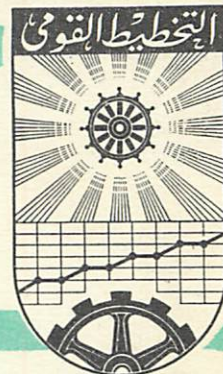


# UNITED ARAB REPUBLIC

## THE INSTITUTE OF NATIONAL PLANNING



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RECENT PUBLIC MANAGEMENT DEVELOPMENT  
IN THE  
GOVERNMENT OF THE UNITED STATES OF AMERICA

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Introduction

It is now ten years since I spent parts of two years trying to understand the government and managerial methods and problems of Egypt. At that time I sat at the feet of many of your most involved and dynamic revolutionary and political leaders, your best informed intellectuals, and your most experienced civil servants. I went into the field to see the beginnings of your Governate operations and to try to feel what was happening in your new industrial towns and your traditional villages. That was a long time ago; much has happened since then. Having once tasted the waters of the Nile I have, of course, returned four or five times to see my old friends and to make new ones. On one occasion I visited a number of your enterprises and talked intimately with a score of your managers to learn how socialism works in the industrial field.

I mention the antiquity of my knowledge not so much to place myself under the jurisdiction of the Minister of Culture and the Director of the



Museum as to let you know that I know how dated I am. The last thing I can do is to suggest what you should do in Egypt now.

Your Minister of Finance has suggested that I describe and explain some of the more recent developments in governmental management in the United States that may be suggestive to you. I hesitate even to try this because every time I turn around in the USA I meet a smart Egyptian minister, director general, or professor examining our more recent developments. However, different people see different facets of a situation, so perhaps my observations may be of interest.

#### Major Developments

In the perspective of history things that now seem significant can fade away. Thus it is always risky to make a list of current happenings and to tag them as "important" or "unimportant." I have however, picked four recent developments in the structure and managerial system of the government of the USA for special mention here, though I reserve the privilege of changing their order when the passage of time permits a better perspective. The four I have selected are:

1. The new Office of the President.
2. The new inflation control machinery.
3. The new structure of the postal services.
4. The new effort to rescue the railroads.



I think the first, the new system of the Presidency, is much the most significant. Consequently, I shall cover my list in reverse order and devote most of our time to the President's Office.

### The Railroads

The American railroad system, once the pride of the land, the major instrument for opening up the continent to settlement and development, the dream of all small boys, and the speculative plaything of financial giants and politicians, finally came on evil days after 1920. Pipe lines, tankers, the substitution of oil for coal, automobiles, trucks, and airplanes crippled the railroads. They took away passengers and freight especially because the railroads did little or nothing to modernize themselves or to exploit the new service needs of the American economy. Most authorities in the USA blame railroad managements because they were more fiscal in their thinking than managerial, technological, or customer-minded. I personally would put the blame not only on those factors but also on misguided policies of government regulation that made research and development impossible for railroad managements, and the failure of the government to develop national planning for transport as a comprehensive element of the national economy. With no such planning, the government discontinued subsidies for the railroads and taxed them heavily just when it was building highways at a great rate, supplying them "free" to automobiles and trucks, as well as subsidizing air and freight systems, both of which were



developed technologically with government subsidies and orders.

When it was realized that the highways and airlines could not meet the need for moving commuters and goods, especially in and around major population centers, the rail systems were already bankrupt and in no position to meet the demands for their own modernization. The government took a hand first through subsidies, supplying new rolling stock and signal systems and underwriting credit. When this proved nothing more than a stopgap, the government moved in to take over the management and finance, and to run new "fast trains" between the major cities of the Eastern seaboard. A new governmental agency was hastily created to administer this service, the Department of Transportation. This Department was headed by a Secretary of Transportation, appointed by the President and a member of his Cabinet like other Secretaries.

To this department were transferred most of the other government activities that concern themselves with transport including the Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, the St. Lawrence Seaway Development Corporation, and the Urban Mass Transportation Administration. Each of these agencies has its own research, planning, and development staffs and several of them have important regulatory powers. The Urban Mass Transportation Administration is surveying local commuter needs and is helping to finance local efforts to save commuter services in the hope that this will prevent a final collapse



of commuter rail services and throw an intolerable burden on the local streets, bridges, and highways in already over-crowded metropolitan regions.

The department is making comprehensive overall national plans, paying for several promising experimental and research projects. It is financing a number of reasonably successful "fast" trains between the major cities of the Eastern Seaboard, though the speed is limited by the existing rails and other obsolete facilities.

Thus from a management standpoint it will be noted that the central government has assumed responsibility for planning, integration of rail policies with highway and air policies, research, development, and financing at least on an interim basis. While this assumption of responsibility is important, little has been accomplished to date though the stage is being set for a highly significant and expensive program of comprehensive transportation development in the years that lie ahead.

The American people are as yet only dimly aware of the tremendous true costs of their beloved private automobile transport system. The education of the public and the planning and development of a new integrated system are now responsibilities in the hands of a regular government department whose head is appointed by the President.

#### The Postal Service

After running the postal services under a regular department of the national government for over 200 years, the President and the Congress



decided in 1970 to shift the management from the Post Office Department over to a new independent public corporation. They hope this will encourage the adoption of "modern business methods" in postal services, make the postal system self supporting, and relieve Congress of the politically embarrassing task of fixing salaries and raising postal rates, especially those falling on news media and advertisers.

An important factor in the adoption of the new system was a postal strike that threatened to disrupt the national economy with our heavy reliance on regular and inexpensive delivery through the postal service.

The new corporation has a board of 11 men appointed by the President that selects a general manager, the Post Master General. He ceases to be a member of the Cabinet and is "out of politics." Postal rates will be set by the Board of Governors after hearings by a Postal Rate Commission of five. The first increase of rates has already been made. As a consequence certain types of parcel and advertising deliveries have already been shifted to private distribution channels. We shall find it interesting to see what a competent business manager can do with the postal service, freed from politics and with all the new technological devices that are now available.

### Inflation Control

Over the last five years the United States has been faced with an inflationary spiral of such proportions that inflation was becoming a serious political issue. An unusual factor in the situation was that there was also



a serious and rising level of unemployment. Both the Johnson and Nixon administrations had used fiscal, monetary, and import-export devices to stem the price rises, and had sought to restrain wage increases. They also adopted a deficit budget policy to finance the war and to reduce unemployment, with the result that the upward spiral continued and further dislocations clearly were ahead. The pressure on the dollar internationally also was serious. In the face of this situation the President took sudden and drastic action in August 1971 to freeze prices, wages, profits, and rents, to terminate convertability of the dollar into gold, and to set a new ten percent tax on imports.

While certain of these restrictions were imposed under regular powers, the wage-price controls were based on temporary power (what you would call "decree powers") good only for 90 days, given to the President by the Congress in 1970 though he had not requested them at that time. It was necessary for him to ask the Congress to ratify and extend the system he had set up to enforce the freeze, and to bend their severity to meet individual cases of hardship or impracticality. This was done by the Congress with much grumbling but with little solid opposition before the end of the 90 days.

The resulting machinery is of interest from the management viewpoint. It consists of three boards; the Wage Board, the Price Commission, and the Cost of Living Council. These boards are all appointed by the President and include members of his official family and representatives of the public.



For example, major labor leaders are members of the Wage Board, as are major employer representatives. The boards are standard setting, rule making, hearing, and adjudicating bodies. Their chief functions are in rule making and enforcement, most of which is by public pressure though they have on rare occasion gone to court, via the Federal Revenue Service and the Department of Justice which handle the final court cases. No case has reached the Supreme Court as yet, but it is generally assumed that Mr. Nixon's court will sustain Mr. Nixon's wage and price boards provided they continue to be reasonable and follow due processes.

The new machinery and policies do appear to have slowed down the vicious upward spiral. However unemployment continues high despite a record national budget deficit.

Students of administration will note that the wage-price machinery is set up outside the regular framework of the government departments, directly under the President with staffs and key members drawn primarily from his official office.

#### The Executive Office of the President

Spectacular as these managerial developments have been, I think the most significant change of the past two years has been the evolution of the Office of the President to the point where it has become the major center for comprehensive initiating, planning, programing, budgeting, coordinating,



the Council of Economic Advisors, with its high level professional membership and staff, to the Executive Office. This proved to be a valuable instrument though it has always devoted its attention more to watching the progress of the economy under measures already adopted than to devising new social and economic initiatives for the President or championing them before the Congress and the people. Professional economists are better analysts of the past than architects of the future.

With the end of the war, President Truman turned his attention to the domestic scene and to reorganizing the government in order to manage better its greatly expanded post-war and New Deal functions. Regarding this as a non-partisan undertaking, President Truman persuaded Ex-President Herbert Hoover to assume the Chairmanship of a large Commission for the Reorganization of the Executive Branch of the Government, that served from 1947 to 1955. The Hoover Commission, as it was called, accepted the basic managerial theories of the Roosevelt reforms, and proposed many organizational and procedural improvements within this framework, virtually all of which were adopted by President Truman and by President Eisenhower after he took office.

While President Eisenhower retained the Bureau of the Budget and the Council of Economic Advisors, changing their top personnel to implement his own general viewpoint, he sought to depend on his Cabinet for high level coordination, and on the several departments for managing their



respective fields. When this approach did not produce a unified or significant program, the President turned in another direction and created his noted Commission on National Goals.

The goals commission was made up of outstanding private citizens known for their leadership in social, welfare, education, science, and general humanitarian fields. The commission, after extensive deliberation and review of public needs and desires, produced an inspired summary of national goals under a dozen major heads, dealing with such matters as education, welfare, public health and nutrition, human rights, housing, employment, the productive use of leisure in an affluent society, and the good life. The strength of the report was its breadth, nonpartisanship, and dynamic reflection of the most progressive idealism of the nation. While the report did indicate priorities to some extent, its weakness was that it made no effort to consider the operational program required or to suggest the costs that would be involved.

This task was taken up unofficially by the National Planning Association. This association is a long established voluntary citizen organization composed of planning minded individuals drawn from business, banking, international trade, labor and agriculture, with a number of professionals especially from the universities, including professors of economics, public finance, social welfare, and public and business administration. With foundation grants and a considerable staff of planners and economists, the



National Planning Association after two years of work succeeded in quantifying and pricing the goals as defined by the goals commission. In this process two important new and costly programs had to be added in recognition of developments that had not been included in the Commission report. The most expensive was the Vietnam war. All projections were made on a low medium and high basis to facilitate subsequent policy consideration.

Even with an allowance for the maximum accelerated growth of the GNP under the new development programs, it was found that the anticipated costs would exceed all available resources by a very considerable percentage. The next step was the effort to extend the time table of goal fulfillment, shift priorities and suggest specific cuts, keeping the total macro-economic computation always in balance. The final results were published in several forms and have been updated from time to time by a special staff. All computations and techniques have been made available to the government, and the published materials have received wide circulation. I think it can be said that these studies have been fundamental in all subsequent public discussions of national goals and much policy deliberation, even where the results produced and the techniques used may have been under criticism.

The process of making this study demonstrated five things:

1. Broad national goals can be translated into hypothetical programs and then quantified both as to their costs and as to their assumed economic and other benefits though the non-economic benefits



call for important hypotheses and frank exposure of the assumption. The techniques for this work are now available but further improvement in social accounting is still highly desirable.

2. The macro-computations are considerably better than are the sectional allocations. This is a limiting factor because serious maldistribution can still exist within the boundaries of a reasonably satisfactory total situation.

3. Comprehensive balanced goal programs macro-cost-benefit and in-put out-put tabulations are useful to top political leaders more as a basis for considering their own political initiatives than as a source of such initiatives. The goals book-keeping is used by political leaders not so much to dream up specific new proposals as to convince others when the proposals are made that they are sound and practical.

4. A quantified goals program elaborated on a sectorial and sectional basis, and scheduled as to timing, is a highly "sensitive" political exercise. It is not a purely scientific or technical venture.

5. Top United States elected executives are not prepared at this stage to take open responsibility for such programs or to limit their own freedom of future movement. They apparently are unwilling to expose in advance what they may decide to present as a "surprise" at a strategic future time.



So much for the Eisenhower Goals initiative. Though its effects were indirect, it was a highly useful exercise.

#### National Space Agency

President John F. Kennedy had little time to make his mark on the managerial machinery of the government. But he did initiate a remarkable research, scientific, technological, and managerial crash program to "put a man on the moon by 1970." For this he established an entirely new, single-mission administrative unit, completely outside the regular governmental departmental system. It was the National Space Agency, known as NASA. This agency was under a director appointed by the President, with very broad authority to allocate funds, create administrative machinery, enter into contracts and make all decisions required. Under a remarkably able administrator and sub-policy decider, James Webb, this agency achieved its mission ahead of schedule, demonstrating once more the potential efficiency of a single-mission task force with defined objectives and unlimited funds as a managerial device.

The successful marriage of the most sophisticated scientific work, the invention of new technologies, and the managerial handling of planning, programing, budgeting, staffing, execution, timing, coordinating, and follow-up presented an extraordinary achievement.



### The Planning, Programing, Budgeting System

President Kennedy made another major contribution to management when he persuaded a dynamic manufacturing and business executive, Robert McNamara, to accept the post of Secretary of Defense. In this position, Secretary McNamara found himself confronted by uncoordinated military hardware programs based on hypothetical and inconsistent military strategies. The military establishment, he felt, gave him no satisfactory answers. He therefore appointed a group of young business school management men who came to be known as his "Whiz Kids", first to develop a consistent policy line, and second to translate this into specific plans and programs through the application of cost-benefit and marginal utility analyses. The result was a drastic reduction and rationalization of all military strategy and hardware programs. Presidents Kennedy and Johnson backed Secretary McNamara in spite of the resistance of various military and industrial interests, and the reluctance of some Congressmen to go along.

President Johnson, with the active assistance of the Bureau of the Budget, translated the McNamara techniques into what came to be known as the Planning, Programing, and Budgeting System, or PPBS, and extended it to all the departments and agencies of the government as a major step toward better management and greater efficiency. PPBS thus became a new slogan of management reform and was very fashionable also in state and local governments throughout the country.



It was soon found, however, that rigid cost-benefit analysis left much to be desired. Direct costs and benefits were easy to estimate but the indirect spill-overs, the opportunity costs, the human values, did not yield to quantification. It therefore was easy for bureaucrats, special program enthusiasts and entrenched interests to criticize the new approach. Even economy minded Congressmen resented the "technocrats" and preferred their own political judgments. Thus, when McNamara left the Defense Department, his brains trusters were thrown out and the whole system went quietly into eclipse by the end of the Johnson administration. Nonetheless, the PPBS made a quiet and lasting contribution to public management techniques in the United States, and to better understanding of valid cost-benefit analysis as a decision tool. Every good manager still uses PPBS where it helps, but few admit it publicly.

#### The Bureau of Management and Budget

At this point in history, President Nixon took office. He started by greatly strengthening the managerial staff of the White House itself, following a little noticed proposal along this line from a staff report of the National Planning Association issued during the summer of the Presidential campaign.

Notable additions to the President's staff were special "counselors" to the President, including one for fiscal policy (Arthur Burns), an assistant for domestic affairs (John Ehrlichman), an assistant for social



affairs (Patrick Moynihan), and an assistant for National security affairs (Henry Kissinger). These men have taken the chief burden of major policy planning and have remained largely anonymous, though Moynihan surfaced to defend the proposed new poverty and welfare programs, and Kissinger has received wide acclaim second only to the President in recent international affairs. Such notoriety generally is fatal for "confidential" advisors.

The President's normal staff also contains appointees to advise and help him on military affairs, science, consumer relations, and a very well organized public relations group under Robert Haldeman. This personnel appears to have taken the play away from the regular departments except in the field of crime control and "law and order" for which the President relies on the office of the Attorney General, especially on the Deputy, Richard Kleindienst.

Two other agencies of very great significance within the Office of the President, carried over from the past, are the Council of Economic Advisors, a board of three senior economists with Herbert Stein of Brookings as chairman, and the Bureau of the Budget. In addition there is a considerable office staff.

President Nixon with the approval of Congress has now expanded the management improvement duties of the Bureau of the Budget and has given it the new title "Office of Management and Budget." The new executive order names these activities:



1. To aid the President to bring about more efficient and economical conduct of Government service.
2. To assist in developing efficient coordinating mechanisms to implement Government activities and to expand interagency cooperation.
3. To assist the President in the preparation of the budget, and the formulation of the fiscal program of the Government.
4. To supervise and control the administration of the budget.
5. To conduct research and promote the development of improved plans of administrative management, and to advise the executive departments and agencies of the Government with respect to improved administrative organization and practice.
6. To assist the President by clearing and coordinating departmental advice on proposed legislation and by making recommendations as to Presidential action on legislative enactments in accordance with past practice.
7. To assist in the consideration and clearance and, where necessary, in the preparation of proposed Executive orders and proclamations.
8. To plan and promote the improvement, development, and coordination of Federal and other statistical services.
9. To plan and develop information systems to provide the President with program performance data.
10. To plan, conduct, and promote evaluation efforts to assist the President in the assessment of program objectives, performance, and efficiency.
11. To plan and develop programs to recruit, train, motivate, deploy, and evaluate career personnel.
12. To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated, and work completed, together with the relative timing of work between the several agencies of the Government all to the end that the work programs of the several agencies of the executive branch of the Government may be coordinated and that the money appropriated by the Congress may be expended in the most economical manner with the least possible overlapping and duplication of effort.



These are the specific assignments of the Office of Management and Budget in the words of the executive order. The man appointed as director of the new office is George P. Shultz, a former Dean of the University of Chicago Graduate School of Business, a PhD in industrial relations who has specialized in manpower problems and was Secretary of Labor briefly in the Nixon cabinet.

You will note the new emphasis on manpower problems and on management, coordinating, reporting, and evaluation among the duties now added to the financial and other responsibilities of the old Bureau of the Budget. The new title itself is significant, Management and Budget, with management coming first.

#### The New Top Structure

As matters now stand, the executive branch of the United States government is thus composed of

##### The President

1. With a small personal staff in the White House Office composed of special program experts and "trouble shooters" in

Foreign affairs, including national security

Domestic affairs

Welfare and poverty affairs

Fiscal affairs



2. The Office of Management and Budget, with its expanded duties
3. The Council of Economic Advisors
4. The temporary (?) Price, Wage, and Cost of Living Boards
5. A number of special policy and coordinating councils, the most important of which is the National Security Council.
6. The Cabinet, composed of the Secretaries of the regular departments, plus a few others on invitation
7. The Chairman of the Federal Reserve Board, an independent agency advising the President on fiscal matters.
8. The Comptroller General, an agent of the Congress appointed by the President for a 15 year term as an independent outside auditor who cooperates with the executive department in certain management improvement matters.



### Comprehensive Planning

It will be noted that comprehensive national, social, and economic planning is nowhere mentioned by law or in the state papers and political speeches of the President or his top assistants. However, it will also be noted that such planning and programming is the inescapable end result of the steps that have taken step by step since 1932 to reorganize the staff agencies of the President and his Executive Office. All the pieces of the jigsaw puzzle now begin to fit together. Policy initiation, planning, analysis, programming, issuance of directives for execution, manpower deployment, coordination, reporting, follow-up and evaluation have each been institutionalized and staffed above the departmental level. They are now within the White House as a function of the politically responsible chief executive.

The institutionalization of these managerial responsibilities and activities is, I think, a most significant development. A future President with a different political philosophy and management style unquestionably will alter some aspects of this arrangement, but I suspect the "system" will constrain him to fulfill the role as thus evolved, if not to use each element of the present structure.

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From the notes of a lecture delivered in Cairo on March 13, 1972 before a Seminar on Governmental Management convened by His Excellency Dr. Abdul Aziz Hegazy, Minister of Finance.