

# Planning the Nation's Spending

## What a Budget, a Work-and-Finance Program for the Government, Would Save the Country

By R. E. Coulson in System Magazine

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To the progressive business man, his accounting system is something more than a means of keeping tab on outgo and income and transactions with his customers. He plans his future operations—buying, selling, manufacturing—and forecasts his money needs for each on a basis of past experience, as shown by the records of what has happened, what the costs were and what returns were forthcoming in sales or goods or service. He lays out the work program for his organization and sets down the sums which each department will be allowed to spend. If, instead of a business, he were running a government—almost any civilized government but these United States—his work-and-finance plan would be called the national budget.

That, in simple terms, is what a government budget is—a bird's-eye view of the work to be done and a summary of what each important operation or group of operations should cost. Based on broad facts and detailed analyses of all money transactions of our government, matching each lump sum of money to be spent the next year against results attained by a like sum the past year—requiring actual and accurate figures from the past to support estimates of the coming year's needs—a budget should show in sweeping outlines and vivid cross-sections what the government would accomplish with the eleven hundred million dollars to be disbursed this coming year.

"The largest, the most complex, the most highly technical, the most widely scattered business ever organized," is the way the economy and efficiency commission described this government of ours. How large an industrial and service business it carries on can be judged by the activities of almost any one of its branches. The navy department, for instance, maintains thirty-four navy yards and naval stations, thirty-one coaling plants, forty-three wireless stations, twelve magazines, fourteen purchasing, pay and disbursing offices, nine inspection districts, sixteen hydrographic offices, thirty hospitals, twenty dispensaries, fourteen naval schools, three schools for the marine corps, seven medical schools, four training stations, three medical supply stations, thirteen recruiting stations, forty-eight marine posts and stations, and a naval militia. In addition, there is the fleet, the actual fighting machine which all these establishments exist to serve—any battleship of which costs more to build and costs more to maintain than a dozen average factories.

Yet this immense government organization has been driving along without financial chart or compass—appropriating money by guess and spending it by guess because even the department heads, on whose demands and estimates the appropriations are based, do not know specifically how their millions will be spent or what they will buy. It frequently happens, indeed, that a department chief, if he is called on for the sort of information the average business man would dig out of his reports or balance sheet is obliged to order a special investigation to secure it.

When, for example, former President Taft asked for an analysis of the traveling expenses incurred by the departments in 1911 (a matter of some \$12,000,000), he had to withdraw the request because compliance with it would have cost at least \$120,000. The only way to get the information, it was found, was to scrutinize each individual travel voucher issued, and compile the transportation items—a month's work for nearly a thousand clerks. More striking evidence of this failure to keep adequate records and significant figures for future guidance is the annual expenditure by congress of about a million dollars for special reports bearing only on appropriation matters.

This haphazard method of planning and conducting the money end of the government's business extends virtually to every department, and

into every bureau and service. An enormous burden of responsibility is shouldered by the appropriations committee of the house. Of the fifteen bills by which over \$1,100,000,000 is appropriated, six must originate in the appropriations committee of the house. These six are the legislative-executive-judicial, sundry civil, pensions, fortifications, District of Columbia, and deficiencies.

Seldom is an appropriation for an entire service or department found in one bill. Overhead expenses of all the services housed in Washington are included in the omnibus legislative-executive-judicial bill, which means that one subcommittee of the appropriations committee must consider expenditures connected with all departments and offices in Washington. Except possibly in agriculture and forest service needs, in no instance is a single subject handled by one committee. Public transportation facilities estimates are required to be prepared in eight different bills, and referred to seven different committees besides those in which permanent acts originate. Public health estimates are prepared in four bills submitted to three different committees.

What is the result? Except as subcommittees act in co-operation, which is seldom, the commission on economy and efficiency declares, "no committee gets a bird's-eye view of the needs of an entire service. All broad subjects of public welfare must be considered piecemeal." And again: "Expenditure statements in the annual reports of the several departments are generally lacking in almost every element of information needed to give congress the data necessary to a proper consideration of appropriations." No blame was laid on individuals for the conditions found. It was recognized that some department and office chiefs are accomplishing excellent results and that still others are blocked in their endeavors toward betterment by peculiarities and traditions of the service.

The chairman of the appropriations committee of the house cited this instance to the chairman of the commission. "In a supplemental estimate, the secretary of the navy asked \$1,000,000 for a world-wide wireless system. He stated that the reason it was not included in the regular estimates was the desire to keep the estimates as low as possible. I would like to hear your remedy for that kind of administration."

"The cure for that," was the answer, "is to lay before congress regularly a statement of what it costs to run the government in each of its branches, instead of simply having brought before you the unsupported estimates for appropriations for next year. We find that while estimates may come in for, we will say, rivers and harbors, amounting to thirty or forty million dollars, they may be expending sixty or seventy million dollars? Why? Because the appropriations or some of them at least, may be on a continuing or permanent basis, while others may be on a two-year basis, and still other sums may be in annual appropriations for contracts which have been entered into, and, therefore, would not lapse until the end of at least two years."

Out of this constant, repeated lack of essential and trustworthy information have grown practices discarded in efficient private business. "Slush fund" is the traditional term used by appropriations committees of congress to describe a salary appropriation in which the number and amount of the salaries are not specified.

When imperious necessity or a strong public demand rises for a new service, like the bureau of animal industry, the reclamation service or the Panama canal, and such a service is organized rapidly, there are few or no restrictions to handicap its officials; they are simply commanded to produce results. As a service grows older, however, year by year, it is limited. The number of offices and divisions, the salaries and duties, are specified and the executives must work out their problems under these restrictions. This follows as a consequence upon the condition noted by the commission on economy and efficiency:

"Little if any information is provided either in the book of estimates or in collateral reports

which would lay the foundations for considering:

(1) The economy or efficiency of any service; (2) the character of the expenditures made; (3) the character of results obtained; (4) the extent to which the service has covered the field or accomplished the purpose of its establishment; (5) the extent to which state, local or private agencies are co-operating. That is, there are practically no data laid before congress except a bare record of action taken by itself in previous years in making appropriations."

Laws are not lacking which would give congress this information. The trouble is that the government takes on a new board of directors at the capitol, and frequently a new general manager at the White House every four or at most eight years: and there is no continuing, trained and responsible authority to scrutinize the accounts and business methods of all the bureaus and hold them to the standards of performance and expenditure maintained in every successful private business. By the time a cabinet officer begins to get the swing of his department, his tenure of office is about to expire. During most of that term, too, he has been so submerged with unorganized details that he has not had time or an opportunity to find out whether his organization is operating along efficient lines or whether it is even complying with the law. Right here is where a budget framed by a competent organization would relieve him, by organizing his finances and supplying standards of expenditure and performance by which he could measure the degree of efficiency and economy attained in his department.

Under one act, for example, department heads are required to report to congress the number of employes and the salaries of each who are below a "fair standard" of efficiency. The law goes unheeded because a "fair standard" has not been established, and a careful study of the elements of efficiency would first be necessary. Other statutes, "more honored in the breach than the observance" call for reports on the condition of business in each department; on the number of buildings rented and the uses made of them; on the detailing of employes from bureau to bureau and on similar departures from the routine of administration.

The first and most important function of the budget, however, would be to set forth the financial and the work programs of the government. The idea of the commission is that this presentation and interpretation should be done by the president's accompanying message, which would call attention to the important projects, changes or continuing policies and needs, and the more vital summaries of fact contained in the budget. The message would also report on the manner in which the public business had been carried on, and would recommend such changes in the law as would promote additional efficiency and economy. While addressed to congress, the message would be aimed as well at the people—at once an accounting for the past or current year and an explanation of the program for the coming one.

Besides the president's interpreting message, the proposed budget would have four divisions:

(A) A summary financial statement, containing four detail statements: (1) A current balance sheet, showing assets, liabilities and reserves; (2) a fund balance sheet (general, sinking, trust and special funds); (3) an operation account; (4) the present and estimated condition of current surplus or excess resources available to meet general-fund liabilities.

(B) A summary of governmental contracts and purchasing relations; with a summary of estimates, current allotments and expenditures classified by objects, or services and things purchased and paid for.

(C) A summary of estimates: (1) revenues and borrowings of current and ensuing years compared with actual revenues of three years past; (2) estimates and expenditures for the ensuing year and allotments for current year compared with actual expenditures for past three years, grouped by units of organization; (3) comparative statement of estimates, appropriations and expenditures by organization units and bills; (4) recapitulations of estimates and expenditures by organization units and bills; (5) by functions, bills and committee reporting bills; (6) by functions and organization units; (7) by functions and character of expenditures; (8) by character of expenditures and bills.

(D) Summaries of proposed changes in law classified by governmental activities: (1) in organic law covering the organization of the government and covering the powers, duties and limitations of the various officers; (2) in law pertaining to revenues and loans; (3) in law