

Dwight V. Denison
University of Kentucky

Main Street or Wall Street: Perspectives on Public Investment and Property Management

Dwight V. Denison is an associate professor of public and nonprofit finance in the Martin School of Public Policy and Administration, University of Kentucky, and director of graduate studies for the master of public administration and public policy programs there. His teaching and research interests include cash management, tax administration, and financial management.
E-mail: dwight.denison@uky.edu

Ben Finkelstein, The Politics of Public Fund Investing (New York: Simon & Schuster, 2006). 208 pp. \$32.00 (cloth), ISBN: 9780743267298.

Olga Kaganova and James McKellar, eds., Managing Government Property Assets (Washington, DC: Urban Institute Press, 2006). 448 pp. \$32.50 (paper), ISBN: 9780877667308.

There are important reasons why an MPA and an MBA are not completely interchangeable, and frequently public administration scholars and practitioners debate the relevance of corporate sector practices to the government sector. The perspectives of these two books provide an interesting juxtaposition of the relevance of corporate sector practices to the government sector.

For the last half century, the investment of public funds has primarily adhered to the concepts of corporate investing. Some government investment managers have become very sophisticated in their portfolio strategies and utilization of swaps and derivative instruments. The common benchmarks for government investment performance are often the same indices that are applied to the corporate sector. In addition, the underfunding of government pensions has caused several critics to decry the meager returns to government investing relative to market returns. Ben Finkelstein articulates an important caveat to those who fault the conservative returns of government portfolios, particularly the investment returns on temporary cash balances. He reminds us that the politics of public funds investing are substantially different from the corporate sector and therefore cautions against investment strategies that ignore political factors. He goes further to inform those who bemoan the returns of government portfolios that the objectives of corporate and government investing are different and should naturally lead to different outcomes.

In first half of the book, Finkelstein contrasts the investment policies and objectives of government with corporate objectives to show that political risk forces the public investment manager to sacrifice yield in exchange for liquidity and safety. These five chapters

are written so that those without a finance background can understand, and therefore they are accessible for council members, board trustees, citizens, and students. The second half of the book describes several tools that can be politically adjusted to gauge the risk and performance of government portfolios. The material in these chapters really does require a finance background to appreciate, and therefore it is most helpful to portfolio managers and others who have a finance background.

I assigned Finkelstein's book in my graduate course last semester, and the students particularly found that the stories, scenarios, and anecdotes breathed life into a topic that often comes across as dry and meticulous in government investment manuals. However, the Finkelstein book is not a stand-alone text, as it does not address all of the key components of government investing and there are no chapter questions to reinforce the topics covered. Furthermore, as already indicated, the first half of the book is written for a finance novice, whereas the second half of the book requires more financial experience making a prerequisite necessary for the later chapters.

Managing Government Property Assets addresses the important topic of managing government property assets from an international perspective. Property asset management is defined as the "process of decision making and implementation relating to the acquisitions, use, and disposition of real property" (2). The book comprises 16 chapters, eight of which present case studies of the various components of asset management in Australia, Canada (three chapters), New Zealand, France, Switzerland, and Germany. There are a couple of chapters dealing with state and local issues in the United States and two chapters dealing with the complexities of countries with emerging markets.

The traditional view in the United States has been that infrastructure and other property assets held by government are unique and totally different from the corporate sector, and so practices employed in the private sector are not applicable to states or municipalities. This view was reflected in the segmented way that long-term fixed assets and other infrastructure

were reported on government financial reports. Assets were listed at purchase cost, and little effort was made to account for depreciation or market values. It has only been in the last decade that the Governmental Accounting Standards Board has issued regulations bringing the methods of accounting for government property assets more in line with the accrual method of accounting used in the private sector. The focus of the book is to provide an international perspective on the management of government property assets that, while not explicitly stated, is more consistent with the way in which corporations manage property assets. The editors acknowledge that the multinational focus of the book necessarily neglects the political elements of government decision making.

The individual chapters in *Managing Government Property Assets* combine to make several important points. First, accurate inventory lists of government property assets are important but not sufficient to ensure proper management of the assets. Second, the legal and accounting conventions vary widely among nations and thereby motivate the practices of government property asset management. Third, effective reforms in property asset management have coincided with other government-wide reforms to promote financial efficiency, cost-effectiveness, and performance monitoring. Last, there are potential financial benefits from improving the management of government property assets.

The objective of the book is to inform and promote research by drawing from the perspectives of the various nations, not to teach the practice regarding management of government property assets. As such, many MPA students, especially those interested in U.S. states and municipalities, will find the book too academic and lacking in relevance to practice. Nevertheless, the book could provide a nice supplement to an international course on budgeting, accounting, or administration. The book would also be of great interest to professionals charged with managing government property assets.

These two books reaffirm that the art and science of public management is necessarily multidisciplinary. Finkelstein effectively argues that public funds investing needs to be less like Wall Street and incorporate the politics of Main Street. The authors published in *Managing Government Property Assets* generally advocate accounting rules, information systems, and administrative processes that are more consistent with those in the private sector. Given the traditional approaches to government management of property assets, these authors have valid arguments. The two books in juxtaposition illustrate that we can look to the business, finance, economics, and other disciplines for solutions and processes to improve the efficiency and effectiveness of the public sector, but we cannot lose sight of what makes the public sector unique.