

MEMORANDUM

To: President-Elect Richard M. Nixon

From: Arthur F. Burns

Date: December 24, 1968

As previously agreed, I will as a rule send you only summaries of the individual Task Force reports. However, you will probably want to read a few of these reports in their entirety.

The report on Governmental Organization which I left with you the other day is one such report. In my judgment the enclosed report of the Task Force on Budget Policy also belongs on your "must" reading list.

AFB

BUDGET POLICY FOR EARLY 1969

The new President should start at once to reduce or restrain the expenditures to which he assigns low priority. He must do this in order to increase his future freedom to make the moves--whether of expenditure increase, tax reduction, or debt reduction--that are of highest priority. Superficially it will appear that in the short run little can be done, because the existing expenditure commitments are so great, whereas in the long run little need be done, because the natural growth of revenues will provide ample room for carrying out the President's programs. But in fact the growth of revenues in excess of the built-in growth of spending will provide room for doing what the President wants only if the growth of competing claims upon the budget is restrained. The 1973 budget, for example, will look much "tighter" at the beginning of that year than it does today. To provide the room the President will want and need later, steps must be taken now, even though their immediate effects on spending may be small.

Early 1969 will present a critical opportunity to take the steps needed to reduce or restrain spending, for several reasons:

1. A new President typically has a "honeymoon" during which Congress is more amenable to his initiatives than it will be later in his term.

2. New agency heads will have more critical and independent views of the programs under their jurisdiction than they will have later.

3. As long as the Vietnam War lasts there will be a feeling of budgetary stringency, which provides a more favorable background for cutting programs than may exist later.

4. The statutory ceiling on expenditures for fiscal 1969 gives the President extraordinary support for using his authority to control spending.

We believe the President should use the opportunity of early 1969 to reduce programs selectively in order to reduce future spending on them permanently, or at least reduce their rate of growth. The primary objective of the strategy should not be to reduce spending in fiscal 1969 or 1970, although it would have some reduction in those years as a by-product. The strategy would thus differ from the "crash" efforts at expenditure restraint which the government sometimes makes. Such efforts usually concentrate on deferring capital expenditures and squeezing down federal lending. They cause no permanent reduction in spending but only push it into the future, and they are often wasteful.

We foresee no need for a crash effort to cut FY 1969 and 1970 spending. Given some freedom in the decision about the tax surcharge, we believe the fiscal needs of those years can be met without that. There may be economic and political considerations not now foreseen

that will make an emergency effort to cut FY 1970 spending imperative, and we later suggest some ways of doing so. However, we urge that main emphasis be placed, not on how we can least painfully cut the FY 1970 expenditures but on how we can most effectively restrain the low-priority continuing programs, even though they may be the most difficult to influence quickly.

The Prospect for FY 1969 and FY 1970

The table on page 4 presents estimates of the fiscal 1969 and 1970 budgets, which are useful as a starting point for considering immediate fiscal decisions. The estimates for 1969 assume observance of the expenditure ceilings set by the Revenue and Expenditure Control Act of 1968, with the present exemptions. Although this is not assured, and we discuss below the problem of staying below the expenditure ceiling, it is still the most probable assumption.

The estimates shown here for fiscal 1970 are of a different character. They are not forecasts of what will happen in that year. Rather they are estimates of the expenditures that would result from a policy of no new programs or program expansions on the non-defense side and rigorous restraint in the execution of approved increases on the defense side. The increases from fiscal 1969 would be almost entirely the result of higher prices, wages, and interest rates; increases in the population eligible for social security and other benefits provided by formula; other "work-load" increases;

Expenditure Restraint Budgets

(For underlying assumptions see text)

Billions of Dollars - Unified Budget

	FY 1969	FY 1970	
		War Continues	"Peace"*
Total expenditures	186.0	195.5	183.0
Defense	79.0	83.0	70.0
Other	107.0	112.5	113.0
Social security			
trust funds	36.7	39.4	39.4
Other social programs	23.1	24.9	24.9
Interest	15.5	16.0	16.0
Pay increase	1.6	2.4	2.4
All other	35.1	34.8	35.3
Undistributed adjustments	-5.0	-5.0	-5.0
Total receipts			
With surcharge	182.0	192.0	192.0
Without surcharge		181.0	181.0
Deficit			
With surcharge	4.0	3.5	-9.0 (surplus)
Without surcharge		14.5	2.0

*"Peace" means cease-fire in Vietnam by January 1, 1969 and rapid withdrawal and demobilization of forces.

and some catching up of payments with obligations. Provision is made for raising social security benefits in line with cost-of-living increases, but for no other increase of social security benefits despite the rise that will be occurring in the social security trust fund surplus. The estimated reduction of defense spending on the "Peace" assumption is predicated on a cease-fire by January 1, 1969 and a rapid withdrawal and demobilization of forces. Thus it is near the high end of reductions possible without drastic efforts. The revenue estimates assume continued full employment and only gradual slowing of the rate of inflation.

To keep FY 1970 expenditures from exceeding the estimates shown here will be difficult. The budget to be submitted by President Johnson in January 1969 will probably exceed these totals, although we would expect some effort to keep the total below \$200 billion. On the other hand, to get the budget below these estimates would not be impossible, and we shall suggest below some ways in which this might be accomplished.

The Need for a Budget Strategy

An effective policy requires the President to start with clear budgetary objectives for the next several years. Undoubtedly a President-elect has ideas on this subject when he is elected, but in most cases they are probably not specific enough to constitute a program or firm enough to be maintained in the face of strong

opposition. These ideas must be developed into a firm and specific program, by the President with the assistance of his Budget Director and agency heads.

The program will have to be developed quickly to take advantage of the favorable situation of early 1969. Certainly a comprehensive plan of the new Administration for FY 1970 cannot be delayed beyond May, the time a decision must probably be taken on the extension of the tax surcharge. If the Administration is going to ask for an extension of the surcharge, it will want to show that it has made a rigorous effort to reduce spending; indeed, Congress may well insist on expenditure cuts as a condition for extending the surcharge. If the Administration is not going to ask for extension of the surcharge, or is going to ask for partial or temporary extension only, it may want to show that termination or reduction of the surcharge has been made possible by its economy efforts. In either case, unless the war has ended, the decision about the surcharge can be the occasion for enlisting support behind a policy of expenditure restraint.

There is a question whether the new Administration should try to formulate a comprehensive budget plan and reflect it in an overall revision of the Johnson budget for FY 1970 by some earlier date--say by March. In 1961 the Kennedy Administration did this in two messages near the end of March. Early action would assist Congress in deciding on the FY 1970 appropriations before that fiscal

year is too far advanced, an end certainly to be desired. However, it is probably more important that the new Administration's recommendations should represent a carefully thought-out position, and in the circumstances of the transition probably better to wait for two months rather than make hasty decisions. This would not interfere with the earlier submission of recommendations for revision of the Johnson budget for particular programs when the new Administration is prepared to do so. The Eisenhower Administration followed this procedure in 1953, submitting a number of revisions early and a more comprehensive statement of its budget plans in May along with its recommendations on taxes, some of which were then scheduled to expire on June 30.

If the new Administration makes its decisions early enough, it will be able to start putting them into effect by controlling FY 1969 expenditures. With some exceptions, the President always has authority to hold back the rate of spending under existing appropriations at his discretion. However, the congressional directive to the President to hold FY 1969 expenditures under a ceiling specified in total gives him unusual support for the exercise of this authority, since Congress has explicitly abdicated control. The Johnson Administration will have prescribed expenditure limits for the various agencies in order to hold the FY 1969 total within the ceiling, in general by stop-gap measures avoiding program changes. The new Administration will be free to alter these agency assignments.

Moreover, the new Administration may find it desirable to reduce agency limits enough to create a reserve out of which contingencies could be met without breaching the overall ceiling. It would be desirable to make these FY 1969 reductions in programs which the new Administration has decided to reduce in the longer run, in order to establish a lower expenditure base from which later decisions will start. To have a significant effect on FY 1969, action would have to be taken by March 1.

The first necessary step is for the President and his advisers to formulate a budget strategy for several years ahead which can serve as guidance to the new agency heads. This strategy should reflect the President's priorities in the numerous substantive fields of his concern, and we cannot specify what that strategy should be. However, to illustrate what we mean by a strategy the following brief statement may serve:

We regard the prime objectives to be

- a) To assure the security of the country,
- b) To contribute significantly to meeting the new aspirations of the disadvantaged without disappointing the expectations of the rest of society,
- c) To restrain the size and influence of the federal government,
- d) To strengthen the capabilities and independence of the states and localities,
- e) To avoid waste.

To these ends we shall look especially critically at, and seek to reduce,

- a) Programs which subsidize particular industries or groups of the population whose subsidization is not justified by concern with the poor or other major national objectives,
- b) Investment programs with low rates of return,
- c) Programs whose functions could be efficiently performed in the private sector or by state and local governments.

We shall seek to redirect the poverty program in ways that will increase its effectiveness, but do not mean to reduce the total effort and will be prepared to increase it where there is a prospect of good results. We shall be receptive to experiments which will test the effectiveness of new approaches.

We shall consolidate and generalize grants-in-aid to states and localities in order to leave more freedom of decision making at lower levels of government.

We start from the proposition that the nation can afford to be secure. At the same time we recognize that decisions about the military program will profoundly affect our ability to achieve other budgetary objectives. We also recognize that responsible and well-informed people raise serious questions about what military policy will best promote the national security and about the efficiency with which military policy is executed. We shall study these questions as carefully and objectively as possible.

We place high priority on achieving general tax reduction, beyond elimination of the surcharge, by 1972.

Initial Guidance to Agencies

This may not be the strategy of the new Administration. However, we believe that some statement of strategy, at this level of generality, can provide a useful basis for guiding the agency heads in the initial review of their programs. Such a strategy could suggest lists of programs requiring particular attention because of their relation to the general strategy. Agency heads should be asked to supply recommendations for the future of these

critical programs, not just for FY 1970 but for several years beyond that, say through FY 1973. They should also supply information on the steps necessary to effect these recommendations, including changes of law and transitional policies to get from where we are to where we want to be.

It would be extremely useful to provide the major agencies with tentative targets for expenditures on their chief programs for the next three or four years and ask for suggestions on program changes to meet those targets. The targets will undoubtedly have to be substantially revised before FY 1970 decisions are made, since they will have to be set in a short time and with limited information. Nevertheless, they will help to align the thinking of the new agency heads with the initial intentions of the President.

Every effort should be made to provide this kind of guidance to the agencies by January 21, with a request for an initial response within two months. We believe that in most cases the information and talent exist within the agencies to respond in that time.

A special approach would be needed for the poverty programs. Here the effectiveness of what is being done is unusually uncertain, operation is spread among many agencies, and the necessary talent for evaluation may not exist in the government. For this reason we recommend the creation of an expert task force to appraise the effectiveness of existing efforts and possible alternatives and to report

to the President and his chief aides in this field. The task force should be set up promptly, before January 20. It should report on particular parts of the programs as quickly as it is able to do so, to enable the President to make decisions in stages without waiting for a comprehensive review. We believe it is important to begin taking a constructive position in this area as soon as possible.

Suggestions for Critical Review

After the election the staff of the Bureau of the Budget can be extremely helpful in identifying for the new Administration the programs about which questions should be asked in line with the new budget strategy. The following list is presented as a preliminary to the contribution to be obtained from the Bureau. It will be clear that all the items we list are "hot." Nothing is in the budget that someone does not want; the more questionable the program the more certain it is that strong support for it exists somewhere, and programs that are both large and questionable must have very strong support. There is no escape from this problem.

1. The military program. This is, of course, the largest part of the budget, and its potential expansion could absorb the largest part of the "fiscal dividend" that may emerge in the next few years. The military program, aside from Vietnam, has been held under restraint in the last few years, and we expect that the Johnson budget for FY 1970 will continue that restraint. Partly for this reason the new Administration will immediately be confronted with an unusual volume of expensive decisions. Weapon systems that are in late stages of development and which may be candidates for the costly production phase include an advanced strategic bomber (to replace the B-52), a new strategic missile, a new Air Force fighter, AWACS (airborne warning and control system), and a "thick" ABM. Also there are now a number of systems in early stages of production for which the choice of future production and spending

rates is still open. The difference between restrained and expansive decisions could easily amount to \$10 billion in the annual spending rate by 1973, although the difference would be much smaller in FY 1970. These will be the most important budgetary decisions of the next Administration. The view held by some students of the subject that expansion of military forces beyond some point subtracts from national security rather than adds to it deserves the most careful attention. It has serious implications for national security as well as for the budget and the national economy.

2. Maritime subsidies. The Federal government is spending about \$500 million a year to subsidize inefficient U. S. merchant ship construction and operation--inefficient in the sense that it is more cheaply done by other countries. The beneficiaries of this subsidy have no particular claim to public support except the fact that the support has been going on for a long time. The usual justification advanced is that national security requires a U.S. merchant ship building capacity and U.S. operated merchant fleet. The validity of this justification has been seriously questioned.

3. Air transport facilities. While commercial airlines pay in user charges for almost all of the costs incurred by the Federal government in providing facilities for them, this is not true for operators of private planes. It is estimated that appropriate user charges would reduce net Federal outlays by about \$300 million a year.

4. Farm price and income supports. The Federal government is now, still, spending a variable amount which averages around \$4 billion a year for farm price and income supports, some of which appears in the Budget as the cost of "Food for Freedom." This is an inefficient way to help poor people and leads to inefficient use of national resources. Plans to reduce these expenditures would have to be adapted to the conditions of the main supported products. For example, a recent study by GAO indicates that expenditures for the peanut program could be reduced about \$80 million a year by shifting from acreage allotments to production quotas. Also a transitional period and programs would probably be required to assist farmers in adjusting to a less costly policy.

5. Land and Water Resource Development. Although expenditures of the Corps of Engineers and Bureau of Reclamation have been held back in recent years, they will still be near \$2 billion in FY 1969. Moreover, because of the recent restraint there is a large backlog of approved projects waiting execution when the budget position eases. There is a common belief that the application of realistic cost benefit criteria, including appropriate discount rates, would screen out a large number of projects that currently get approved and thus reduce expenditures for the programs.

6. Highways. The Federal government is spending about \$4 billion a year for highway construction, almost all of it in the form of grants to States. The rate of highway expenditure is now being held

down by a temporary freeze. Under ordinary arrangements it would soon rise to \$5 billion a year. Much of this spending, especially in the rural areas, is not urgent now and some of it may never become urgent. These expenditures are financed by highway-user charges, and a reduction or long-deferral of the expenditure program should probably be matched by a reduction of the gasoline tax or other user charges. Thus, there would be no relief for the rest of the budget. Nevertheless, the present generation of highway users would be relieved of paying for highways that are not now needed.

7. The Post Office. The Kappel Commission has recently estimated that reorganization of the Post Office could reduce the costs of its operations by \$1.5 billion a year. This is about twice the amount of the budgetary cost of postal service. All of the benefits of these economies would not be received by taxpayers; some would be received by users of the Post Office in lower rates and improved service. In any case, the gains would be substantial.

8. The Space Program. Expenditures for this program in FY 1969 will be about \$4 billion, almost \$2 billion below the peak reached in FY 1966. Basic decisions will have to be made about the objectives of the program beyond the landing of man on the moon. It has been estimated that keeping the manned space flight program to a low level after the lunar landing would reduce annual costs by \$500 million, and elimination of manned space flight would reduce annual costs by another \$1 to \$1.5 billion. The benefits of these programs are peculiarly

intangible and speculative, which is not to say that they are necessarily small. They do need to be re-evaluated as realistically as possible in the light of current national problems and objectives.

9. Intelligence activities. Information on these programs is not generally available, but they are believed to be large. There is also a belief that inordinate amounts are spent for efforts whose probable contribution to useful knowledge is small or which could be more efficiently conducted by regular agencies of government. The scale and character of the intelligence activities is determined by the intelligence agencies themselves with little surveillance from the Bureau of the Budget or Congress, a situation almost certain to lead to excessive expenditures.

10. Atomic energy. Since the construction and operation of atomic energy generating facilities has become a large private industry in the United States, the continued need for much of the activity of the Atomic Energy Commission in this field needs to be re-examined. Informed private opinion holds that the AEC's development work in thermal energy could be reduced or discontinued, some of its laboratories consolidated and trimmed, and its fuel-producing facilities sold.

11. Impacted area school aid. This program, on which about \$400 million a year is being spent, was initiated when it seemed difficult to find ways to get Federal money into general education. This hurdle has long since been surmounted. The justification for the program on the ground that the presence of Federal facilities reduces the capacity of localities to support education is weak.

12. Regional economic development. Loans and grants for this program, excluding Appalachia, are now running about \$300 million a year. The program was initiated at a time of general economic slack, and partly in confusion about what were national problems and what were regional problems. Moreover, there is serious question about the effectiveness of the effort to date. The program should be reviewed in light of present conditions and seven years of experience.

13. Rural electrification loans. The justification for continuing net lending at the rate of about \$300 million a year mainly to finance rural telephone installations is hard to see, especially when the government charges an interest rate of only 2%.

14. Other lending. In addition to loan programs already mentioned, Federal agencies make net loans commonly running \$2 to \$3 billion a year, much of it in the fields of housing and agriculture. Many of these activities were initiated when credit risks were much greater and private financial institutions less adequate than they now are. There should be a search for opportunities to make some of these lending operations genuinely private, and not just to put a private label on an activity that is still Federally controlled and financed.

This list could, of course, be expanded. It could, for example, mention the SST, compensation for veterans with no income impairment, and subsidize school lunches for children of the well-to-do. Our main point is that it will be possible in a brief period to identify programs in almost every agency about which there is a sufficient presumption that major national objectives are not being served to call for critical review at once. We have not included the poverty-urban area in this list because we believe the need for review there is obvious and have

suggested that a special mechanism will be needed for that purpose. Some parts of this area are being covered by the task force on manpower and by the task force on intergovernmental relations. We have also passed over the field of grants-in-aid because that is being thoroughly examined by the task force on intergovernmental relations.

It is tempting to ask how much could be saved by a determined effort in the fields we have listed, but impossible to answer. Everything depends on how determined the effort is. We would offer the guess that, leaving military programs aside, the difference between a determined but not impossible effort and a "politics as usual" policy would be \$2 to \$3 billion in the FY 1970 rate and about \$5 to \$7 billion in the FY 1973 rate of spending.

Further Cuts in FY 1970

The new Administration may wish to consider emergency reductions in FY 1970 expenditures beyond the outcome of the program review and revision we have suggested here. In that case there would probably be four main places at which to look for substantial reductions:

1. The costs of conducting the Vietnam War. The need for a crash reduction of FY 1970 expenditures would probably only arise if the war was continuing. If so, the belief that the conduct of the war is highly extravagant in the use of materials and manpower would deserve urgent consideration.

2. Public works programs. We have suggested above the possibility of reducing certain public works programs by application of

more realistic tests of benefits. Even if that is not done, or, if it is done, to achieve quicker reductions, it will be possible to push some expenditures out of FY 1970 into later years. This is, of course, one of the standard ways by which an expenditure cut is achieved.

3. Progress payments on military procurement. If defense contractors shifted from financing their working capital by progress payments from the government to financing it from their own or borrowed funds there would be a reduction of government spending during the period of the shift. To bring this about would require including the cost of borrowing working capital as a cost of contract performance, which is not now done. The shift would be essentially a bookkeeping change and in the long run would cost the government money because private borrowing costs exceed government borrowing costs. However, it would for a time reduce recorded outlays.

4. Government lending. Net government lending is now running about \$2 to \$3 billion a year, but the gross loans, before repayments are deducted, are about ten times that amount. For a period the net can be substantially reduced by cutting down the new loans. This can usually be done without much affecting the transactions being financed by the government lending, if necessary by substituting loan guarantees or interest subsidies.

The Problem of the FY 1969 Expenditure Ceiling

The Revenue and Expenditure Control Act of 1968 establishes a ceiling on expenditures for FY 1969, subject to exceptions for certain

categories of expenditure. The new President will have the responsibility of either assuring that expenditures are held within the ceiling or obtaining relief from it. The Johnson Administration has allocated the ceiling among agencies and apportioned expenditures through the year. The new Administration will have to ascertain that the plan is likely to prevent a breach of the ceiling and to monitor expenditures to assure adherence to the plan.

Despite the plan, expenditures may threaten to breach the ceiling as the fiscal year nears its end, since expenditures for many programs are difficult to predict or control precisely. The total of expenditures subject to the ceiling is about \$100 billion, and it would not take much of an error to produce an excess of one or two billion dollars. There are several ways in which this problem can be handled if it arises. Vietnam expenditures are excepted from the ceiling, and the decision to classify particular Defense Department expenditures as being for Vietnam is often arbitrary. Thus there would be an opportunity to keep within the ceiling by classifying more expenditures as "Vietnam". A second possibility would be to defer the payment of some bills from June to July. The most straightforward, although possibly embarrassing, approach would be to ask Congress to raise the ceiling or to except certain programs, either completely or up to a specified limit. The Johnson Administration requested and received four Congressional exceptions from the initial ceiling before the fiscal year was one-third over.

If the new Administration wants to be sure that it will not have to choose among these methods of avoiding a breach of the ceiling, it will have to act early to create a reserve by cutting the allocation of expenditures to the agencies so that they total one or two billion dollars less than the ceiling. This would probably have to be done by March 1 to be effective. In establishing such a reserve the Administration should try to reflect its goals for the course of expenditures beyond 1969, by cutting the 1969 expenditure ceilings of those programs which it hopes to restrain in the future.

(The 1969 situation is discussed further in the memo by Mr. Hugo which is attached.)

A New Congressional Mandate?

The President has authority to hold expenditures below appropriated amounts, with a few exceptions. However, Presidents have been reserved about the use of this authority because of a reluctance to contravene the Congressional intent expressed in the appropriations. The position in FY 1969 was changed by the action of Congress establishing a ceiling on expenditures. In effect, Congress said that it did not want the President to spend more than a specified amount regardless of the amounts Congress appropriated. Thus the President was directed to use his discretion and was given evidence of strong Congressional support in doing so.

The question should be considered whether it would be desirable and possible to recreate this condition for FY 1970. For the President

to ask Congress to direct him to do what he is free to do anyway would be anomalous. Nevertheless, a statement of Congressional intent that his discretion to cut expenditures should be used would add moral support if not legal authority. The possibility of finding a formula which would serve this purpose should be explored in the light of the President's own intentions and of the composition of the Congress and the character of his relation to it.

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The following observations and recommendations are one man's opinions for a more effective functioning of certain major elements of the Executive Branch of the Government. I readily acknowledge that there are more ways than one to look at or solve most problems. But, as to the present one being addressed, there is substantial agreement by even more notable experts that the problems are as defined herein and that the general direction of solution is the right one. In fact, many such thoughts of others have been examined and a number synthesized into this proposal.

BACKGROUND AND THE PROBLEM

The function of government has significantly changed over the last 35 years. In ways we need not enumerate, it has become highly "activist." In domestic matters particularly, it is expected not only to pass laws to maintain a tranquil environment, but to "get things done." The environment in which the government is expected to function has also dramatically changed, largely during the last 25 years. The pace, scale and complexity of the present is not reversible.

Yet governmental institutions, generally, are woefully behind in adapting to the times. "Getting things done" is not just passing laws or appropriating money. It is managing.

Getting things done in today's environment requires management of the highest order and excellence -- management able to multiply its effectiveness thousands of fold by working through properly constructed and controlled organizational systems which allow accomplishments fully beyond the time capacity of the individual leader even while conforming to and fulfilling his values and goals.

Analogous to a symphony orchestra, it is not possible merely to bring together in government many individual soloist "stars", leave them alone, and expect a good performance. The conductor must apply his special skills, techniques, capabilities, even style of "management" to truly realize the potential of the aggregated stars. In governmental foreign affairs, the conductor (President) can assure coherence and unification by his personal involvement and also can perform the dual role of personally playing some of the passages himself, because they can be properly played solo -- tet-a-tete with personal foreign counterparts. In domestic affairs, this is virtually impossible. The millions of citizens to be affected by Presidential policy can only be reached through subordinate organizations and the effective and unified leadership of them. Furthermore, the many departments involved, and the multi-faceted programs to achieve domestic goals, preclude the same personal role of the President in domestic affairs as he plays in foreign ones. The President cannot and should not also be the "domestic desk officer."

Management in the modern sense is not completely new in government. It has been introduced into the Defense Department. Putting aside any controversy over individual issue questions, DOD clearly has developed techniques for establishing unified and cohesive goals, objectives and programs -- gearing to them the means for carrying them out. Before that, the means (Army, Navy or Air Force), or more explicitly the medium (land, sea or air) substantially influenced the determination of programs and even objectives and goals. It is only partly exaggerated to observe that the "model" of the next war for which each Service was preparing was built from the point of view of the means employed by that

Service, more than ^{low} a broader view of the complete threat.

Cohesiveness of concept and goal orientation does not effectively exist with regard to our domestic programs. Just as the separate (and regrettably sometimes competing) services of the Army, Navy, and Air Force, precluded the development of an integrated Defense posture until the Department of Defense was established, so the multiplicity of independent (conflicting and overlapping) agencies to deal with our social problems provides ineffectual, yet unduly costly, results.

Many domestic goals are broader than the resources and authorities of one department. Yet, if responsibility for their conception or implementation were left to each fragmented department, the charters of some of which are historically fortuitous, the means and scope of authority of that department would limit both the capability and desire of that department to think with a broader national view. It is more likely the proposals presented will be solutions looking for problems than visa versa. Departments hesitate to propose programs too broadly for fear they may lose authority over the programs originated. Furthermore, the pressures by special clientele tend to bias the program recommendations of the more narrowly defined departments. Similarly, outside input and innovation are inhibited as bureaucratic momentum tends to perpetuate the status quo.

The President's domestic program cannot be merely the additive sum of department proposals, nor can it be derived by even reacting to and modifying department programs. Programs as broad as most domestic ones need to be conceived with first reference to the President's overall value system, not to the narrower value systems of subordinates. (Could we have expected the Army to develop total tactical warfare systems that included also significant Navy and Air Force participation? Even if they

had, would the other services have fully participated in their implementation?) The President's office must lead in thinking and innovation, not just be responsive.

Then, also, if there is to be a unifying effort for domestic programs, there needs to be a better means for determining whether programs are desirable at all or what priority will be assigned each. We can't continue with an "appropriations" mentality where it is presumed the more money spent the automatically more beneficial the result. Some work is now being done to develop cost/benefit thinking for domestic programs. Such techniques must be further developed -- subject to their many limitations -- so that our finite resources available will be applied to the programs with most likely greater benefits.

As a result of the proliferation of narrowly conceived programs subject to no unifying force, overlap, duplication, confusion and conflict is inevitable. I fully realize Congress must bear a substantial part of the responsibilities for this condition, but that does not excuse the Executive Branch from doing everything it can to improve the matters it controls. In fact, there is current Congressional activity directed toward reassessment of domestic programs in light of their cost/benefit effectiveness, and priorities, as well as matters of Executive Branch functioning and organization.

Along with the proliferation, the outgoing Administration, has, by its promises largely incorporated into legislation, already extracted much of the public relations and political value out of the domestic program potential. It has left behind the requirement to deliver against those promises, or to retract them. It also has not constructed

mechanisms for effective delivery if such is now to be made.

An equally ineffective area of Executive Branch responsibility is that for program implementation. If the programs are conceived narrowly, they are implemented equally narrowly and with little, usually no, coordination in the field. The proliferation of overlapping and conflicting programs and their consequences is notorious. Another report deals more particularly with this problem area.

It has been said "why doesn't the Bureau of the Budget resolve these matters?" Interestingly, its historical legislative powers cover a number of these problem areas. Yet, after 40 years of performing its work a particular way (far short of its legislative mandate), it has left a legacy for today's incumbent by which his acceptance would be limited if he suddenly assumed a new and broader posture in Government affairs. The efforts of the Bureau have largely been concentrated on annual budget matters, on reacting to departmental submissions, not on program planning, and it has little authority concerning action coordination. Also, the Bureau's value system itself has not been as much one of perceiving and articulating national goals and objectives as one of budget economizing -- of making the proposed expenditures fit the funds available. By now, the connotations that go with the name "Bureau of the Budget" substantially limit its broader effectiveness.

Then, finally, a main issue is that of viewing the problems with a clear distinction between effectiveness and efficiency. I'm sure with reasonable effort, Governmental expenditures could be reduced by some nominal percentage by doing government tasks with greater expertise and worker application, and with special attention to economizing. Yet, even larger gains can be achieved by concentration on program

effectiveness -- which programs should be adopted in the first place, and how should they be constructed and implemented so that the maximum beneficial results can be achieved. Again, the framework to view the matter is one of result orientation, not appropriations or expenditure orientation. And to achieve results, organizational effectiveness is even more important than dollar availability -- that is, the rational system by which authority and responsibility is assigned, coordination is effected, and results are evaluated for continual program and implementation improvement.

OBJECTIVES

To overcome the problems enumerated, two basic objectives for our efforts seem desirable.

1. To establish the means whereby the President can effect his own values and goals into a unified and, hopefully, optimized, President's program, making full use of the Departmental capabilities in doing so but being not limited by their narrower perspectives and interests.

2. To establish the means whereby the most effective implementation can be accomplished of the programs undertaken.

In establishing a unified program from a broad perspective, not only can the President escape the limitations of means looking for their application, but can also make interdepartmental cost/benefit tradeoffs on a more rational basis, and out of such considerations of alternatives establish true national priorities of claims against finite resources. Similarly, he can better mediate the nation's domestic needs in relation to international and other claims against those same resources. He can be assured national objectives are oriented to the substance of policy objectives, not just the costs and their expenditures.

Also, as part of the objective of establishing the means for a President's program, it is essential that substantive, not just technical, input from outside the Executive Department get its full weight of consideration.

A further objective is to allow the President to have full control of the initiative on domestic matters as he will have on foreign ones -- to obviate crises, not just respond to them. Deliberate emphasis need be given to longer term goal formulation -- on a national basis --

to have a few experts in the crow's nest while many others are in the engine room.

An important part of that formulation of goals is to plan and develop articulated policies regarding the relationship of the Federal Government to the States and cities, and to the private sector. These also need to be broadly conceived and applicable across departmental lines. Certainly, it would be chaotic if each department devised its own policies toward State-City-Federal and private sector inter-relationships.

From a broader perspective than the present departmental ones, the President must be assured his domestic program translates his values and goals into an integrated program, trading off on a national level the social, financial, economic and political factors -- a program made up of elements consistent with each other, best among alternatives, commensurate with resources and fitted by priority and phasing within the total national context, including non-domestic matters. He must assure a continuing effort toward program research, development formulation and improvement, not just a sporadic one as each year's budget request is prepared.

The program planning objectives described above need to be matched by program accomplishment objectives. After the program is determined, and following the funding and legislative functions performed by the Bureau of the Budget, the "activist" responsibilities of the Government are expected to produce results. In domestic programs, these are all in "the field" and thus it is difficult to assure that what is put into the pipeline in Washington comes out as results at the other end. To achieve results (after the money and legislation is provided) three further management tools need be applied.

First, authorities and responsibilities (organization, roles and missions) for performance must be as rational as possible, and clear. Second, where more than one authority and responsibility interrelate, provision need be made for their effective coordination. Third, a "feedback" and evaluation system is essential not only to provide the basis for improved implementation (efficiency) of programs, but also to provide the basis for modifying the programs themselves for improved effectiveness toward achievement of the stated goals. (Clearly, an evaluation of effectiveness is not just an audit for efficiency.)

Furthermore, to the extent it will be administration policy to decentralize authorities and responsibilities, it is essential these management tools be fully operative. For, if there is no system for providing Presidential information and understanding nor for insuring that policy is carried out, the result is not decentralization but abrogation.

THE PROPOSAL

There are many thoughts extant which deal with some or all of the problems described.

I relegate to the long term those solutions suggesting the consolidation of the many independently reporting (to the President) functions. Generally, the thinking is that four to six Super-Secretaries, Assistant Presidents, or even Vice Presidents (one elected, the others appointed) would each be directly responsible to the President for major areas of related activities, e.g. National Security and Foreign Affairs, Domestic Affairs, Economic Affairs, National Resources and Environment, etc. There is much to be said for this direction of thinking and even planning, but today's problems won't wait.

As an intermediate solution to one major problem area, proposals for a "Super Secretary", encompassing HEW, OEO, HUD, some Labor functions, and others, are also in vogue.

Instead of these, the proposal herein is one that can be undertaken immediately, probably without any further legislation. Along with the proposal are a number of others which were considered and rejected as less desirable. However, since the President's own desires and style are important to the success of the proposal, one of the alternatives may be more desirable to him.

The fundamental concepts embodied in the proposal, and alternatives, are the same:

1. To develop and maintain an integrated President's plan of goals, objectives and programs;
2. To recommend the level of Federal Governmental commitments

and expenditures necessary to achieve these national goals consistent with the financial, economic, and other policies and constraints;

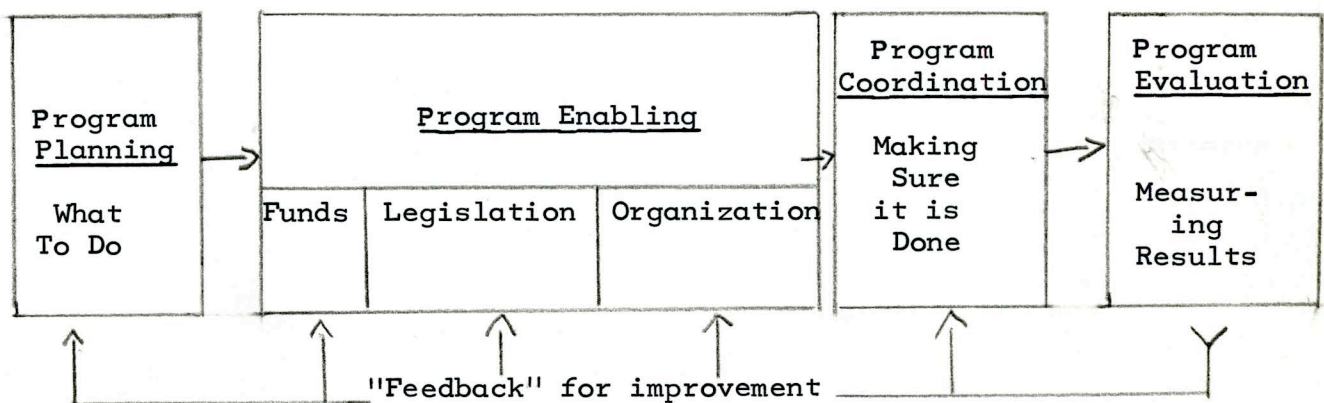
3. To budget the funds required and process the necessary legislative action to implement them;

4. To propose delineations of the responsibilities and authorities within the Executive Branch for achieving the stated objectives;

5. To coordinate matters requiring interdepartmental action;

6. To evaluate both the efficiency with which resources are employed and the effectiveness with which stated goals and benefits are achieved, and to use that information to recommend changes and improvements.

Schematically, these interrelated functions can be shown as follows:



The Program Planning function would operate not only from Departmental input. It also would anticipate and deal with issues for which there is no natural department, and particularly would be responsible to have a continuing input from task forces -- both of

those made up of outsiders and those formed ad-hoc inside. It would operate on a continual, not just annual, basis maintaining and developing its "pipe line" of programs. The President would insert his own program ideas into this office for detail staff work toward further development. A longer term, e.g. five year, viewpoint would be a responsibility of this office.

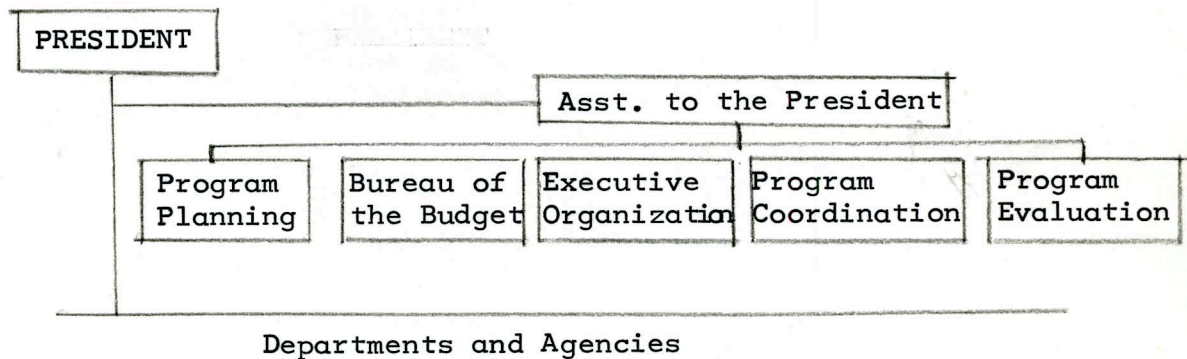
The Program Coordination function would not only interrelate the Executive Department activities in Washington, but also should have a field force to do so in the field, for the needed coordination among departments and to relate to the State and City governments where applicable. This aspect of the work would presumably be synchronized with the Vice President's efforts toward the same end.

The Executive Organization activity would, in effect make unnecessary a Hoover Commission. Instead, a continuing effort and responsibility would be maintained, with the President's imprint applied directly, without the delay or compromise such a public Commission would entail.

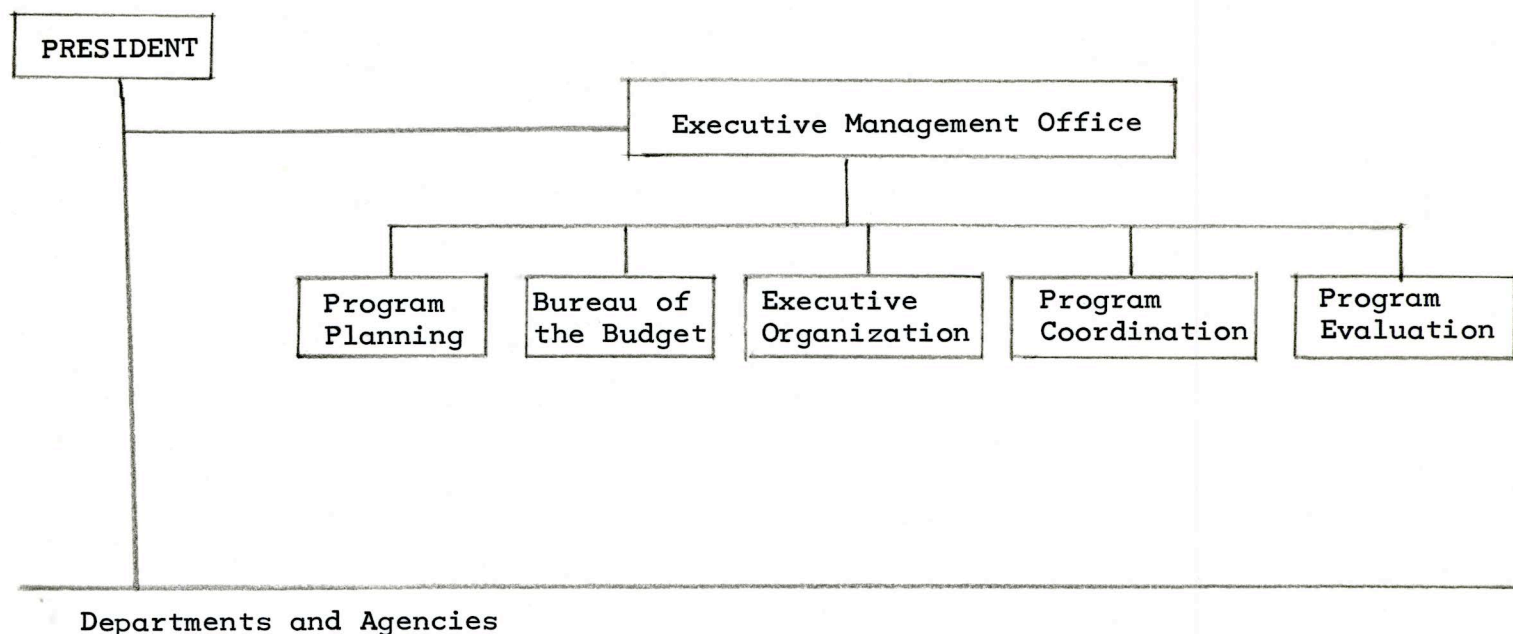
Shown, in organizational chart form, is the proposed solution to the need, together with the possible alternatives. The chart indicates the de-facto operations proposed. By law, the functions performed are included within the Bureau of the Budget authorization. An "understanding" with the Director of the Bureau is necessary as well as is the use of Executive office titles rather than traditional Bureau ones so as to attract the best people.

If the proposed solution is seen as desirable, the next step is to determine immediately how substantial a part of it can be accomplished without legislation. If that part is sufficient to be worthwhile, it is recommended that:

1. An "understanding" be reached with the Director of the Bureau of the Budget.
2. A qualified man be recruited as Asst. to the President.
3. He recruit or transfer additional personnel needed.
(The adequacy of funds may become a threshold limitation.)
4. The described work be undertaken and it "find its place" among related activities as determined by the President's desire and the competence of the personnel.
5. Legislation be undertaken if needed for funding or to accomplish the defined tasks.
6. When (and if) a Super Secretary is established, encompassing the many domestic programs being coordinated through this office, applicable portions of these proposed functions be transferred to the new Super Department.

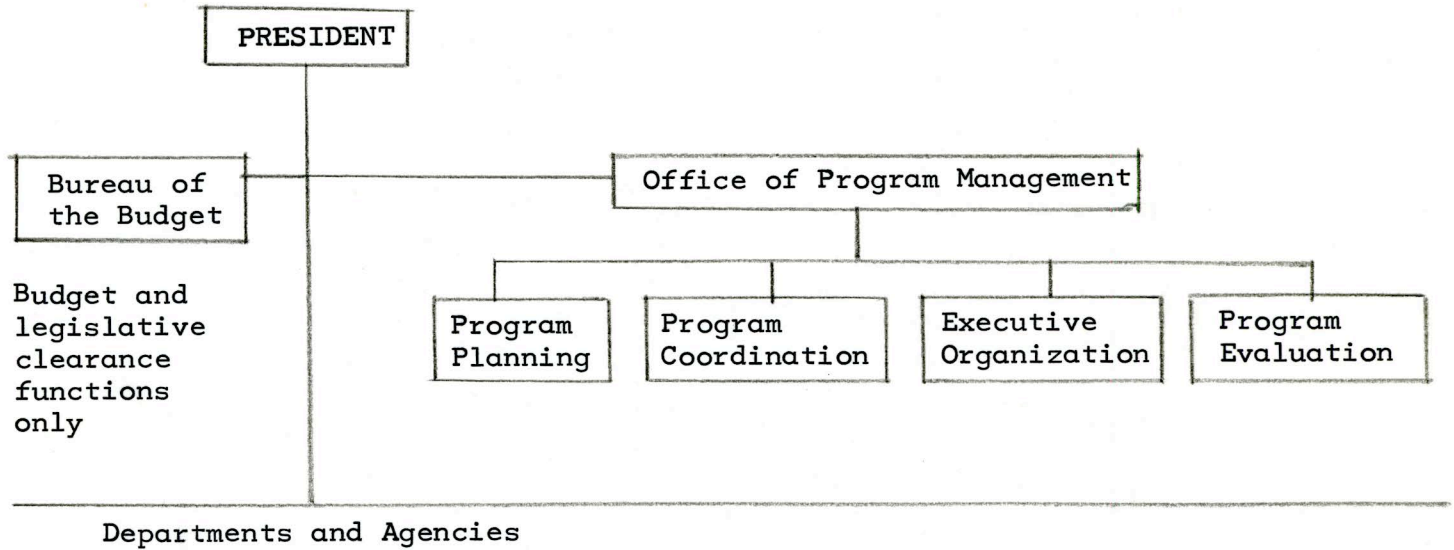


ALTERNATE #1



Setting up such an office would require legislation; it would formalize the function and thus attract concerted opposition by those interested in maintaining fragmented government. Strongly executed and supported it could have substantial impact. Can get best man. (Not recommended at this time, but as soon as President desires to move or as climate favorable for legislation).

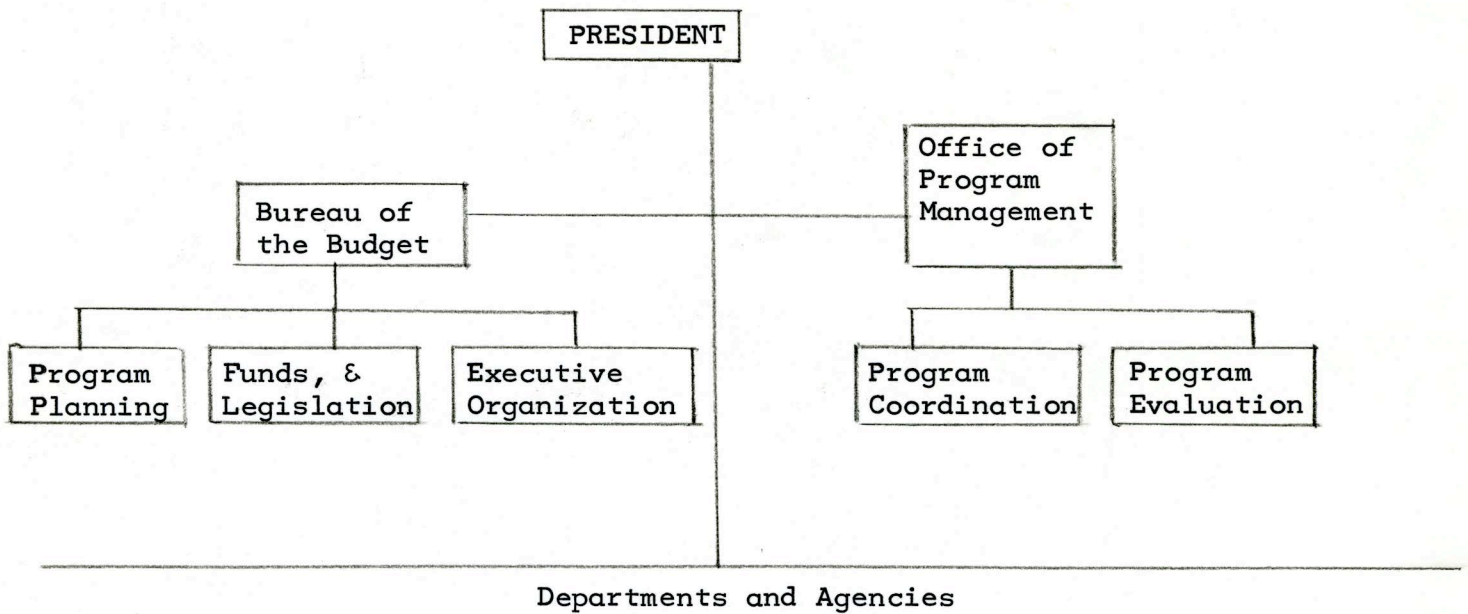
ALTERNATE #2



Would require close coordination between Bureau of the Budget and the Program Office; the President might have to mediate differences.

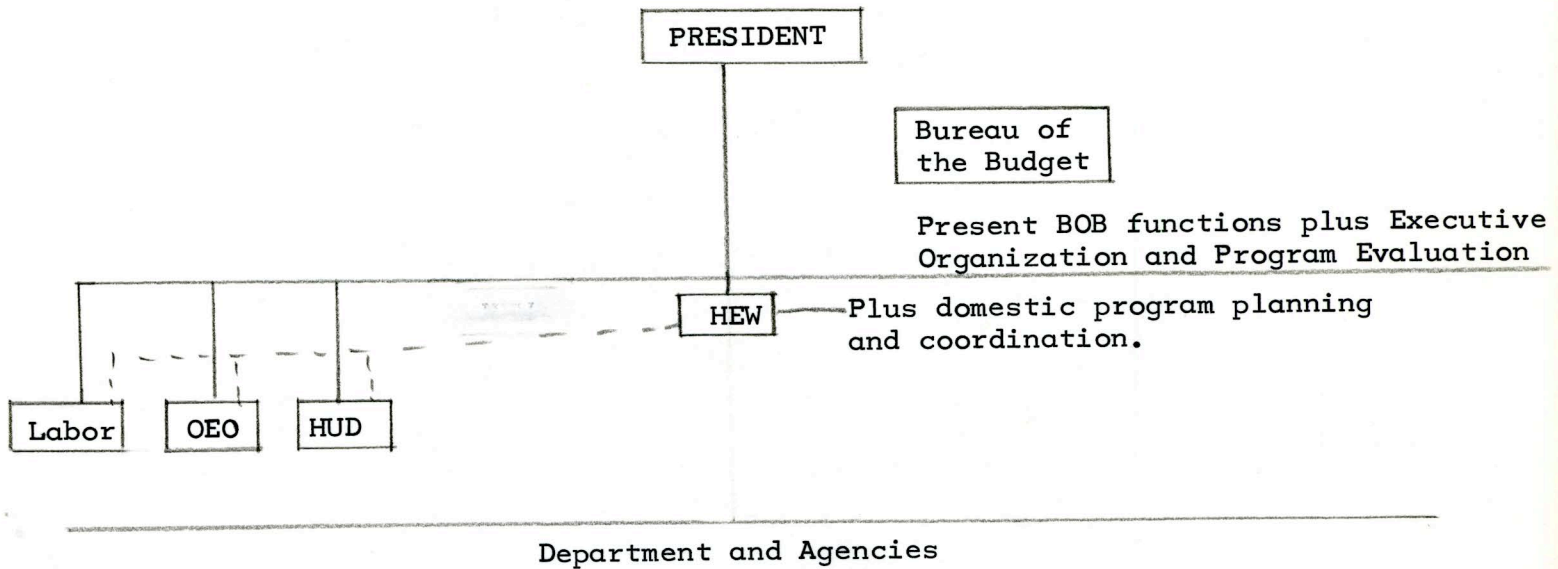
(Not recommended)

Alternate #3



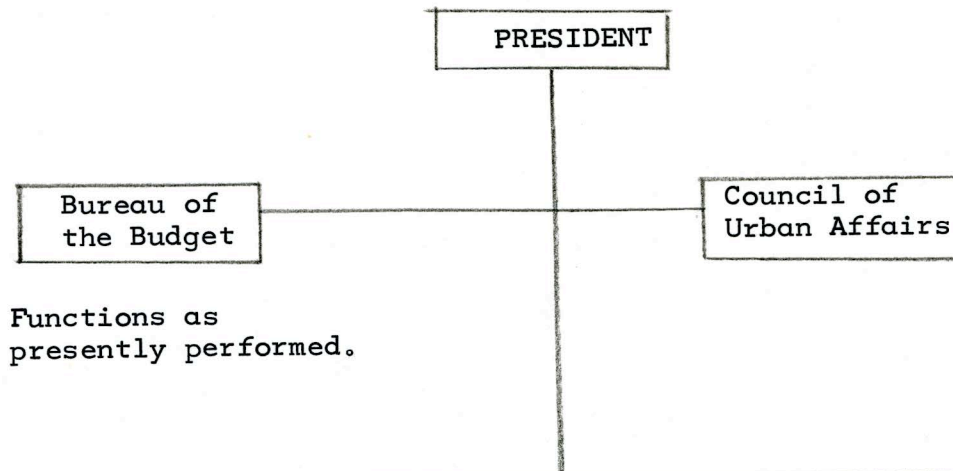
President's mediation required at times. Program planning function would probably be inadequate under Bureau of the Budget. (Not recommended).

ALTERNATE #4



Less effective and awkward when one Secretary has functional authority over others on same level. Executive organization and Program Evaluation functions would not be performed well.

ALTERNATE #5



Functions as
presently performed.

Membership:
HEW
HUD
Transportation
Labor
OEO
BOB

A committee will not be effective for all that needs to be done in this case. For communication purposes, this committee can accompany any of previous plans. (Not recommended as solution to problem, but can be used as effective communications medium.)

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION
WASHINGTON, D. C. 20506

MEMORANDUM

August 20, 1969

For: The President

From: The Advisory Council on Executive Organization

Subject: The Executive Office of the President

These are your Council's first recommendations on the Executive Office of the President that we promised in our memorandum to you of July 19, 1969. They are based on our conclusion that the increased pace, scope, and complexity of national affairs require improvement in the managerial capacity of the President's Office.

We have analyzed studies made since 1939 on Presidential management and conferred with many contributors to those studies. Regardless of ideology or party, there is virtual unanimity that organizational improvement of the Executive Office of the President is needed.

Two of the recent studies were the Heineman Commission Report in 1967 and that of your task force (The Lindsay Committee) in 1968. A June 1967 Heineman Commission working paper on the Organization and Management of Great Society Programs said: "Today there are major gaps in the President's institutional staff. The President lacks institutional staff and machinery to insure that the broad social goals of his policies are achieved through coordinated delivery of a host of federally inspired programs in thousands of individual communities While the President today is served by especially

gifted men their jobs do not allow them time to plan for the long run, to engage in systematic program analysis, to weigh new program ideas and program priorities."

In December 1968, the Lindsay task force on the reorganization of the Executive Branch, recommended "... that the President-elect give first priority to organizing more effectively the White House and Executive Office as the best way to improve the operations of the entire Executive Branch."

We agree with both of these conclusions. We also believe that the structure of the Executive Office pervasively influences the effectiveness of the entire Executive Branch. While most of the management today within the Executive Branch can and should be performed by the agencies*, there are aspects of the overall management responsibility which must be provided for organizationally in the Executive Office. These involve processes and mechanisms through which the President can (1) exercise his own authority more effectively; (2) determine what should be delegated and to whom; (3) insure that delegated authority is being exercised properly; and (4) permit him to reassign or take back, from time to time, the authority delegated.

There are seven of these management processes which must be encompassed within the organization of the Executive Office. In some of these, certain improvements have been made since January 1969; in

* As used in this memorandum, "agencies" includes the departments, agencies and other units of the Executive Branch outside the Executive Office of the President.

others, organizational inadequacies persist. These management processes are --

1. Development of Policies and Programs. The translation of national goals into specific, workable, and consistent action programs is a primary Presidential responsibility. Federal programs have become increasingly interrelated and they often involve more than one agency. For these, no single agency has the necessary overview. However objective an agency may try to be, it cannot be expected to make government-wide priority decisions. Also, some programs which fall within one agency may at times require Presidential perspective in their formulation.
2. Proposal of Legislation and Budgets. Many legislative decisions cut across agency lines or involve political judgments requiring Presidential insight. Similarly, all major budgetary decisions are made in the broad context of national needs and available funds and typically involve not only present but future commitments of the country's resources. Both legislative and budgetary priorities need to be set by the President.
3. Assignment of Organizational Responsibilities. Many program decisions are made without due regard for their organizational implications. When programs are forced into inappropriate molds, their effectiveness suffers. And even when organizational questions initially receive the consideration they require, no one adequately sees to it that

organizational form continues to fit the intended purpose. The result is to lock the Executive Branch into patterns of disorganization that persist into the future. Resistance to organizational change is a principal obstacle to effective government, and yet the complexity, scale, and innovative nature of today's programs demand greater and ongoing attention to sound organization. The President's overview of the Executive Branch provides the only perspective from which to determine the organizational adaptations needed to accommodate ever-changing requirements.

4. Resolution of Program Management Problems. Interagency differences do not always require the intervention of superior authority and it is generally wise to permit the agencies to work out their own differences if they can. But sometimes agencies compromise on issues to their own satisfaction in such a manner that the public interest is not best served and administration policy is not followed. The Executive Office of the President is the only place where some issues can and should be resolved. Perhaps even more importantly, the Executive Office, on its own initiative, must occasionally grasp an operating problem and supply the advice and impetus needed for its effective solution.
5. Evaluation of Programs. An effective agency will evaluate the results of its own operations in order to manage its programs. However, an agency cannot fairly judge overall program effectiveness in multi-agency operations. Differences

in perspective and interpretation between Presidential and agency levels require a capacity in the Executive Office to evaluate program performance.

6. Development of Executive Personnel. Without sound management processes, effective performance is exceedingly difficult. It does not follow, however, that such processes produce good results. Only people do. There is a critical need for first rate government executives. This poses an increasingly difficult problem in the face of intense competition for executive talent. Moreover, the government does not have personnel policies or mechanisms which permit the mobilization of the best managerial talent in the places where the needs are greatest. Individual agencies cannot effectively do the job. While appreciating the present role of the Civil Service Commission, we believe that the President's Office should take the lead in developing programs to recruit, train, motivate, and deploy top executives.

7. Creation of an Information System. Today, the President is not systematically and continually informed about many of the Government's programs. On some matters, he receives a great deal of data, some pertinent, some not. On other matters, he is inaccurately or inadequately informed. Not only does the President lack needed information about activities of the Executive Branch - the agencies in the Executive Branch lack information about their own operations.

The data available suffer from inconsistent definitions, techniques, and coverage. To meet the requirements of the Executive Branch, and to meet the President's singular responsibility, an information system is needed. The impetus for such a system can only be provided by the President.

The Council's Views

Reliance upon the Agencies. Abstract organizational principles, per se, have little value. The challenge is one of reducing to human scale the task of coping with the nation's most pressing and changing needs. The only way to meet this challenge is through greater reliance upon the agencies. The prerequisite is dramatic improvement of the management processes of the Executive Branch, with leadership from the President's Office.

A President whose programs are well designed; whose organizational assignments are plainly set out; and whose information system keeps him adequately informed and signals the need for Presidential attention, may delegate authority with security and confidence. A President whose office lacks these processes will necessarily be less inclined toward delegation and will try, by default, to retain in his control operating responsibilities he cannot possibly handle. Further, if agency heads have clear authority, they will have a greater capacity to manage their own departments as well as to respond to the needs of the President.

Flexibility and Continuity. Each President should have the freedom to organize his Executive Office in the way that will make

him most efficient. To achieve that flexibility the Council believes that the President should immediately seek reorganization authority over his Executive Office.

Continuity of certain basic organizations and functions can greatly aid every President even though each may use the organizations differently. Such organizational structures should endure, therefore, from administration to administration.

Presidential View of the Executive Office. Care should be exercised in adding organizational units reporting to the President. Placing a unit in the Executive Office at a level immediately under the President may well raise its effectiveness by investing it with a claim on the President's time and attention. But that positioning must be at the expense of his attention to other activities and thus may result in a net loss of overall effectiveness. The concepts we are suggesting to provide organizational structure for the seven management functions in the Executive Office make a minimal charge on the President's time.

Transition. We could not fail to note that many of our recommendations are similar to those recommended earlier to other Presidents and, in some instances, by those Presidents to the Congress. Yet the unfortunate fact is that such changes, identified again and again, to make the President's job manageable have not been accomplished, although the need for them intensifies.

On December 3, 1929, President Hoover's first message to the Congress stated:

"This subject (departmental reorganization) has been under consideration for over 20 years. It was promised by both political parties in the recent campaign. It has been repeatedly examined by committees and commissions --

congressional, executive and voluntary. The conclusions of these investigations have been unanimous that reorganization is a necessity of sound administration, of economy, of more effective governmental policies, and of relief to the citizen from unnecessary harassment in his relations with a multitude of scattered governmental agencies. But the presentation of any specific plan at once enlivens opposition from every official whose authority may be curtailed or who fears his position is imperiled by such a result; of bureaus and departments which wish to maintain their authority and activities; of citizens and their organizations who are selfishly interested or who are inspired by fear that their favorite bureau may in a new setting be less subject to their influence or more subject to some other influence."

*copy of
memo
Hamilton
10/1/68*

The world has changed greatly in the past 40 years, but the human problems involved in organizational change endure. They must be directly addressed.

Organizational Concept. We have given detailed attention to several alternatives. Each has in common the establishment of an Office of Executive Management to assist the President in carrying out a part of his management responsibilities. The alternatives differ in the way each deals with the balance of his managerial job, namely the placement and organization of the domestic policy and program development function.

We favor a structure which would vest that function in a Domestic Policy Council with a full time, Level II director and the President as Chairman.

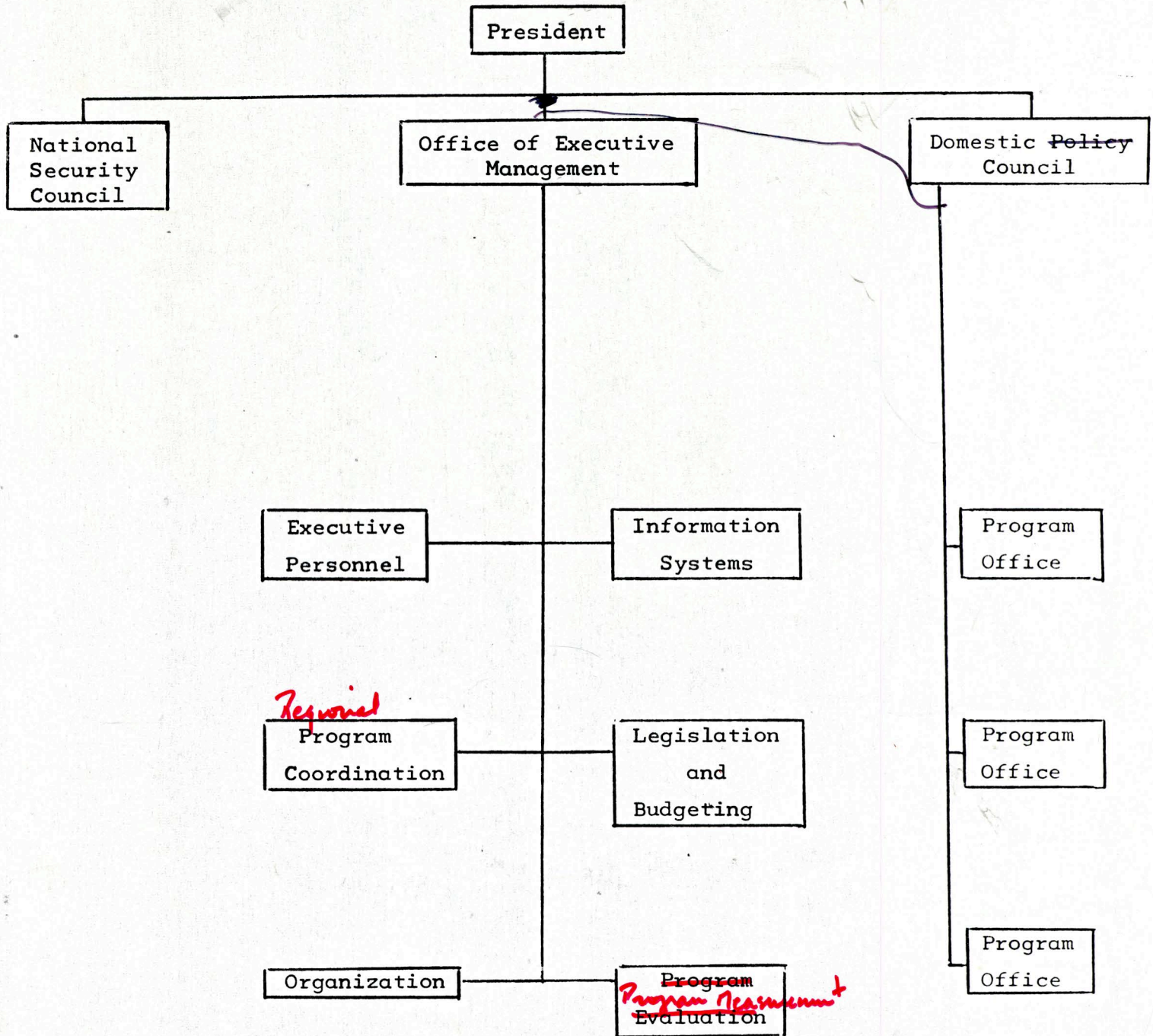
The Domestic Policy Council director would supervise several deputies. Each would be responsible for program development in a broad program area. Existing entities would be considered for

subsidiary responsibilities if feasible, and new units such as one for natural resources, could be set up.

In making these first recommendations, we have not addressed ourselves to the statutory bodies within the Executive Office.

The following chart illustrates our proposed concept.

Conceptual Chart of Part of the Functions
of the Executive Office of the President



In considering the placement and organization of the policy and program development function, we rejected a number of alternatives, including placing that function

- in an office under the Director of the Office of Executive Management;
- in a separate office at the same level as the Director of Executive Management, and also reporting directly to the President;
- in two or more councils each dealing with various aspects of the policy and program development task, and each reporting directly to the President.

The alternative we have chosen, one Domestic Policy Council, provides a place where major domestic programs may be evaluated against each other and against available resources, and integrated for maximum effectiveness. Further, it formalizes the best arrangement for the distribution of the executive workload. This arrangement should substantially contribute towards better management of the Executive Branch.

The Council's Recommendations

1. An Office of Executive Management. We recommend that you approve in principle the establishment of an Office of Executive Management and that you direct us to work out the necessary plans for your approval.

2. A Domestic Policy Council. We recommend that you approve in principle the establishment of a Domestic Policy Council for policy and program development and that you direct us to work out the necessary plans for your approval.
3. Reorganization Powers. We recommend that you direct the Bureau of the Budget to prepare draft legislation giving the President broad powers to reorganize the Executive Office of the President.
4. Executive Personnel. We recommend that you appoint a full time Presidential Assistant for Executive Personnel to collaborate with us in evolving a plan for the development of the Executive Personnel function.

We would hope that this paper be circulated for comment to key members of your immediate staff so that we may have the benefit of their views in developing the implementing plans.

Roy L. Ash, Chairman

George P. Baker

John B. Connally

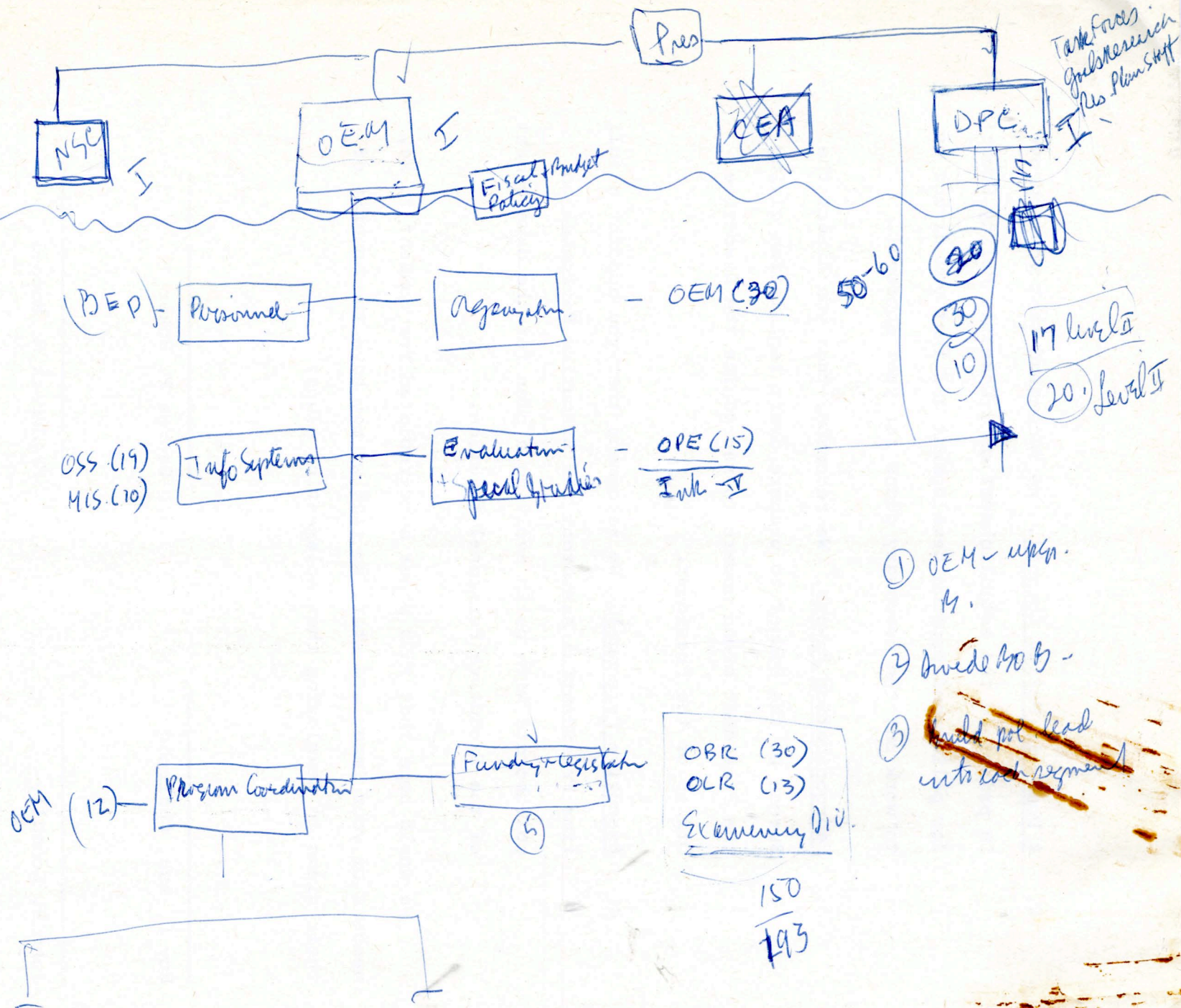
Frederick R. Kappel

Richard M. Paget

Walter N. Thayer

Statute

Flexible



① OEM - upgr. M.

② divide into 6 -

③ ~~could not lead into each segment~~

11/15/68

Bob -

Enclosed are some comments from Brad Nash, former Eisenhower Administration type, about reorganization of the President Office. He recommends the creation of a new Program Office to get away from the present stranglehold which the BOB has over new programs.

Cheers!!!



Hayes Tony W. Ve
HARVARD CLUB
27 WEST 44TH STREET
25425

11/13/68

Dear Charlie -

Possibly the
enclosures will be helpful.
They are based on experience
& observation over more
years than I like to
remember. The suggestions
are readily executable by
order of the President.
Again my best wishes
Faithfully yours,
Ford

THE PRESIDENT'S OFFICE

- I. A new President has a non-recurring opportunity to organize his office so as to marshall, organize and coordinate the programs of his Administration.
- II. The Bureau of the Budget in the past has partially thus acted, thru default of a more effective and appropriate office. The result has been the continuation of dominance over new and imaginative programs by the Bureau's long established, often efficient but frequently "war weary" professional staff.
- III. The President should have a general staff assistant to coordinate the Executive Branch, aided by the other Presidential assistants.
- IV. This Staff Assistant should use two principal aides: 1) a Director of Plans and Programs, and 2) the Director of the BOB. The former to receive from all sources within and without the government, all proposals for future action/legislation, i.e. the President's Program.
- V. The BOB to receive those proposals that the President accepts from the Program Office, thru his Staff Assistant and is responsible for the preparation of the Budget, its funding, and importantly, the follow up to see that the approved programs are carried out.
- VI. The Legislative Reference Office of the BOB should be transferred to the new Program office as the nucleus of the new office, as well as certain duties of the Office of Budget Review.
- VII. The creation of a new Program Office offers many side advantages, such as the opportunity to revise/reorganize a number of BOB divisions so that the new President will have a more responsive and flexible agency at his service.
- VIII. A new Program Office is an administrative function, and superior, to a "domestic Security Council", as sometimes proposed. The latter could only be a consultative council, with all the problems of the "common denominator". Of course the Department and Agency Secretaries and Directors would retain all their present authorities and responsibilities, they report only to the President, but their program would be brought together and adjusted at the Program Office and the BOB.

- IX. A new Program Office would simply bring together and suggest proposals and priorities for the President's Program. The BOB does not now accomplish this function. Despite its recognized capabilities, it is not the vehicle for a new President's Program.
- X. The President's Program is the statement of his intentions and objectives, by which his administration will be judged by the electorate, not to speak of history.

B. D. Nash
11/12/68

PRESIDENT

+

Presidential Assistant
Coordinates Executive
Branch Activities

Director Program
Development

Director BOB

Develops and recommends
all programs and propo-
sals received from De-
partments and all other
sources.

Prepares Budget to
reflect Programs ap-
proved by President,
reviews their execution
thru Presidential
Assistants.

December 2, 1968

MEMORANDUM FOR MR. NIXON

PROGRAM PLANNING FOR THE WHITE HOUSE

1. Introduction. Our November 4th memorandum suggested that the President needs additional forward program planning beyond that which the Departments provide. This short paper responds to a request for further thought about high-level program staffs in the White House or Executive Office.

The President must have at least a limited capacity both to review programs proposed by government agencies and to initiate programs. Bureaucratic organizations cannot be expected either to take a critical view of their own operations or to develop imaginative plans involving capabilities which they do not possess. We observed in our earlier memorandum, "Many of the hardest domestic welfare-urban-labor-education problems require new thinking and planning that cuts across existing departmental lines. The departments often tend to define problems according to their capacity to deal with them -- education grants by HEW, transportation to jobs by DOT, housing by HUD, etc. -- and not according to the broader presidential perspective. In addition, the resources for imaginative thinking are few indeed. The resulting dispersal of responsibility and resources means that many important [planning] jobs won't be done at the departmental level." A similar statement can be

made regarding the national security area. The most conspicuous example is Vietnam. Departments and agencies barraged the White House with recommendations involving their doing what they could do well -- bomb, bombard, search and destroy, provide economic aid, etc. Except at an almost meaningless level of generality, no one thought about alternative goals that might be pursued and how and whether they could be attained.

The White House staff as constituted in recent decades cannot fully meet the resulting need. It will usually be preoccupied with information-gathering, general management, and trouble-shooting. Nor can ad hoc task forces or advisory groups fill the gap. Reporting at a level of generality seldom translatable into concrete programs, task forces usually produce suggestions rather than plans.

The new administration should establish at the beginning some mechanism to provide both effective planning at the presidential level and a stimulus for more creative planning by departments and agencies.

2. The basic idea. On those issues of greatest social or political importance where departmental planning mechanisms are least adequate, you need sustained, systematic, and high level thinking about national objectives and alternative ways of attaining them. What, for example, should be the objective of federal activities in urban areas -- an improvement in the tax base for local governments, higher per capita income, net reduction in urban population, etc.? Only at the center of your administration will a staff consider the problem as a whole. It will also be true in the national security area that only a central staff can be expected to ponder our national objectives in, say, Southeast

Asia without agency or service biases. To think systematically about such problems you and your principal advisers need some organized assistance. Leaving aside, for the moment, organizational details and alternatives, we propose that your top-level policy-program assistants undertake, in their respective areas, the following tasks:

(a) Oversee task forces. Your assistants should analyze past task force reports and, where necessary, create new task forces to examine for the President current and prospective problems and to outline objectives that he might pursue. The task force device is an admirable way to learn the thinking of outsiders and to determine how well-developed such thinking is.*

(b) Direct a special presidential planning staff. Your assistants would organize special planning groups to analyze selected problems and to develop programs for presidential action. Such groups would be temporary. Members would be appointed from the outside or borrowed from other government agencies -- career people and perhaps presidential appointees as well --

* An important tangent: Task forces can help the President to keep ahead of Congress and others. Instead of being forced always to react, often defensively, to outside pressures, the President should sometimes be ahead of the crowd. He can occasionally act or propose legislation in advance of external pressures. More often, if he wishes, he can reveal his vision of the future. He can suggest that his administration is thinking about idea X or Y. There are two obvious problems. First: if the President admits the existence of a problem and discloses some of his thoughts, he will later be pressed to give status reports and to explain the absence of a concrete proposal. The fact is, however, that an administration must constantly justify its inaction on a thousand fronts. The incremental burden from disclosing new ideas in the works may be quite small. Second: revealing an idea under exploration may generate opposition that is avoidable on two counts. The disclosed idea may never see concrete embodiment. Alternatively, any later detailed and concrete proposal might be sufficiently worked out to defuse or neutralize the opposition. Thus, early disclosure would have real costs. But those costs may be more than offset by the sense of trust, movement, excitement, and involvement that comes from letting the nation know that you perceive its problems and are struggling creatively with them.

to perform a particular assignment of specified duration. Each problem group would consist of a few men, working full time for a few weeks for some tasks to a year or more for others. Group members should be given access by presidential authority to all necessary sources of information within the government and should have funds with which to commission outside research. Each group should have staff of its own drawn from executive agencies (including the Budget Bureau). Perhaps one assistant Budget director should be charged with responsibility to assist these groups in working with the departments and in providing clerical and administrative services. The planning operation should have no permanent bureaucracy of its own.

Each group would analyze the objectives to be pursued and feasible courses of action open to the President -- taking into account political factors and the limitations of all relevant units of government including, where appropriate, state and local governments. Each problem group would prepare a detailed report stating and explaining its conclusions and recommending any requisite legislation or executive orders and the sequence of administrative measures necessary for effective implementation. While a group is in existence, moreover, you and your assistants could take counsel with it or its members on matters within their competence.

3. Possible alternative: An autonomous Executive Office Unit. A program planning office could be an autonomous unit within the Executive Office. Without the "muscle" of the Budget Bureau or of the White House, this office would not receive the full cooperation of the departments. And

undue divorcement from the more immediate action responsibilities of Budget or White House might make this office too "ivory-tower" for relevant program formulation. It is true, of course, that program formulation progresses from the remote and general to the more concrete. An "ivory-tower" operation is useful at the first stages. To be of maximum service, however, the contemplated office would have to carry its work through to the final stage of preparing, in close cooperation with the departments and Budget, concrete legislative and administrative recommendations. For this purpose, a program planning office would have to have continuing interchange with current "doers." We fear that an autonomous planning office would be too weak and isolated to prove effective.

4. Possible alternative: Single White House Planning Assistant.

A White House assistant charged with planning might have the requisite "muscle." This would be true, however, only if he had, and were known to have, frequent access to the President. If his only function were long range planning, he would not need such access and might become as weak and remote as if he were in an autonomous Executive Office unit. If, on the other hand, he were regularly brought into policy-program discussions between the President and his operating program assistants, he could become a hindrance or an Adams-Sorensen type bottleneck.

Moreover, the planning we envision cannot easily be classified as long-range or divorced from current action problems. Real problems have both short and longer range aspects. And policy is necessarily formulated in preparing press conference answers, replying to congressional requests, deciding what to press and what to forego in winning or fighting.

legislation, and signing or vetoing the results. And policy statements are the essence of the major annual messages (State of the Union, Budget, and Economic Report) and later particular messages on such matters as agriculture, consumer protection, and transportation. Each such statement has program implications, though they are seldom analyzed in advance.

What is needed is some linkage between the continual process of policy formation and systematic analysis of policy alternatives and their consequences. Such linkage cannot, we believe, be the special province of a single presidential assistant. He would either become a bottleneck or lose touch with the streams of policy monitored by operating assistants. If program planning is to be useful to you, it should be supervised by those of your top-level program advisers who have action responsibilities in the policy area. Any in the national security area, for example, would be organized by your national security assistant.

Organizing the planning effort in this fashion will ensure selectivity. On most issues, your staff will not want a concentrated planning effort. They can simply review and coordinate agency planning, perhaps consulting knowledgeable outsiders as a guarantee against unduly parochial departmental approaches. No more than a handful of problems -- perhaps three or four at a time -- will be so important and so unsusceptible of more routine handling to require the special procedure we suggest.

5. Possible alternative: The Budget Bureau? Although the Budget Bureau does not perform intensive program planning, we assume that it could do so, either by adding new segments or by becoming a different agency that subsumed present Bureau functions.

The bureau is, in many ways, a natural home for such activities. It has an almost-presidential perspective. It has considerable capacity for analyzing the costs and administrative feasibility of alternative programs. It can work out detailed requirements for program implementation, including the requirements for new legislation or executive orders. And it has some leverage for inducing cooperation by departments.

The highly selective program planning that we envision, however, requires small ad hoc groups that come and go. They need to be made up of the very best men from government agencies, corporations, law firms, foundations, and research centers. At the outset, at least, such men would be more attracted by a White House than by a Budget Bureau connection. Also, initial location (nominally, not physically) in the White House would demonstrate to the departments the President's interest and backing.

Later, the planning function might be assigned to a reorganized Budget Bureau. After the new Budget director has settled in and dealt with the more urgent matters before him, consideration might be given to reorganization and to the possibility that one Assistant Director be specifically charged with managing intensive planning and coordinating departmental planning activities. On balance, however, we would urge that the contemplated planning operation not be delayed until the Budget Bureau can be reorganized.

6. Organizational details. The planning groups could be clustered under any of a number of titles, ranging from something innocuous like Executive Office Special Projects to something perhaps unduly pretentious,

like White House Policy Planning Council.* Though there would be advantages to attaching them to the White House Office, there would also be potential disadvantages. The White House staff list might become too long and the groups might on occasion include academics with strong Democratic allegiance. All that is important is that the overall title, the terms of invitations, and the physical facilities provided be such as to attract the very best talent and that each group be so recruited, organized, and located as to be of maximum utility to the presidential assistant with whom it will work.

* "Commission" suggests a single responsibility. "Council" may suggest that the special staff works as a collegiate body. "Policy" will attract every individual or group with a complaint about any government policy. "Planning" avoids the last burden. "Executive" seems remote and abstract. "President's" could do the job. "White House" is very prestigious but might be too intimate. You might consider:

National White House President's	Advisory Planning Program planning Program Policy	Council Staff Office
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