

BOOKS:

# Can We Do Anything Right?

A review by Jack W. Carlson

---

## **The Analysis and Evaluation of Public Expenditures: The PPB System.**

(Three Volumes.)

Compiled by the Congressional Joint Economic Committee.

Government Printing Office. Three volumes: \$5.25.

---

Bureaucracy is going out of vogue as the chief whipping boy for ineffectual performance in government. Critics no longer complain merely of red tape, paperwork, or duplication. Today they are warming to a more serious notion: that no program, however well managed, contributes enough to the national well-being to justify its costs. An increasing number of critics are also beginning to say that the federal government has developed two defects that are central to its existence: (a) it does not know how to tell whether many of the things it does are worth doing at all; and (b) whenever it does decide that something is worth doing, it does not know how to create and carry out a program capable of achieving the results it seeks.

What has made the growing concern transcend the narrow, standard complaints about bureaucratic bungling is the scale of waste; many Americans are convinced that it literally encompasses billions and billions of dollars. The dissatisfaction is not expressed only by

demonstrators who doubt our national values; it comes also from believers in those values. Witness Senator William Proxmire (D-Wis.), chairman of the Subcommittee on Economy in Government of the Congressional Joint Economic Committee:

Our recent hearings...confirmed my worst suspicion about the gross inefficiency in public programs... neither the executive branch nor the Congress exercises effective control over the budget and the allocation of federal revenues.

The problems might be tolerable if the government's scope still covered only a few select areas of society. But it is far more serious when the federal government directly collects and disburses \$193 billion a year and indirectly mandates many other dollars, through state and local matching requirements for federal grants-in-aid and also through private expenditures that must conform to federal standards. What the government does *not* collect is no drop in the

Jack W. Carlson is Assistant Director for Program Evaluation of the U.S. Bureau of the Budget.

bucket either. Former Secretary of the Treasury Joseph Barr estimates that about \$50 billion a year stays out of the federal treasury through special tax provisions, thus affecting both the tax burden on others and the allocation of the nation's resources.

The sheer magnitude of these billions makes the perceptions of critics like Proxmire disturbing. After all, generations of embattled federal Budget Directors have learned that everything in the budget is in there because somebody wants it, and wants it badly enough to fight hard for it. At the same time, of course, demands for new expenditures rise every year.

Even the proponents of decentralization and community control are thinking in terms of more federal funds; what they usually seek is decentralization of funding, but no reduction in total expenditures. Nor, as Senator Proxmire argues, is Congress likely to provide an effective brake on demands for more funds. Indeed, the legislative process tends to insure that budgets will go up, since members of Congress so often succeed in securing seats on committees which determine what the level of federal expenditure shall be in those categories of funding that lie closest to the heart of their home constituencies.

As an institution, then, the federal government finds itself caught at the center of three forces:

- High and rising demands for programs that effectively solve problems;
- High and even faster-rising dissatisfaction with tax levels;
- Bitter disagreement over priorities for public expenditure.

Any effort to contend with these pressures clearly involves intellectual and practical questions of the greatest difficulty. How does one evaluate a government program? What gains and losses should be taken into account? Given the paucity of information in so many areas, how does the government

find out what the gains and losses are? How does one develop and compare policy alternatives? What programs are ineffective? What programs do more harm than good? How does one analyze or display the distributional effects of programs? How can the future implications of present decisions be foreseen (and fed into the decision process now)? How can the quality of policy debate be improved so that fights focus on facts instead of on hopes and fantasies? How can government protect people from the brutalities of change without institutionalizing obsolescence? How much should it try? How does the government develop the capacity to analyze the arguments of special interests and to separate the legitimate from the mendacious? When does a basically good program reach the point of diminishing returns?

Eight years ago, the Defense Department pioneered in creating an analytic framework and procedure for asking and answering such questions. Four years ago, the federal government began imposing this innovation on many of the civilian agencies. Since then, the Planning-Programming-Budgeting System—known variously as PPBS and as PPB—has become a topic of lively interest and controversy.

The most tenacious students of PPBS in Congress have been members of Senator Proxmire's own Subcommittee on Economy in Government, which has been scrutinizing the theory and practice of PPBS almost since its introduction. This year, for the convenience of anyone with a high toleration for small print, the subcommittee issued what is certainly the most comprehensive, and probably the best, examination of PPBS so far. Called *The Analysis and Evaluation of Public Expenditures: The PPB System*, it is a three-volume compendium of 50 papers which range from works on public-expenditure theory to single-agency evaluations of the status of

PPBS. It also includes some of the best recent works on the processes and problems of governmental decision-making.

As the compendium notes, President Johnson, when he himself became a missionary for PPBS in 1965, expressed the hope that it would enable public decision-makers to:

- (1) Identify our national goals with precision and on a continuing basis;
- (2) Choose among those goals the ones that are most urgent;
- (3) Search for alternative means of reaching those goals most effectively at the least cost;
- (4) Inform ourselves not merely on next year's costs, but on the second, third, and subsequent years' costs of our programs;
- (5) Measure the performance of our programs to insure a dollar's worth of service for each dollar spent.

Most observers do not need to be told that the government has yet to achieve these utopian results. Indeed, criticism of governmental decision-making has accelerated since the first large-scale expansion of PPBS in 1965. Yet both the overwhelming majority of contributors to the three-volume study, as well as the members of the Joint Economic Committee itself, are convinced that improvement in government decision-making will result from proper use of the basic managerial tools that comprise PPBS. According to the Bureau of the Budget's contribution to the compendium: "Useful analysis... has increased by about 200 per cent during the last four years." This increase probably would not have occurred without the stimulus of PPBS.

The compendium refers to several examples of the beneficial role analysis has played. For example, during 1966, various citizens' groups called on the government to combat the rising level of environmental pollutants. Several public opinion polls showed that the nation considered environmental quality

a more pressing social problem than the Vietnam war or law and order. In the case of controlling pollutants from stationary sources (i.e., everything but cars), policymakers at first thought that national emission standards limiting allowable pollution were the best way to tackle the problem. Also, they thought that the burden on industry for air-pollution abatement would be at least \$10 billion per year and that, therefore, the general taxpayer should help industry pay for reducing the trash thrown into the atmosphere.

The government made studies of these problems, and the results were astonishing. They showed that the introduction of national standards for air pollutants from stationary sources would cost at least twice as much as a program limited to the geographic areas where air pollution is a problem. Furthermore, the studies concluded that the total cost could be reduced by at least another 50 per cent if abatement were only selectively required within each "air shed." As for the cost of air-pollution control, it appeared from crude data that the cost might average less than one-sixth of one per cent of production costs for the affected industries

*New*

### *The Idea of a Party System*

*The Rise of Legitimate Opposition in the United States, 1780-1840*

*Richard Hofstadter*

In this discussion of a fundamental problem in the development of American political thought the author takes as a point of departure the fact that the Founding Fathers feared political parties and framed a Constitution intended to control and counteract them, and yet began to develop a party system as soon as the nation was in being under the Constitution.

1969 LC: 76-82377 280 pages \$6.95

 *from California*

University of California Press  
Berkeley 94720

and 25¢ per month per household in cities over 50,000. This was hardly an inordinate amount for industry to pay when labor costs in recent years have risen by more than four per cent per year. And the burden on households would be only one-ninth of one per cent of personal per capita income. Because of such studies, the following things happened: the Clean Air Act provided for the abatement of air pollution in air sheds; the government decided to pursue administration of the Clean Air Act more vigorously; and industry's proposals for tax advantages and government grants were rejected on two grounds—that abatement costs were not excessive for most industries and that pollution abatement should be considered a cost of production (and should therefore be paid by the purchasers of the affected products).

Judging from these and other examples mentioned in the compendium, it is understandable why the JEC concluded that the studies alone could easily justify the \$20 to \$40 million that PPBS may cost each year.

However, the biggest accomplishment of PPBS may well be the increasing recognition that analytic arguments are useful. Listen to what Charles Schultze, former Director of the Bureau of the Budget, says in his contribution to the compendium:

The most frustrating aspect of public life is not the inability to convince others of the merits of a cherished project or policy. Rather, it is the endless hours spent on policy discussions in which the irrelevant issues have not been separated from the relevant, in which ascertainable facts and relationships have not been investigated but are the subject of heated debate, in which consideration of alternatives is impossible because only one proposal has been developed, and, above all, discussions in which nobility of

aim is presumed to determine effectiveness of program.

This situation, believe it or not, is slowly changing. Alternatives are being developed, along with an awareness that good judgment can become wisdom when combined with good analysis. Thus the framework of PPBS and the systems-analysis approach have achieved some legitimacy.

Evaluation of existing programs—that is, finding out what they do and what they fail to do—is also gaining wider use as a means to help set priorities. Such evaluations can determine the ways in which a given program is or is not meeting its intended goals.

In the case of Social Security, for example, an analysis showed that of the people receiving benefits from Old Age and Survivors Insurance only 31 per cent are poor and only eight per cent are black. Obviously this program was not designed to assist the poor. But the information demonstrating how little it helped the poor became useful in suggesting other approaches to the problem of the poor, such as the proposed family-assistance program.

Similarly, an evaluation showed that Aid to Federally Impacted Areas does not really help school children in the central cities, since only five per cent of the program's beneficiaries live in the central cities. Most of the benefits accrue to children and schools in the suburbs.

If such analysis is so useful, then why hasn't it been more successful? The JEC study attempts an answer.

First, many people expected too much. This may reflect the overselling that occurred among the pioneers of this approach, both in the Defense Department and elsewhere. Also, the President's statement initiating PPBS was excessively optimistic as to its likely results, at least during the first four years. The improvements have been

steady but modest.

Second, a study of 17 agencies revealed that the interest of agency heads was decisive. When agency heads were unresponsive, policy analysis and planning in their areas of responsibility reflected their lack of interest.

Third, PPBS lacked the support of "important Congressional committees and Congressmen" or encountered outright opposition. If Congress had expressed an interest and demanded more policy analysis and program evaluation, it probably would have reinforced the executive branch's efforts and accelerated improvement.

Fourth, although about 1,000 new positions were created in the major executive departments and agencies, only about one-third of these were filled by personnel with the analytic skills necessary to handle PPBS satisfactorily.

The compendium also includes criticisms of the direction PPBS has taken. In his paper, Professor Aaron Wildavsky of the University of California suggests that overemphasis on program structure has had an adverse effect on policy analysis. Too many policy analysts spent their time merely identifying a better form for displaying financial data, Wildavsky argues. They should have spent more time analyzing major policy issues where the payoff was obvious.

Another criticism, offered by Dr. Allen Schick of the Brookings Institution, is that PPBS is excessively tied to budgeting. He contends that the budgeting process is basically "anti-analytic" and therefore "creates an inhospitable environment for policy analysis: rigid traditions and time schedules, the insularity of budgeting from outside happenings, and the reluctance of budget officials to depart from traditional programs or areas of concern." In short, he argues that budget-makers have too narrow a perspective to engage in policy planning.

Decision-making can also fail to address the problem of incentives. Charles Schultze contends that many federal programs create an incentive structure that almost guarantees inefficient results. He puts forth the following examples:

- Flood-control policies encourage uneconomic use of flood plains by providing free, or at least cut-rate, protection to the individual. Development of alternative sites or individual flood-proofing or insurance are not considered.

- Health programs encourage inefficiency by reimbursing hospital expenditures automatically, so that higher costs are passed on without challenge.

- Tax policy contributes to urban blight because capital-gains laws favor speculative investments. This discriminates against investments which would bring about maintenance and repair but would only produce ordinary income.

However, even if the failures of PPBS are overcome, there is still no guarantee that wise decisions will become automatic. Judgment is always necessary, even with the best policy analysis, planning, budgeting, and policy execution. And when it comes to the exercise of judgment on the proper objectives for public programs, one man's meat will always be another man's poison.

Yet it would be much easier to evaluate programs if there were unanimous agreement as to what a given program is supposed to accomplish. For example, analysis of the Institutional Training Program of the Manpower Development and Training Act indicates that average net earnings gained by participants in the program during the subsequent five years are 250 per cent of the per-trainee cost. Two-thirds of the recipients are poor and 40 per cent are under 21 years of age. On the other hand, similar information on the Neighborhood Youth Corps' Out-of-School Program suggests that this program increases the average

# Africa for the Africans

BY  
G. MENNEN  
WILLIAMS

Ambassador  
Williams' stirring  
account of  
his five-year  
service as

Assistant Secretary of State  
for African Affairs. Discusses  
our African foreign policy;  
details the growth of U.S.  
interest in Africa; explains  
reasons for our concern with  
Africa; and examines the  
depth of the American com-  
mitment in terms of diplo-  
macy, trade, aid, investment  
and Peace Corps activity.  
Cloth, 224 Pages, \$5.95.

G. Mennen Williams was  
Governor of Michigan for  
six consecutive two-year  
terms, from 1948 to 1960.  
President Kennedy then ap-  
pointed him to the African  
post.



9-25  
At your  
bookseller's



WM. B. EERDMANS  
PUBLISHING CO.  
Grand Rapids, Michigan

earnings of participants by only 120 per cent of the per-trainee cost; however, in that program all of the participants are poor and under 21. In order to choose the desired mix of programs or for possible reorientation of each program, a weighing of each objective—income increases, assistance to poor people, assistance to youth—is necessary. But we have no objective social basis for assigning a specific value to a dollar transferred to a young person versus one spent on the elderly, or to a dollar transferred to a poor versus a non-poor person. Policy reflects the values of the policy-maker.

The weights attached to each objective, moreover, are likely to differ for each participant in the decision-making process. The weight that a Cabinet Secretary may attach to each objective when he makes recommendations to the President may differ markedly from those that the President attaches when he makes recommendations to the Congress; and each of the committees may attach still different weights when they make recommendations to the entire Congress.

But the measurement of the *achievement* of each objective will at least allow each participant to argue more knowingly and responsibly for his set of values. Therefore, PPBS promises to sharpen political bargaining, separate the relevant from the irrelevant, show the results of alternative decisions now and in the future, and provide feedback from actual performance.

In summary, the PPB System is worth the investment. It has received bipartisan support from both a Democratic and Republican Administration. However, it is only in the development stage, and its potential is yet to be realized. As improvements are made—and they are now planned—legitimate claims that government programs are ineffective, inefficient, or counter-productive will obviously not cease. But it seems a good bet that they will diminish. ■

**Our #1  
disgrace...**

The truth behind the shocking phenomenon of hunger in America is here in this fast-moving, dramatically presented indictment of public apathy and government neglect.

"The Pulitzer Prize winner... distinguishes himself with his fine narrative style and his ability to maintain his sense of justice in his shocking, incredible story of man's inhumanity to man."

—PUBLISHERS' WEEKLY

"Should be read by all who enlist in this most humane struggle."

—SENATOR JACOB K. JAVITS

"LET THEM EAT PROMISES has a message of hope... America must hear that message."

—MAYOR CHARLES EVERS

"A story every student of government should read... revealing expose."

—CONGRESSWOMAN SHIRLEY CHISHOLM

\$6.95

**...hunger!**

# LET THEM EAT PROMISES

The Politics of Hunger in America

by **Nick Kotz**

Introduction by

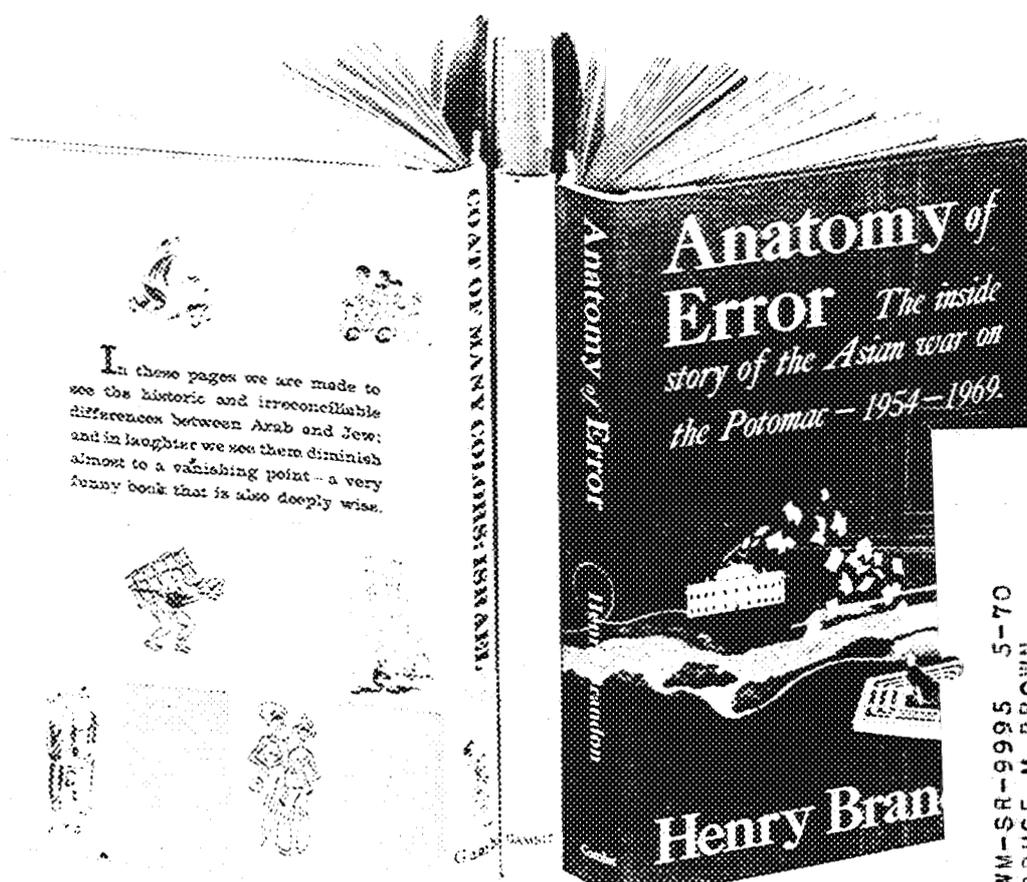
Senator George S. McGovern



At your bookseller or by mail:

**Prentice-Hall**

Englewood Cliffs, N.J. 07632



**Coat of Many Colors: Israel**  
 GEORGE MIKES

"Mikes, however, chiefly draws his running portrait by means of a delightful bag of anecdotes, vignettes, jokes . . . of Israel's Jews and Arabs alike. His book is bright with irony and affection."

Publishers' Weekly \$4.95

The **Demonstration**  
 in **Pushkin Square**

PAVEL LITVINOV

"A rare look at the spectacle of Soviet 'justice' . . . Litvinov, grandson of Stalin's Foreign Minister . . . reveals . . . the skill, wit and bravery with which the defenders utilize their limited maneuvering space." Kirkus Reviews \$4.95

**Anatomy of Error**  
 HENRY BRANDON

"The story Brandon tells is lucid and persuasive and there are numerous dividends from his patient attention . . . there's a lot of good in what he's done."

John Kenneth Galbraith in **BOOK WORLD** \$4.50

