consolidation and comprehensive reorganization on state employment growth rates, allowing for a more exhaustive test of restructuring effects.

<sup>1</sup> Following Mooney (1995), we characterize state government decisions about the structure of the executive branch as policy outputs comparable across the states.

## Restructuring State Executive Branches

In the next several sections we offer hypotheses about how restructuring occurred through incremental consolidation and comprehensive reorganization as well why states proceeded down one path or the other. Our model of this administrative restructuring in the states begins from the premise that the drive to restructure came principally from state governors who desired greater control and authority over their administrations (Elling 1990; Sabato 1978; Wright 1982). Supporters of such efforts often were reformers committed to the general administrative principles of the Brownlow Commission and Washington administrators concerned with how state governments were coping with greater amounts of federal grant money in more complex state-federal relationships (Chubb 1985; Garnett and Levine 1980). Therefore a Progressive-inspired rhetoric of efficiency and economy through streamlined and rationalized state governments dominated many debates about reforming executive branches.

All governors, however, were not likely to feel the same pressure or need to restructure. In general, state governments in the post-War period were haphazardly organized and lacked functionally-based lines of responsibility (Elling 1990; Sabato 1978; Wright 1982). But in Alaska and Hawaii, for example, state governments were brand new and served as models of efficiency for older states (Sabato 1978). In other states restructuring of different types had occurred at various times so governments were relatively more efficient than others. Closely related to these differing pressure to restructure is the governor's ability to do so which is shaped by enabling resources that enhance his bargaining powers with other political actors. These resources are particularly important in the context of an "evolving environment" (Chackerian 1996) that we expect will influence how and whether a state restructures. The most important of these enabling resources are a state's economic conditions (Chackerian 1996; Garnett and Levine 1980). Rapid economic change, especially decline, should create an environment of opportunity for a governor to take charge. Our hypotheses, therefore, consider how economic conditions will differentially affect state actors' incentives to restructure through one or the other means.

Governors have also had to overcome various obstacles to reform derived from "power struggles" (Chackerian 1996; Chi 1992) amongst various groups and institutions. Governors were often opposed by legislators concerned with losing relative control over state

administration, state employees threatened by the loss of jobs, and partisan opponents concerned that restructuring could be used to advance partisan goals. As we detail below, when legislators are more powerful and involved decision making is less likely to be top down, and comprehensive reorganization becomes less likely. Overall, the occurrence and nature of restructuring is likely affected by existing political and institutional power relations.

We present a model in which state governors make use of enabling resources to overcome the obstacles they face in restructuring the executive branch. Pressures for restructuring derive from all governors' interest in enhancing the management abilities of their office as well as the pressures that come to bear upon them from relatively more "inefficient" state governments. Governors respond to these pressures based upon the enabling resources at their disposal to overcome the obstacles that they face in their political environment. While we expect that governors prefer comprehensive reorganization because it yields the most far-reaching restructuring, they are not always able to either pursue or accomplish this. Moreover, if decision making moves to the legislature and restructuring proceeds incrementally, in only one part of an extensive bureaucracy at a time, governors may lose the opportunity for comprehensive reorganization as pressure for restructuring is relieved from the political system.

### Comprehensive Reorganizations

At least 20 states underwent "complete overhauls" (Bell 1974; Conant 1992) of their executive branches during the "golden age" (Conant 1988) of reform activity (1965 through 1987). These are frequently referred to as "comprehensive reorganizations" and reflect efforts to redesign executive branches along the lines of three organizational models: the *cabinet* model, which most concentrated executive authority, and the *traditional* and *secretary/coordinator*, which offered governors somewhat less control over agencies and personnel.<sup>2</sup> These types differed in how they allocated authority, appointment powers, and in the extent to which they shuffled and shifted existing bodies to new ones. But common and critical to all three models was the consolidation and replacement of agencies, bodies, and commissions with a smaller number enjoying greater functional reach. The few states that achieved true *cabinet*-style reform were likely to see the greatest amount of consolidation in the number of agencies eliminated (Garnett 1980) and in their reach across

several functional areas and departments of state government. But an overall reduction and some consolidation was a goal in each of the three models.

These cases of executive branch reorganization come about as close as we see to "rational-comprehensive" decision making. Rather than "muddling through," (Lindblom 1959; 1979) policy makers operated in a top-down fashion in response to generally agreed upon problems. While these reorganizations may not quite meet the ideal of rational decision making, they do stand out for their similarity across states, the extent to which decision making was not dominated by subsystems or isolated subunits of government, the rapidity of change, and the magnitude of change. Acting in as little as one or two years nearly half the states eliminated and consolidated hundreds of existing bureaucratic entities while shifting lines of managerial control within executive branches. In some cases new control agencies and departments were added as well (Jenks and Wright 1993). These are clearly not cases of routine, incremental decision making.

### Incremental Consolidations

The all-or-nothing dichotomy implied by comprehensive reorganization does not allow for what some have called "partial" reorganizations (Chackarian 1996; Chi 1992) that consolidated as few as one agency or even what others have called "major" reorganizations, which involved the "creation, abolition, or reorganization of at least four discrete agencies involving a total of four or more functional areas" (Garnett 1980, 235). These actions are less well understood. They could simply indicate failed or incomplete comprehensive reorganizations.<sup>3</sup> However, it is also possible that these actions, which in many cases involved the consolidation of as few as two agencies into one compared with the 149 agencies that are, on average, lost in a comprehensive reorganization—are cross-sections of long-term, on-going efforts. Garnett and Levine, for example, argue that "tactical considerations" led states to pursue reorganization incrementally over a "longer period of time" (1980, 232). In other words, these states may be engaged in important and substantively significant restructuring activity through a different, "piecemeal" (Garnett 1980) mode of decision making.

We argue that these states are engaged in a process of *incremental consolidation*. Incrementalism is an often fuzzy and contested term, one that Berry (1990) argues

<sup>2</sup>Meier (1980) identifies 16 states that comprehensively reorganized, Chi (1992) 26, and Conant (1992) 22.

<sup>3</sup>Chackarian (1996), for example, combines Garnett's "major" reorganizations with "comprehensive" ones in an event history analysis that treats each annual reorganization event as an isolated event, and therefore as similar one-type efforts at reorganization.

has lost much of its conceptual coherence and outlived its usefulness in, at the very least, budgetary studies. But there are elements of decision making highlighted by Lindblom and others under the rubric of incrementalism that offer a useful way to approach the study of noncomprehensive restructuring activities. In particular, they highlight how the "general decision-making process" (Jones 2001) can lead to the pattern of restructuring activity seen in many of the states that did not comprehensively reorganize. Incremental consolidation offers an alternative model that is clearly different from having failed to restructure at all but is not the same as a comprehensive reorganization, and that can be empirically identified.

As in states that comprehensively reorganized, incremental consolidation involves an *overall* reduction in the number of state administrative entities. This is common to all restructuring efforts (Elling 1990). But in these cases restructuring occurs incrementally as agencies and departments across the government make consolidation decisions in different years. Looked at over time, the overall process will appear as a continuous series of adjustments within the state bureaucracy. In other words, restructuring in this way, rather than through comprehensive reorganization, will not be isolated events, but rather related steps in a long-term process. This reflects *seriality*, where decisions made across various departments or agencies are made over many years "building out from the current situation, step by step and by small degrees" (Lindblom 1959, 8).

These consolidations differ from comprehensive reorganizations where decision making was centrally directed by constitutional provisions, executive leadership, or a special commission. Nor is the pattern indicative of completely unrelated reactions to new emerging problems across different subunits. If it were, restructuring within these states patterns would not be bounded, with a period of continuous activity extending over several years finally ending as the state converges on a solution and the problem "disappears from the agenda" (Lindblom 1958, 23). This boundedness is also a feature of incrementalism and one that we identify empirically by examining consolidations within states over an extended time period.

Our argument that this pattern of consolidation is incremental is not based on an expectation that year to year change is either large or small. Agency consolidation achieved incrementally can involve either small or large changes, but the year to year magnitude of change is not critical. While it is common in many budgeting studies to equate incrementalism with a marginal and usually positive change from the base (Berry 1990), it is problematic to assume that the decision-making process will necessar-

ily lead to small changes. The same conceptual problems that Berry identifies exist here. A change in the organization of transportation policymaking, for example, may be followed the next year by a change in the administration of environmental policymaking in the following year. In each case a small number of agencies, relative either to the overall size of the state bureaucracy or to what is eliminated in a comprehensive reorganization, may be consolidated into one or two other agencies. But from the perspective of any one agency or functional subunit the decision may appear as anything but marginal.

Such a pattern is consistent with the decision making employed in many complex organizations composed of a "coalition of diverse subgroups," where "different decisions are made at different places" (Cyert and March 1963, 100). It is, in other words, consistent with the decision making we would expect when governors, for whatever reason, do not have the centralized control evident in comprehensive reorganization. In the context of the entire executive branch what is important in our study is that is part of an ongoing process that contrasts sharply with a comprehensive state plan or, for that matter, change in any one subunit is that is not followed up by subsequent action in another.

We are, however, also interested in whether the year-to-year changes that characterize an incremental decision-making process do, in the end, lead to similar long-term consequences as comprehensive reorganization in terms of how much consolidation occurs and the effects of the restructuring on state administration. For example, while we do not assume that incremental change is necessarily marginal or not, we do ask whether the cumulative effect, in the number of agencies consolidated by each process, is the same. After all, incrementalism can lead to important departures from the status quo (Jones 1994) and perhaps as great as that achieved through comprehensive reorganization. The presidency is far more institutionalized today than it was, and this occurred incrementally (Ragsdale and Theiss 1997); North describes the process of institutional change generally as "overwhelmingly incremental" (1990, 89), with "substantial" (89) overall effects. Lindblom has forcefully argued that a "fast-moving sequence of small changes can more speedily accomplish a drastic alteration of the status quo than can an only infrequent major policy change" (1979, 520). Therefore it is possible that incremental changes may, in the long run, lead to substantial changes. But comprehensive reorganization, with its additional emphasis on altering managerial relationships and accountability accomplishes far more than just the elimination of agencies and therefore may still have consequences beyond those achieved through incremental consolidation.

## Explaining State Executive Reorganizations

As noted above, our simple model of state restructuring is based upon the premise that governors seek greater control over their executive branches through streamlined and rationalized bureaucracies. Their ability to do so is affected by power relations with other government institutions and economic conditions. But we argue as well that our model must include a way of relating incremental decision making to comprehensive decision making, that as a state proceeds along one path or the other, or does not, it affects its probability of acting one way or the other in the future. While we can easily identify states that act comprehensively on the basis of the literature, detecting incrementalism, and the relationship between incremental and comprehensive change, is more difficult and, we show below, best done by examining empirical patterns within and across states. In the following sections we first offer specific hypotheses for what we refer to as our process-oriented model as well as more general expectations for the various factors that shape state's restructuring activity.

### A Process-Oriented Approach to Reorganization

A process-oriented approach to restructuring recognizes the potential for decisions made incrementally and comprehensively to interact in bringing about change in the executive branch. We expect that the decision to take an incremental step of any size will reduce the likelihood a state will pursue comprehensive reform. The decision to take even one step, or a small number of steps, may release enough pressure to forestall governors from pursuing more dramatic action. This runs somewhat counter to Jones (1994) expectation that incrementalism and path dependency lead to suboptimal and inefficient solutions that necessitate larger scale change, but it is consistent with general social-control arguments which suggest a little response can forestall larger response.

H1 *A greater number of consolidation activities over time will decrease the likelihood of a state pursuing comprehensive reorganization.*

Moreover, states that engage in comprehensive reorganization will relieve pressures on governors to reform and will likely reap long-term benefits that will prohibit similar pressures from rebuilding. Therefore, engaging in a comprehensive reorganization should relieve pressures for any form of future restructuring activity.

H2 *Initiating a comprehensive reorganization will decrease the likelihood of a state pursuing any form of restructuring thereafter.*

### Enabling Resources

Governors responded to both long- and short-term economic stresses through restructuring (Chackerian 1996; Chi 1992; Conant 1988, 1992). Rapid economic decline served as an enabling resource for governors seeking to restructure by creating a crisis atmosphere favorable for generating the political support needed for top-down, comprehensive reorganization. Incremental consolidation, on the other hand, is more likely related to the environmental circumstances and goals of various subunits as they take up the issue over time. While it is possible that a state will make a small, symbolic step toward restructuring in response to economic change (Garnett and Levine 1980), we should not expect them to continue to respond to the same stimuli over many years. Therefore we expect that when states experience economic slowdown they present opportunities for governors to better enable them to restructure comprehensively. Furthermore, since incremental consolidation is linked to either subsystem pressures or to sectors within one subunit acting in response to actions in another, rather than state economic performance, we do not expect incremental consolidations to be driven by economic conditions.

H3 *Rapid economic change (growth or decline) leads to comprehensive reorganization, but not to incremental consolidation.*

### Obstacles to Restructuring

Governors seeking to restructure the executive branch must overcome at least two obstacles. Government employees are powerful interests (Thomas and Hrebenar 1999; Weiher and Lorence 1991) and presumably more powerful where they make up a larger proportion of the labor force. Restructuring often involves reining in bureaucracies to achieve efficiencies (Chubb 1995; Meier 1980) through downsizing (Chackerian 1996, 34) and personnel cuts. Powerful government employees may be especially vigilant and able to use their political muscle to resist year-to-year efforts throughout the government that would directly hurt them. Their systemic strength should prevent low profile, frequent efforts to impose efficiencies. Yet it may not be possible to resist reform efforts in exceptional circumstances, especially in the face of centralized and broad-based support mustered to achieve large scale restructuring. Therefore we expect that states with

relatively larger public sectors—where a greater percentage of the workforce is government employed—will resist all restructuring efforts, but when these states do opt to restructure they will do so in a comprehensive fashion.

*H4 States with a greater concentration of public sector employees will resist all restructuring, but are more likely to consolidate to a greater degree when they do restructure.*

A second potential obstruction results from the fact that reorganization strengthens executives (Elling 1990) and therefore raises concerns amongst legislators who are averse to “concentrating power” within the executive branch (Conant 1988, 92). We expect, therefore, that legislatures that are relatively stronger vis-à-vis the governor will be better able to resist gubernatorial-led comprehensive reorganization. It is less clear that incremental consolidation will be as threatening to legislators. Legislative resistance may lead reform advocates to choose incremental over comprehensive tactics (Garnett and Levine 1980). We therefore expect that incrementalism is more likely where there are stronger legislatures (relative to the executive) because incremental consolidation is more likely to involve protracted and extended legislative activity—indeed, to be less executive dominated than comprehensive. These institutional conflicts are further exaggerated if partisan fortunes are at stake. The executive will have to overcome partisan concerns that the effort will be used for partisan gains.

*H5 Legislatures with greater capacity relative to the executive will be less likely to adopt comprehensive reorganization than incremental consolidation.*

*H6 Under conditions of unified government states are more likely to reorganize comprehensively.*

## The Effects of Executive Reorganization

Restructuring pursued incrementally may leave a distinct legacy on a state’s bureaucratic growth and operation compared to reforms achieved comprehensively. Simply because of the exceptional circumstances under which we hypothesize comprehensive reorganization to take place, we do not anticipate that incremental consolidation can achieve the same *amount* or magnitude of consolidation as states that act comprehensively. By the same token, we do not expect that incremental consolidation will have the far reaching impact on gubernatorial power or many other aspects of agency and interagency performance that might be affected by a comprehensive

reorganization (Hult 1987). But it is a somewhat different question as to whether incremental consolidation—or for that matter comprehensive reorganization—can achieve the governmental efficiencies that were among the goals of many executive reformers. As Meier puts it, under the “orthodox” theory of organizational design, “organizations with one person in charge, no duplicated programs, functional organization, limited spans of control, etc., can accomplish tasks with fewer employment and at less cost” (1980, 398). Incrementally achieved restructuring may well move states toward this design.

Meier (1980) offers a systematic and theoretically informed test of the impact of restructuring on state employment and finds few if any noticeable effects on state employment in the 16 states that he categorized as having comprehensively reorganized. Others (Conant 1992) suggest that comprehensive reorganization led to at least modest gains in administrative efficiencies. We extend the analysis both to include all states, including those that comprehensively reorganized and those that pursued incremental reform, and to allow more time for the effects of restructuring to take hold. We expect that the more a state is able to restructure through consolidation the greater its potential savings but that a state need reorganization comprehensively to reduce public sector employment growth.

*H7 The more consolidation that occurs in state restructuring the lower a state’s public employment growth rate.*

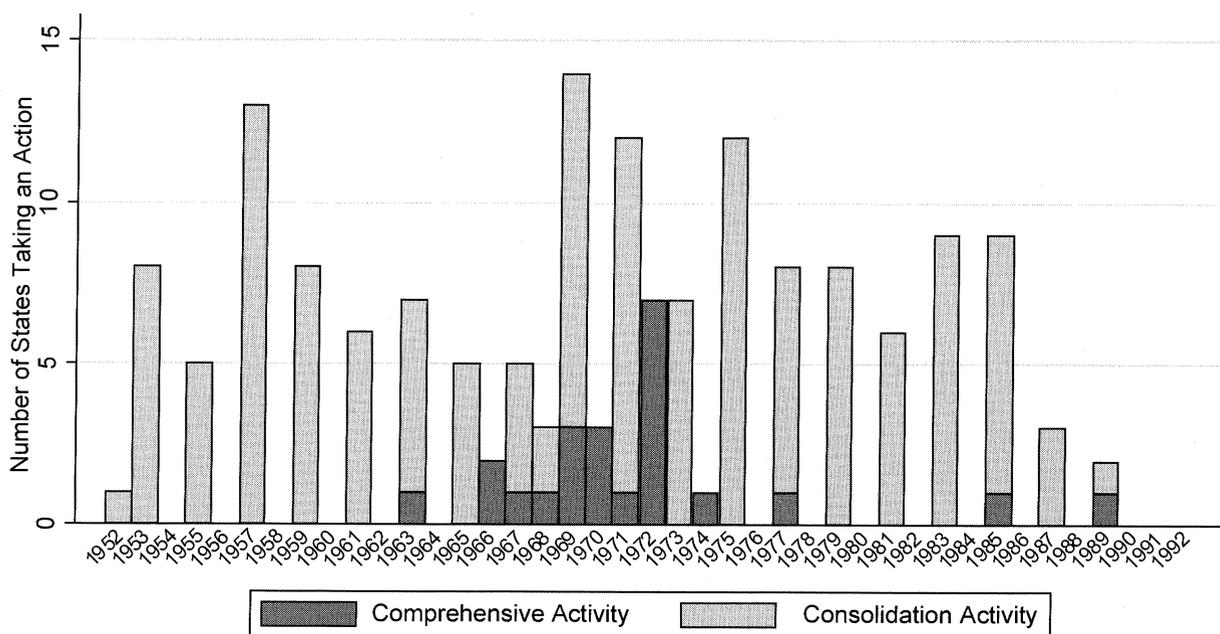
*H8 States that have engaged in comprehensive reforms will have lower growth rates than those states that have not.*

## Measuring Reorganizations and Consolidations

Our measures of executive branch restructuring differentiate between states that reorganized comprehensively and those that did not, as well as across the range of administrative consolidations in all states. From the biennial descriptions of executive branch changes in the *The Book of the States (BOS)* we calculate the *annual net loss* (or consolidation) in the number of agencies or departments, as well as the cumulative number of agencies consolidated in the states through that year.<sup>4</sup> We collected

<sup>4</sup>Alaska and Hawaii are excluded. Among the activities described by *The Book of the States* are the consolidation, and/or abolition of agencies, departments, or commissions, as well as such activities as transfers of jurisdiction, changes in the heads of agencies, and various other managerial actions. We code only consolidations or abolitions: for example, if four agencies were consolidated into two

FIGURE 1 Executive Branch Restructuring Activity in the U.S. States, 1952–1992



this data for the years 1952 to 1992, which encompasses the “golden age” (Conant 1988) of reform activity (1965 through 1987) and more. (Beyond 1992 the *BOS* reports only haphazardly.) Because *BOS* more precisely reports the number of agencies or departments on which actions are taken when the number is relatively small than when the number is large, we also consulted Conant (1988, 1992) for the exact number of consolidated agencies in those states that comprehensively reorganized.<sup>5</sup> Measuring consolidation activity this way has obvious drawbacks, some of which we address through control variables in the analysis. For example, there is no clear baseline to assess the relative magnitude of consolidation and no way of knowing whether eliminated departments in each state were large or small in terms of either functions or employees.

the net loss, or magnitude of consolidation, would be two. In all cases restructuring activities streamlined rather than expanded the net number of agencies within the state. There are cases where states added agencies to meet new programmatic functions; these are described separately in *The Book of the States* and not included in our measure.

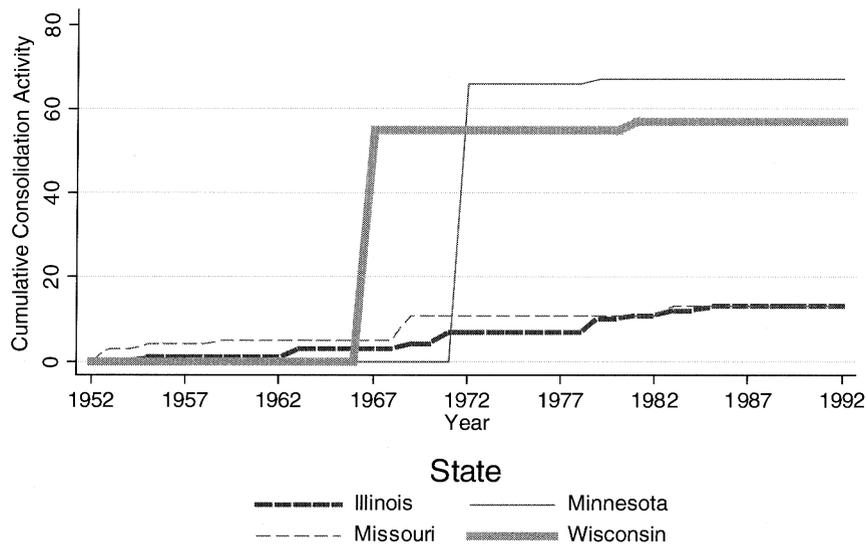
<sup>5</sup>For any of Conant’s (1992) 22 comprehensive reorganizations, we use the net number of agencies consolidated from Table 1, as well as the starting date that he lists for when these occurred. For all other states, and the same states in different years, we use *The Book of the States*.

Our second measure uses Conant (1988, 1992) to identify comprehensive reorganizations.<sup>6</sup> Beyond their high number of consolidations in a short period of time, these are characterized by the “complete overhaul” (Conant 1992) of the executive branch and implementation of either a traditional, cabinet, or secretary-coordinator form of executive organization. While we could have used other lists to identify comprehensive reorganizations, we use Conant’s because of its supporting detail.

Figure 1 shows annual consolidation and comprehensive reorganization activity in all states. Each stacked bar represents the total number of states that completed either some consolidation or a comprehensive reorganization. (The remaining space between each bar and the horizontal reference line is the number of states that did not do anything.) Most comprehensive reorganizations occurred between 1965 and 1975. There is substantial

<sup>6</sup>We coded comprehensive reorganizations as taking place in the first year of adoption. The following states are coded as comprehensive reorganizations: Arkansas 1971, California 1966, Colorado 1966, Connecticut 1977, Delaware 1969, Florida 1968, Georgia 1972, Iowa 1985, Idaho 1972, Kentucky 1972, Louisiana 1974, Maine 1970, Maryland 1969, Massachusetts 1969, Michigan 1963, Missouri 1972, Montana 1970, North Carolina 1970, New Mexico 1972, South Dakota 1972, Virginia 1972, Wisconsin 1967, and West Virginia 1989.

**FIGURE 2 Cumulative Consolidation Activity in Four States, 1952–1992**



consolidation activity occurring at the same time as these reorganizations as well as in the years on either side of them, suggesting that administrative restructuring, in general, is not a phenomenon limited to the same time period associated with comprehensive reforms.

Figure 2 shows the relationship between our two measures of restructuring for four illustrative states by plotting the cumulative number of agencies eliminated. Missouri and Wisconsin comprehensively reorganized in 1972 and 1967, respectively. In each, there is a relatively large amount of agency consolidation (compared with Minnesota and Illinois) achieved through critical intervention with little or no activity in the years preceding or following.<sup>7</sup> The pattern is quite similar to what we would expect from punctuated equilibrium: an extended period of stasis followed by an abrupt and dramatic punctuation.<sup>8</sup> But when considered in context of the other two states in Figure 2, Minnesota and Illinois, the punctuated equilibrium perspective seems less useful for understanding executive branch restructuring in the states.

<sup>7</sup>Reorganization in these two states actually took two or three years. We code comprehensive reorganization and consolidations as occurring in the first year since they are all part of one action.

<sup>8</sup>While Kurtosis analysis may not be suitable for distributions truncated at zero, a histogram of annual changes would show a distribution similar to the leptokurtic distributions common to a wide range of political phenomenon (Jones, Sulkin, and Larsen 2003; Brunk 2001) and indicative of punctuated equilibrium.

In these states there appears an incremental pattern where a series of actions over time adds up to a sizable, although significantly smaller, cumulative consolidation of executive branch agencies. What we see in these states should not, we contend, be construed as the precursors to a comprehensive reorganization—a punctuated equilibrium that has not yet occurred—because what is going on is clearly a different level of activity from what went on in Missouri and Wisconsin prior to their reorganization; in those states there was virtually no activity rather than continuous reductions. Jones, Sulkin and Larsen eloquently state that “plate tectonics explain continental drift; it also accounts for earthquakes” (2003, 152)—small changes lead to large changes—but what we are seeing here are small to medium actions that reduce pressure on the system and therefore makes the larger earthquakes less likely. Indeed, it is the total *lack* of changes in the other states that most explains their tectonic shifts.

It is useful at this point to consider how we can both characterize the different restructuring patterns shown in Figure 2 and estimate their causes. The modeling task will be to capture both the relatively rare events seen in the annual activity of a state, whether it be a comprehensive reorganization or a two agencies consolidated into one, along with the accumulation of these consolidations. We can conceive of the seriality seen in Minnesota and Illinois (Figure 2) for example, as consolidation activities taken repeatedly over many years, while we can conceive of the critical events in MO and WI as a single consolidation of large magnitude. Our analysis investigates both the

amount of time that lapses between these events and the magnitude of consolidation activity, given that an event has occurred.

To capture this process, we consider a state's consolidation experience at any point in time as a *consolidation space*,  $C_s$ . This space contains information about a U.S. state's experiences with consolidation at any time,  $t$ , where  $t$  ranges from  $t_0$  to  $T$ . Because consolidation accumulates, a U.S. state is, at any time  $t$ , in a *consolidation state*  $S_{jt}$ , where  $j$  represents the cumulative consolidation experience at time,  $t$ .<sup>9</sup> A U.S. state may exist in  $S_j$ , for  $t + \Delta t$  before experiencing a jump to a new consolidation state  $S_{j+1}$ , which then represents all consolidation activities up to  $t + \Delta t$ .<sup>10</sup> The nature of this process, where a U.S. state exists in consolidation state for a finite period of time before jumping to a new state, represents a unique modeling challenge. In the next section, we discuss how we accommodate both incremental and nonincremental change in one model.

## Methodology

We divide our methodology discussion into two sections: methods for studying the onset of either type of restructuring activity and methods to investigate the effects of different restructuring paths for state government growth.

### Modeling Restructuring Processes

Our main concept of interest,  $S_{jt}$ , describes the consolidation activity of a state at time  $t$ , and remains at that value for some time before changing to another one. This specification requires a different approach than event history models used in previous studies (e.g., Chackerian 1996) that only modeled the time that passed between comprehensive or major reorganizations. We require a method that allows us to model both the time that passes between consolidation actions as well as the magnitude of the change in  $S_{jt}$ , when a consolidation action occurs. To accomplish this, we follow Petersen's (1988) treatment for "continuous state-space models," or event history models, that involve a continuous dependent variable that re-

mains at a value for a finite period of time before jumping to a new value. Estimating such models is a two-step procedure.

*Duration between events.* The first step employs standard-event history analysis. Event history models, also referred to as duration models, allow us to investigate the factors that contribute to the time that passes prior to the occurrence of an event. Specifically, the dependent variable in event history analysis is the hazard rate, or the instantaneous probability that an event will occur at time  $t$  given that one had not yet occurred at the beginning of the time interval. In our case, we are interested in estimating the hazard rates for our different consolidation states,  $S_{jt}$ . For example, if a U.S. state consolidated at time,  $t$ , through a comprehensive reorganization or not, we are interested in the likelihood that it will restructure again at time,  $t + \Delta t$ . We include an indicator in these models of whether or not consolidation that year is achieved through a comprehensive reorganization.

We estimate our models by using fully parametric continuous-time techniques with a Weibull form.<sup>11</sup> With this specification, the hazard rate is  $\lambda(t) = \lambda p(\lambda t)^{p-1}$  where  $\lambda = e^{\beta X_i}$  and where  $p$  represents the nature of the model's duration dependence.<sup>12</sup> This specific form allows us to investigate not only the impact of time-varying covariates on the hazard rate but also the nature of the process' duration dependence. Moreover, to test our hypotheses of whether incremental and nonincremental reforms are linked we can introduce variables into this model that assess the timing and magnitude of previous consolidation and reorganization activities to test the impact that

<sup>9</sup>  $S_{j=0}^k$ , such that  $j = 0$  corresponds to no current or previous activities and  $j = k$  corresponds to each state's total cumulative consolidation activities for the entire time series at time  $t = T$ .

<sup>10</sup> A state can only experience a unidirectional jump in the reorganization space by choosing to engage in a restructuring activity or choosing to remain in their current space. Therefore the reorganization space is always cumulative.

<sup>11</sup> Our demand model of reorganization activity suggests that there may be pressure for change not accounted for by our substantive variables. As a result we cannot assume that the base hazard rate, describing this process, does not vary over time. Theoretically we believe that after the occurrence of a consolidation activity unaccounted for pressures to restructure will either begin to rise or decline depending upon the overall impact of the previous actions. Given this possibility, the specification of the Weibull form is appropriate since we cannot reject the null hypothesis that the duration parameter is zero and that a Wald test performed on the generalized gamma specification of the hazard model did not allow us to reject that the hypotheses that the Weibull was an incorrect specification. Given the relatively high number of tied events, or states adopting the policy in the same time interval, in our data we also estimated Cox models with *Stata's* Efron procedure to better approximate the exact marginal likelihood in the presence of a relatively high percentage of tied exits. The results were consistent across both specifications.

<sup>12</sup> Duration dependence describes relationship between the baseline hazard rate and time, independent of the impact of the models explanatory variables. If  $0 < p < 1$ , the dependent variable exhibits negative duration dependence, suggesting a decreasing hazard rate as time advances. Whereas, when  $p > 1$  there is positive duration dependence, suggesting that the hazard rate increases as time advances. When  $p = 1$  there is no duration dependence.

they have on the length of time before the next restructuring event of any type occurs. We estimate both the  $\beta$ 's and the duration parameter using maximum-likelihood techniques.<sup>13</sup>

*Magnitude of jumps.* The second step in a continuous state-space model provides information on the size of the jump, given that one has occurred. By selecting on those cases where a jump has occurred we estimate a density model for the continuous dependent variable, which in this case is the magnitude of the consolidation state at time  $t$ ,  $S_{jt}$  (see Petersen 1988). Using this two-step process enables us to investigate the duration between events and the magnitude of these events separately and obtain estimates of the parameters for each model.<sup>14</sup> As in the first step, we may introduce not only political and economic variables that affect the magnitude of these jumps, but also process variables that measure the length of time that has passed since the last jump. This model then provides information on how each of the independent variables contributes to the magnitude of the shift in the consolidation state and therefore allows us to test our hypotheses on how incremental and nonincremental changes are related. In our data there are 167 cases in which a jump to a different consolidation state occurred (23 for the comprehensive reorganization subset). The estimates for the  $\beta$ s and the shape parameter,  $\ln(\alpha)$  are estimated using maximum-likelihood techniques.

### Estimating Restructuring Effects

In the second stage of the analysis, we estimate the impact of restructuring achieved either incrementally or comprehensively on state employment growth, measured as the yearly percentage change in the number of full-time-equivalent (FTE) employees working for the state.<sup>15</sup> To test our hypotheses, we estimate a pooled time-series model, using panel corrected standard errors to account

for heteroskedasticity and/or panel correlations in the error processes (Beck and Katz 1995).

We model this series as a function of its previous values, as well as several other control variables. We estimated two other models as well: one includes a state's location in consolidation space  $S_{jt}$  as an independent variable and the other includes dummy variables to capture the year immediately after a comprehensive reorganization and all years after a comprehensive reorganization. These specifications allow us to test for short as well as long-term effects of comprehensive reorganizations.

## Data

As above, we introduce our measures for each of the two phases of our investigation separately. First, we discuss the measures for tracking changes in the restructuring process and our relevant predictor variables. Next, we discuss our chosen measure of the effects of restructuring as well as the measures that we include as controls.

### Restructuring Processes

As noted above, our primary measure of yearly restructuring is the net loss of executive branch agencies, departments, or other administrative entities. We coded not only the occurrence and the magnitude of each of these activities but also the length of time before the next activity. To measure a U.S. state's consolidation state,  $S_{jt}$ , at time,  $t$ , we use the cumulative sum of the consolidation activity magnitudes up to and including time  $t$ . The length of time that a U.S. state remained in a given consolidation state,  $S_{jt}$ , is an episode for our event history analysis. The data set (1952–1992) contains 1,968 state-year cases, with 215 total episodes. Of these 215 episodes, 167 ended with a consolidation event and 71 ended with no activity and were, therefore, right-censored.

A dummy variable codes whether a state had enacted a comprehensive reorganization (coded "1" for each year after the comprehensive reorganization). The set of comprehensive reorganizations *only* contains 1968 state-year cases, with 71 total episodes. Of these 71, 23 ended with a comprehensive reorganization and 48 were right-censored.

*Process indicators.* To account for the history of the restructuring process we include two additional indicators. One accounts for left censoring and is the total number of restructuring acts from 1900 to 1952 (Chackerian 1996).<sup>16</sup> The other accounts for our absence of baseline

<sup>13</sup>Since a state can experience multiple restructuring episodes they are continually at risk and the destination state is therefore not absorbing. We assume statistical independence between episodes and incorporate previous consolidation or reorganization activities into the model to correct for multiple episode dependence.

<sup>14</sup>The distribution of magnitude is not normally distributed; it is restricted to positive values and is highly skewed. Therefore, we modeled the density of reorganizations as a Gamma distribution.

<sup>15</sup>Results from Dickey–Fuller tests of stationarity revealed that all but four of the variables were stationary within the panel framework. Each of these series was difference stationary but further analysis revealed that these variables were also cointegrated and therefore to account for this structure we estimated an error correction model (Engle and Granger 1987).

<sup>16</sup>We are grateful to Richard Chackerian for sharing this data with us. Chackerian's data allows for a count of the number of major

data on the total number of agencies, a reflection of the demand for restructuring, at the beginning of the time series. As a proxy for the growth in the size and complexity of the state government we use the age in years since the adoption of the state constitution in 1952. This variable is a constant for each state for the entire time series.

*Explanatory variables.* We measure a state's fiscal health as the three-year moving average of the percentage change in total gross personal income  $((GPI_t - GPI_{t-\Delta}) / GPI_{t-1} * 100)$ . The strength of state government employees is the percentage of a state's population classified as FTE state government employees. To assess the relative resources of the state legislature and executive branch, we constructed a measure of the proportion of spending on legislative resources compared to all other government operations budgets.<sup>17</sup> Last, given the tendency toward unified Democratic governments in the South over much of our time series and the noted propensity of Southern states to comprehensively reorganize (Chi 1992), we include a dummy variable to mark southern states.<sup>18</sup>

### Restructuring Effects

The model estimating state employment effects uses some additional data. State government employment growth is calculated as the annual rate of change in these FTE employees. Following the literature, we also include several control variables to assess environmental demands within the state (Weiher and Lorence 1991). To measure short-term fiscal health, we use the annual change in state-per-capita income. We expect that as a state undergoes short-term fiscal difficulty that employment growth will be attenuated.

Growing populations, on the other hand, should encourage increases in state government employment to

reorganizations between 1900 and 1952. A major reorganization is defined by Garnett as the "creation, abolition, or reorganization of at least four discrete agencies involving a total of four or more functional areas" (1980, 235).

<sup>17</sup>From the U.S. Census Survey of State Government Finances, selected years. Computed as  $[\text{Legislative Resources}\{\text{function code 26}\} / (\text{Judicial and Legal}\{\text{function code 25}\} + \text{Central Staff}\{\text{function code 29}\})]$ . Effective as of 1982, legal activities formerly included in code 29 were reclassified as code 25.

<sup>18</sup>We also tested for diffusion effects by including a variable indicating whether neighboring states had comprehensively reorganized within the most recent five years. While the term was significant in one of our models, suggesting that the adoption of comprehensive reorganizations in neighboring states increased the likelihood of states pursuing consolidation activity it did not alter any of the results discussed below.

meet the demands of the citizens. Therefore we include the annual population growth rate. Federal grants have also been related to state government employment growth (Chubb 1985) so we include a variable that measures the percentage of a state's revenues that derive from the federal government. Last, we include measures of Democratic political strength in the legislature and governor's mansion because they should advocate the growth of the public sector. We measure Democratic legislative strength as the percentage of Democrats out of the two-house total in each of the states. We also include a dummy variable to capture Democratic governorships. Changes in variables are calculated as one-year changes, and other level variables are lagged by one year.

## The Integrated Processes of Reorganization

We present the continuous state space analysis in columns I and II of Table 1. Column III reports a separate duration model for the subset of 23 comprehensive reorganizations.<sup>19</sup> The results for the process variables in Table 1 confirm the existence of two distinct modes of decision making.<sup>20</sup> From the negative coefficient for the number of prior jumps, in column I (-.2504) we infer that the process is serial: the duration between jumps from one consolidation state to the next is shorter when a prior consolidation activity (a net loss of agencies) has already occurred. The positive coefficient for the number of prior jumps in column III (.1692) shows that taking these actions lengthens the amount of time that will pass until a comprehensive reorganization is likely to occur. A state with relatively more prior jumps endures longer without acting comprehensively and acts sooner on additional consolidation actions; states on a path of taking action over several years will continue that way and are unlikely then to take a comprehensive action.

This also has implications for future decisions in the state. Proceeding along this incremental path of engaging in repeated consolidations is politically significant because it means that a state is considerably less likely to pursue comprehensive reorganization. However, this

<sup>19</sup>Density models are not required for the comprehensive model given that this distinction is heavily correlated with magnitudes of change.

<sup>20</sup>To rule out the possibility of our models exhibiting averaging effects across the two distinct paths of restructuring that we identify, we examined both the residuals of the models as well as the simulated paths of the states against the actual data. Neither procedure suggested that averaging between two heterogeneous types was a concern.

**TABLE 1 Continuous State Space Duration and Density Models for All Types of Consolidations and for Comprehensive Reorganizations**

Variable	All Types		Comprehensive Reorganizations
	I Duration Model Coefficient (Standard Error)	II Density Model Coefficient (Standard Error)	III Duration Model Coefficient (Standard Error)
<i>Process Variable</i>			
Had Comprehensive Reorg.	-0.1829 (0.1756)	2.9628*** (0.2809)	5.5362*** (-1.3835)
Had Comprehensive Reorg. Earlier	- (-)	2.6484*** (0.3076)	- (-)
Number of Prior Jumps	-0.2504*** (0.0321)	0.1201 (0.0749)	0.1692** (0.0806)
Cummulative Actions Prior to 1952	0.0074 (.0673)	- (-)	0.0082 (0.0692)
<i>Control Variables</i>			
Changes in Personal Incomes (3MA)	-0.0539*** (0.0171)	-0.0161 (0.0173)	0.0180* (0.0107)
Size of Public Sector	-0.2346 (0.2011)	0.7735*** (0.2719)	0.0734 (0.2263)
Relative Legislative Resources	0.1231 (0.0928)	-0.0096 (0.1039)	0.3903** (0.1762)
Unified Government	0.0945 (0.1560)	0.1006 (0.1167)	0.0201 (0.1585)
Size of Government (1952)	0.0013 (0.0019)	- (-)	0.0009 (0.0020)
South	0.8348*** (0.2185)	0.1629 (0.2526)	0.1570 (0.1928)
Constant	1.7019*** (0.4601)	0.9798*** (0.2789)	2.5460*** (0.5031)
<i>p</i> (duration parameter)	1.17		2.97
ln(Shape Parameter)		.529	
Log-Likelihood	-522.63	-586.21	-90.89
Log-Likelihood, Constant Only	-624.1	-765.65	-107.30
Reorganization Spells	167		23

\*\*\*p < 0.01, \*\*p < 0.05, \*p < 0.10.

is a one-way street. While incrementalism does diffuse the necessities for comprehensive reform, pursuing comprehensive reforms has no impact on the time between the next incremental event (-.1829).<sup>21</sup> Again, this is consistent with the argument that incremental reform can relieve pressure in the system, but not with the expecta-

tion that incrementalism will be followed by a burst of nonincremental activity.

This incrementalism, however, comes with a tradeoff. Policymakers will not get the same bang for their reformist buck. The density model (col. II) that describes the magnitude of the jumps in consolidation space suggests that a comprehensive reorganization will likely achieve a higher number of total agencies consolidated than the typical accumulated incremental acts. Moreover, the significance of a U.S. state's past restructuring activity on both the timing

<sup>21</sup> But having had a previous comprehensive reform delays significantly the possibility of another (Col III, *had comprehensive reorganization* *b* = 5.5362).

and magnitude of future acts reinforces the idea that states acted incrementally or comprehensively, but not in disconnected ways or where smaller actions indicated just a failed comprehensive reorganization. Whether state policymakers were aware of it or not, a single restructuring act does not occur in a vacuum—state decision-making processes, whether comprehensive or incremental, are linked over time.

With respect to our economic and political control variables, we expected that a state facing either fiscal distress or the demands and opportunities of economic growth would speed up consideration of comprehensive reorganization. We see here that the three-year moving average of the changes in per capita personal incomes does influence the duration between consolidation activities but not the magnitude of the consolidation space after a jump occurs; moreover, it lengthens the time that a state endured without comprehensive reorganization (col. III, .0180). The negative sign on the coefficient in column I (-0.0539) suggests that expanding economies encourage states to act by taking actions more frequently. However, the positive sign indicates that strong growth prolongs the ability of a state to forego comprehensive reorganizations, while slower growth shortens it.

In addition, the findings suggest that while public employees do not influence when restructuring occurs they do affect how it occurs. The positive term in column II (.7735) indicates that when they do act, states with a larger percentage of its citizens employed in the public sector are likely to consolidate a larger number of agencies. The timing finding is not consistent with our expectation that government employees will attempt to resist year-to-year efforts at reform.

We find some support for our political hypotheses as well. Relatively stronger legislatures are reluctant to support only comprehensive reorganization activity and are able to delay its onset. There is no evidence, however, that a state with a stronger legislature will be less likely to achieve any form of consolidation. In fact, taken together with the finding from the process variables, this would suggest that as more powerful legislatures push off administrative reforms they actually wind up encouraging pressures to build for comprehensive reorganization, precisely the sort of institutional friction Jones (2003) suggests leads to punctuations. Last, unified governments were not more likely than divided ones to pursue administrative reforms.

The impact of each of these independent variables on state restructuring activity is best demonstrated through the marginal effects of the independent variables on both the duration and the magnitude of the consolidation state. Marginal changes in duration are calculated as changes away from the expected duration for the base case, which

is 2.07 years for any consolidation and 46.93 years for comprehensive reorganizations.<sup>22</sup> As the moving average of changes in personal incomes increases, the time that a state can survive without taking a comprehensive activity also increases.

For the comprehensive reorganizations model in Column 3 an increase from the average value of 11.7% to two standard deviations above (22.6) in the three-year running average of change in per capita income, extends the base model's expected duration an additional 10.2 years. The relative resources of the legislature also has a positive effect on duration in every specification. A change from a legislature with average relative resources to one two standard deviations above the mean delays the adoption of a comprehensive reorganization by an additional 43 years. The large deterring impact of comprehensive reorganizations is evident in the extremely large expected duration given that a state has already engaged in nonincremental reform, a 25000% increase. This is hardly surprising given no state has ever comprehensively reformed more than once, although they did on occasion tinker with smaller adjustments.

With respect to the marginal changes in the expected *magnitude* of the consolidation space, as state government size increases, there is a large multiplicative increase in the baseline consolidation magnitude. For the base case, a state employing 1.26% of its population is expected to jump to a value of 8.16 in the restructuring space, having consolidated on average, a net of approximately eight agencies or departments. On the other hand, a state employing 2.09% of its population, an increase in two standard deviations from the mean, is expected to jump to a magnitude of 15.44, placing it much closer to the order of magnitude that we observed at the low end of the comprehensive reorganizations in our dataset. We also see the effect of previous comprehensive actions. A state that had one comprehensive reorganization will eliminate approximately 157 more agencies.

We end this part of our analysis with a discussion of the duration dependence parameters for the event history models. Both of the duration models estimate positive duration dependence (1.17 and 2.97, respectively), indicating that the baseline hazard of a state engaging in a consolidation activity increases with the passing of time. We are cautious about overinterpreting the substantive meaning of this finding. On one hand, duration dependence can be interpreted as an unspecified theoretical relationship at

<sup>22</sup>We calculated marginal changes in expected duration by using mean values for all continuous variables and the modal value for any dichotomous variables. We calculated each change in the continuous independent variables by either adding or subtracting two standard deviation units to the mean value.

work in the process under study, or it can simply be reflective of unobserved heterogeneity or econometric patterns evident in the data such as a time-trending independent variable (Box-Steffensmeier and Jones 1997). Often only strong theory can help to interpret the possibility of what duration dependence could suggest.

In this case, positive duration dependence is not inconsistent with our expectations. The passing of time, with respect to the restructuring process, may indeed be a proxy measure for the constant pressure toward restructuring that grows from misfit between a given organizational design and changing demands. Over time, systems of all types move away from an optimal fit between demands, preferences, or needs and organizational responses or design (Jones 1994, 2001). The same, these results show, could be true of state bureaucracies, where set organizational lines do not allow easy adaptation to new issues and agendas. The longer the organizational design remains the same, the more the pressure grows. What is different from many of the systems Jones and Baumgartner look at, however, is our finding that there are two models of response—incremental and comprehensive—and that regular feedback from incrementalism may forestall extreme disruptions such as we find with punctuated equilibrium.

## The Effects of Restructuring on State Government Employment Levels

We present the results for the employment analyses in Table 2. Neither changes in state income nor federal funding are associated with changes in the number of state employees. The change in the population variable suggests that state government growth closely parallels changes in the size of the state population. None of the political variables that we include in the model were related to employment rates. Executive branch restructuring, however, does affect state employment.

Column II presents the effects of the cumulative measure of a state's location in the consolidation space. The variable is significant and in the expected negative direction. The more agencies a state has consolidated, the more employment savings that are realized, confirming H7. For instance, the average comprehensive reorganization results in a net gain of 150 consolidated agencies or departments. In our consolidation space, this state would on average experience smaller state employment growth rates than states that have not engaged in comprehensive acts. In fact, states that have engaged in the average comprehensive reorganization have employment rates

$[(-.0077) * (150)]$  1.155% lower than other states.<sup>23</sup> This finding also suggests that a state could theoretically reap efficiency gains similar to those achieved through comprehensive reorganizations by embarking on an incremental path, but as we saw above incrementalism does not usually allow cumulative reductions of this magnitude. For this to be the case a state following the incremental path would have had to accumulate 150 net consolidations through a greater number of smaller steps, a situation that we simply do not observe in the data. However, as we observe in the data this does not occur. The average cumulative score for those states that took comprehensive reorganizations was approximately 155 consolidations with a maximum of 283. States that pursued incremental paths on the other hand had an average cumulative score of approximately 11 consolidations with a maximum of 31.

Column III buttresses the findings from the cumulative model showing that comprehensive reorganizations can alter employment growth patterns in the states. The long-term benefit of a comprehensive reorganization is that states will, on average, experience growth rates 1.65% smaller than states that have not reorganized comprehensively. Moreover, the short-term impact suggests an unexpected relationship. In the year immediately following a comprehensive reorganization, we find a 3.34% rise in employment growth. This probably represents the need to have more people with different skills to set up a consolidated agency.<sup>24</sup> In the longer term, employment can be reduced through attrition. But if strong enough, it may very well represent a short-term payoff to the state employees lobby in order to secure their support for the reforms and the longer-run savings.

## Conclusion

Our analysis shows the pervasiveness of executive branch restructuring. Over forty years states acted 167 times to consolidate their executive branch agencies into a smaller number. Most attention has been focused on the 23 or so times that states acted comprehensively and with good reason. These were clearly different in the breadth of their efforts and in their relatively strict adherence to the Progressive administrative reform ideals of Brownlow and other prominent reformers. States that consolidated agencies incrementally never achieve the magnitude of

<sup>23</sup>This estimate is also in line with the estimate provided in column III, which also shows that states that have enacted comprehensive reorganization have on average employment growth rates 1.65% smaller than states that have not.

<sup>24</sup>We appreciate this suggestion from an anonymous reviewer explaining temporary employment gains.

**TABLE 2** Effects of Consolidation Activity on State Employment Growth Rates, 1952–1992

Variable	I Coefficient (Standard Error)	II Coefficient (Standard Error)	III Coefficient (Standard Error)
State Employment Growth Rate <sub>t-1</sub>	-0.043 (0.077)	-0.048 (0.077)	-0.052 (0.077)
% Δ in Personal Incomes	-.011 (.049)	.006 (.047)	.008 (.046)
% Δ in Federal Dollars	.019 (.025)	.017 (.024)	.016 (.024)
Δ in Population	.609*** (.118)	.603*** (.115)	.593*** (.113)
Patisanship of Legislature <sub>t-1</sub>	.001 (.008)	.002 (.008)	.003 (.008)
Democratic Governor <sub>t-1</sub>	.283 (.317)	.350 (.317)	.309 (.314)
South	.512 (.572)	.612 (.579)	.483 (.568)
Consolidation Space <sub>t-1</sub>		-.0077*** (.0025)	
Previously Had Comprehensive Reorganization			-1.65*** (.413)
Year Immediately Following Comprehensive Reorganization			3.34** (1.26)
$u_{t-1}$	-.0001*** (.00002)	-.0001*** (.00002)	-.0001*** (.00002)
Constant	2.89*** (.857)	2.94*** (.842)	2.95*** (.833)
$R^2$	.061	.069	.073
$\chi^2$	54.83	58.42	66.09
Observations (state-years)	1,833	1,833	1,833

Note: Panel corrected standard errors reported in parentheses.

\*\*\*p < 0.01, \*\*p < 0.05, \*p < 0.10.

consolidation found in states that acted comprehensively. But we lose a great deal of organizational detail by counting agency reductions (Hult 1987). Beyond the consolidation of agencies, however, comprehensive reorganization clearly involved more fundamental restructuring. Their effects on state employment growth is independent of the impact of consolidation alone in both the short and long term, indicating that the managerial reforms and shifting lines of accountability that accompany comprehensive reorganizations accomplish more than consolidation of agencies alone.

Consolidation over time, however, is an important route to restructuring not well recognized in the research on executive reorganization. Once a state starts to take

consolidating steps it enters onto a path where it will then take others. Once on this path it is highly unlikely, if not nearly impossible, that the state will comprehensively reorganize. This is among the most striking findings in our analysis. Our results suggest that punctuated equilibrium theory (Baumgartner and Jones 1993, 2002) does not address the process demonstrated here. Rather, incremental steps may be enough of a middle-level response to relieve internal political pressure that comes about, we suspect, from the growing misalignment of design with demands. These pressures are not specifically estimated in our models but clear in the positive duration term, and incremental reform allows the state to then bypass comprehensive actions.

As our model anticipated, incremental and comprehensive approaches to reorganization develop under different conditions. Fiscal slowdown does not lead to an incremental mode of decision making; rather, fiscal slowdown can be used by policymakers to promote top-down, comprehensive reform. The results are consistent with expectations about how incrementalism proceeds. Even if initial economic pressures were to push a state to begin an incremental series of reforms, what is to keep them at it? Continued fiscal stress is not capable of doing this. Rather, incrementalism reflects a different style of decision making, where subunits of government address particular problems from particular goals facing different environmental constraints and opportunities.

We come closer here, we believe, to understanding an issue that is studied at the national level but largely ignored in the American states: how does the state get built? (see Skowronek 1982). Some states act in response to external crisis—economic slowdown—to build comprehensively through the development of plans and dramatic nonincremental action. Others take a series of disconnected steps in various parts of the government, not in response to crisis but rather to problems and environmental conditions in the subunits of government. These actions, incremental, disjointed, undirected by a central plan—may actually make it less likely the state will respond to economic crisis through comprehensive reform if one does come. This allows us to reconcile a view of state building that is largely incremental (Ragsdale and Theis 1997) with one that is more episodic (Skowronek 1982). As with all areas of change where incrementalism and punctuations interact, we need to focus on these equally important processes to understand the process of American state building.

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