

MANIFESTO FOR THE EXECUTIVE SESSION:
TRANSFORMING CITIES THROUGH CIVIC INITIATIVE AND ENTREPRENEURSHIP

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Executive Summary

Snail-Like Social Progress/Social and Public Value Left on the Table. Most troubling to those with a traditionally progressive American spirit is a strong sense that the rate at which we are making progress against human ills is very slow, and that we are missing significant opportunities for rapid improvement. The process of social learning is badly broken. But there are important ideas already present in the world that can make a difference in the quality of urban life, and accelerate the rate of improvement.

Rewriting the Roles and Rules in Social Problem Solving. A critical move in fixing the broken processes of social problem-solving is to understand that both the responsibility and the capacity for social problem-solving is not located in any single sector of society. This requires us to reframe the way that we think about the social problems we face, how they might be addressed, and perhaps most importantly of all, about how the burden of searching for and solving social problems might best be distributed across society as a whole.

The Potential of Civic Entrepreneurship. Among the important forms that civic action and public spirit has always taken in the United States is a form that could be described as civic initiative or social entrepreneurship. This form of social action can come from many different institutional platforms in the society. Social entrepreneurs are neither agents of power and capital, nor of the oppressed and property less, but instead agents of social invention searching for ways that society could be improved.

Execution and Scale not Just Invention and Pilot Programs. It is not enough to encourage more entrepreneurship. We also have to create conditions in the society—and inside the social systems that define current conditions as problems to be solved, that search for solutions, and that find the means to support the good and weed out the bad—in which the full fruits of entrepreneurship can be harvested.

The Necessity of Engaging Government. While civic entrepreneurs take responsibility for acting on a public issue even when no one has explicitly authorized, paid, or required them to do so, they generally cannot succeed without government. The majority of the resources committed to the solution of important public problems are government resources.

Social Production as Complex Systems. What we observe when we turn to the concrete task of trying to improve the quality of individual and collective life in cities is that the work is already being done by complex social systems that are producing services and outcomes in all the spheres that interest the collective. All of them are mixed systems in the sense that the financing, the

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production, and the direction and control of these systems are coming from all different sources mixed together, not neatly separated by sectors as we often imagine.

Accountability and Innovation. Government does not act like the invisible hand of a consumer market. It faces strict demands for accountability to the public as a whole – not to any individual, or to any particular faction of the society.

Local Obstacles to Civic Entrepreneurship. The political leadership of a system may want change and improved performance, but it does not want to pay a significant substantive or political price for that change.

Building Public Demand for Innovation and Results. The public as a whole must come to understand the importance of continuous innovation not only in the private sector, but in the public sector where government tends to play a more important role.

Call to Action. Our charge is to see where markets and profit-making firms can be nudged a bit; to see how philanthropists and non-profit entrepreneurs can take some of the risks; to see how the government can use its extraordinary powers in ways that allow for continuous steady improvement; and to find a way to support determined, serious efforts to improve our social response to conditions we would like to improve.

Transforming Cities Through Civic Initiative and Entrepreneurship

I. Snail-Like Social Progress/Social and Public Value Left on the Table

No one with human eyes and a beating heart would say that America's cities are modern utopias. There is too much crime, too much poverty, too much child abuse, too much illness, too much ignorance, too much chronic disability, too much illiteracy, too much dirt in the air and poison in the water, and too much despair concentrated among the disadvantaged and oppressed. But the fact that we do not hit a utopian standard in urban life is not disastrous. Civilizations have long survived with much less.

More troubling to those with a traditionally progressive American spirit is a strong sense that the rate at which we are making progress against these human ills is very slow, and that we are missing significant opportunities for rapid improvement. Indeed, some have become so frustrated with the slow rate of progress that they have given up their commitment to social progress, and retired behind the current frontier to take what comfort they can for themselves without looking outward to progress that could be achieved. Others hold onto the commitment to progress, but do not know where or how to move, and find their important efforts frustrated.

We think we are at an important turning point—a place where slow social progress is sapping our energy for the collective efforts that can create significant improvements in the quality of individual and collective urban life, and frustrating those who have not yet lost hope. We think that the reason for our stalled progress is not the impossibility of the job, but the inadequacy of the larger social systems we have in the past relied upon to help us find and exploit significant opportunities for improvement.

Through our Harvard Kennedy School Executive Session discussions, we have learned that the process of social learning is badly broken. In private, commercial markets we can take it for granted that productive organizations will improve their performance over time. Costs will decrease, quality will increase, and customization will be enabled. We take this for granted partly because we believe there is a reliable mechanism that motivates individuals and other social actors to search for better mouse traps (the prospect that they can gain financially by doing so), and partly because we believe that there is a powerful mechanism that can reliably spot the better mouse trap (consumers looking for better performance), and partly because we believe that resources devoted to the production of mousetraps will move naturally away from the inferior products and towards the superior products. Over time, these mechanisms taken together will produce improved industry performance.

In the social and public sphere, however, we cannot take for granted the same set of processes that tend to ensure improved performance. There are certain kinds of incentives motivating individuals to develop better methods of working on social problems—including financial and professional rewards for being an innovator—and there is some capacity to distinguish the better mouse traps from the current among both clients of social services on one hand and the third party payers who often buy for those

clients on the other. Yet the social and public sector has a great deal of difficulty in moving resources from the tried and true (but not fully satisfactory) to the new and improved (but not fully tested) version of the old product or service. In fact, there are some who have come to assume that the key industries associated with the public sector will continue to fail. They despair that our efforts to reduce and prevent crime, to increase employment among those seeking work, to reducing poverty among those who cannot participate in the work force, to protect borrowers and consumers from predatory commercial practices of lenders and merchants, to ensure the care and protection of children, to preserve and protect the health of the population, to educate youth to claim a dignified place in modern society, to protect the civil and political rights of individuals in democracy—are “permanently failing enterprises,” with little hope for improvement and no feasible path to success.

We do not share this despair. We think there are important ideas already present in the world that can make a difference in the quality of urban life, and accelerate the rate of improvement. We think that there are ample resources to solve many of the problems we face. In order to realize the potential, we have to figure out how to reconstruct the process of social learning so that the rate of progress we can make on the social and public side is as fast as it is on the private sector. That means learning more about how the processes of social innovation now work, and how they can be adjusted to allow them to work better. In short, we think that fixing these broken processes of social problem-solving and learning will allow us to regain the initiative in dealing with serious urban problems.

II. Rewriting the Roles and Rules in Social Problem Solving

A critical move in fixing the broken processes of social problem-solving is to understand that both the responsibility and the capacity for social problem-solving is not located in any single sector of society. It is not exclusively the government’s responsibility, nor is it fully within the government’s capacity to solve. It is not exclusively within the commercial for profit sector, nor entirely within its capacity to solve. It is not exclusively within the civic sector nor within its capacity to solve. When a system of identifying and dealing with social problems is working well, it takes advantage of contributions from all three sectors of society—not just one. This requires us to reframe the way that we think about the social problems we face, how they might be addressed, and perhaps most importantly of all, about how the burden of searching for and solving social problems might best be distributed across society as a whole.

The starting point for reform, we think, is a return to the roots of American Progress – a belief in the capacity of individuals working together, guided by a complex combination of self and public interest, finding solutions to the problems they face both as individuals and as collectives. As John Dewey observed at the turn of the last century:

“We liein the lap of an enormous intelligence. But that intelligence is dormant and its communications broken inarticulate and faint, until it possesses the local community as its medium. (p.219)

In this conception we return to the view that makes less of the distinction between the private and the public than we now do. It sees that private individuals can be public spirited as well as grasping, and that private institutions do much that shapes the quality of public life. The people – as individuals and voluntarily formed collectives -- are free to act on their own initiative, independent of the state. Importantly, we imagine this initiative to be focused in part on efforts to improve their own individual material conditions, but also on civic impulses animated and guided by a vision of a good and just society in which they would like to live. While we can rely to individual self-interest to achieve many important social objectives, we need a voluntary civic energy—a certain kind of public spirit that creates a collective life, and a capacity for collective action in addition to private interest. And that public spirit has to be something broader, deeper, more persistent, and more resourceful and inventive than the kind of public spirit that shows up during elections. Without this particular kind of public spirit, our politics will be shrunken, and the capacities of both civic and governmental action limited. With that kind of civic, public spirit, our overall social capacity to identify and solve the problems facing individuals and the polity as a whole will be increased.

Note that in this recovered ideal, government's role is two-fold. First, government exists to create the conditions under which individuals, acting voluntarily to improve their own conditions and that of the society at large, can effectively do so, and band together in wider associations dedicated to purposes important to those who join the associations. In short, it creates the conditions under which individuals can create a public that can become both articulate in describing and resourceful in pursuing ideas that seem publicly as well as privately valuable. Second, government can become the instrument that an appropriately constituted public can use to further its collective vision of a good and just society. The collectively owned assets of government – its powers to regulate, and to tax and spend – can be deployed to accomplish the value the public seeks to create. [Need Graphic?]

III. The Potential of Civic Entrepreneurship

Among the important forms that civic action and public spirit has always taken in the United States is a form that could be described as civic initiative or social entrepreneurship. Characteristic of civic initiative and social entrepreneurship is the willingness of particular individuals to take responsibility for improving the quality of life in the community that goes well beyond the duties or the special interests that attach to their particular social position. They take responsibility for making a positive change in the lives of many without being asked or required to do so, without any expectation of a significant financial or political return, and without any particular authorization other than that they can summon through the force of their idea. It is this form that is now being re-discovered, remarked upon, and celebrated.

In sizing up the potential of this kind of civic entrepreneurship, it is important to recognize that this form of social action can come from many different institutional platforms in the society.

- It can come from a business visionary who can see that individual and social life could be transformed if it became easier for individuals to communicate with one another at great distances, or if a certain medicine or practice could be developed that would prevent the spread of a communicable disease.
- It can come from a philanthropist who is prepared to underwrite the uncertain search for better ways to educate children, or to protect the environment from toxic chemicals, or to dramatically increase agricultural productivity in developing countries.
- It can come from large numbers of individuals willing to make small contributions, and have them pooled in efforts to make targeted, strategic investments in social services that can leverage a change in social conditions.
- It can come from volunteers who band together initially to spread the burden of some charitable work that seemed important to take on, but who then see a wider opportunity to organize a volunteer army of like minded individuals who would like not only to serve, but also to advocate for the welfare of those they are trying to help in wider political circles.
- It can come from driven and creative individuals, working for years as an executive or just starting as a volunteer, inside a nonprofit or faith-based organization with a stroke of insight into a better way to solve a problem, or a call to meet some as yet unmet need.
- It can come from individuals who are willing to face the enormous challenges (and frequent indignity) of running for elective office because they think there is an issue that can be best addressed through the enormous powers of government, and are prepared to give themselves over to the task of occupying a political office on behalf of that cause.
- It can come from individual public officials at many different levels of the bureaucracy who see and exploit a chance to improve the performance of government agencies with novel ideas about how to address a problem that had become manageable.

No single sector, and no single position in a given sector, has a monopoly on the right or the capacity to nominate a solution to an important problem. It is the birthright and the responsibility of every citizen, in all positions that now exist in our complex societies.

Again, the only thing common to this idea of civic entrepreneurship is the willingness of individuals to take responsibility for acting on a public issue even when no one has explicitly authorized, paid, or required them to do so. Often, these are unique

individuals – people with restless value creating imaginations who cannot rest when a problem needs to be solved, or there is an opportunity to be exploited.

But none of these individuals ever succeed all by themselves. They need to engage the enthusiasms of others to provide them with the legitimacy, with the resources, and with the capacity they need to bring their ideas to life. They have resources located in them as individuals, in their social positions, and in the jobs they hold, that can be deployed on behalf of their purposes. But the resources always have to be leveraged by many orders of magnitude if they are to succeed in re-shaping the way that urban societies deal with important public problems.

The necessity of leveraging social resources is often what puts civic entrepreneurs in some degree of opposition to the status quo. After all, the status quo is defined by a particular allocation of resources to particular purposes and particular methods. That, in turn, reflects the cumulative judgments of individuals who have worked hard at defining a valuable purpose, marshalling the resources to achieve it, and then deploying them to produce the desired results. In short, it is the cumulative effect of past entrepreneurship. But now that past entrepreneurship has lost its entrepreneurial zeal. Now it wants to hold on to what it knows how to do, to milk the situation for its reward, and to defend its territory against competitors. If a new entrepreneur is to succeed, it must eventually do so by taking resources away from the status quo. As noted above, this happens somewhat naturally but ruthlessly in markets as customers and investors and eventually employees shift from the firm with the old idea to the one with the new. But in the social and political world, where the choices are made collectively through politics rather than individually through markets, the conflict over the new and the old is much sharper and more clearly posed, with the status quo already commanding the battlefield, and the entrepreneurs finding it hard to find a way in, but consigned forever to the margins if they cannot get in.

The tension between the status quo and the new is often also viewed as a tension between the established haves and the disestablished have nots. One shouldn't be too quick to discard this view. After all, those who currently control resources for achieving social purposes are very strong compared to those who are trying to find a place. And it often takes certain kinds of social and political power to create room for new methods for dealing with old problems, or the recognition of things that society had taken as conditions that had to be lived for could more accurately be seen as important social problems to be solved. So, the struggle over the status quo can be quickly turned into a struggle between the haves and the have nots, as well as a struggle between the tried and true (but not very good), and the new and experimental (and potentially much better). But we also ought to be worried about casting an ideological shadow over what might be nothing more than a practical debate about what constitutes a better mouse trap.

From this point of view, the social entrepreneurs are neither agents of power and capital, nor of the oppressed and property less, but instead agents of social invention searching for ways that society could be improved. They work not only by having new ideas about how to solve old problems, but also what new conditions might usefully be

conceived as social problems. They work not only through market mechanisms, but also through social and political movements, and the development and transformation of the professional ideologies that guide the work of individuals in social professions such as teachers, policemen, social workers, and so on.

IV. Execution and Scale not Just Invention and Pilot Programs

Entrepreneurship has long been seen as the engine of continuous learning and improvement in the private economy. But we have been less aware of the critical role of certain kinds of initiative and entrepreneurship in animating progress in the public sector. As Bill Drayton has observed:

From Roman times to the year 1700, there was no growth in per capita income in the West. In the 1700's per capita income grew twenty percent; in the 1800's, over 200 percent; and in the 1st century, well over 700 percent. What happened? Business became competitive and entrepreneurial, generating a compounding annual growth in productivity of two to three percent.

Sadly, the second half of society did not participate in this productivity growth...Hence the squalor gap that has opened up between the business and social halves of society – with the social half lagging further and further behind in productivity, salaries, reputes, and esprit.²

We are now at the stage where we should recognize that it is this same kind of initiative – the same kind of drive for improvement – that can do the important work of re-igniting our efforts to change economic, social, and environmental conditions in our cities.

But it is not enough to encourage more entrepreneurship. We also have to create conditions in the society—and inside the social systems that define current conditions as problems to be solved, that search for solutions, and that find the means to support the good and weed out the bad—in which the full fruits of entrepreneurship can be harvested. This means not only having ideas, and not only demonstrating the value of these ideas in small scale pilot programs, but also on finding the means through which these ideas can be sustained and scaled up – ultimately displacing less effective ideas about how to cope with particular social problems by claiming the resources now committed to the older methods. It means taking advantage of both economies of scale through standardization, but also finding improved ways of customizing and adapting for local circumstances. And it means having some ways of reliably distinguishing valuable innovations from flops, and of ensuring that resources flow neither to the status quo, nor to the flops, but to the ideas that are genuinely valuable.

² William Drayton, *The Citizen Sector: Becoming as Entrepreneurial and Competitive as Business* California Management Review, Vo.. 44 no. 3 Spring 2002 p. 121

It is here—in trying to create the social conditions under which civic entrepreneurship can fulfill its potential not just for invention but for the achievement of social progress on a scale that matters—that much of our work lies. And this is no easy task, for it essentially requires significant changes in the way that all those whose actions count in shaping the character of a social production system over time think and act. For profit entrepreneurs operating in social and public spheres have to learn the rules that govern public officials, and the motivations that drive them. Philanthropists, too, must learn how to interact with government in useful (not necessarily co-operative!) ways. And government—particularly those elected politicians who lead government—have to think harder about how the special assets of government can be used to leverage the whole capacity of society to create more prosperous, more sociable, and more just communities.

V. The Necessity of Engaging Government

While civic entrepreneurs take responsibility for acting on a public issue even when no one has explicitly authorized, paid, or required them to do so, they generally can not succeed without government. This is obviously true if the civic entrepreneurs are holding positions in the government as elected or appointed officials. But it is also true if the civic entrepreneurs are holding positions in the commercial or civic sector as CEO's of large firms who would like to find a way to make social contributions while remaining faithful to their fiduciary responsibilities to maximize financial returns to shareholders, or philanthropists who are trying to find ways to use their private wealth to leverage valuable social change, or simply individuals who have an idea about what they think would constitute social improvement, and a method for advancing that idea. The simple reason is that majority of the resources committed to the solution of important public problems are government resources. It is often tax dollars that must sustain a social program over time, and widen its scope. Charitable dollars can only go so far in sustaining a social program. And if the social programs could be sustained solely by revenues earned through the sale of the products and services of those programs to individuals with the desire and capacity to pay for these goods and services, then presumably the private sector would have long ago found these opportunities. Similarly, it is government authorization that can create space, legitimacy, and social commitment to the undertaking of public purposes. If government does not authorize an initiative, it can be stalled in its tracks. If it requires individuals to contribute to an effort, the use of government authority – both moral and legal --can be hugely enlarge the effort.

This is easy enough to see in sectors such as social services, K-12 education, and health care: industries where a significant component of the final demand for these services is financed by tax dollars. But government also turns out to be a crucial player in areas such as economic development where different kinds of subsidies, or different kinds of regulatory regimes can make the difference between a local economy that is struggling, or one that is hitting on all cylinders. And, government, acting through laws and courts, is obviously a major player in seeking to guarantee the security of individuals and property, and the reliability and quality of relationships throughout the society.

Government can do this work because it has the power to alter market and social outcomes through its power to tax and to regulate. But in order to do this work, it has to create the social legitimacy it needs to justify the use of state power to alter market outcomes. That means that it has to act in the interests of the *collective* – not just of individuals. And that means that it has to meet particular, stringent demands for public accountability when the collective assets of the government are deployed.

Even if, for various reasons, one wished we could avoid government when dealing with social problems of such a human, personal nature, the simple fact is that we cannot do so. The reason we have many social problems is precisely because markets alone could not do all the social work we wanted them to do, and because private philanthropy and voluntary effort to accomplish what markets could not do turned out to be insufficient. In our democratic search for alternative means for improving individual and collective lives we reached out to the powerful instruments of government – the powers to tax and to regulate on behalf of the public good – to achieve our public purposes. And while both these powers have the capacity to limit or even destroy private effort, they also have the capacity to support both private efforts focused on public purposes, and collective efforts focused on the public purposes. Without taxes we cannot build the infrastructure that allows the economy to perform, or sustain the schools that guarantee both our children’s individual futures, as well as our collective future. Without the use of government authority to regulate, we cannot guarantee safety in public spaces, nor ensure that individuals live up to their duties to one another – whether those duties be of one contractor to another, an employer to an employee, or a parent to a child. To create the social conditions we want to prevail, we have to make use of the assets of government – both money and authority.

VI. Social Production as Complex Systems

What we observe when we turn to the concrete task of trying to improve the quality of individual and collective life in cities is that the work is already being done by complex social systems that are producing services and outcomes in all the spheres that interest the collective. There is already a private economy that is producing jobs and goods and services under particular regulatory regimes. There is already a health system that is delivering health care to certain individuals on particular terms. There is already an educational system that has taken on the burden of preparing the next generation of adult citizens, workers, and entrepreneurs – both commercial and civic. And so on.

Furthermore, a close look at these systems reveals that all of them are mixed systems in the sense that the financing, the production, and the direction and control of these systems are coming from all different sources mixed together, not neatly separated by sectors as we often imagine.

The financing (or more broadly, the resourcing) of the health care system, for example, comes in part from individuals spending their own money to buy health producing products and services, partly from complex contracts negotiated between employers and health insurers that add health benefits to employment contracts, partly

from charitable donors who in the past contributed wings of hospitals and in the present provide significant volunteer support to those who are sick or disabled, and partly from government in the form of both tax financed Medicare and Medicaid payments for health services. Government also uses its authority to enforce standards of safety and quality and transparency of information in healthcare, to ensure that those without insurance can not be turned away when they need emergency care, and possibly in the future—to require that all citizens have health insurance in the same way we now require all vehicle owners to have insurance. One might even note that the health care industry is also financed by a patent system which allows private firms that develop important new drugs to profit from the sale of those drugs in a monopoly position for a limited period of time.

Similarly, the production of health products and services is also widely distributed across different kinds of enterprises. There are hospitals – but some are for profit, some are non profit, and some are government owned and operated. There are doctors – most of whom operate as small scale businesses, but many of which are now organized in much larger for profit enterprises, and some operate as paid employees. There are health clubs and nutritionists, but these include for profit enterprises like Bally’s and older nonprofits such as the YMCA.

Finally, given the diversity of funding and production, it is quite clear that there are many different actors who feel entitled to judge the value of what is being produced by this system, and, to the degree that they are paying for that value, to insist that the portion of the system for which they are paying conform to their view of what constitutes value. There are individual customers deciding whether and how to spend their hard earned cash on medical products and services, with or without guidance from regulatory agencies about the value of particular products and services. There are employers purchasing health insurance for their employees guided by promises they made to employees at the time of hiring on one hand, and the desire to spend as little money as possible in meeting those obligations on the other. There are charitable donors and volunteers who contribute their own money and time for particular purposes and activities they judge to be important, with or without the benefit of guidance from others about what would be the most valuable charitable contributions they could make. And there is the government trying to enact a particular idea of the social outcome or public value that the public had in mind when particular government policies that authorized the use of government money and authority were enacted.

These complex, mixed systems hold and organize the use of a vast amount of resources. Moreover, like all such systems, they have a great deal of inertia. They have been built incrementally over time. And, over time, they have adapted to many changes in financing, in production, and in valuation/direction from different segments. But at any given moment, they have a central equilibrium? nature? level of performance? tendency, and no small amount of inertia. That is fine if the system is performing well. But it is a problem if the system is not performing well, as we think most of these systems are not. And it is a problem if the system is failing to spot and exploit the new opportunities that allow continuous improvement that would fill all with hope for a better world.

VII. Accountability and Innovation

The challenge is to figure out how those with ideas that could improve the performance of these big, complex systems can be empowered to do so at a tolerable risk to society. Thinking about this as analogous to a market system in which people with ideas about how to build a better mousetrap can gradually win favor in the marketplace helps a little. It certainly focuses our attention on entrepreneurs working on the supply side of the system to find methods of improved performance. But this way of thinking goes only so far when we are looking at systems in which government is playing an important role in financing, producing, or valuing the output and performance of the systems.

Government does not act like the invisible hand of a consumer market. It acts on a large scale all at once rather than on a small scale over time. It acts on the supply side of these complex social production systems as well as on the demand side – not only as a direct producer, but also as a regulator of other producers.

It faces strict demands for accountability to the public as a whole – not to any individual, or to any particular faction of the society. That public is not usually too enthusiastic about the government experimenting or innovating with new, unproven methods – even when the old methods that government is relying on do not seem to meet the varied needs of the community, or to achieve the desired results in an efficient and effective way. That public usually also wants to be sure that individuals are treated fairly, and that means treating like cases alike. And, unfortunately, the government is often vulnerable to suppliers who can advance their own particular interests by insinuating themselves into the accountability system that guides government action, and cause government to choose them and their products rather than other suppliers simply because of tradition, or because of political power.

This kind of accountability shapes the government's actions when it operates in these mixed social production systems, And it makes the world quite a bit different from the world envisioned of pure market systems. It is a world in which there is a great deal of inertia. And it is a world in which important changes have to be legitimated by political action as well as by individual choices in the market place. So, the civic entrepreneur, trying to change the performance of these complex social production systems, has to figure out how to navigate the political and governmental world as well as the world of markets and charitable donors. And much depends on what the civic entrepreneur finds on the government side.

VIII. Local Obstacles to Civic Entrepreneurship

What the civic entrepreneur typically finds on the government side is not a warm welcome, but a host of obstacles. The political leadership of a system may want change and improved performance, but it does not want to pay a significant substantive or political price for that change. Elected political officials will worry a great deal about putting a lot of government money into an uncertain proposal by an unknown individual.

They will worry because they will be the ones called to account publicly if the experiment does not go well. They will also be worried about political problems that can be created by disrupting the existing system too much.

If the political leaders muster the courage to encourage disruptive innovation, they will then find that they have to act through complex procurement processes that are set up more to ensure fairness in competing for government work, and for getting low prices for well known commodities than for developing a new, potentially valuable and disruptive innovation. The defense department has long had the capacity to contract for innovation, namely in its DARPA program. But that capacity has not typically been extended to social sectors in city level procurement processes.

Finally, if the embrace of a new program involves changes in regulations of various kinds, then those leading the government will find significant legal and political obstacles to changing the general, time honored regulation to accommodate the uncertain, new particular program that has just been invented.

This is frustrating to both the civic entrepreneur and the enterprising political leader. But these problems cannot be avoided, for these are the keys to opening the flow of government resources and authorizations that will act either as a permanent hindrance on the capacity of the systems to change, or as a great help in transforming the system. The more dominant government is in the financing and regulation of an social system, the more necessary it will be for some change-minded entrepreneur and political leader to grasp these instruments of government out from under the influence of an existing group of suppliers and consumers who are benefitting from the continued operations of the current system--and shift them to their new purposes.

IX. Building Public Demand for Innovation and Results

It is clearly important then to work on developing the political skills of civic entrepreneurs, and to help political leaders see the importance of allowing entrepreneurship and disruptive innovations to shake-up the existing social production and distribution systems. But one cannot expect political leaders to do things that are contrary to their individual interests – though some particularly heroic ones do so. It is also important then to work on the systems of accountability to which the politicians directly, and the civic entrepreneurs indirectly, are responding.

In particular, the public as a whole must come to understand the importance of continuous innovation not only in the private sector, but in the public sector where government tends to play a more important role. They need to see entrepreneurship and innovation as the path towards social production and distribution systems that are more responsive to individual conditions, and get more efficient and effective over time in achieving what both the individuals served by these systems want, and what the collective hopes to accomplish by acting through these systems. They need to see that if the systems are going to continuously improve, the security of continuing with the existing systems has to be set aside in favor of experimentation.

This shift in public understanding, we think, must be complemented by a shift in the accountability from reliably executing agreed upon activities, to achieving desired results. And that will put a great deal of pressure on the development of improved systems for measuring the results of the social production systems in which government is a major player.

The political leaders who have the authority to spend government money have to become more risk taking, and more discriminating purchasers on behalf of the public's purpose. This innovation cannot be launched simply with new money. Nor can it be launched only with charitable dollars. It has to be both launched, and more importantly, grown, through the re-purposing of government dollars that are now locked up in an unproductive system. It is only if we can change the ways that government plays its hand in the development and support of the existing mixed social production system that we can create a world in which the potential value of civic entrepreneurs can be realized.

X. Call to Action

We have been exploring this problem – how to improve the social problem solving capacities of cities in advanced liberal democracies – through a particular lens. We have been looking at encounters between mayors who have the democratically assigned responsibility to govern their cities and social entrepreneurs who have developed, or are offering to develop, innovative methods of dealing with social problems ranging from unemployment, through homelessness, to the failure of more than 30% of our children to graduate from high school.

We agree that the problems we face are not solved either by the private sector acting alone, or government acting alone. They are not solved by one particular invention, or by one particular public policy. They are solved opportunistically and innovatively as we keep trying to improve our performance in key areas of performance. Our charge:

We have to see where markets and profit-making firms can be nudged a bit to make contributions that are a bit more socially (as well as privately) valued, and to reduce their negative effects on economic, social, and political conditions.

We have to see how philanthropists and non-profit entrepreneurs can take some of the risks of innovating in the public sector onto themselves, and accelerate the rate at which the social sector can learn to solve wicked problems.

We have to see how the government can use its extraordinary powers to tax, to regulate, and to produce certain kinds of goods and services in ways that allow for continuous steady improvement rather than ensure a reliable but mediocre response.

We have to find a way to use both political energy and public funding to support determined, serious efforts to improve our social response to conditions we would like to improve rather than to preserve a permanently failing status quo.