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REORGANIZATION OF THE EXECUTIVE
DEPARTMENTS

MESSAGE

FROM THE

PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON REORGANIZATION OF THE EXECUTIVE
DEPARTMENTS OF THE GOVERNMENT



JANUARY 12, 1937.—Read; ordered to lie on the table
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REORGANIZATION OF THE EXECUTIVE DEPARTMENTS

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

To the Congress of the United States:

I address this message to the Congress as one who has had experience as a legislator, as a subordinate in an executive department, as the chief executive of a State and as one on whom, as President, the constitutional responsibility for the whole of the executive branch of the Government has lain for 4 years.

Now that we are out of the trough of the depression, the time has come to set our house in order. The administrative management of the Government needs overhauling. We are confronted not alone by new activities, some of them temporary in character, but also by the growth of the work of the Government matching the growth of the Nation over more than a generation.

Except for the enactment of the Budget and Accounting Act of 1921, no extensive change in management has occurred since 1913, when the Department of Labor was established. The executive structure of the Government is sadly out of date. I am not the first President to report to the Congress that antiquated machinery stands in the way of effective administration and of adequate control by the Congress. Theodore Roosevelt, William H. Taft, Woodrow Wilson, and Herbert Hoover made repeated but not wholly successful efforts to deal with the problem. Committees of the Congress have also rendered distinguished service to the Nation through their efforts from time to time to point the way to improvement of governmental management and organization.

The opportunity and the need for action now comes to you and to me. If we have faith in our republican form of government and in the ideals upon which it has rested for 150 years, we must devote ourselves energetically and courageously to the task of making that Government efficient. The great stake in efficient democracy is the stake of the common man.

In these troubled years of world history a self-government cannot long survive unless that government is an effective and efficient agency to serve mankind and carry out the will of the Nation. A government without good management is a house builded on sand.

In striving together to make our Government more efficient, you and I are taking up in our generation the battle to preserve that freedom of self-government which our forefathers fought to establish and hand down to us. They struggled against tyranny, against nonrepresentative controls, against government by birth, wealth, or class, against sectionalism. Our struggle now is against confusion,

against ineffectiveness, against waste, against inefficiency. This battle, too, must be won, unless it is to be said that in our generation national self-government broke down and was frittered away in bad management.

Will it be said "Democracy was a great dream, but it could not do the job"? Or shall we here and now, without further delay, make it our business to see that our American democracy is made efficient so that it will do the job that is required of it by the events of our time?

I know your answer, and the answer of the Nation, because, after all, we are a practical people. We know good management in the home, on the farm, and in business, big and little. If any nation can find the way to effective government, it should be the American people through their own democratic institutions.

Over a year ago it seemed to me that this problem of administrative management of the executive branch of the Government should be a major order of business of this session of the Congress. Accordingly, after extended discussions and negotiations, I appointed a Committee on Administrative Management, to examine the whole problem broadly and to suggest for my guidance and your consideration a comprehensive and balanced program for dealing with the overhead organization and management of the executive branch as it is established under the Constitution.

The Committee has now completed its work, and I transmit to you its report, Administrative Management in the Government of the United States. I have examined this report carefully and thoughtfully, and am convinced that it is a great document of permanent importance. I think that the general program presented by the Committee is adequate, reasonable, and practical, and that it furnishes the basis for immediate action. The broad facts are known; the need is clear; what is now required is action.

The Committee on Administrative Management points out that no enterprise can operate effectively if set up as is the Government today. There are over 100 separate departments, boards, commissions, corporations, authorities, agencies, and activities through which the work of the Government is being carried on. Neither the President nor the Congress can exercise effective supervision and direction over such a chaos of establishments, nor can overlapping, duplication, and contradictory policies be avoided.

The Committee has not spared me; they say, what has been common knowledge for 20 years, that the President cannot adequately handle his responsibilities; that he is overworked; that it is humanly impossible, under the system which we have, for him fully to carry out his constitutional duty as Chief Executive, because he is overwhelmed with minor details and needless contacts arising directly from the bad organization and equipment of the Government. I can testify to this. With my predecessors who have said the same thing over and over again, I plead guilty.

The plain fact is that the present organization and equipment of the executive branch of the Government defeats the constitutional intent that there be a single responsible Chief Executive to coordinate and manage the departments and activities in accordance with the laws enacted by the Congress. Under these conditions the Govern-

ment cannot be thoroughly effective in working, under popular control, for the common good.

The Committee does not spare the Comptroller General for his failure to give the Congress a prompt and complete audit each year, totally independent of administration, as a means of holding the Executive truly to account; nor for his unconstitutional assumption of executive power; nor for the failure to keep the accounting system of the Government up to date to serve as the basis of information, management, and control.

The Committee criticizes the use of boards and commissions in administration, condemns the careless use of "corporations" as governmental instrumentalities, and points out that the practice of creating independent regulatory commissions, who perform administrative work in addition to judicial work, threatens to develop a "fourth branch" of the Government for which there is no sanction in the Constitution. Nor does the Committee spare the inadequacy of the civil-service system.

To meet this situation and bring our administrative management up to date, the Committee presents an integrated five-point program, which you will find set out in its report. It includes these major recommendations:

1. Expand the White House staff so that the President may have a sufficient group of able assistants in his own office to keep him in closer and easier touch with the widespread affairs of administration, and to make the speedier clearance of the knowledge needed for Executive decision.
2. Strengthen and develop the managerial agencies of the Government, particularly those dealing with the budget and efficiency research, with personnel and with planning, as management-arms of the Chief Executive.
3. Extend the merit system upward, outward, and downward to cover practically all non-policy-determining posts; reorganize the civil-service system as a part of management under a single, responsible administrator, and create a citizen board to serve as the watch dog of the merit system, and increase the salaries of key posts throughout the service so that the Government may attract and hold in a career service men and women of ability and character.
4. Overhaul the 100 independent agencies, administrations, authorities, boards, and commissions, and place them by Executive order within one or the other of the following 12 major executive departments: State, Treasury, War, Justice, Post Office, Navy, Conservation, Agriculture, Commerce, Labor, Social Welfare, and Public Works; and place upon the Executive continuing responsibility for the maintenance of effective organization.
5. Establish accountability of the Executive to the Congress by providing a genuine independent postaudit of all fiscal transactions by an auditor general, and restore to the Executive complete responsibility for accounts and current transactions.

As you will see, this program rests solidly upon the Constitution and upon the American way of doing things. There is nothing in it which is revolutionary, as every element is drawn from our own experience either in government or large-scale business.

I endorse this program and feel confident that it will commend itself to you also with your knowledge of government, and to the vast majority of the citizens of the country who want and believe in efficient self-government.

No important advance can be made toward the major objectives of the program without the passage by the Congress of the necessary legislation.

It will be necessary to provide for the establishment of two new departments, a Department of Social Welfare and a Department of Public Works, for the assignment by the President of all the miscellaneous activities to the 12 major departments thus provided, for reorganization of the civil-service system, for modernizing and strengthening the managerial agencies of the Executive, and for making the Executive more strictly accountable to the Congress. By the creation of two new departments nearly 100 agencies now not under regular departments can be consolidated as to their administrative functions under a total of 12 regular departments of the Government.

The remaining elements of the five-point program, though they must await your action on the basic legislation, may be initiated through appropriations and Executive orders.

In placing this program before you I realize that it will be said that I am recommending the increase of the powers of the Presidency. This is not true. The Presidency as established in the Constitution of the United States has all of the powers that are required. In spite of timid souls in 1787 who feared effective government the Presidency was established as a single strong Chief Executive Office in which was vested the entire executive power of the National Government, even as the legislative power was placed in the Congress, and the judicial in the Supreme Court. What I am placing before you is not the request for more power, but for the tools of management and the authority to distribute the work so that the President can effectively discharge those powers which the Constitution now places upon him. Unless we are prepared to abandon this important part of the Constitution, we must equip the Presidency with authority commensurate with his responsibilities under the Constitution.

The Committee on Administrative Management, after a careful examination of recent attempts to reorganize the Government and of State reorganizations carried out so ably by Gov. Frank O. Lowden in Illinois, Gov. Alfred E. Smith in New York, Gov. Harry F. Byrd in Virginia, Gov. William Tudor Gardiner in Maine, and by other governors, accepts the view held by my distinguished predecessors that the detailed work of reorganization is, as President Theodore Roosevelt said over 30 years ago, "essentially executive in its nature." The Committee accordingly recommends that reorganization should be a continuing duty and authority of the Chief Executive on the basis of standards set by the Congress. To make this safe, the Committee insists, however, that the Congress keep a watchful eye upon reorganization both through the annual budget and through the maintenance of strict executive accountability to the Congress under the independent audit of all financial transactions by an Auditor General. Under the proposed plan the Congress must by law establish the major departments and determine in advance the gen-

eral principles which shall guide the President in distributing the work of the Government among these departments, and in this task the President is to act on the basis of careful research by the Bureau of the Budget and after conference with those primarily affected. Reorganization is not a mechanical task, but a human task, because government is not a machine, but a living organism. With these clear safeguards, and in view of our past muddling with reorganizations, one cannot but accept the logic and wisdom of the recommendations.

I would not have you adopt this five-point program, however, without realizing that this represents an important step in American history. If we do this, we reduce from over 100 down to a dozen the operating executive agencies of the Government, and we bring many little bureaucracies under broad coordinated democratic authority.

But in so doing, we shall know that we are going back to the Constitution, and giving to the executive branch modern tools of management and an up-to-date organization which will enable the Government to go forward efficiently. We can prove to the world that American Government is both democratic and effective.

In this program I invite your cooperation, and pledge myself to deal energetically and promptly with the executive responsibilities of reorganization and administrative management, when you shall have made this possible by the necessary legislation.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
January 12, 1937.

REPORT OF THE
PRESIDENT'S COMMITTEE

ADMINISTRATIVE MANAGEMENT IN
THE GOVERNMENT OF THE UNITED STATES

JANUARY 1937

THE PRESIDENT'S COMMITTEE ON ADMINISTRATIVE MANAGEMENT

LOUIS BROWNLOW, *Chairman*

CHARLES E. MERRIAM

LUTHER GULICK

JOSEPH P. HARRIS, *Director of Research*

JANUARY 8, 1937.

The PRESIDENT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: We have the honor to transmit herewith our report on Administrative Management in the Executive Branch of the Government of the United States.

Respectfully yours,

LOUIS BROWNLOW, *Chairman.*
CHARLES E. MERRIAM,
LUTHER GULICK.

IN ACKNOWLEDGMENT

The President's Committee on Administrative Management desires to express its deep debt of gratitude to the many officials of the Government who have assisted it by their counsel and advice and by supplying its staff with detailed information on many phases of its studies; to the citizens from various walks of life with whom it has consulted; to the officers and employees of the National Emergency Council who have greatly facilitated its work; and to the members of its own staff who, though in no way responsible for the report of the committee, have greatly aided it by their investigation of special problems.

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REPORT OF THE PRESIDENT'S COMMITTEE ON ADMINISTRATIVE
MANAGEMENT IN THE GOVERNMENT OF THE UNITED STATES

INTRODUCTION

The government of the United States is the largest and most difficult task undertaken by the American people, and at the same time the most important and the noblest. Our Government does more for more men, women, and children than any other institution; it employs more persons in its work than any other employer. It covers a wider range of aims and activities than any other enterprise; it sustains the frame of our national and our community life, our economic system, our individual rights and liberties. Moreover, it is a government of, by, and for the people—a democracy that has survived for a century and a half and flourished among competing forms of government of many different types and colors, old and new.

From time to time the decay, destruction, and death of democracy has been gloomily predicted by false prophets who mocked at us, but our American system has matched its massive strength successfully against all the forces of destruction through parts of three centuries.

Our American Government rests on the truth that the general interest is superior to and has priority over any special or private interest, and that final decision in matters of common interest to the Nation should be made by free choice of the people of the Nation, expressed in such manner as they shall from time to time provide, and enforced by such agencies as they may from time to time set up. Our goal is the constant raising of the level of the happiness and dignity of human life, the steady sharing of the gains of our Nation, whether material or spiritual, among those who make the Nation what it is.

We are too practical a people to be satisfied by merely looking forward to glittering goals, or with mere plans, talk, and pledges. By democracy we mean getting things done that we, the American people, want done in the general interest. Without results we know that democracy means nothing and ceases to be alive in the minds and hearts of men. With us the people's will is not merely an empty phrase; it denotes a grave and stern determination in the major affairs of our Nation—a determination which we propose to make good as promptly and firmly as may be necessary and appropriate—a determination which does not intend to be baffled in its basic plans and purposes by any cluttering or confusion in the machinery for doing what it has been deliberately decided to do.

After the people's judgment has been expressed in due form, after the representatives of the Nation have made the necessary laws, we intend that these decisions shall be promptly, effectively, and economically put into action.

THE AMERICAN EXECUTIVE

The need for action in realizing democracy was as great in 1789 as it is today. It was thus not by accident but by deliberate design that the founding fathers set the American Executive in the Constitution on a solid foundation. Sad experience under the Articles of Confederation, with an almost headless Government and committee management, had brought the American Republic to the edge of ruin. Our forefathers had broken away from hereditary government and pinned their faith on democratic rule, but they had not found a way to equip the new democracy for action. Consequently, there was grim purpose in resolutely providing for a Presidency which was to be a national office. The President is indeed the one and only national officer representative of the entire Nation. There was hesitation on the part of some timid souls in providing the President with an election independent of the Congress; with a longer term than most governors of that day; with the duty of informing the Congress as to the state of the Union and of recommending to its consideration "such Measures as he shall judge necessary and expedient"; with a two-thirds veto; with a wide power of appointment; and with military and diplomatic authority. But this reluctance was overcome in the face of need and a democratic executive established.

Equipped with these broad constitutional powers, reenforced by statute, by custom, by general consent, the American Executive must be regarded as one of the very greatest contributions made by our Nation to the development of modern democracy—a unique institution the value of which is as evident in times of stress and strain as in periods of quiet.

As an instrument for carrying out the judgment and will of the people of a nation, the American Executive occupies an enviable position among the executives of the states of the world, combining as it does the elements of popular control and the means for vigorous action and leadership—uniting stability and flexibility. The American Executive as an institution stands across the path of those who mistakenly assert that democracy must fail because it can neither decide promptly nor act vigorously.

Our Presidency unites at least three important functions. From one point of view the President is a political leader—leader of a party, leader of the Congress, leader of a people. From another point of view he is head of the Nation in the ceremonial sense of the term, the symbol of our American national solidarity. From still another point of view the President is the Chief Executive and administrator within the Federal system and service. In many types of government these duties are divided or only in part combined, but in the United States they have always been united in one and the same person whose duty it is to perform all of these tasks.

Your Committee on Administrative Management has been asked to investigate and report particularly upon the last function; namely, that of administrative management—the organization for the performance of the duties imposed upon the President in exercising the executive power vested in him by the Constitution of the United States.

IMPROVING THE MACHINERY OF GOVERNMENT

Throughout our history we have paused now and then to see how well the spirit and purpose of our Nation is working out in the machinery of everyday government with a view to making such modifications and improvements as prudence and the spirit of progress might suggest. Our Government was the first to set up in its formal Constitution a method of amendment, and the spirit of America has been from the beginning of our history the spirit of progressive changes to meet conditions shifting perhaps more rapidly here than elsewhere in the world.

Since the Civil War, as the tasks and responsibilities of our Government have grown with the growth of the Nation in sweep and power, some notable attempts have been made to keep our administrative system abreast of the new times. The assassination of President Garfield by a disappointed office seeker aroused the Nation against the spoils system and led to the enactment of the civil-service law of 1883. We have struggled to make the principle of this law effective for half a century. The confusion in fiscal management led to the establishment of the Bureau of the Budget and the budgetary system in 1921. We still strive to realize the goal set for the Nation at that time. And, indeed, many other important forward steps have been taken.

Now we face again the problem of governmental readjustment, in part as the result of the activities of the Nation during the desperate years of the industrial depression, in part because of the very growth of the Nation, and in part because of the vexing social problems of our times. There is room for vast increase in our national productivity and there is much bitter wrong to set right in neglected ways of human life. There is need for improvement of our governmental machinery to meet new conditions and to make us ready for the problems just ahead.

Facing one of the most troubled periods in all the troubled history of mankind, we wish to set our affairs in the very best possible order to make the best use of all of our national resources and to make good our democratic claims. If America fails, the hopes and dreams of democracy over all the world go down. We shall not fail in our task and our responsibility, but we cannot live upon our laurels alone.

We seek modern types of management in National Government best fitted for the stern situations we are bound to meet, both at home and elsewhere. As to ways and means of improvement, there are naturally sincere differences of judgment and opinion, but only a treasonable design could oppose careful attention to the best and soundest practices of government available for the American Nation in the conduct of its heavy responsibilities.

THE FOUNDATIONS OF GOVERNMENTAL EFFICIENCY

The efficiency of government rests upon two factors; the consent of the governed and good management. In a democracy consent may be achieved readily, though not without some effort, as it is the cornerstone of the constitution. Efficient management in a democracy is a factor of peculiar significance.

Administrative efficiency is not merely a matter of paper clips, time clocks, and standardized economies of motion. These are but minor gadgets. Real efficiency goes much deeper down. It must be built into the structure of a government just as it is built into a piece of machinery.

Fortunately the foundations of effective management in public affairs, no less than in private, are well known. They have emerged universally wherever men have worked together for some common purpose, whether through the state, the church, the private association, or the commercial enterprise. They have been written into constitutions, charters, and articles of incorporation, and exist as habits of work in the daily life of all organized peoples. Stated in simple terms these canons of efficiency require the establishment of a responsible and effective chief executive as the center of energy, direction, and administrative management; the systematic organization of all activities in the hands of a qualified personnel under the direction of the chief executive; and to aid him in this, the establishment of appropriate managerial and staff agencies. There must also be provision for planning, a complete fiscal system, and means for holding the Executive accountable for his program.

Taken together, these principles, drawn from the experience of mankind in carrying on large-scale enterprises, may be considered as the first requirement of good management. They comprehend the subject matter of administrative management as it is dealt with in this report. Administrative management concerns itself in a democracy with the executive and his duties, with managerial and staff aides, with organization, with personnel, and with the fiscal system because these are the indispensable means of making good the popular will in a people's government.

MODERNIZING OUR GOVERNMENTAL MACHINERY

In the light of these canons of efficiency, what must be said of the Government of the United States today? Speaking in the broadest terms at this point, and in detail later on, we find in the American Government at the present time that the effectiveness of the Chief Executive is limited and restricted, in spite of the clear intent of the Constitution to the contrary; that the work of the Executive Branch is badly organized; that the managerial agencies are weak and out of date; that the public service does not include its share of men and women of outstanding capacity and character; and that the fiscal and auditing systems are inadequate. These weaknesses are found at the center of our Government and involve the office of the Chief Executive itself.

While in general principle our organization of the Presidency challenges the admiration of the world, yet in equipment for administrative management our Executive Office is not fully abreast of the trend of our American times, either in business or in government. Where, for example, can there be found an executive in any way comparable upon whom so much petty work is thrown? Or who is forced to see so many persons on unrelated matters and to make so many decisions on the basis of what may be, because of the very press of work, incomplete information? How is it humanly possible to know fully the affairs and problems of over 100 separate major

agencies, to say nothing of being responsible for their general direction and coordination?

These facts have been known for many years and are so well appreciated that it is not necessary for us to prove again that the President's administrative equipment is far less developed than his responsibilities, and that a major task before the American Government is to remedy this dangerous situation. What we need is not a new principle, but a modernizing of our managerial equipment.

This is not a difficult problem in itself. In fact, we have already dealt with it successfully in State governments, in city governments, and in large-scale private industry. Gov. Frank O. Lowden in Illinois, Gov. Alfred E. Smith in New York, Gov. Harry F. Byrd in Virginia, and Gov. William Tudor Gardiner in Maine, among others, have all shown how similar problems can be dealt with in large governmental units. The Federal Government is more extensive and more complicated, but the principles of reorganization are the same. On the basis of this experience and our examination of the Executive Branch we conclude that the following steps should now be taken:

1. To deal with the greatly increased duties of executive management falling upon the President the White House staff should be expanded.
2. The managerial agencies of the Government, particularly those dealing with the budget, efficiency research, personnel, and planning, should be greatly strengthened and developed as arms of the Chief Executive.
3. The merit system should be extended upward, outward, and downward to cover all non-policy-determining posts, and the civil service system should be reorganized and opportunities established for a career system attractive to the best talent of the Nation.
4. The whole Executive Branch of the Government should be overhauled and the present 100 agencies reorganized under a few large departments in which every executive activity would find its place.
5. The fiscal system should be extensively revised in the light of the best governmental and private practice, particularly with reference to financial records, audit, and accountability of the Executive to the Congress.

These recommendations are explained and discussed in the following sections of this report.

THE PURPOSE OF REORGANIZATION

In proceeding to the reorganization of the Government it is important to keep prominently before us the ends of reorganization. Too close a view of machinery must not cut off from sight the true purpose of efficient management. Economy is not the only objective, though reorganization is the first step to savings; the elimination of duplication and contradictory policies is not the only objective, though this will follow; a simple and symmetrical organization is not the only objective, though the new organization will be simple and symmetrical; higher salaries and better jobs are not the only objectives, though these are necessary; better business methods and fiscal controls are not the only objectives, though these too are demanded. There is but one grand purpose, namely, to make democ-

racy work today in our National Government; that is, to make our Government an up-to-date, efficient, and effective instrument for carrying out the will of the Nation. It is for this purpose that the Government needs thoroughly modern tools of management.

As a people we congratulate ourselves justly on our skill as managers—in the home, on the farm, in business big and little—and we properly expect that management in government shall be of the best American model. We do not always get these results, and we must modestly say "we count not ourselves to have attained", but there is a steady purpose in America to press forward until the practices of our governmental administration are as high as the purpose and standards of our people. We know that bad management may spoil good purposes, and that without good management democracy itself cannot achieve its highest goals.

I. THE WHITE HOUSE STAFF

In this broad program of administrative reorganization the White House itself is involved. The President needs help. His immediate staff assistance is entirely inadequate. He should be given a small number of executive assistants who would be his direct aides in dealing with the managerial agencies and administrative departments of the Government. These assistants, probably not exceeding six in number, would be in addition to his present secretaries, who deal with the public, with the Congress, and with the press and the radio. These aides would have no power to make decisions or issue instructions in their own right. They would not be interposed between the President and the heads of his departments. They would not be assistant presidents in any sense. Their function would be, when any matter was presented to the President for action affecting any part of the administrative work of the Government, to assist him in obtaining quickly and without delay all pertinent information possessed by any of the executive departments so as to guide him in making his responsible decisions; and then when decisions have been made, to assist him in seeing to it that every administrative department and agency affected is promptly informed. Their effectiveness in assisting the President will, we think, be directly proportional to their ability to discharge their functions with restraint. They would remain in the background, issue no orders, make no decisions, emit no public statements. Men for these positions should be carefully chosen by the President from within and without the Government. They should be men in whom the President has personal confidence and whose character and attitude is such that they would not attempt to exercise power on their own account. They should be possessed of high competence, great physical vigor, and a passion for anonymity. They should be installed in the White House itself, directly accessible to the President. In the selection of these aides the President should be free to call on departments from time to time for the assignment of persons who, after a tour of duty as his aides, might be restored to their old positions.

This recommendation arises from the growing complexity and magnitude of the work of the President's office. Special assistance is needed to insure that all matters coming to the attention of the President have been examined from the over-all managerial point of view, as well as from all standpoints that would bear on policy and operation. It also would facilitate the flow upward to the President of information upon which he is to base his decisions and the flow downward from the President of the decisions once taken for execution by the department or departments affected. Thus such a staff would not only aid the President but would also be of great assistance to the several executive departments and to the managerial agencies in simplifying executive contacts, clearance, and guidance. The President should also have at his command a contingent fund to enable him to bring in from time to time particular persons pos-

sessed of particular competency for a particular purpose and whose services he might usefully employ for short periods of time.

The President in his regular office staff should be given a greater number of positions so that he will not be compelled, as he has been compelled in the past, to use for his own necessary work persons carried on the pay rolls of other departments.

If the President be thus equipped he will have but the ordinary assistance that any executive of a large establishment is afforded as a matter of course.

In addition to this assistance in his own office the President must be given direct control over and be charged with immediate responsibility for the great managerial functions of the Government which affect all of the administrative departments, as is outlined in the following sections of this report. These functions are personnel management, fiscal and organizational management, and planning management. Within these three groups may be comprehended all of the essential elements of business management.

The development of administrative management in the Federal Government requires the improvement of the administration of these managerial activities, not only by the central agencies in charge, but also by the departments and bureaus. The central agencies need to be strengthened and developed as managerial arms of the Chief Executive, better equipped to perform their central responsibilities and to provide the necessary leadership in bringing about improved practices throughout the Government.

The three managerial agencies, the Civil Service Administration, the Bureau of the Budget, and the National Resources Board should be a part and parcel of the Executive Office. Thus the President would have reporting to him directly the three managerial institutions whose work and activities would affect all of the administrative departments.

The budgets for the managerial agencies should be submitted to the Congress by the President as a part of the budget for the Executive Office. This would distinguish these agencies from the operating administrative departments of the Government, which should report to the President through the heads of departments who collectively compose his Cabinet. Such an arrangement would materially aid the President in his work of supervising the administrative agencies and would enable the Congress and the people to hold him to strict accountability for their conduct.

The following three sections deal with these managerial functions, namely, personnel management, fiscal management, and planning management, and contain recommendations for their development.

II. PERSONNEL MANAGEMENT

The merit system should be extended upward, outward, and downward to include all positions in the Executive Branch of the Government except those which are policy-determining in character. At the same time the civil-service administration should be reorganized into a central personnel agency under a single head and a non-partisan citizen board appointed to serve as a watchdog of the merit system.

Personnel administration lies at the very core of administrative management. The effective conduct of the work of the Government depends upon the men and women who serve it. Improved plans for governmental organization and management are of little value unless simultaneous recognition is given to the need for attracting, retaining, and developing human capacity in the public service.

After more than 50 years of experience with civil service in Federal, State, and local governments, there is overwhelming evidence to show that the original theory of merely protecting appointments from political influence through a legalistic system of civil-service administration is inadequate to serve democratic government under modern conditions. There is still need for protection, but the urgent new need today is for the development of a real career service through positive, constructive, modern personnel administration. The functions that the Federal Government has been called upon to perform are increasingly numerous, technical, and difficult. It is today the world's largest and most intricate administrative establishment.

A thoroughgoing modernization and extension of personnel administration is required. The great need of American democratic institutions is an able civil service.

A. EXTENSION OF THE MERIT SYSTEM

Democratic government today, with its greatly increased activities and responsibilities, requires personnel of the highest order—competent, highly trained, loyal, skilled in their duties by reason of long experience, and assured of continuity and freedom from the disrupting influences of personal or political patronage. To meet this requirement the merit principle should be extended to all except the highest governmental positions. To this course both of the great political parties are pledged. The merit system should be extended in three ways:

Upward to include all permanent positions in the Government service except a very small number of a high executive and policy-forming character:

Outward to include permanent or continuing positions not now under civil service, whether located in new or emergency agencies or in the older departments; and

Downward to include skilled workmen and laborers in the regular Government service.

This task, however, is by no means simple and must not be attempted with undue haste. To bring within the classified service large groups of employees engaged in activities that are clearly temporary would be unwise. Care must be taken that in the process of extending the merit system, personnel standards are not lowered and that, at the same time, fair treatment is accorded to those who have demonstrated their ability in Government service.

The United States Government is the largest single employer of personnel. With the rapid growth of the country and the constant increase in the services rendered to its citizens by the Government, the number of Federal employees has steadily increased. This trend has been equally true of governments throughout the world.

During the depression the number of Federal employees markedly increased because of the requirements of the new and emergency activities undertaken by the Government. Most of these new employees were recruited outside of the civil-service system. From June 30, 1932, to June 30, 1936, the civilian employees of the Executive Branch increased from 578,231 to 824,259. The number of employees in the classified service increased from 467,161 to 498,723, whereas the unclassified employees increased from 111,070 to 325,534.

The Civil Service Commission was not given either the authority or the necessary funds and staff to enable it to meet the requirements of Government agencies in recruiting quickly the large number of employees required in the emergency period. Now we are coming to the end of the emergency period. Some undertakings will be liquidated and continuing functions will be placed in the regular structure of the Government. As these steps are taken the classified civil service should be extended to the continuing activities.

In a democracy it is essential that the very highest posts be filled by the Chief Executive with persons who support his program and policies, and in whom he has entire confidence. Only in this way is it possible to exercise democratic control over the permanent civil service, to avoid the dangers of bureaucracy, and to translate the mandate of the people at the polls into responsible governmental policies. There must always be a sufficient number of high policy-determining posts at the disposal of a newly elected President to enable him and his administration to control the service. The positions which are actually policy-determining, however, are relatively few in number. They consist, in the main, of the heads of executive departments, under secretaries and assistant secretaries, the members of the regulatory commissions, the heads of a few of the large bureaus engaged in activities with important policy implications, the chief diplomatic posts, and a limited number of other key positions.

However, the great majority of the highest positions in the Federal service are not policy-determining in character but still remain outside the merit system. Most of them would benefit if filled by persons having long and continuous service in the Government. Many require the utmost loyalty and probity because of their large responsibilities. They cannot be satisfactorily filled by appointment from private life every time the Administration changes.

The extension of the civil service upward to these higher administrative posts is a necessary and important step in the development

of a career service which will attract and retain persons of high competence in the Government. Many promising employees leave the service because of its promotional limitations or remain at a heavy sacrifice. An increase in the number of higher posts included in the civil service will lift its entire morale and will give an incentive for the recruitment of the best talent in the lower positions.

Incumbents in positions affected by the extension of the merit system should not be blanketed into the classified civil service without a review of their qualifications. Such action would violate the basic principle of the merit system and would weaken and discredit the civil service. On the other hand, to require these employees to obtain civil-service status through open, competitive examinations might result in loss of the services of many individuals who have developed in their work experience and competence of distinct value to the Government. A solution at once satisfactory to the Government and fair to the incumbents would be to permit them to obtain classified civil-service status by passing noncompetitive tests of fitness prescribed by the head of the central personnel agency. In every case the head of the responsible department should certify that the employee has served with merit.

The continued requirement that the personal attention of the President be given to the filling of numerous positions adds to the burden of the Chief Executive and does not advance in any way the efficiency of the service. Of the 40,000 positions in the Executive Branch subject to direct appointment by the President there are about 25,000 which are of a military or foreign service type having merit systems of their own and excluded from consideration here. The remaining 15,000 civilian positions are mostly in the field and are subordinate in importance to appointments long made by department heads. They include almost 14,000 postmasters and 400 other field positions, such as United States marshals, collectors of internal revenue, and customs collectors.

The multiplicity of Presidential appointments defeats the power of the Chief Executive to control his establishment. Instead of increasing his control over personnel, it operates to weaken and dissipate his authority. It places him in a position of direct responsibility for many appointments which he has little time to consider and robs him of time urgently needed for attention to important executive duties. It interferes with the authority that should be vested in the heads of the several departments for the proper discharge of their responsibilities. It is difficult for them to maintain appropriate relationships, discipline, and morale when their subordinates feel that they have direct and immediate responsibility to the President who appointed them. Conflicts of interest and jurisdiction within departments frequently result.

From every point of view, therefore, direct appointments by the President should be reduced to a very small number of only the highest positions. The continued appointment by the President of field officials, such as postmasters, United States marshals, collectors of internal revenue, and collectors of customs is not only antiquated, but prejudicial to good administration. Furthermore, fixed statutory terms of appointment now required for these positions are an obsolete practice and should be abolished.

RECOMMENDATIONS

In order to extend the merit system we recommend that:

1. The merit system should be extended to positions in new and emergency agencies whose activities are to continue, and the President should be authorized to place such positions, including those in governmental corporations, in the classified civil service.
2. The merit system should be extended to permanent high posts and all other civilian positions in the regular departments and establishments. Exceptions should be made only in the case of such of the highest positions as the President may find to be principally policy-determining in character.
3. The merit system should be extended to the lowest positions in the regular establishments including those filled by skilled workmen and laborers.
4. The incumbent of any position which is placed within the classified civil service should receive civil-service status only after passing a special noncompetitive examination, following certification by the head of his agency that he has served with merit.
5. All civilian positions in regular departments and establishments now filled by Presidential appointment should be filled by the heads of such departments or establishments, without fixed term, except under secretaries and officers who report directly to the President or whose appointment by the President is required by the Constitution.

B. REORGANIZATION AND IMPROVEMENT OF PERSONNEL ADMINISTRATION

The extension of the merit system in the Federal Government requires the reorganization of the Civil Service Commission as a central personnel agency. The Civil Service Commission was established over 50 years ago to meet conditions quite different from those of today. The number of Government employees was small and personnel requirements were relatively simple. Set up as an agency to protect the Federal executive establishment against the evils of political patronage, it has made many notable advances. The Civil Service Commission and its staff have devoted themselves assiduously to the public business and have endeavored conscientiously to observe the statutes and orders that have been laid down for their guidance. The Commission has achieved its greatest success in the administration of open competitive examinations for positions in the lower grades of the service. It has pioneered in personnel research and efficiency ratings. Its new series of general-purpose examinations for recent college graduates to fill positions at the bottom of the career ladder was a marked step forward and has resulted in improved recruitment for positions requiring general ability and capacity for development.

Nevertheless, the existing civil-service system is poorly adapted to meet the larger responsibilities of serving as a central personnel agency for a vast and complicated governmental administration in which there are over 800,000 civilian employees. Its organization is unsuited to the present needs. The Civil Service Commission has

not been appropriately staffed to do the constructive work which modern personnel management presupposes. The absence of an adequate staff has imposed upon the Commission a negative, protective, and legalistic role, whereas the need today is for a positive, constructive, and active central personnel agency.

The board form of organization is unsuited to the work of a central personnel agency. This form of organization, as stated elsewhere in this report, has everywhere been found slow, cumbersome, wasteful, and ineffective in the conduct of administrative duties. Board members are customarily laymen not professionally trained or experienced in the activities for which they are responsible. They remain in office for relatively short periods and rarely acquire the degree of expertness necessary to executive direction. The board form of organization also has a serious internal weakness. Conflicts and jealousies frequently develop within a board and extend downward throughout the organization, causing cliques and internal dissensions disrupting to morale and to work. Board administration tends to diffuse responsibility, to produce delays, and to make effective cooperation or vigorous leadership impossible. The history of the Civil Service Commission has been no exception to this general rule.

Federal personnel management, therefore, needs fundamental revision. The Civil Service Commission should be reorganized into a Civil Service Administration, with a single executive officer, to be known as the Civil Service Administrator, and a nonsalaried Civil Service Board of seven members appointed by the President. This Board would be charged not with administrative duties but with the protection and development of the merit system in the Government. The functions of the Administrator and the Board are outlined below.

The adoption of the plan of a single-headed executive for the central personnel agency would give it a degree of unity, energy, and responsibility impossible to obtain in an administrative agency headed by a full-time board of several members. The Administrator should be selected on a competitive, nonpartisan basis by a special examining board designated by the Civil Service Board and should be appointed by the President, with the advice and consent of the Senate, from the three highest candidates passing the examination conducted to fill the post. In this manner careful attention would be given to the professional and technical qualifications required by the office and the merit principle would be extended to the very top of the Civil Service Administration. The President should be able to remove the head of this managerial agency at any time but would be required to appoint his successor in the manner stated above.

The Civil Service Administrator would take over the functions and activities of the present Civil Service Commission. In addition, he would act as the direct adviser to the President upon all personnel matters and would be responsible to the President for the development of improved personnel policies and practices throughout the service. From time to time he would propose to the President needed amendments to the civil-service rules and regulations. He would suggest to the President recommendations for civil-service legislation and would assume initiative and leadership in personnel management.

It would be a special responsibility of the Civil Service Administrator to stimulate and aid the departments and bureaus in the establishment and development of able personnel staffs. Personnel management at the departmental and bureau level is exceedingly important. The administrative and professional staffs of the central personnel agency and of the personnel offices of operating establishments should be regarded collectively as a unified career service of personnel administration.

The Administrator should strengthen and vitalize the present Council of Personnel Administration as a professional advisory group within the Government. He should act as chairman of the council and should develop it as a special instrument for the formulation of constructive personnel policies and standards.

The Administrator should give particular attention to a number of important aspects of personnel administration which are now inadequately performed. These include training within the service, the facilities for transfer as a means of utilizing more completely the personnel resources of the Government, the development of executives, the promotion system, examinations for higher positions, and cooperation with the personnel agencies of State and local governments.

Personnel management is an essential element of executive management. To set it apart or to organize it in a manner unsuited to serve the needs of the Chief Executive and the executive establishments is to render it impotent and ineffective. It may be said that a central personnel managerial agency directly under the President, with the primary duty of serving rather than of policing the departments, would be subject to political manipulation and would afford less protection against political spoils than a Civil Service Commission somewhat detached from the Administration. This criticism does not take into account the fact that the Civil Service Commission today is directly responsible to the President; its members are appointed by him and serve at his pleasure; they are not independent of the President and could not be made so under the Constitution. The reorganization of the Civil Service Commission as a central personnel managerial agency of the President would greatly advance the merit principle in the Government and would lead to the extension of civil service.

The valuable services that can be performed and the contributions that can be made by a lay board representing the public interest in the merit system should not be sacrificed, even though responsibility for actual administration is vested in a single Administrator. The placing of large powers of administration in one official makes it essential to preserve the values of vigilance and criticism that, in a large measure, have been afforded by the rotation in office of lay civil-service commissioners who have hitherto supervised the staff work.

A fundamental flaw in the present organization of the Commission would be removed by the establishment of an Administrator and a Board. The Commission is now obliged both to administer and to appraise and criticize its own administration. These functions are basically incompatible. An effective appraisal, critical and constructive, must be entirely detached from execution.

The usefulness of a lay Board is not confined to its function as a watchdog of the merit system. From the more constructive angle of

supporting progressive programs in the Federal personnel administration, a Board of lay advisers properly chosen can be a continual haven. It can serve to focus the spotlight of public opinion on the human side of government. It can enlist the interest and cooperation of business, agriculture, labor, education, and the professions in improving the Government service as a career. It can stimulate the initiation of progressive personnel programs and serve as a critic which will protect the service from the dangers of bureaucracy, spoils, and deadly routine. It can advise the President and the Congress on weaknesses in personnel administration, policies, and practices.

In order to achieve its utmost usefulness, such a Board must be entirely divorced from partisan influences and from administrative or operating functions of any kind; it should be nonpartisan instead of bipartisan. Its members should be drawn in, from time to time, from active participation in various fields of endeavor so that they do not become too closely attached to the Government establishment or too closely identified with any Administration.

RECOMMENDATIONS

In order to effect the reorganization of the civil service administration of the United States, we recommend that:

1. A United States Civil Service Administration should be established to serve as the central personnel agency of the Federal Government. The officers of the Administration should consist of a single executive officer to be known as the Civil Service Administrator and a nonsalaried Civil Service Board of seven members, with the powers and duties outlined below.

2. The Administrator should be highly competent, should possess a broad knowledge of personnel administration, and should be a qualified and experienced executive. He should be appointed by the President, with the advice and consent of the Senate, on the basis of an open competitive examination conducted by a special board of examiners appointed by the Civil Service Board. He should be responsible to and hold office at the pleasure of the President.

3. The duties, powers, functions, and authority now vested in the Civil Service Commission should be transferred to the Administrator. Authority should be given to the Administrator to develop and perform the additional functions which should be performed by an adequate central personnel agency. He should be authorized to participate in employee training programs; to make, or to cooperate with other groups in making, studies or investigations of personnel policies, practices, procedures, and methods in other governmental jurisdictions and in industry; and to cooperate with State and local personnel agencies and with independent agencies and corporations of the Federal Government. The Civil Service Administration should be authorized to render services to outside governmental units under suitable provision for reimbursement for the actual cost of such services.

4. The Civil Service Board should consist of seven members, appointed by the President, with the advice and consent of the Senate, for overlapping terms of 7 years. This Board should be

composed of outstanding men and women drawn from private business, education, labor, agriculture, public administration, and professional life. No person should be eligible for membership if at any time within 5 years preceding the date of his appointment he has been a member or officer of any local, State, or national political party committee or has held, or been a candidate for, any elective public office. Members of the Board should receive no salaries, but they should be reimbursed for their actual time and expenses, plus the cost of transportation.

5. The Board should meet not less than four times a year upon call by the President, the chairman of the Board, or any four members of the Board. It should have authority and funds to employ temporary personnel for special investigations in addition to secretarial, clerical, and other necessary services provided by assignment from the staff of the Administrator.

6. The functions of the Civil Service Board should be:

a. To act as watchdog of the merit system and to represent the public interest in the improvement of personnel administration in the Federal service.

b. To appoint a special board of qualified examiners whenever there is a vacancy in the office of the Civil Service Administrator in order to conduct a new open competitive examination for the office, and to certify to the President the names of the three highest candidates.

c. To advise the President as to plans and procedures for dealing with Federal employment questions which cannot be handled satisfactorily through established channels.

d. To propose to the President or to the Administrator amendments to the rules for the administration of the Federal civil service and to review and comment upon amendments proposed by the Administrator.

e. To make annual and special reports to the President and the Congress on the quality and status of the personnel administration of the Federal Government and to make recommendations on possible improvements in the laws or the administration of matters affecting Federal personnel. In this connection, the Board should have powers to undertake special investigations.

f. To act in an advisory capacity upon the request of the President or the Administrator on matters concerning personnel administration.

g. To study and report from time to time upon the relations of the Federal Civil Service to the merit system in State and local jurisdictions, particularly with reference to State and local activities in which there is Federal participation through grants-in-aid.

h. To advise and assist the Administrator in fostering the interest of institutions of learning, civic and professional organizations, and labor and employee organizations in the improvement of personnel standards in the Federal service.

C. COMPENSATION AND CLASSIFICATION

Salaries in high governmental positions are of great importance in a democracy. The United States Government offers rates of pay to its responsible political officers of Cabinet and sub-Cabinet grade which are penurious by any realistic standard of comparison. They are palpably absurd when viewed in the light of the responsibilities that most of the higher positions entail, the insecurity of tenure necessarily associated with a political post, and the strain of public service on conscientious incumbents. They are required to sever their business relations, transfer their homes to Washington, and devote their full time to their day-to-day administrative duties. Officials of Cabinet rank—the heads of our great departments and the President's immediate advisers—receive \$15,000 per annum; under secretaries receive \$10,000; assistant secretaries, \$8,000 to \$9,000. Heads of independent establishments in the fields of lending, relief, and public works, where billions of dollars are handled and all the intricate welfare, political, and business problems of modern life are encountered, receive not over \$10,000. "Wanted, a \$25,000 man for \$10,000 a year" was the recent statement of the Secretary of the Treasury in describing the difficulties of finding a qualified Under Secretary. The salary for this responsible position is less than many relatively small banks pay their vice presidents. It is small wonder, then, that except in time of war or other emergency, when men are fired by a zeal for public service, the wealthy must be asked to fill most of the responsible political positions.

The career service is hampered by even less adequate levels of compensation. Under the Classification Act of 1923 salaries for heads of the largest bureaus range from \$8,000 to \$9,000. In a few exceptional cases the salary is fixed by law at \$10,000, but this is the ceiling to which career men may aspire. Heads of other major bureaus receive \$6,500 to \$7,500, and so on down the line.

Salary limitations of this kind in the higher grades must be lifted or they will defeat the development of a career service. The most promising and gifted people often do not apply for competitive entrance into the service because the top salaries are too low. At this moment some of the ablest men are leaving the service, as opportunities open up outside the Government, because of the limitations of compensation at the top. Government employees should be relieved of financial anxiety and temptation. They should not be given salaries for responsible work so low that they are tempted to cater to special interests which hold out hopes of remunerative private employment. Though prestige and recognition are and should be marked incentives to those in the public service, there must also be an adequate salary as a foundation and tangible mark of public respect.

Low compensation has a further bad effect on the service: It encourages the appointment of persons not really qualified, because the concept of the work itself is adversely influenced by the low salary scale.

The Federal service in its higher posts now offers considerably less lucrative rewards than other vocations of comparable responsibility. Many of the larger States and cities pay more to their governors, mayors and city managers, and department heads. The large labor

unions and cooperatives pay more for their chief executives. Heads of colleges, universities, and private welfare organizations receive more. Research jobs in industry and private institutes compensate better by far than do the outstanding technical assignments in the Government. The professions of engineering and medicine offer the chance for higher remuneration for top men. It is common for a Government attorney receiving a modest salary of only a few thousand dollars a year to be pitted in litigation or negotiation involving large sums against private counsel receiving retaining fees running into the tens of thousands of dollars for each case. In comparison with salaries paid by financial and business organizations, Federal rates are obviously utterly inadequate.

The Personnel Classification Board in its wage and personnel survey made in 1931 reported that the Government pay scale for persons in the professional and scientific services above the \$3,800 level is lower than the average paid for similar non-Government positions, and that the discrepancy becomes greater as the importance of the work increases. In positions in the clerical, administrative, and fiscal services, Government salaries are less liberal for those above the \$2,000 level. It is particularly noteworthy that the Board found that the salaries paid by private concerns to their major executives exceeded those paid by the Federal Government to positions of similar responsibility anywhere from 100 to 500 percent.

No greater step for real governmental economy could be taken than to increase salaries in the higher administrative and professional grades. The Government would thereby be enabled to maintain higher standards in these posts and to retain its ablest employees. Every time an able official resigns, the Government loses costly training and experience. Business and industry have been keenly aware of the high cost of turnover, particularly in executive positions. Government has been inclined to confuse parsimony with economy and to disregard the high cost of losing the most able. The cost of the failure to attract the highest grade of talent to Government service cannot be estimated, but the expense of developing new people and paying for their training and errors must be a very large item. The cost of raising salary scales in the higher grades would amount to only a fraction of 1 percent of the annual personnel budget. Within a short time it would pay large dividends by improving the morale of the entire service, raising the standing of the service in public estimation, and building another incentive for a career in the public service.

Salaries for the higher administrative and professional positions must therefore be increased if the Federal Government is to attract and retain the services of men and women of outstanding ability. Such individuals give direction and tone to the entire service, the effectiveness of which depends upon their capacities and understanding. In order to meet the needs of the service with respect to the salaries of regular career workers, the highest grades of the Classification Act should be amended. This will permit the careful, orderly, and scientific upward readjustment of salaries in accordance with the classification standards thus set by the Congress.

The provisions of the Classification Act should also be extended to positions now exempted in the field service of the Federal Government as well as in the departmental services and in some govern-

mental corporations. Such action would result in more careful budgeting of funds for personnel services in the field, the uniform application of definite salary standards, the improvement and expedition of services rendered by the central personnel agency, and the obtaining of detailed information about field positions which is not now available.

Adequate administrative flexibility must be permitted, however, if classification provisions are to be successfully extended and applied to field positions. Thousands of positions in the field services do not properly fall within the definitions of any of the five services defined in the Classification Act. Some modifications are necessary to satisfy field requirements. Such needed administrative flexibility can be realized if the President is authorized, after appropriate study and recommendation by the Civil Service Administrator, to extend the general provisions of classification and to establish suitable classification services, grades, and compensation schedules.

RECOMMENDATIONS

In order to make needed improvements in the salary policy of the Government, we recommend that:

1. The annual salaries of heads of executive departments, under secretaries, and assistant secretaries should be fixed by law at \$20,000, \$15,000, and \$12,000 respectively. Salaries of heads of independent establishments and of members of regulatory commissions should be fixed by the President at amounts not to exceed the maximum rate of the appropriate classification grades in which their respective positions are placed.

2. Compensation in the highest grades of the career service should be increased by appropriate amendment of the Classification Act; permanent officials in the highest civil-service positions, who are charged with the continuous conduct of the Government's work and who have no opportunities to enjoy the honor and prestige of Cabinet and sub-Cabinet posts, should receive annual salaries ranging from \$12,000 to \$15,000. Career officials in the next lower grade should receive annual salaries ranging from \$8,000 to \$10,000.

3. The Classification Act should be extended to the field service and to exempted positions in the departmental service and in some of the governmental corporations. The President should be authorized to define suitable services and grades when positions cannot be fairly and reasonably allocated to existing services in the Classification Act and to prescribe schedules of standardized compensation which shall not exceed rates fixed therein for positions of similar responsibility. At the same time governmental corporations and temporary agencies, whether or not they are subject to civil-service rules, should be required to apply the merit principle of appointment and promotion to their personnel.

III. FISCAL MANAGEMENT

Sound fiscal management is a prime requisite of good administration. The responsibility of the Executive for the preparation of a fiscal program in the form of a budget for submission to the Congress and for the direction and control of expenditures under the appropriation acts must be carried on faithfully, effectively, and under clear-cut authority. To establish strict accountability of the Executive Branch for the faithful execution of the laws enacted by the Congress, there must be an independent officer reporting directly to the Congress and who does not exercise any executive authority.

From the standpoint of over-all control the system of fiscal management of the Government now has four major defects, namely, (1) the inadequate staffing of the Bureau of the Budget; (2) the vesting in the Office of the Comptroller General, which is not responsible to the President, of the settlement of claims, the final determination concerning the uses of appropriations, and the prescribing of administrative accounting systems; (3) the absence of a truly independent and prompt audit of the financial transactions of the Government, whereby the Congress may hold the Executive Branch strictly accountable; and (4) the failure to devise and install a modern system of accounts and records.

Our recommendations for improvement of the fiscal administration of the Government are designed to correct these major faults, to return executive functions to the Executive Branch, and to make it accountable to the Congress.

Before taking up these recommendations in detail, we may review briefly the division of authority and responsibility between the Congress and the Executive Branch for the determination and execution of fiscal policies. The general theory underlying the Constitution is that the Congress shall be responsible for the determination and approval of the fiscal policies of the Nation and that the Executive shall be responsible for their faithful execution. The right of the legislative body to control the purse was a well-established principle prior to the American Revolution and was incorporated in the Constitution. The Congress, as representative of the people, enacts the laws; the duty of executing them is placed by the Constitution upon the President.

This division of authority under our constitutional system was well stated by President Wilson in a message to the Congress on May 13, 1920.

The Congress and the Executive should function within their respective spheres. Otherwise efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction. The Congress has the power and the right to grant or deny an appropriation, or to enact or refuse to enact a law; but once an appropriation is made or a law is passed, the appropriation should be administered or the law executed by the executive branch of the Government. In no other way can the Government be efficiently managed and responsibility definitely fixed.

The Congress enacts the necessary revenue laws, authorizes activities which require the expenditure of public funds, and makes the appropriations. But the trust residing in the Congress does not end with the enactment of appropriation measures; its responsibility requires also that it possess suitable means with which to hold the Executive accountable for the faithful and effective execution of revenue and appropriation laws. Likewise the responsibility of the Executive Branch can be established only if it is given undivided executive powers. If the Chief Executive is to fulfill the responsibility of his office under the Constitution, he must possess undivided executive powers and adequate means with which to exercise them.

A. BUDGETING AND ADMINISTRATIVE CONTROL

The creation in 1921 of the Bureau of the Budget was a major step in the direction of effective administrative management in the Federal Government. It placed upon the President responsibility for the preparation of a comprehensive annual budget and recognized the need for executive discretion and leadership in preparing and submitting to the Congress a program of revenue and expenditure. At the same time it provided the President with one of the primary instruments needed for effective over-all management of the executive establishment. The Director at the head of the Bureau is appointed by the President and, though within the Department of the Treasury, reports directly to the President. Through him the President can review and control the effectiveness of governmental agencies.

PURPOSE OF THE BUDGET SYSTEM

It is the purpose of the Budget system to provide in financial terms for planning, information, and control. Through the Budget the spending agencies are required to translate their work programs in advance into fiscal terms, so that each activity may be brought into balance and proportion with all other activities, and with the revenues and resources of the Government, and in harmony with long-range and general economic policies. The Budget not only serves as the basis of information for the Congress and the public with regard to the past work and future plans of the administration, but also as the means of control of the general policy of the Government by the legislative branch and of the details of administration by the Executive. The Bureau of the Budget was therefore set up as the right arm of the President for the central fiscal management of the vast administrative machine and to enable him to submit regularly to the Congress a complete report on past activities and a future program for advance approval by the legislative branch.

In addition to its duties in the preparation of the annual budget, the Bureau of the Budget was given administrative research functions of outstanding importance. It was charged with the responsibility of making a continuous study of the organization, operation, and efficiency of the Executive Branch of the Government. Through its control over budgeting the Bureau is in a key position to detect weaknesses in the organization and functioning of the various departments and agencies and is the appropriate agency continuously to investigate administrative problems and to make recommendations

to the President and the departments in the interest of economy and efficiency.

Substantial progress has been achieved through the Bureau of the Budget during its 15 years of operation. A spotlight has been thrown on national fiscal problems. The Executive has been placed in a better position to plan and control the fiscal program, for which he is held responsible in the public mind. It has been possible to scrutinize departmental needs in detail, and the departments have been assisted in improving their budgetary practices. The Congress has been presented not only with a more intelligible picture of the Nation's finances and financial problems but with a clear comparison between estimates and actual expenditures for the particular governmental activities. Substantial advances in improving governmental operation and in coordinating activities have been effected through the agency of the Bureau. Its staff has aided the President in the performance of many difficult administrative duties. The technical phases of budget making have been constantly improved and refined.

At no time, however, has the Bureau of the Budget achieved or even approximated its maximum possible usefulness and effectiveness as an instrument of administrative management. Because of its small operating appropriation, the Bureau has failed to develop an adequate staff of the highest attainable competence. Such a staff is necessary if it is to cope with the problems raised by a rapid growth in the magnitude and complexity of governmental organization and expenditures. It has not perfected its own organization and methods as a directing and controlling agency of the President. Rather, the Bureau has emphasized the task of preparing the Budget to the distinct disadvantage of its important complementary functions. It has only partially developed supervision over the execution of the Budget by the spending agencies.

The administrative research functions placed upon the Bureau are practically undeveloped; it is in this respect that the Bureau has missed its greatest opportunity. The Budget and Accounting Act of 1921 specifically authorized the Bureau to make detailed studies of the administrative departments and establishments for the purpose of advising the President intelligently as to changes that should be made in their organization and methods, in the grouping of services, and in the appropriations for various activities. The Bureau of Efficiency was abolished by an act of Congress, approved March 3, 1933, mainly on the grounds that it duplicated work that the law required the Bureau of the Budget to do. Its records and files were transferred to the Bureau of the Budget, but adequate provisions for carrying on its work are still to be made. Research in administrative organization has been negligible. Recommendations for reorganization have been conspicuously absent.

STAFFING OF THE BUREAU OF THE BUDGET

One obtains a vivid realization of the inadequate staff of the Bureau of the Budget from the fact that its appropriation for the current fiscal year (ending June 30, 1937) amounted to only \$187,000—a sum considerably less than is spent by a single finance and accounting division of some of the great Government departments, and less than 3 percent of the amount required to audit the

expenditures. It has a total personnel of only 45, and aside from the statutory positions of Director and Assistant Director, has only two positions compensated in excess of \$6,000 per annum. Only \$18,700 was provided for "research, surveys, and assistance." Yet this small staff is charged with preparing a budget of billions and with aiding the President in the exercise of his vast responsibility for the over-all management of the huge and intricate Federal administrative machine.

If the Bureau of the Budget is to be developed into a serviceable tool for administrative management to aid the President in the exercise of over-all control, it needs greater resources and better techniques. If continuing power is given the President to transfer and consolidate executive establishments, he will need adequate information, based on analyses of the greatest competence, as a guide to action. The Bureau of the Budget is the logical staff agency for the performance of this service. It should be given appropriations and a staff commensurate with the magnitude of the assignment. A relatively small sum invested in strengthening the Bureau of the Budget as a staff agency of the President will yield enormous returns in the increased efficiency of Government operation. It is with this in mind that recommendations regarding the Bureau of the Budget are presented.

The Director of the Bureau of the Budget is one of the few Government officers in a position to advise the President from an over-all, as opposed to a bureau or departmental, point of view. He should therefore be relieved to the greatest possible extent from the minor details of administration. He should be released for duties of maximum importance to the President and freed so that he may attend important conferences of Cabinet officers and planning groups, where programs are being considered that may eventually result in appropriation requests or in changes in governmental organization or procedure. In accordance with suggestions made elsewhere in this report, the salary of the Director should be increased. It should be possible for the President to select a Director from the career service, though he should continue, of course, to have the right to appoint a man of his own choosing.

The position of Assistant Director of the Bureau of the Budget should be filled under civil-service rules, preferably by promotion from the career service. It should be a high permanent post to which career men should be encouraged to aspire. Continuity in office is important if the Assistant Director is to have the necessary background from which to advise a new Director concerning the techniques of budget making and the intricacies of Government machinery and if he is to be skilled in the execution of policies and programs. Breadth of experience, depth of knowledge, and broad vision are needed in this office; these can be obtained only through intensive training and long experience in the Government itself. The Assistant Director should maintain the ordinary contacts with the administrative and budget officers of the departments as well as with the heads of other over-all management agencies such as the civil-service establishment. He should direct the activities of the several divisions of the Bureau of the Budget and in every possible way should assume responsibilities that would leave the Director free to concern himself with matters of major policy and program.

If the Bureau of the Budget is to perform effectively its functions of fiscal and over-all management it must be staffed with an adequate personnel. Division chiefs of high competence should be appointed from the career service. It should continue to have a career man as administrative assistant to attend to the institutional needs of the Bureau, such as personnel, appropriations, organization, financial records, and general services. The Director should have the authority to appoint a number of special assistants from inside or outside the service for special assignments and to retain consultants from business and the professions on a temporary basis for investigations or conferences in technical fields. The right to transfer or detail personnel from other Government agencies is of particular importance to the Bureau of the Budget and this should be authorized. For long-term periods the Bureau should reimburse the departments from which the personnel are borrowed. In turn, the Bureau should be permitted to accept reimbursement from Government agencies when it undertakes studies of organization and procedure at their request.

ACTIVITIES OF THE BUREAU: ESTIMATES

The preparation and execution of the Budget are essentially executive tasks. The Bureau of the Budget as a managerial agency of the President should therefore be made responsible for the execution, as well as the formulation, of the budget as a national fiscal plan. The task of scrutinizing and passing upon departmental estimates and of exercising some measure of continuing direction over the execution of the budget should be assigned to a special division in the Bureau. The highly important task of budgeting requires a staff of unusual competence, breadth of vision, keen insight into governmental problems, and long acquaintance with the work of the Government. Only a staff having these qualifications can be of assistance to the President, the Congress, and the departments in the preparation and consideration of a budget. Well-considered and informed central direction of budgeting is essential; arbitrary, uninformed, and indiscriminating decisions must be avoided.

The staff in charge of budget estimates must keep in constant touch with the entire administrative machine for the purpose of developing and executing both short-term and long-term fiscal plans. Through this staff the President may exercise effective control over the formulation and execution of fiscal plans and policies and may review carefully and wisely the departmental estimates. In this manner fiscal planning may assume its proper relationship to the economic and social planning for which the Nation holds the President responsible.

ADMINISTRATIVE RESEARCH AND OTHER MANAGERIAL ACTIVITIES

The President needs a research agency to investigate the broad problems involved in the administrative management of the Government—problems of administrative organization, finance, coordination, procedures and methods of work, and the many technical aspects of management. The function of investigation and research into administrative problems should be developed as an aid to over-all executive management.

Economy and efficiency in government require constant investigation and reorganization of the administrative structure. It is a mistake to assume that the Government can be reorganized once for all. Continuous study of the administrative organization of the huge Federal machine is necessary; new activities are constantly emerging and old activities are constantly changing, increasing, decreasing, or disappearing. Unless there is a special agency equipped to investigate problems of organization, new activities are set up without careful attention to where they should be located and what kind of organization is required. This results in costly mistakes and confusion. On the other hand, when the need for certain governmental activities declines or disappears, unless there is a special agency constantly studying the organizational requirements, adjustments are made late or not at all.

A division of administrative research in the Bureau of the Budget is the logical place to develop these functions which were authorized in the act of 1921. It should stimulate the continuous study of organization, methods, and procedures at the departmental or bureau level by the departments and bureaus themselves. It should engage in such studies on its own initiative where necessary, but should follow the policy of aiding and encouraging the departments to study their own organizational and procedural problems. It should endeavor to develop principles of organization that have general applicability and to act as a clearing house and consultation center for administrative research carried on in the departments. It should not undertake studies in fields in which other agencies of the Government are more competent or for which they are better equipped. Above all, persons engaged in administrative research should be freed from detailed routine duties involved in handling budget estimates.

The administrative research activities should be concentrated in a separate division of the Bureau of the Budget. It should be headed by a permanent chief possessing in unusual degree imagination, vision, creativeness, and analytical insight, as well as intimate acquaintanceship with both the practices of government and the principles of public administration. The research division must be staffed with persons of unusually high competence. Important research assignments upon administrative problems can be carried out successfully only by highly trained and experienced persons familiar with the organization and techniques of public administration. Flexible staff arrangements are necessary to permit the use of specialists drawn from the Government and from business for temporary periods.

A division of information should be established to serve as a central clearing house for the correlation and coordination of the administrative policies of the several departments in the operation of their own informational services, and to perform related duties. The United States Information Service might well be transferred to this division. It might also develop into a service which would supervise and foster regional associations of executive officers of the Government and other activities for coordination of the field services. The Director of the Bureau has been authorized by law to approve the use of printing and binding appropriations for the periodicals and journals published by Government agencies; the chief of the division of information could assist him in carrying out this duty.

The President has turned to the Bureau of the Budget for assistance in carrying out a number of important executive duties placed upon him. By reason of its close contact with the operating departments and with the President as a managerial agency, the Bureau is better able to perform these activities than are other administrative units.

One of the most important of these activities is the preparation, consideration, and clearance of Executive orders. Executive orders have been used since the early days of the Government, and, with the great increase in size and complexity of the governmental machine, have been utilized to an ever-increasing extent. They are particularly necessary in periods of emergency when there is rapid change in governmental policies and organization. Executive direction and control of national administration would be impossible without the use of this device. The activity of the Bureau of the Budget as a clearing agency in the issuance and amendment of Executive orders should be continued and strengthened by the development of a more adequate and expert staff. It should be equipped to aid the President in the consideration of administrative problems and to draft the necessary Executive orders.

Wider use could be made of Executive orders to establish uniform codes regulating management throughout the Government. These codes might well cover such matters as budgetary and other financial practices and controls, personnel, supplies, coordination, and other matters related to general organization and management. Such regulations should be promulgated after careful consideration by the departments. They could be arranged in suitable codes and would be of material assistance in guiding administrative officers.

Departmental regulations governing internal organization and management might also be cleared with the Bureau of the Budget. The purpose would not be formal approval or disapproval, but to give to the departments such assistance as the experts of the Bureau might be able to render and to enable the Bureau to inform the President upon any matters which should be brought to his attention. This clearance would result in the establishment of a greater degree of uniformity in the departmental management practices in matters in which uniformity is desirable. It would provide a desirable pooling of the experience of the several departments in many management activities. The Bureau of the Budget should be equipped to assist the departments, at their request, in preparing regulations relating to their internal management.

Another important activity of the Bureau of the Budget as a staff aid to the President is in connection with proposed legislation arising within the executive departments and establishments. In addition to his position as the head of the Executive Branch, the President is charged by the Constitution with important legislative duties, including the duty to advise the Congress "from time to time" of such "Measures as he shall judge necessary and expedient." As Chief Executive he may require "the principal Officer in each of the executive Departments" to give him an "Opinion, in writing, * * * upon any subject relating to the Duties of their respective Offices." Though the final authority for all legislative acts rests with the Congress and the President, it is the duty of the executive departments

to supply the Congress with information and advice concerning the laws which they administer.

Inasmuch as a large part of all legislation is concerned with the structure and functioning of administrative departments and the creation and modification of administrative powers, the Congress is entitled, in the consideration of such legislation, to have from the administrative departments the benefit of their experience and special knowledge. All legislation recommended by the Executive Branch of the Government should be carefully considered before presentation to the Congress. The administrative, financial, legal, international, and other effects and implications of all such proposals should be thoroughly examined and the proposed legislation should be carefully drafted. Conflicts and differences between administrative departments concerning proposed legislation, whether of major policies or details, should, so far as possible, be adjusted before such bills are presented to the Congress. Though the ultimate decision in all such conflicts rests with the Congress, its work is hindered by differences between departments. These ordinarily should be adjusted within the Executive Branch of the Government in accordance with the constitutional concept of a single, and not a plural, Executive.

During recent years the Bureau of the Budget has functioned as an agency for the President in the clearance of the fiscal aspects of legislative measures proposed by the executive departments. This clearance is of value to the Congress and to the departments and is essential to the exercise of the authority and responsibility of the President. It should be applied to all legislation proposed by the executive departments and agencies and should not be limited to fiscal considerations. The Bureau of the Budget could well take over the present duties of the National Emergency Council in this respect.

To aid the President in carrying out this responsibility the Bureau of the Budget should develop a staff equipped to act as a clearance agency on all aspects of proposed legislation and to provide the departments with expert and technical assistance. This would enable the Administration to prepare more expertly proposed legislative measures and to insure that ill-considered measures are not submitted to the Congress.

RECOMMENDATIONS

Our recommendations regarding budgeting and administrative control may be briefly summarized as follows:

1. The Director of the Bureau of the Budget should be relieved from routine duties and thus enabled to devote himself to problems of fiscal policy and planning. Provision should be made for an adequate permanent staff of the highest competence, implemented by special assistants on assignment from the operating agencies and by temporary consultants and specialists recruited from business and industry for special assignments.
2. The execution, as well as the preparation, of the budget should be supervised by the Bureau of the Budget and should be closely correlated with fiscal programs and plans.
3. The administrative research function of the Bureau of the Budget should be adequately developed to aid the President in his duties as head of the executive establishment. The Bureau

should carry on constructive studies in public administration for the constant improvement of Government organization and procedure and should also stimulate continuous study of these problems by departments and bureaus.

4. The information function of the Bureau of the Budget should be developed and improved. The United States Information Service should be transferred to it, as should other appropriate activities in the coordination of the field services of the Government.

5. The Bureau of the Budget should serve in various ways as an agency of the President. Improvement should be made in its facilities for the clearance of Executive orders and the establishment of uniform codes of management in the Government. It should assist the departments in their regulations governing internal organization. It could render important service to the President and to the Congress in coordinating and clearing legislative recommendations which originate in the Executive Branch.

B. DIRECTION AND CONTROL OF ACCOUNTING AND EXPENDITURES

A second important phase of fiscal management is the direction and control of expenditures through the system of accounting. The present accounting system of the Government is badly scattered and presents a rather incongruous mixture of antique and modern practices. Essential parts of the system are now found in the Treasury Department, divided among three or four important Treasury units, in the General Accounting Office, and in the various operating bureaus, departments, and establishments. At the same time, the warrant procedure that dates back to Alexander Hamilton's day pursues its plodding way alongside the latest machine bookkeeping. Financial reporting from the various accounts is far from being systematized, is generally lacking in telling information for administrative purposes, and is often delayed beyond the point of any practical value.

Although the Budget and Accounting Act of 1921 had as one of its main objects the improvement of the Government's accounting system, very little of real and lasting value has as yet resulted. The Comptroller General was vested with authority under this act to prescribe a system of administrative appropriation and fund accounting in the several departments and establishments. Fifteen years have since elapsed, and still no comprehensive and adequate system of general accounts has been developed by the Comptroller General's office.

The authority which the Comptroller General has exercised over departmental accounting procedures has, in many cases, improved the accounts in the departments and establishments. But these procedures have continually stressed the bringing of accounting information into the General Accounting Office, with little consideration for the informational needs of the Bureau of the Budget, of the Treasury Department, and ultimately of the President. The tendency, therefore, has been to deprive the Executive of adequate accounting machinery, or even authority to develop this important instrument of financial direction. Because of the lack of interest in administration little effort has been made, for example, toward the

development of unit or cost accounts. It is very doubtful if the Congress intended that the accounting provision of the 1921 Act should work in this way. Certainly it is inconsistent with Executive responsibility and efficient administration.

The time is ripe for a return to the basic notion that served as the groundwork for the original accounting system of the Government. There should now be installed in the Treasury Department a modern system of general accounting and reporting that would produce accurate information quickly and easily concerning expenditure obligations, appropriation and allotment balances, revenue estimates and accruals, and actual collections, as well as cash disbursements and receipts. Not only should the accounting methods be standardized throughout the governmental agencies, but there should be a complete revamping of the accounting procedure which would enable the Treasury Department to secure reliable information at a moment's notice on the status of all revenues and expenditures of the Government. There is abundant evidence that these accounting improvements are greatly needed, and that they can now be properly made.

CURRENT CONTROL OF EXPENDITURES

Through the accounting system current control over expenditures is exercised. This function is often confused with the function of audit. Current control involves final decisions as to proposed expenditures and the availability of funds. An audit is an examination and verification of the accounts after transactions are completed in order to discover and report to the legislative body any unauthorized, illegal, or irregular expenditures, any financial practices that are unsound, and whether the administration has faithfully discharged its responsibility.

A true audit can be conducted only by other officers than those charged with the making of decisions upon expenditures. No public officer should be authorized to audit his own accounts or financial acts and decisions. The maximum safeguard is provided when the auditor is entirely independent of the administration and exercises no executive authority. The control of expenditures is essentially an executive function, whereas the audit of such expenditures should be independent of executive authority or direction.

Although the title of the Budget and Accounting Act indicates that the principal purpose was to provide a budget system and "an independent audit of public accounts", the distinction between "control" and "audit" was confused in the act. It placed certain control functions, as well as the auditing function, in the Office of the Comptroller General, who was thus made both a "comptroller" and an "auditor." This has created an undesirable and anomalous situation: As an auditor the Comptroller General properly performs his function without the direction of any executive officer; but as a comptroller, exercising the executive authority to determine the uses of appropriations, to settle accounts and claims, and to prescribe administrative accounting systems—functions which are universally recognized as executive in character—he is improperly removed from any executive direction and responsibility.

Furthermore, the Comptroller General, as a comptroller, determines in advance the legality of expenditures and issues rules and regula-

tions which govern the administrative procedures and practices of the executive establishments; later, as an auditor, he reviews and audits the action taken under his own previous decisions. The more the Comptroller General exercises control over expenditures through advance decisions, approval of contracts, preaudits, and otherwise, the less competent he becomes to audit them. This system results in divided authority and responsibility for the proper expenditure of public funds and the accounting therefor; it deprives the President of essential power needed to discharge his major executive responsibility. Equally important, it deprives the Congress of a really independent audit and review of the fiscal affairs of the Government by an official who has no voice in administrative determinations, which audit is necessary to hold the Administration accountable.

The removal from the Executive of the final authority to determine the uses of appropriations, conditions of employment, the letting of contracts, and the control over administrative decisions, as well as the prescribing of accounting procedures and the vesting of such authority in an officer independent of direct responsibility to the President for his acts, is clearly in violation of the constitutional principle of the division of authority between the Legislative and Executive Branches of the Government. It is contrary to article II, section 3, of the Constitution, which provides that the President "shall take Care that the Laws be faithfully executed."

In the recent case of *Springer v. Philippine Islands* (277 U. S. 189), which involved an attempt to vest executive powers in a legislative body, the Supreme Court declared:

Legislative power, as distinguished from executive power, is the authority to make laws, but not to enforce them or appoint the agents charged with the duty of such enforcement. The latter are executive functions.

The settlement of accounts and the supervision of administrative accounting systems are executive functions; under the Constitution they belong to the Executive Branch of the Government. The audit, by the same reasoning, should operate under legislative direction. The Comptroller General today straddles both positions.

Prior to the adoption of the Budget and Accounting Act of 1921, accounts and claims were settled by the auditors, all of whom were Treasury officials, and the accounting procedures were prescribed by the Comptroller of the Treasury. Strictly speaking, there was no independent audit. When the Congress adopted legislation providing for a National Budget system in 1921, it also provided for an independent auditing office. The hearings on the act, as well as the language of the act itself, indicate clearly that the purpose in creating an independent auditing office was to enable the Congress to secure adequate and full information upon the finances of the Government. Members of the special committees of the House and the Senate complained that the auditors and the Comptroller of the Treasury, being a part of the administration and subject to removal, would not come before congressional committees and criticize the existing financial practices.

Major attention at that time was focused upon the provisions of the act relating to the creation of a National Budget; the far-reaching implications involved in placing the accounting and controlling authority in an auditing officer independent of the Executive were not clearly realized. There was, however, no lack of warn-

ing on this point. During the hearings on the act, in 1919, a number of outstanding witnesses who advocated the creation of an independent auditor stated that he should be charged with the sole task of auditing expenditures after they were made and reporting the results of the audit to the Congress. These witnesses expressed grave doubt as to the wisdom of giving to this independent auditing officer the controlling function as well, for this they regarded as unquestionably executive in character. Among those who called attention to this important distinction were men like former Governor Frank O. Lowden of Illinois, Senator Carter Glass (then Secretary of the Treasury), President Frank J. Goodnow of the Johns Hopkins University, President Nicholas Murray Butler of Columbia University, Mr. John T. Pratt, President of the National Budget Committee, Mr. Henry L. Stimson, later Secretary of State, and Dr. Frederick A. Cleveland.

At various times in the hearings, members of both the House and the Senate committees expressed their own doubts concerning the wisdom of granting controlling and accounting authority to an independent auditor. But the final act transferred to the Comptroller General all the powers formerly exercised by the auditors and by the Comptroller of the Treasury.

RESULTS OF INDEPENDENT CONTROL

The results of placing executive powers of control in an independent auditing office may be reviewed briefly. Before 1921, when the head of a department questioned a ruling of the Comptroller of the Treasury, or when the President requested it, the ruling was referred to the Attorney General for a legal opinion. Since 1921 this practice has been discontinued. An impasse has resulted. The first Comptroller General of the United States consistently refused to submit any disputed question to the Attorney General or to modify any of his rulings in conformance with the opinions of the Attorney General. It is significant that the Attorney General has been sustained repeatedly when the issues were taken to courts of law.

Both the Attorney General and the Comptroller General are directed by the Congress to render opinions or decisions interpreting the meaning of congressional acts. Executive officers customarily turn to the Attorney General when there is any question about the authority or the legality of an action which they are contemplating. The present conflict of authority between these two officers leads to a great deal of uncertainty, delay, and expense, and at times reaches almost to the point of administrative paralysis. Speed, decision, vigor, and common sense in the conduct of national affairs have been subordinated to technical rulings on doubtful questions.

The virtual discontinuance of the practice of referring disputed rulings to the Attorney General for an opinion upon legal issues results in the Comptroller General interpreting his own jurisdiction and the scope of his authority through his own rulings. This is an extraordinary principle, clearly contrary to our political institutions and constitutional theory.

Before 1921 there was comparatively little complaint that the rulings of the Comptroller of the Treasury, precursor of the Comptroller General, encroached upon administrative discretion. This was prob-

ably because the Comptroller of the Treasury was a part of the administration itself, even though he had semi-independent status, and because of the practice of referring disputed questions to the Attorney General. From 1921 on, however, the Comptroller General, through numerous rulings, has carried his authority into areas which are clearly in the realm of executive decision. Any volume of the published rulings of the Comptroller General affords a wide variety of examples of this invasion of administrative responsibility. Many of his rulings go far beyond the terms of any statute.

Rulings by an independent auditing officer in the realm of executive action and methods, even when they seem wise and salutary, have a profoundly harmful effect. They dissipate executive responsibility and precipitate executive uncertainty. Many of the rulings of the Comptroller General, though issued in the belief that they are in the interest of strict legality, undoubtedly impede the work of the departments and add to their operating costs. Administrative officers have found it necessary to go not merely to their superior officers for the approval of plans but also to the office of Comptroller General for the approval of legality, form, and procedure. This division of authority destroys responsibility and produces delays and uncertainty. It has become increasingly difficult, and at times simply impossible, for the Government to manage its business with dispatch, with efficiency, and with economic sagacity.

An effective continuing executive control over the administration of the Government to insure economy, legality, and expedition is impossible so long as such wide authority over plans, forms, and procedures is exercised by the General Accounting Office. The Comptroller General has also extended his authority into administrative matters by the expansion of the preaudit (i. e., audit before payment), by the increased use of advance decisions, and by his rulings, all of which have constantly brought more and more administrative questions to him for final determination. The operating plans of the administration are greatly affected, and sometimes controlled, by his rulings. Fiscal practices are to a large extent governed by his decisions. These are areas of control that are customarily entrusted to executive officers, both in Government and in private business administration.

Numerous delays in administration are inevitable under the current procedures and routines of the General Accounting Office. Every voucher must be examined and passed upon in a single office at the seat of the Government. Final settlements are delayed from a period of 3 months to as long as 3 years after the original transaction has been consummated. Of what value to the Congress or to the administration is an audit which is not completed until after 3 years? Executive officers are unable to obtain accurate current reports on the financial status of their own departments or bureaus. The delay in the audit has also created much uncertainty as to the authority of executive officers, with consequent delay in administrative action. Delays are often expensive. Promptness is essential to vigorous, decisive, and efficient public administration.

AUDIT OF EXPENDITURES

The General Accounting Office has failed to achieve an independent audit of national expenditures. It has not supplied the Congress with the comprehensive information concerning the financial administration of the Government which an audit should render. The Budget and Accounting Act provides that the Comptroller General shall report to the Congress the results of his audit and his investigations into the financial transactions of the Government and states that he "shall specifically report to Congress every expenditure or contract made by any department or establishment in any year in violation of law." Except in a few isolated cases the Comptroller General has not carried out this provision of the act. He has rarely called attention to unwise expenditures or unsound fiscal practices. Since the present arrangement delays the final settlement of accounts, in some cases for as long as 3 years, it is impossible for the Comptroller General even to complete his audit of any fiscal year in time for it to be of any material value to the Congress.

The fundamental reason why the Comptroller General has failed to provide the Congress with a complete, detailed, and critical audit of the fiscal accounts of the Government, however, is the anomalous and inconsistent position of his office.

The results of the vesting of important executive authority in the Comptroller General, an independent officer, who is not responsible to the Chief Executive, nor, in fact, to the Congress or to the courts, are serious. Effective and responsible management of the executive departments is impossible as long as this unsound and unconstitutional division of executive authority continues. At the same time, the Congress is unable to secure a truly independent audit, which is essential if it is to hold the administration to a strict accountability.

RECOMMENDATIONS

Our recommendations regarding the direction and control of accounting and expenditures are as follows:

1. For the purpose of providing the Chief Executive with the essential vehicles for current financial management and administrative control, the authority to prescribe and supervise accounting systems, forms, and procedures in the Federal establishments should be transferred to and vested in the Secretary of the Treasury. This recommendation is not new. In 1932 President Hoover recommended to the Congress that the power to prescribe accounting systems be transferred to the Executive Branch, stating:

It is not, however, a proper function of an establishment created primarily for the purpose of auditing Government accounts to make the necessary studies and to develop and prescribe accounting systems involving the entire field of Government accounting. Neither is it a proper function of such an establishment to prescribe the procedure for nor to determine the effectiveness of the administrative examination of accounts. Accounting is an essential element of effective administration, and it should be developed with the primary objective of serving this purpose.

In 1934 a special committee of the United States Chamber of Commerce on Federal expenditures, headed by Mr. Matthew S. Sloan, recommended that all accounting activities be removed

from the Comptroller General and placed in a General Accounting Office directly responsible to the President. This committee stated in its report:

Since the Comptroller General is not under Executive control, as he reports to Congress and is responsible only to that body, the Executive is deprived of one of the most essential means of establishing effective supervision over expenditures, namely, a satisfactory accounting system directly under Executive control. Moreover, the Comptroller General is now in the anomalous position of auditing his own accounting.

The Committee is convinced that accounting should be segregated from auditing, and that accounting should be centralized in an agency under the control of the President. Such a system would provide the administration with machinery necessary to establish control over expenditures and also afford Congress an independent agency for checking the fiscal operations of the administration.

2. For the purpose of fixing responsibility for the fiscal management of the Government establishment on the Chief Executive in conformity with the constitutional principle that the President "shall take Care that the Laws be faithfully executed", claims and demands by the Government of the United States or against it and accounts in which the Government of the United States is concerned, either as debtor or as creditor, should be settled and adjusted in the Treasury Department.

3. To avoid conflict and dispute between the Secretary of the Treasury and the departments as to the jurisdiction of the Secretary to settle public accounts, which conflicts and disputes have so marred the relationship between the Comptroller General and the departments in the past, and to make it impossible for the Secretary of the Treasury to usurp any of the powers vested in the heads of departments by the Congress, the Attorney General should be authorized to render opinions on such questions of jurisdiction (but not on the merits of the case) upon the request of the head of the department or upon the request of the Secretary of the Treasury, and the opinion of the Attorney General on such questions of jurisdiction should be final and binding.

4. In order to conform to the limitations in the functions remaining within the jurisdiction of the Comptroller General, the titles of the Comptroller General and the Assistant Comptroller General should be changed to Auditor General and Assistant Auditor General, respectively, and the name of the General Accounting Office should be changed to the General Auditing Office.

5. The Auditor General should be authorized and required to assign representatives of his office to such stations in the District of Columbia and the field as will enable them currently to audit the accounts of the accountable officers, and they should be required to certify forthwith such exceptions as may be taken to the transactions involved (a) to the officer whose account is involved; (b) to the Auditor General; and (c) to the Secretary of the Treasury.

The auditing work would thus proceed in a decentralized manner independent of, but practically simultaneous with, disbursement. Duplication of effort and delays due to centralization in Washington could be reduced to a minimum. It would not be

necessary for the Treasury Department to duplicate the field audit of the General Auditing Office. Exceptions would be promptly reported to the Treasury. Prompt, efficient service could be afforded in the scrutiny of questioned vouchers and in the review of accounts of disbursing officers.

6. In the event of the failure of the Secretary of the Treasury and the Auditor General to reach an agreement with respect to any exception reported by representatives of the Auditor General concerning any expenditure, it should be the duty of the Auditor General to report such exception to the Congress through such committees or joint committees as the Congress may choose to designate.

IV. PLANNING MANAGEMENT

In addition to the means already indicated as desirable for fiscal and personnel management it is essential that machinery for over-all planning management be provided for the use of the Executive.

There are already in existence a number of agencies in the several departments concerned with research and planning within departmental limits. There are also important interdepartmental committees dealing with problems that cross departmental lines.

There are now 47 State planning boards engaged in the task of making State-wide plans for the best use of State resources, in the various ways found most suitable in the widely different sections of the Nation with their widely varying problems.

There are over 1,100 city planning boards occupied with the special problems of urban communities. County planning boards have been set up in over 400 counties and are increasing in number and importance.

There are regional planning boards dealing with problems larger than State boundaries alone can contain, as the Pacific Northwest Regional Planning Commission, the New England Regional Planning Commission, the Ohio Valley Regional Planning Commission.

In addition there are 20 commissions on interstate cooperation organized under the auspices of the new Council of State Governments. Many interstate compacts and other agreements and arrangements, some legislative, some administrative, involving central and local authorities, are being set up.

Further, there is a great variety of agencies engaged in research and planning management. Some of these are found in business, some in agriculture, some in labor, some in the professions interested in special lines of inquiry, some in the universities and other research institutions. A vast amount of planning information and experience is available at these sources, and adequate organization would make it possible to fit the research and planning programs of all these groups into our national purposes.

How can the President deal most readily with these scattered and important agencies and their relation to the over-all view of administrative management?

ESTABLISHMENT OF A PERMANENT PLANNING AGENCY

To meet this situation it is recommended that a permanent National Resources Board be set up to replace the present temporary committee created by Executive order. This committee was first set up by the Public Works Administrator in 1933, and later was established by Executive order as the National Resources Board. It was then directed "to prepare and present to the President a program and plan of procedure dealing with the physical, social, governmental, and economic aspects of public policies for the devel-

opment and use of land, water, and other national resources, and such related subjects as may from time to time be referred to it by the President."

Important reports have been made under this authority dealing with the prevention of enormous losses in land use, water use, mineral use, dealing with long-time planning, timing, and the division of costs in public works, with the organization and activities of State planning boards, with regional factors in national planning, with regional planning in New England, in the Pacific Northwest, in the St. Louis metropolitan region. A complete water plan for the United States has been prepared, and many special reports on water resources. Other reports have been prepared in the field of social problems, dealing with urban factors in national development, with basic population trends in the United States, with the social implications of recent technological changes. Extensive and important studies in the field of industrial relations are in preparation, concerning the interrelations of national production and consumption.

PLANNING ACTIVITIES

The first function of such an agency is to serve as a clearing house of planning interests and concerns in the national effort to prevent waste and improve our national living standards. Another is to cooperate with departmental, State, and local agencies, and in general to use the Board's good offices to see that planning decisions are not made by one group in ignorance of relevant undertakings or research going on elsewhere. Obviously much of this is a matter of diplomacy and intelligent interest rather than of legal authority and high command.

Another function is that of collecting and analyzing data relating to our national resources, both human and physical, and of shaping up advisory plans for the better use of these resources. The gains of civilization are essentially mass gains. They should be distributed as fairly as possible among those who created them. But a frequent recurrence to fundamental principles is necessary. Unless some overhead central agency takes an over-all view from time to time, analyzes facts, and suggests plans to insure the preservation of the equilibrium upon which our American democracy rests, there is danger that it will be badly upset. It is important that the Executive have at hand ample ways and means of taking such an over-all view of the best and highest use of the national assets which we have inherited from our fathers and which we aim to hand on to posterity, enlarged and enriched by our efforts.

Our development in this entire field of national resources policy has been experimental, evolutionary, and at times undoubtedly somewhat illogical. Our line of progress in business, agriculture, and labor has been a process of groping our way forward from point to point, with the democratic goal and direction in mind, as we dealt from time to time with land policy, with industrial monopolies, with conservation, with special privileges which threatened the common weal, with social insecurity, with the social results of discoveries in technology and management.

We shall proceed in the future as we have throughout our history, adapting our institutions to our resources, our desires, and our ideals

of how men may live and prosper together, striking a new course where we must invent one, or profiting by the success of others in devising means of meeting a specific problem. It is important, however, to see to it that our arrangements for making use of the finest and soundest American experience and judgment in planning for the American future are the best that can be set up, and further that they are meshed in with the machinery, first of administrative management and finally of policy determination. We confidently believe that the universal aspiration for economic security and the increasing enrichment of human lives may be forwarded by substituting the results of careful scientific study for uninformed judgment and political expediency as the basis for the formulation of governmental plans.

Such a board would work through various technical committees, consisting partly of Government personnel and partly of other qualified persons drawn in for special purposes from time to time. Examples of this procedure are the present Land Use Committee, the Water Resources Committee, and the Industrial Resources Committee. In these committees the experience and plans of various bureaus and departments are pooled with those of outsiders, and the results reported to the National Resources Committee for consideration and eventual recommendation to the President.

These problems cut across many departmental and jurisdictional lines, as in the notable instances of land, water, public works, and industrial resources, and require combined examination, discussion, and interpretation, if a full measure of success in their utilization is to be realized. If we look forward a little it is easy to see many other emerging problems just ahead, problems which will call for unified study and planning in many fields of national resources, both human and physical.

It cannot be too strongly stated that one of the most valuable services rendered by a National Resources Board is that of cooperation with the State, local, and interstate planning agencies throughout the Nation. This has already been particularly evident in dealing with land use, forestry, multiple uses of water, and social needs in general; but the same principle is capable of far wider application as time goes on and as the machinery for genuine cooperation is better adjusted. This cooperation constitutes an important guaranty against overcentralization in governmental planning and against decay of local governmental interest.

Close and continuous relationship between this administrative planning agency and other Federal agencies could be maintained through contacts of its research and planning staff with the research and planning personnel of the various departments; and further, through the intermediation of the President's aides. It will also be possible through the State planning boards to keep in close contact with the planning projects and developments in the different States and their subdivisions. In this way a continuing stream of information regarding planning progress may be kept in circulation among those whose determinations depend upon such knowledge.

The translation of over-all planning into action would, however, be the administrative responsibility of the Executive and dependent finally, of course, upon the decision of the Congress. It cannot be too strongly emphasized that the function of the proposed Board

is not that of making final decisions upon broad questions of national policy—a responsibility which rests and should rest firmly upon the elected representatives of the people of the United States. Such a Board is useful in proportion as it is detached from immediate political power and responsibility.

Nor should such an agency be involved in special administrative responsibilities which properly devolve upon the appropriate departments of the Government set up for that purpose. This Board should serve rather as a general staff for gathering and analyzing relevant facts, observing the interrelation and administration of broad policies, proposing from time to time lines of national procedure in the husbanding of our national resources, based upon thorough inquiry and mature consideration; constantly preparing and presenting to the Executive its findings, interpretations, conclusions, and recommendations for such final disposition as those entrusted with governmental responsibility may deem appropriate.

RECOMMENDATIONS

1. It is recommended that a National Resources Board, consisting of five members appointed by the President, without salary and with indefinite terms, be created to serve as a central planning agency under the President.

2. It is further recommended that there be a director appointed by the Board, in general charge of the staff, and an executive officer, in the classified service; and that the further organization of divisions of the work be left to the determination of the Board.

3. It would be necessary for the Board to have ample provision for the maintenance of a staff equal to the performance of the heavy tasks imposed upon it. In general, the equipment of such a Board as is proposed would consist of—

a. A permanent skeleton staff of career men of undoubted competence, with their assistants.

b. Other governmental personnel with special skills detailed from time to time for the work of the Board.

c. Experts and assistants brought in from time to time to deal with special problems as they arise. A contingent fund for this purpose should be available, but inevitably the amounts required would vary widely from one period to another, as different types of assistance were required.

In support of the proposed indefinite terms of office for members of the Board, it may be pointed out that a long term of office is no adequate protection against an unfriendly or indifferent Executive and Congress; and in any case a deadlock between the Board and the authorities would make the success of the Board very dubious. A board may be swept out of existence by the Congress at any time, or it may be ignored by the Executive and the Administration.

Life tenure for such a Board, even if it were possible to obtain, would not be desirable, for it would tend to widen gaps between the Government and the Board, or between the public and the Board. In a rapidly changing situation, a Board of this type must be responsive to the broad sweep of national interest and judgment.

The personnel of the Board should bring together insight, experience, and judgment in the analysis and interpretation of national planning policies, skill in the invention of ways and means of utilizing our national resources, and social vision in the fusion of American interests, techniques, and ideals into sounder and more satisfactory modes of conserving and expanding our national resources and facilitating their equitable award.

The Board should be provided with an annual appropriation, a considerable part of which should be used for aiding the several States in the maintenance of their State planning boards; another part should be budgeted for stated projects of research; and another portion be reserved for other inquiries undertaken at the request of the President for some special purpose, in cooperation with some of the several departments or with local agencies.

V. ADMINISTRATIVE REORGANIZATION OF THE GOVERNMENT OF THE UNITED STATES

The primary purpose of a rational reorganization of the administrative agencies of the Executive Branch of the Government is to reduce to a manageable compass the number of agencies reporting to the President.

The Constitution of the United States sets up no administrative organization for the Government. The whole matter of executive power is dealt with in a few brief phrases. First in importance is: "The executive Power shall be vested in a President of the United States of America." Reference is also made to the Army and Navy, of which the President is named "Commander in Chief", and, indirectly, to the "executive Departments"; and there is laid on the President alone the duty to "take Care that the Laws be faithfully executed." In these few words, supplemented by those defining the scope of the Legislative and the Judicial Branches, there is set forth the constitutional principle of the separation of powers, which places in the President, and in the President alone, the whole executive power of the Government of the United States.

The administrative organization of the Government to carry out "the executive Power" thus rests upon statute law, and upon departmental arrangements made under the authority of law. The history of these laws and arrangements is a reflection of our national problems and development. At the beginning, in 1789, there were but four departments: State, War, Treasury, and the Attorney General. The General Post Office was permanently established in 1794, and 4 years later, the Navy Department was created. Thus, by 1800 there were six departments, all of them directly under the President in accordance with the constitutional principle of the separation of powers.

For the next 50 years there was no change. Then came the creation of the Department of the Interior in 1849, of Agriculture in 1889, and of Commerce and Labor in 1903, from which the Department of Labor was separated in 1913.

Two new kinds of governmental agencies made their appearance in the generation after the Civil War. They were, first, executive agencies under the President but not connected with any department, such as the Civil Service Commission (1883); and, second, independent regulatory agencies, such as the Interstate Commerce Commission (1887), which were neither placed under the President nor connected with any department. Many additional agencies of these types appeared in subsequent years.

During the World War a large number of new agencies were established. These were chiefly councils, boards, commissions, administrations, and governmental corporations, and though not legally connected with the regular departments, they were definitely within the

Executive Branch and under the President. In this period the innovation was the governmental corporation, which was found useful particularly in dealing with financial operations. Most of these agencies were abolished, or consolidated with the departments, in the years following the war.

During the recent depression similar need for emergency action has resulted again in the establishment of a large number of new agencies. These include administrations, boards, commissions, committees, governmental corporations, and authorities. The novel elements in this period are the extended use of the corporate form and the introduction of the "authority." Most of these agencies have been placed in the Executive Branch and under the President, but in the main they have not been connected by law with the regular departments.

As a result of this long development, there are now in the Government of the United States over 100 separately organized establishments and agencies presumably reporting to the President. Among them are the 10 regular executive departments and the many boards, commissions, administrations, authorities, corporations, and agencies which are under the President but not in a department. There are also a dozen agencies which are totally independent—a new and headless "fourth branch" of the Government.

THE EXECUTIVE BRANCH TODAY

The executive branch of the Government of the United States has thus grown up without plan or design like the barns, shacks, silos, tool sheds, and garages of an old farm. To look at it now, no one would ever recognize the structure which the founding fathers erected a century and a half ago to be the Government of the United States. A careful examination of the Government shows the following facts:

1. The structure of the Government throws an impossible task upon the Chief Executive. No President can possibly give adequate supervision to the multitude of agencies which have been set up to carry on the work of the Government, nor can he coordinate their activities and policies.
2. The normal managerial agencies designed to assist the Executive in thinking, planning, and managing, which one would expect to find in any large-scale organization, are either undeveloped or lacking.
3. The constitutional principle of the separation of powers and the responsibility of the President for "the executive Power" is impaired through the multiplicity and confusion of agencies which render effective action impossible.
4. Without plan or intent, there has grown up a headless "fourth branch" of the Government, responsible to no one, and impossible of coordination with the general policies and work of the Government as determined by the people through their duly elected representatives.
5. For purposes of management, boards and commissions have turned out to be failures. Their mechanism is inevitably slow, cumbersome, wasteful, and ineffective, and does not lend itself readily to cooperation with other agencies. Even strong men

on boards find that their individual opinions are watered down in reaching board decisions. When freed from the work of management, boards are, however, extremely useful and necessary for consultation, discussion, and advice; for representation of diverse views and citizen opinion; for quasi-judicial action; and as a repository of corporate powers.

6. The conspicuously well-managed administrative units in the Government are almost without exception headed by single administrators.

7. Owing to the multiplicity of agencies and the lack of administrative management there is waste, overlapping, and duplication, which may be eliminated through coordination, consolidation, and proper managerial control.

These are the major features which stand out clearly in any examination of the structure of the Executive Branch of the Government.

There flow from these factors many obscure difficulties and problems. Among these is the time and energy which have been wasted for many years because of departmental jealousies and jurisdictional disputes among the department heads and bureau chiefs as to who should control particular activities. The people of the country have held the President responsible for failing to settle these internal quarrels, whereas in fact, because the President's authority is not commensurate with his responsibility, often he has been unable to compose the differences short of the summary dismissal of one of his Cabinet Members. The departments themselves and groups of citizens interested in particular activities often seek to settle such disputes by direct appeals to the Congress, there again only to find the same or almost the same differences represented in the jurisdictional jealousies of congressional committees.

Another difficulty is found in the nature of the regional subdivisions of the departments and agencies. At the present time there are 109 different plans of geographical subdivision of the United States in use by the various governmental agencies for their local offices. From the standpoint of the citizen this does not make good service or good sense. Government should, of course, be carried to the people through the decentralization of the Washington departments, partly to make it fit their needs, and partly to keep it from becoming distant and bureaucratic, but this decentralization need not be chaotic and conflicting, provided it is properly integrated at the center and subjected to over-all management.

The method of decentralization of necessity will vary from department to department and from activity to activity within the department. A general principle that may be laid down is that the decentralization should be geographical and that more and more of the administrative work of the Executive Branch be carried on in the field in regional units set up to cover all parts of the United States. In this way the Government will be brought nearer to the people themselves and by this regional organization the Federal Government may the better cooperate with State and local governments in the conduct of its affairs.

This geographical decentralization also will diminish the waste of time and money, to say nothing of the patience of the people, entailed by excessive centralization of administrative activities in

Washington. At the same time it offers the opportunity of lessening the insensitivity of the bureaucracy by bringing the persons who actually administer in detail the work of the Government into touch with the people whom they serve in their own communities.

The safeguarding of the citizen from narrow-minded and dictatorial bureaucratic interference and control is one of the primary obligations of democratic government. It can be accomplished only by so centralizing the determination of administrative policy that there is a clear line of conduct laid down for all officialdom to follow and then by so decentralizing the actual administrative operation that the Government servant remains himself one of the people in touch with the people and does not degenerate into an isolated and arrogant bureaucrat.

These difficulties and defects in the organization of the Executive Branch have been clearly recognized for a generation and have been growing steadily worse decade by decade. The structure as it now stands is inefficient; it is a poor instrument for rendering public service; and it thwarts democratic control. With such a planless organization, good management is almost impossible—a fact of great importance in the modern world in which nothing can continue without good management, not even democracy.

A. PLAN OF REORGANIZATION

To meet these conditions and make and keep the Government thoroughly up-to-date, we make four principal recommendations, as follows:

1. Provide for 12 major executive departments, by the addition to the existing 10 of a Department of Social Welfare and a Department of Public Works.
2. Require and authorize the President to determine the appropriate assignment to the 12 executive departments of all operating administrative agencies and fix upon the Executive continuing responsibility and power for the maintenance of the effective division of duties among the departments.
3. Equip the President with the essential modern arms of management in budgeting, efficiency research, personnel, and planning.
4. Revive and extend the principle of Executive accountability to the Congress through the development of an effective independent audit and report on fiscal transactions and through the simplification of the confusing structure of the Government.

It is the purpose of these recommendations to make effective management possible by restoring the President to his proper place as Chief Executive and giving him both a governmental structure that can be managed and modern managerial agencies, and by restoring to the Congress effective legislative control over the Executive. One element of this program, that dealing with managerial agencies, has been discussed above. As a part of other phases of this program, many minor changes will be required. These are discussed in the following pages in connection with a fuller statement of our principal recommendations concerning departmental reorganization.

TWELVE MAJOR DEPARTMENTS

Any large industrial or commercial enterprise with plants, stores, or services scattered over a continent would, for the sake of good management, organize the business on the basis of the separate services, plants, or areas. Each one of these divisions would then have a manager, and there would be over all a president or general manager who would direct the whole enterprise, working through 8 to 10 executive assistants in accordance with the policies determined by the stockholders and the board of directors. This is in general what we propose for the Government of the United States, making allowance for the differences in method and purpose of the Government as a servant of the Nation.

No man can manage, coordinate, or control more than 100 separate agencies, particularly when in some of them responsibility to the Chief Executive is not definitely placed. The number of immediate subordinates with whom an executive can deal effectively is limited. Just as the hand can cover but a few keys on the piano, so there is for management a limited span of control. In the Army this has been said to be 3 subordinates; in business it has frequently been set at 5 or 6; and some students of government have placed the limit at 10 or 12. Obviously the number is not the same for all work or for all men, nor can it be determined mathematically. But one thing is clear: It should be the smallest possible number without bringing together in any department activities which are unrelated or in conflict with each other.

It is thus necessary to determine what are the new major fields of activity of the National Government and to make a place for them. These are disclosed in the multitude of new agencies and laws of the past 25 years. As we view them they seem to fall in five great categories: Public welfare, public works, public lending, conservation, and business controls. These are the great thrusts which have come to the surface in the last generation, not only in this country, but in all countries, though in different ways. Certain phases of these activities may not be permanent, but the major purposes are apparently here to stay, and deserve appropriate departmental homes.

An examination of the existing executive departments shows that there is no adequate place in the present structure for two of these new developments: Public welfare and public works. We therefore recommend that new departments be set up by law to cover these two fields, and that there be assigned to these departments by the President not only the appropriate new activities in these fields but also the old activities closely related thereto. The remainder of the new activities, which have to do with lending, regulating, and conservation, may be assigned to existing departments without altering their fundamental purposes.

In the case of conservation, however, it would seem desirable to establish a Department of Conservation, which would take over most of the activities of the present Department of Interior. The name "conservation" should be among the departmental titles because it represents a major purpose of our Government today. We therefore recommend that the name of the Department of the Interior be changed to Department of Conservation.

In accordance with these recommendations, the operating divisions of the Executive Branch of the Federal Government would be as follows:

Department of State.	Department of Conservation.
Department of the Treasury.	Department of Agriculture.
Department of War.	Department of Commerce.
Department of Justice.	Department of Labor.
Post Office Department.	Department of Social Welfare.
Department of the Navy.	Department of Public Works.

The establishment of these 12 great departments directly responsible in administration to the Chief Executive in place of the present multitude of independent, and at times conflicting, departments, boards, commissions, administrations, authorities, corporations, committees, and agencies will make possible the more simple, more effective, more efficient, more economical, and more democratically controlled management of public affairs.

GENERAL PURPOSES OF THE DEPARTMENTS

The departments would have the following major purposes:

1. *The Department of State.*—
To advise the President with regard to foreign affairs.
To conduct international relations and have custody of documents of state.
2. *The Department of the Treasury.*—
To advise the President with regard to fiscal affairs and the Congress on revenue bills.
To handle the collection of revenues, the administration of credits and the debt, the settlement of claims, the making of payments, the keeping of central accounts, and the procurement of general supplies.
3. *The Department of War.*—
To advise the President with regard to military affairs.
To administer the military services.
4. *The Department of Justice.*—
To give legal advice to the President and to the heads of executive departments.
To enforce the laws, particularly when special enforcement agencies are not provided, represent the Government in court proceedings, and cooperate in crime control with other Federal, State, and local agencies.
5. *The Post Office Department.*—
To operate the postal system and its allied services, and cooperate with other departments in furnishing facilities for decentralized service and information.
6. *The Department of the Navy.*—
To advise the President with regard to naval affairs.
To administer the naval services.
7. *The Department of Conservation.*—
To advise the President with regard to the protection and use of the natural resources of the Nation and the public domain.

To administer the public lands, parks, territories, and reservations, and enforce the conservation laws with regard to public lands and mineral and water resources, except as otherwise assigned.

8. *The Department of Agriculture.*—

To advise the President with regard to agriculture.

To conduct research on agricultural problems; to continue and develop relations with State and local governments in agricultural research, agricultural education, and the conservation and development of private lands and other resources affecting the agricultural supplies of the Nation; and to enforce and administer laws dealing with agriculture.

9. *The Department of Commerce.*—

To advise the President with regard to the problems of commerce and industry.

To deal with the problems of commercial and industrial production and distribution, domestic and foreign; to carry on research, collect statistics, establish standards and practices, and enforce laws with regard to manufacture, merchandising, communication, and transportation.

10. *The Department of Labor.*—

To advise the President with regard to labor problems.

To conduct research on employment, wages, cost of living, and working conditions; to handle labor relations and controversies; to enforce labor laws; and to administer employment offices and the Federal aspects of Federal-State programs of social security where right rather than need is the basis of payment to beneficiaries.

11. *The Department of Social Welfare.*—

To advise the President with regard to social welfare.

To administer Federal health, educational, and social activities; to conduct research in these fields; to administer Federal grants, if any, for such purposes; to protect the consumer; to conduct the Federal aspects of Federal-State programs of social security where need is the basis of payment to beneficiaries; to administer all Federal eleemosynary, corrective, and penal institutions; and to administer probation and parole.

12. *The Department of Public Works.*—

To advise the President with regard to public works.

To design, construct, and maintain large-scale public works which are not incidental to the normal work of other departments, except as their agent on request; to administer Federal grants, if any, to State or local governments or other agencies for construction purposes; and to gather information with regard to public works standards throughout the Nation.

We shall not attempt to assign to each of these 12 departments particular establishments, agencies, and bureaus. To do so, we are persuaded, would be to undertake an executive task which should be performed only by the Executive, on the basis of careful research and discussions with those most intimately involved, after the enactment by the Congress of a law setting up for his guidance the general departmental structure.

The major departmental structure which we have suggested is designed to accommodate all of the existing activities of the Government without determining whether they are temporary or permanent. What activities the Government is to carry on is not a question of organization or a problem for this Committee, but for the Congress and the President, and should be settled primarily through the Budget. It should nonetheless be noted that the general departments here recommended will not be affected seriously by the abandonment of all of the so-called "emergency" activities such as relief, resettlement, reconstruction, finance, etc. As long as we go forward with social security, added to the established activities, we shall need the 12 departments here suggested.

We do not wish to imply, however, that this plan of departmentalization is in our judgment a final or permanent pattern. The number, the titles, and the content of the departments must of necessity change from time to time to fit the activities of the Government.

There are those who believe that "emergency" activities should not be brought into the recommended departmental set-up. They fear that to do so would constitute an acceptance by the Federal Government of responsibility for the continuation of a function, and that the discontinuance of the work would thus be made far more difficult. We are led to the contrary view. The inclusion of temporary and emergency activities within departments, where they are brought into juxtaposition with established related services and under the surveillance of the regular managerial agencies for which we have provided, will, we think, subject them to a greater pressure for discontinuance than if they are left to themselves. As a matter of fact, demobilization is carried on by the overhead, not by the staff, and can be more vigorous when the overhead is permanent, as in a department, and is not itself marked for extinction. Moreover, there is the great difficulty of determining what is and what is not temporary, and what to do with temporary activities while we are waiting for them to pass. We have no hesitation, therefore, in recommending that every activity and agency be brought within a department, whether it is intended to continue, to modify, or to abandon it. Any other solution is uncertain and unsatisfactory.

B. CONTINUING EXECUTIVE RESPONSIBILITY FOR EFFICIENT ORGANIZATION

The division of work for its effective performance is a part of the task of doing that work. Under changing conditions, and conditions are always changing, public policy and efficiency require a continual change in the division of work of government, that is, in its organization. Under the circumstances it seems clear that the Executive should always be held responsible not alone for the management of the executive departments, but also for the division of work among the major departments. To render the Executive truly responsible for administration and its efficiency, he must be required to accept the responsibility for the continuous administrative reorganization of the Government.

The duty of the Congress in reorganization is discharged by the determination of the broad outlines of reorganization, through the creation of the executive departments and the adoption of the general

policy that all administrative operating agencies shall be brought within these large executive departments. This places in the Congress the settlement of broad policy, and on the President the executive task of reorganization in accordance with this policy. This retains in the hands of the Congress not only complete control over the things which are to be done by Government, that is, over policy, but also, first, the opportunity to review the effectiveness of the reorganization each year when the Budget comes before it; second, the means for holding the Executive accountable through the independent audit; and, third, the continuing opportunity and duty of investigating those phases of government and administration which the Congress or the public feel are in need of review.

The work of reorganization is a continuing task growing out of and intimately related to the day-to-day work of the executive agencies. It is a task that cannot be done once and for all. It will require continuing attention. The assignment of the multitude of present activities to appropriate departments is not something which can be carried out ruthlessly on a wholesale blue-print basis without doing serious damage to the work and without destroying executive responsibility. In each instance the reorganization of the work will require careful research as to functions, processes, objects, and personnel, and the arrangements in each particular case will require not only advance consideration but experimental adjustment. In other words, the task of reorganization is inherently executive in character and must be entrusted to the Executive as a continuing responsibility.

In carrying out the task of continuous administrative reorganization of the Government to meet changing needs and situations, the President will require careful and expert attention to organizational problems and proposed changes of organization, not only by the departments themselves but by the managerial agencies directly under the President. Each department should be required to give continuous attention to internal problems of organization and to take the initiative in proposing changes in cases requiring action by the President. The Bureau of the Budget, as a managerial arm of the President, should investigate broader problems of organization which affect two or more departments and should render expert information and advice to the President upon proposed changes. It should also render expert assistance to the departments upon their organizational problems and should have authority to conduct investigations upon its own initiative. When new activities are to be undertaken, or old activities are to be liquidated or reduced, the Bureau of the Budget should investigate all aspects of the proposed changes. The central managerial agencies dealing with personnel and planning will also be able to give expert assistance and advice to the President upon the administrative organization of the Government. The best information and knowledge within the Government should be at the command of the President in carrying out his responsibility for efficient organization.

THE DYNAMICS OF ORGANIZATION

Government is a going concern, not a static institution. Each activity therefore has its period of initiation and development, its period of normal operation, and in some cases also its period of decline and liquidation. While this does not change the principles of organization, it does alter profoundly their application in individual cases.

New activities should be organized rather completely on the basis of purpose so that that purpose may be the central driving force of the organization. They should be freed from interference by departments organized on the basis of process. They should also be given virtually complete freedom, or extensive autonomy, within existing departments. In the nature of the case, new purposes cannot be carried out without broad freedom to experiment. To tie a totally new activity either to the regular bureau pattern or to the regular controls may defeat its purpose entirely.

When, however, an activity is organized, its major policies established, its purposes accepted and understood, and its work in the main placed upon a routine basis, then the time has come to bring the activity into the normal structure of organization and under the normal controls. To do so will not endanger the objectives of the organization as such, nor hinder its work, but will rather increase its efficiency, improve not only its own work but also the whole work of government through better coordination, and render it more truly subject to democratic control.

Particular attention needs to be given to the period of decline and liquidation because departments and bureaus like to keep themselves alive and because they and the pressure groups back of them are incapable of estimating their value. There is among governmental agencies great need for a coroner to pronounce them dead, and for an undertaker to dispose of the remains. Both of these processes are advanced when agencies approaching discontinuance are deprived of their independent status by being brought into large departments and are made subject to the regular controls through the budget, central accounting, and personnel administration.

It must be remembered that no organization of so complicated a nature and endowed with so many traditions as the Federal Government can be strictly logical. Good service will require the continuation also of many divisions, particularly in regional areas, containing work processes which duplicate processes in other agencies national in scope. Such conditions will require careful consideration from time to time, and the mutual cooperation of the departments concerned.

Government is a human institution. It is made up of men and women who work together in groups to protect and to serve other men, women, and children scattered over a great continent. It is human throughout; it rests not only on formal arrangement, skill, and numbers, but even more upon attitudes, enthusiasms, and loyalty. It is certainly not a machine, which can be taken apart, redesigned, and put together again on the basis of mechanical laws. It is more akin to a living organism. The reorganization of the Government is not a mechanical task. It is a human task and must be ap-

proached as a problem of morale and personnel fully as much as a task of logic and management.

It must be recognized also that a nice blueprint, an attractive-looking chart, is not the end of reorganization. Engineers, accountants, and efficiency experts have at times led the public to believe that a neat-looking organization chart means good government in fact. What we want is not a streamlined, chromium-trimmed government that looks well in the advertisement, but one that will actually deliver the goods in practice. The whole basis of reorganization must not be superficial appearance but the integrity of the social services underneath, which are the end of government.

SOME AGENCIES MAY BE GIVEN SEMI-AUTONOMOUS STATUS WITHIN DEPARTMENTS

More flexibility in the internal structure of departments is needed to meet the present requirements of good administration. Some of the existing independent agencies should be accorded a degree of independence within the department to which they are assigned, instead of being reduced to bureau status.

In the assignment of now independent agencies to the departments, those which require a degree of independence from the normal departmental control in any particular because of their nature or stage of development should be accorded a semi-autonomous status within the departments by the terms of the Executive order which establishes their status. In some instances a large and important independent establishment would be placed under the Secretary of a department only to enable the Secretary to coordinate its broad policies with those of other agencies in a related functional field also reporting to him. In other respects it would remain quite independent. Another agency might be placed under the department for the sole purpose of reporting to the Secretary. In other respects it would remain quite independent. Still another agency might be placed under the department not only for the purpose of reporting through the Secretary, as in the instance mentioned, but the department also would carry on for it its housekeeping functions, such as budgeting, supplies, personnel, etc., so as to avoid duplication and unnecessary expense. Still other agencies now independent are so small or so narrowly routinized in purpose and process that they might be assimilated into the body of the department itself as a bureau.

By recognizing this principle of semi-autonomous status within the departments for certain activities that should be continued with a large degree of independence as unified operations, the advantages of a more orderly organization may be realized and at the same time the deadening effects of a too rigid bureaucratic scheme avoided.

C. DEPARTMENTAL ORGANIZATION

It has been the task of this Committee to investigate the problems of administrative organization and management at the central or over-all level. We have not included within our studies any detailed inquiry into the internal organization and management of the executive departments. The problem is different for each department. Elsewhere we have pointed out that departments should give con-

firmous attention to the problem of internal organization, making the revisions from time to time which experience indicates are necessary to the efficient conduct of their work and to the service of the public. Constant attention should be given not only to the organization at Washington, but also to the field organization.

There are, however, certain aspects of departmental organization which are common to all departments and, indeed, to the Government as a whole. Upon these aspects we offer some brief recommendations.

It is essential to provide for direction and control of the work of each department by a small number of policy-determining officers at the head. These officers include the secretary of the department, assisted by an under secretary and two or more assistant secretaries. It is of the essence of democratic government that these officers be selected by the Administration in office.

The duties of these policy officers are primarily the consideration and adoption of broad policies and the representation of the department in its relations with other departments, with the President, with Congress, and with the general public. They should be freed of detailed administrative duties, for which they are not usually equipped, and their time should be released for the consideration of departmental policies and programs.

The secretary of a department, as the chief executive of a large organization, requires the assistance of a small number of executive aides. In private organization this need is well recognized. In government the need is even greater. The Secretary should select his own aides, choosing them from within or from without the civil service. Persons from the career service should be free to accept such appointment, but should retain their civil-service status and security of position in the service. In addition, every department should have a liberal contingent fund for the temporary employment of specialists to assist in solving particular problems.

The management of each of the executive departments of the Federal Government is a task of great importance. Several of the departments would rank with the very largest private corporations in size and complexity. Practically all of them engage in activities which, because of their variety and importance to society, present vastly more difficult problems of management than even the largest of our private concerns.

With the development of central or over-all management of the Government, it is equally important to develop within each department corresponding facilities for administrative management. This requires the development of managerial agencies under the secretary dealing with such matters as finance, personnel, and planning, and centralized institutional services for legal advice, supplies, records, correspondence, and information. A number of the executive departments have made notable advances in this direction.

These managerial and institutional agencies should be under the direction of a single executive officer, who should be a career official. He would be selected by the secretary of the department from the career service, to which he would return upon the termination of his assignment. In the executive officer would be centered the authority and responsibility under the direction of the secretary for the development of administrative management within the department. This

position would correspond to the manager of a great corporation. It would be the highest managerial position in the career service of the Government.

D. THE INDEPENDENT REGULATORY COMMISSIONS

Beginning with the Interstate Commerce Commission in 1887, the Congress has set up more than a dozen independent regulatory commissions to exercise the control over commerce and business necessary to the orderly conduct of the Nation's economic life. These commissions have been the result of legislative groping rather than the pursuit of a consistent policy. This is shown by the wide variety in their structure and functions and also by the fact that just as frequently the Congress has given regulatory functions of the same kind to the regular executive departments.

These independent commissions have been given broad powers to explore, formulate, and administer policies of regulation; they have been given the task of investigating and prosecuting business misconduct; they have been given powers, similar to those exercised by courts of law, to pass in concrete cases upon the rights and liabilities of individuals under the statutes. They are in reality miniature independent governments set up to deal with the railroad problem, the banking problem, or the radio problem. They constitute a headless "fourth branch" of the Government, a haphazard deposit of irresponsible agencies and uncoordinated powers. They do violence to the basic theory of the American Constitution that there should be three major branches of the Government and only three. The Congress has found no effective way of supervising them, they cannot be controlled by the President, and they are answerable to the courts only in respect to the legality of their activities.

MIXTURE OF EXECUTIVE AND JUDICIAL FUNCTIONS

The independent regulatory commissions create a confusing and difficult situation in the field of national administration. There is a conflict of principle involved in their make-up and functions. They suffer from an internal inconsistency, an unsoundness of basic theory. This is because they are vested with duties of administration and policy determination with respect to which they ought to be clearly and effectively responsible to the President, and at the same time they are given important judicial work in the doing of which they ought to be wholly independent of Executive control. In fact, the bulk of regulatory commission work involves the application of legislative "standards" of conduct to concrete cases, a function at once discretionary and judicial and demanding, therefore, both responsibility and independence.

The evils resulting from this confusion of principles are insidious and far-reaching. In the first place, governmental powers of great importance are being exercised under conditions of virtual irresponsibility. We speak of the "independent" regulatory commissions. It would be more accurate to call them the "irresponsible" regulatory commissions, for they are areas of unaccountability. It is not enough to point out that these irresponsible commissions have of their own volition been honest and competent. Power without responsibility

has no place in a government based on the theory of democratic control, for responsibility is the people's only weapon, their only insurance against abuse of power.

But though the commissions enjoy power without responsibility, they also leave the President with responsibility without power. Placed by the Constitution at the head of a unified and centralized Executive Branch, and charged with the duty to see that the laws are faithfully executed, he must detour around powerful administrative agencies which are in no way subject to his authority and which are, therefore, both actual and potential obstructions to his effective over-all management of national administration. The commissions produce confusion, conflict, and incoherence in the formulation and in the execution of the President's policies. Not only by constitutional theory, but by the steady and mounting insistence of public opinion, the President is held responsible for the wise and efficient management of the Executive Branch of the Government. The people look to him for leadership. And yet we whittle away the effective control essential to that leadership by parceling out to a dozen or more irresponsible agencies important powers of policy and administration.

At the same time the independent commission is obliged to carry on judicial functions under conditions which threaten the impartial performance of that judicial work. The discretionary work of the administrator is merged with that of the judge. Pressures and influences properly enough directed toward officers responsible for formulating and administering policy constitute an unwholesome atmosphere in which to adjudicate private rights. But the mixed duties of the commissions render escape from these subversive influences impossible.

Furthermore, the same men are obliged to serve both as prosecutors and as judges. This not only undermines judicial fairness; it weakens public confidence in that fairness. Commission decisions affecting private rights and conduct lie under the suspicion of being rationalizations of the preliminary findings which the commission, in the role of prosecutor, presented to itself.

The independent commission, in short, provides the proper working conditions neither for administration nor for adjudication. It fails to provide responsibility for the first; it does not provide complete independence for the second.

THE ADMINISTRATIVE PROBLEM

The independent commissions present a serious immediate problem. No administrative reorganization worthy of the name can leave hanging in the air more than a dozen powerful, irresponsible agencies free to determine policy and administer law. Any program to restore our constitutional ideal of a fully coordinated Executive Branch responsible to the President must bring within the reach of that responsible control all work done by these independent commissions which is not judicial in nature. That challenge cannot be ignored.

At the same time, the commissions present a long-range problem of equal or even greater seriousness. This is because we keep on creating them. Congress is always tempted to turn each new regulatory function over to a new independent commission. This is not

only following the line of least resistance; it is also following a 50-year-old tradition. The multiplication of these agencies cannot fail to obstruct the effective over-all management of the Executive Branch of the Government almost in geometric ratio to their number. At the present rate we shall have 40 to 50 of them within a decade. Every bit of executive and administrative authority which they enjoy means a relative weakening of the President, in whom, according to the Constitution, "the executive Power shall be vested." As they grow in number his stature is bound to diminish. He will no longer be in reality *the Executive*, but only one of many executives, threading his way around obstacles which he has no power to overcome.

We have watched the growth of boards and commissions transform the executive branches of our State governments into grotesque agglomerations of independent and irresponsible units, bogged by the weight and confusion of the whole crazy structure. The same tendency in national administration will bring the same disastrous results. That tendency should be stopped.

It is imperative that we discover some technique or principle by which the work done by our present regulatory commissions, together with such new regulatory tasks as arise in the future, may be handled without the loss of responsibility for policy and administration and without the undermining of judicial neutrality. Is there not some way to retain the major advantages that the commissions aim to secure and, at the same time, to get rid of their basic unsoundness?

REDISTRIBUTION OF FUNCTIONS

The following proposal is put forward as a possible solution of the independent commission problem, present and future. Under this proposed plan the regulatory agency would be set up, not in a governmental vacuum outside the executive departments, but within a department. There it would be divided into an administrative section and a judicial section. The administrative section would be a regular bureau or division in the department, headed by a chief with career tenure and staffed under civil-service regulations. It would be directly responsible to the Secretary and through him to the President. The judicial section, on the other hand, would be "in" the department only for purposes of "administrative housekeeping", such as the budget, general personnel administration, and matériel. It would be wholly independent of the department and the President with respect to its work and its decisions. Its members would be appointed by the President with the approval of the Senate for long, staggered terms and would be removable only for causes stated in the statute.

The division of work between the two sections would be relatively simple. The first procedural steps in the regulatory process as now carried on by the independent commissions would go to the administrative section. It would formulate rules, initiate action, investigate complaints, hold preliminary hearings, and by a process of sifting and selection prepare the formal record of cases which is now prepared in practice by the staffs of the commissions. It would, of course, do all the purely administrative or sublegislative work now done by the commissions—in short all the work which is not

essentially judicial in nature. The judicial section would sit as an impartial, independent body to make decisions affecting the public interest and private rights upon the basis of the records and findings presented to it by the administrative section. In certain types of cases where the volume of business is large and quick and routine action is necessary, the administrative section itself should in the first instance decide the cases and issue orders, and the judicial section should sit as an appellate body to which such decisions could be appealed on questions of law.

This proposed plan meets squarely the problems presented by the independent commissions. It creates effective responsibility for the administrative and policy-determining aspects of the regulatory job and, at the same time, guarantees the complete independence and neutrality for that part of the work which must be performed after the manner of a court. It facilitates and strengthens administrative management without lessening judicial independence.

The plan has, furthermore, the great advantage of adaptability to varying conditions. With the administrative and judicial sections under the roof of the same department, the details of their organization could be worked out experimentally by Executive order. The precise division of labor between them could also be readily modified in the light of experience, and the shifting of a function from one section to the other would not raise the major jurisdictional controversies that sometimes result from proposals to alter the status or duties of an independent commission.

Furthermore, the principle of the plan does not have to be applied with exact uniformity to every commission. The requirement and present practices of each commission may be taken into consideration in carrying out this principle.

There is nothing essentially novel or startling about the proposed plan. There are numerous precedents and analogies which refute the suggestion that it is revolutionary or dangerous.

In the first place, we should remember that for 30 years important regulatory functions have been carried on by the executive departments. The powers of the Secretary of Agriculture under the Packers and Stockyards Act are essentially the same in nature and importance as those of the regulatory commissions. And there are over 20 regulatory laws similarly administered. By common consent the departments have done this work well. And yet under this arrangement the judicial phases of the regulatory process, involving important rights of property, are handled by politically responsible, policy-determining officials, a system far more open to attack than the proposed plan which carefully places the adjudication of private rights in an independent judicial section.

In the second place, the idea of giving those phases of the administrative process which involve policy and discretion to a different agency from that which issues orders or makes decisions after the manner of a court is a very old one. We find this principle working comfortably in our legislative courts, such as the Customs Court and the Court of Claims, or in that pseudo court, the Board of Tax Appeals. These bodies decide cases originating in the process of administration and presented to them by administrative officers. It is true that they are not handling cases which are precisely the same as those coming before our regulatory commissions, but they are

established as they are in order that the functions of administration need not be imposed upon the officials who are charged with the adjudication of private rights and the public interest. This same segregation of function lies at the heart of the proposed plan.

A groping after the same principle is found, in the third place, in those departments and agencies in which have been set up appellate bodies, judicialized in varying degrees, which sift and review the preliminary decisions and orders of administrative officers. This device has long been in operation in the Patent Office, the Immigration and Naturalization Service, the Veterans' Administration, the Treasury, and elsewhere. Here again we recognize the desirability of separating the task of ultimate decisions upon private rights from the preliminary steps in which there is a larger element of administrative discretion.

Finally, a close scrutiny of the way in which the more important regulatory commissions handle their work indicates that the division of functions between the proposed administrative and judicial sections is merely a formalizing by statutory enactment of the division of labor that has already been set up within the commissions themselves. In nearly every case the commissioners devote the major part of their time and energy to the deciding of cases and the issuance of orders on the basis of the records and findings prepared by the examiners, attorneys, and other officers making up the commission's staff. The division of labor is, of course, very rough and tentative, and there is no corresponding division of responsibility between the commissioners and their subordinates. But the fact that that division of labor has emerged, not under any legal compulsion, but because it has proved a normal and convenient method of getting the commission's work done, is significant for our present purposes.

The process of setting the proposed plan in motion would in a sense be merely the following of a path already roughly pricked out. The present commissioners as a body would assume the status of a judicial section. The present staff of the commission under a responsible administrative chief could, with a minimum of disruption, be molded into an administrative section. It is difficult to see how the transition could be very disturbing or why the plan should not work smoothly and efficiently.

E. GOVERNMENT CORPORATIONS

The Government corporation is a useful and efficient means of carrying out powers granted the Federal Government under the Constitution. It has proved to be an effective device not only for emergency purposes but for the continuing operation of a variety of economic services. Its peculiar value lies in freedom of operation, flexibility, business efficiency, and opportunity for experimentation.

The advantages, however, raise unusual problems in the realm of administrative management. Special forms of supervision and control are needed to preserve these values and at the same time to insure that they are utilized in the public interest. The supervisory techniques must be suitable to the corporate form but must insure efficient operation, public accountability, responsiveness to popular will, and integration with the whole task of executive responsibility for management.

Considerable variety is found in many aspects of these special instrumentalities. No one simple formula will produce the desired result of adequate supervision in a group of agencies that differ so widely in their purpose, powers, organization, and structure. Before installing appropriate controls careful analysis of the various types is needed to determine the reasons for their creation, the method of their formation, and the varying degrees of Government participation they require. In no event should these controls be of a nature to inhibit the essential values of the corporate device which were the original justification for its adoption.

PURPOSE OF THE CORPORATION

The corporate device presents factors of flexibility and business efficiency not often obtainable under the typical bureau form of organization. Corporations are generally expected to be self-supporting enterprises and to be no burden upon the Treasury, even in cases where it has subscribed to their initial capital. They usually have the right to borrow on their own obligations and to use the income derived from charges for their services for payment of their necessary expenses. Freedom from the necessity of appropriations carries with it freedom from various governmental controls and restrictions, such as budget procedures; personnel regulations governing appointment, discharge, and compensation; and various governmental rules regarding purchase, travel, space, and property. Ordinarily they devise their own systems of accounts, and, within the limits of their enabling statutes, may incur obligations and settle claims.

Citizens, particularly when they participate in their ownership, are more inclined to expect businesslike procedures from corporations than from direct Government activity. Corporations have demonstrated their business efficiency in such fields as the making and collection of loans, the management of property, and the operation of transportation facilities. They can be held responsible for an entire result by the accomplishments reflected in their annual reports and balance sheets rather than by a minute scrutiny of their detailed transactions.

The corporation makes possible participation by private interests in the ownership of a Federal instrumentality. In the Federal land banks, for example, the Government subscribed the original capital stock but with the expectation that private ownership would be substituted for the Government investment.

The corporation affords considerable opportunity for regional decentralization and local autonomy. Authority and responsibility can be devolved upon patrons by representation on regional boards. In a Nation so large and varied in its natural conditions and habit patterns, this device brings into play a mechanism which can respond to a regional need more adequately than conventional governmental forms. Its regional boundaries need not coincide with political areas but can conform to economic and social factors of homogeneity relevant to its purposes. These purposes can be unitary, such as providing home loans or farm loans. The Tennessee Valley Authority has demonstrated that they can be multiple in the broad field of regional development, including such varied elements as river control, conservation, power production and transmission, and national defense.

So broad a program affects every aspect of regional welfare and governmental activity for its advancement.

The corporate form provides a particularly convenient means for achieving various degrees of limitation of sovereign immunity when the Federal Government undertakes to foster business-like activities in fields it may properly enter. A Federal corporation can be specifically authorized to pay State taxes, to sue and be sued in State or in Federal courts, and by appropriate legislation can be made subject to certain State laws that have reference to its particular activities.

By the use of self-sustaining business corporations, it is frequently possible for the Government to provide an economic service of national importance without entering directly into business itself, thereby obviating additional burdens on the Federal Treasury.

The use of the corporate device is by no means new. Since 1791, when the Congress authorized the creation of the first Bank of the United States, the Federal Government has frequently used corporate devices to carry out its powers under the Constitution. It has become a well-established doctrine since the case of *McCulloch v. Maryland* that the creation of a corporation is within the power of the Congress. As Chief Justice Marshall said, "The Government which has a right to do an act, and has imposed on it the duty of performing that act, must, according to the dictates of reason, be allowed to select the means * * *". The history of the establishment of Government corporations indicates that those of a permanent nature have been for the most part financial and banking institutions established under the fiscal powers of the Congress. Authority for the creation of most of the other Federal corporations has been derived from the war power or from the power to regulate interstate commerce. Most Federal corporations have been authorized during periods of national emergency, such as economic depressions and wars. The employment of the corporate device was greatly increased during the World War, and since the beginning of the depression in 1929 there has been an unprecedented expansion in its use.

"BUSINESS" AND "GOVERNMENTAL" CORPORATIONS

For convenience in describing the various kinds of Government corporations and to determine the appropriate degrees and kinds of governmental supervision, they may be divided into two broad categories: Federal "business corporations" and Federal "governmental corporations."

Federal "business corporations" is the term used here to designate corporations which are federally chartered and in which private rights are represented by stock ownership and board representation. These corporations are usually authorized as a permanent national system and have been engaged principally in the field of banking and credit. The introduction of private ownership and representation creates an element of contractual relationship which necessarily limits subsequent arbitrary rearrangements of their fiscal and board structures by the Government. The statutes authorizing their creation usually confine their operations to a unitary purpose and describe their organization, powers, and relationships in considerable detail. As of October 1, 1936, there were almost 14,000 Federal

business corporations, in contrast to about 90 Federal governmental corporations.

Federal business corporations are usually institutions serving either a local community or a region. The localized group includes national banks (numbering 5,374), national farm loan associations (5,028), Federal credit unions (1,739), and joint-stock land banks, in liquidation (47), Federal savings and loan associations (1,183), and production credit associations (554). There are 72 examples of the regionalized type, all operating in the field of banking and credit. They include the 12 Federal Reserve banks, the 12 Federal Home Loan banks, and the 48 regional business corporations in the 12 farm credit districts—4 to a district, including the Federal Land banks.

Federal "governmental corporations" is the term used here to designate corporations (whether incorporated under Federal or State charter) which are federally owned and controlled. In these organizations a majority of the stock is owned by the United States and no member of the board of directors is elected or appointed by private interests.

Governmental corporations number about 90. Certain of them were incorporated under State charters during the World War and are now inactive. Others were created during the present emergency to carry on emergency relief work or construction programs of various kinds. The Commodity Credit Corporation and the Federal Surplus Commodities Corporation are examples of this emergency type. There are certain older operating services under State charter, such as the Panama Railroad and the Alaska Railroad. The Inland Waterways Corporation was created under Federal charter. The largest and most important corporations of the governmental type, however, were federally chartered by the Congress during the present emergency. They receive a large measure of Treasury assistance by way of capital, loan funds, guaranty of obligations, or direct appropriations. Of these, the Reconstruction Finance Corporation, Home Owners' Loan Corporation, Federal Deposit Insurance Corporation, and Federal Farm Mortgage Corporation are lending or financial agencies headquartered in Washington. The Tennessee Valley Authority is operating from a central headquarters in its own region.

CHARTERING AND SUPERVISION

Federal business corporations are, as a rule, chartered by a supervisory agency provided for in the enabling statute, which agency is usually authorized also to examine and regulate their operations. Supervisory agencies vary in form. They may be bureaus under regular departments, such as the Comptroller of the Currency in the Treasury (national banks); they may be independent establishments headed by boards, such as the Federal Home Loan Bank Board; they may be independent establishments under single administrators, such as the Governor of the Farm Credit Administration.

Governmental corporations, such as the Reconstruction Finance Corporation and the Home Owners' Loan Corporation, were chartered by the Congress and report directly to the President without the intervention of a supervisory agency. In some cases the Congress has specifically authorized purchase of a State corporation or

incorporation under State laws. In times of war and other national emergency, corporations have been chartered under the laws of the several States by executive officers of the Government to further some activity authorized by legislation.

There are great advantages in certainty of operation if the Federal charter is used wherever possible. There is grave question as to the advisability of the continued use of State charters by the Federal Government and further study of this problem is recommended. There is reason to believe that unnecessary conflicts of State and Federal jurisdiction are engendered and that the use of the State charters threatens the Federal Government with the impairment or destruction of its control over its instrument in the face of State hostility. Considerable uncertainty and litigation have undoubtedly arisen in this connection.

Federal laws which authorize officers of the Government to charter corporations usually limit the general purposes or fields of activity in which it is intended that the corporation should operate but give wide powers to the corporation to enable it to accomplish its purposes. As stated above, supervision by special governmental agencies is provided as a safeguard. This general practice should be followed wherever possible.

Governmental corporations and various supervisory agencies over business corporations have frequently been set up as independent establishments detached from the regular departments and under full-time salaried boards of directors having overlapping terms. There are some strong points in favor of maintaining the separate identity of these agencies. Their independence, however, has been extended to a point where the task of the President is once again made more burdensome. Agencies of this type should not be excepted from a general plan to reduce the number of lines of direct contact with the Chief Executive. To preserve the advantages of independent identity, some kind of semi-autonomous status in the regular departments is desirable.

In the case of governmental corporations, various degrees of overall management controls are justifiable, and the President should be authorized to apply them as may be necessary. Though these corporations require a certain degree of freedom and flexibility, they may in many instances have much to gain by the use of central budget, accounting, personnel, audit, and other services. It should be within the power of the President to see that these services are appropriately applied in each case.

RECOMMENDATIONS

Our recommendations on Federal corporations may be summarized as follows:

1. "Business corporations" should be placed under special supervisory agencies to be set up in appropriate departments of the Government to give continuous and careful scrutiny to their affairs. These agencies should be provided with the special equipment and staff necessary to supervise competently the particular field in which the corporations operate.

2. Each "governmental corporation" should also be placed under a supervisory agency in an appropriate department. In

addition, there should be continuing authority in the President to place such corporations under civil service, under other rules regarding personnel, and to apply such over-all governmental controls as may be found advisable in each case in the fields of budgeting, accounting, audit, and the issuance of obligations.

3. When it is desirable to preserve the independence of the supervisory agency, it should be given semi-autonomous status in a department. The single responsible administrator at the head of a supervisory agency is preferable to the board form. The head of the supervisory agency should appoint the boards of directors of corporations in the case of boards which have government representation. If heads of supervisory agencies are to exercise an independent review of corporate activities, they should not be directors of corporations they supervise.

4. The boards of directors of corporations in turn should not attempt to divide management work among themselves, but should assign the task of corporate administration to a president or general manager who reports to them. Interdepartmental committees in charge of corporate activities have not been successful and should be avoided. Responsibility is either assumed by one department or is entirely diffused. Ex-officio designation of specific public officers as board members is undesirable and should be discontinued.

With these safeguards we are convinced that the corporate form can continue to be used as a valuable instrument in effectuating public policy.

REORGANIZATION AND ADMINISTRATIVE MANAGEMENT

Modern management under responsible leadership is the keynote of the reorganization herein recommended. This is to be achieved through placing all administrative agencies under 12 major departments. These departments may be set up by the Congress and all of the administrative work of the various agencies of the Government brought into them or into the three managerial agencies of the President by Executive order, after careful examination of their work, their needs, and their personnel. The responsibility for maintaining continuously an efficient and manageable organization within the framework of the broad policies outlined by the Congress is to be placed directly upon the President, since it is a continuing Executive function. The Executive should be given the essential tools for modern administrative management and at the same time should be made more effectively accountable to the Congress.

In this reorganization of the Government every administrative activity should be set up with a single responsible head. Boards should not be burdened with administration, but should be continued for advisory, corporate, and quasi-judicial purposes. This would require the separation of the administrative and judicial functions of the independent regulatory agencies. Their administrative work would be transferred to a regular department and the board or commission would be continued within the department to deal with the judicial work.

All Government corporations should likewise be brought under supervision and control through transfer into regular departments.

They should be established therein as semi-autonomous divisions, with extension to them of such budgetary, financial, and personnel supervision or control as may be appropriate in any given case.

With the entrance into the departments of the multitude of agencies now floating around or loosely independent, the departments themselves will require internal reorganization. It is suggested that the departments should follow the general pattern recommended for the Government as a whole. Each department should have at its head a Member of the Cabinet. Working under him in policy posts there would be a small number of men of his own selection, and a group of technical advisers. The operation of the department would be carried on through bureaus and semi-autonomous agencies, manned throughout by civil servants, and under the administrative supervision of a career executive officer.

By such a reorganization the heads of the 12 great departments will of necessity rise higher above the level of administrative detail than they have in the past, will be more responsibly engaged in the formulation of policy as they delegate their administrative work to their subordinates, and collectively the department heads may act more and more as a council of state upon whom the President may rely for advice and whose jurisdictional differences of opinion he will himself have the power and the authority to compose.

Such a reorganization of the administrative agencies of the Executive Branch will reduce the number of agencies reporting to the President to a manageable compass and will bring the machinery of our Federal Government up to date and enable it to deal economically, effectively, and democratically with modern problems.

VI. ACCOUNTABILITY OF THE EXECUTIVE TO THE CONGRESS

Under the American system the Executive power is balanced and made safe by freedom of speech, by elections, by the protection of civil rights under an independent judiciary, by the making of laws which determine policies including especially appropriations and tax measures, by an independent elective Congress, and by the establishment of Executive accountability.

The preservation of the principle of the full accountability of the Executive to the Congress is an essential part of our republican system. In actual practice the effectiveness of this accountability is often obstructed and obscured, and sometimes is defeated by the processes of diffusion, processes which are at work, not only in the Executive Branch but in the Congress itself.

If the reorganization of the administrative departments and the establishment of the managerial agencies that we have recommended be carried out, then we believe that the country may confidently look forward to an improvement in coordination of administrative work. Contradictory administrative policies which are so irritating to the Congress and so confounding to the people would be minimized. Thus the accountability of the Executive Branch may be made sharp, distinct, and effective.

There is, we believe, too little appreciation among the people of the country of the day-to-day work of the Congress. Although it is generally understood that the Members of Congress spend many days and weeks in the preparation, perfection, and adoption of legislative measures, the extent of their work is not generally known. They serve on committees which not only prepare legislative measures for submission to their respective Houses, but conduct hearings and investigations which throw light upon the problems of the country and the processes of government through which the people are enabled to see and understand their Government.

Nothing should be done that would diminish the importance of the work of the congressional committees in conducting hearings and pursuing investigations. Time and time again in our history investigations conducted by congressional committees have illumined dark places in the Government and in the affairs of the Nation and have resulted in the correction of abuses that otherwise might have been undetected for years and years. It is with full realization of the necessity of continuing and preserving this important function of the Congress and its committees that we suggest the necessity for improving the machinery of holding the Executive Branch more effectively accountable to the Congress.

This accountability often is obscured by the Congress itself in imposing upon the Executive in too great detail minute requirements for the organization and operation of the administrative machinery. Faced by such mandatory and detailed legislative requirements

(whether in general law or in a rider on an appropriation bill), first the bureau chief, then the Secretary of the department, and then the President is absolved from part of his executive responsibility, and in consequence the Congress is foreclosed from adequately criticizing the conduct of the business.

We have called attention to this difficulty with respect to fiscal accountability. We hold that once the Congress has made an appropriation, an appropriation which it is free to withhold, the responsibility for the administration of the expenditures under that appropriation is and should be solely upon the Executive.

The Executive then should be held to account through an independent audit made by an independent auditor who will report promptly to the Congress his criticisms and exceptions of the actions of the Executive. Based upon these reports the appropriate committees of the Congress may call upon an executive officer to explain his conduct and if it has been characterized by illegality or impropriety, the Congress can take the necessary corrective steps and safeguard the future.

With respect to the accountability of the Executive Branch to the Legislative Branch for fiscal and other activities, the difficulty now is that the diffusion and dispersion of activities in the uncoordinated organization of the Executive Branch is twinned by a similar diffusion and dispersion in the Congress. Separate committees of the Congress must of necessity be set up to pursue investigatorial activities, hold hearings, and consider legislation and appropriations. But the Congress has not in either House adequate machinery for the collection and coordination of the information which it requires if it is to hold the President effectively accountable for the conduct of the Executive Branch as a whole.

With respect to fiscal affairs this need might be met by the organization by each House of special committees or by both Houses of a joint committee on fiscal control to receive the reports of its Auditor General.

With respect to nonfiscal affairs, the creation of similar special committees or of a joint committee to keep currently informed of the activities of the three managerial agencies dealing with budget, personnel, and planning, which we recommend should be set up directly under the President, would go far toward lessening the evil effects of the present lack of coordination.

Thus the principle of the accountability of the Executive to the Congress might be made effective in action.

CONCLUSION

Your Committee has no illusions about setting up a perfect system of administrative management, for we realize fully that any substantial improvement is a task which will require time for its achievement and that other problems will always be emerging. To revive the drooping merit system, to straighten out warped lines of responsibility, to simplify a topsy-turvy organizational growth—these are by no means simple advances.

Moreover, these changes cannot be adopted and maintained unless the American public itself fully appreciates the advantages of good management and insists upon getting them. The need for reorganization rests not alone on the idea of savings, considerable as they will be, but upon better service to society. While good management is important to those who have much, it is still more important to those who have not or have little; for they need the help of government in their struggle for justice, security, steadier employment, better living and working conditions, and a growing share of the gains of civilization.

In order to avoid any misunderstandings, it must be made perfectly clear that it was not the task of this Committee to determine whether particular activities of the Government should or should not continue in operation or upon what scale of magnitude. This is an important question of policy determination which fell outside the field of our undertaking. It has been our problem to consider what forms of administrative management are most suitable, given such governmental activities as there are. As the work of the Government changes, the form of management will also alter somewhat, although not greatly unless the changes are considerable.

It will be noted that we have made no estimate of the amount of money that will be saved by such a rearrangement and reorganization of the Executive Branch as we have suggested. We have not made such an estimate for two reasons, despite the fact that we are convinced that the establishment of the managerial agencies and the reorganization of the administrative departments that we have recommended will result in large savings, not only of money, but of time and effort.

The two reasons that we have not made such an estimate are as follows:

First, the scope of our inquiry was limited to the realm of administrative management and excluded the realm of policy. It would have been easy to say that so much might be saved by utterly abolishing this, that, or the other activity of the Government. But this was not our task. We have been charged with the duty of suggesting means of making more effective, more efficient, and more economical the machinery for administering whatever activities have been decided upon by the people, the Congress, and the President.

Second, it has been demonstrated over and over again in large organizations of every type in business and in government that genuine savings in operation and true economies are to be achieved only by the provision of adequate managerial machinery which will afford an opportunity for central executive direction to pursue day after day and year after year, in season and out of season, the task of cutting costs, of improving the service, and of raising the stand-

ards of performance. It cannot be done by arbitrary percentage cuts, arbitrary dismissal of employees, arbitrary consolidation of agencies. It is an operation that must be performed, but for its successful performance we must requisition the skill of the surgeon and his scalpel and not be tempted to call in the butcher with his cleaver.

To equip the Executive Branch with better means of managerial direction, better personnel, better fiscal controls, better machinery for planning; to simplify its organization and reduce the number of its agencies; and to sharpen its accountability to the Congress will result in savings—savings in money, in time, in energy. To estimate these savings in terms of dollars and cents would be but to guess in a situation where not guessing but intensive scientific research is the means, and the firm and courageous application of the results of the research is the method, if the aim is to be achieved.

The paramount purpose of your Committee has been throughout to find modern methods of carrying out the national aims and programs of America as far as this duty is imposed upon our Executive by our Constitution. We have not been concerned with strengthening the Executive alone and as such, but with the larger aim of strengthening the American system as a whole in its principal operations.

We should be the first, moreover, to recognize that there is wide room for differences in the details of any program, but we believe that there should be no division upon the soundness of the broad principle that the managerial powers and equipment of the President should be equal to his responsibilities under the Constitution.

With the program here suggested, your Committee believes that this may be accomplished, and that administrative management in the office of the President will work more smoothly and effectively in the task of executing the judgment and decisions of the Nation and carrying out the general policies of the Congress.

The proposals of the Committee may be summarized as follows:

1. Expand the White House staff so that the President may have a sufficient group of able assistants in his own office to keep him in closer and easier touch with the widespread affairs of administration and to make a speedier clearance of the knowledge needed for executive decision;

2. Strengthen and develop the managerial agencies of the Government, particularly those dealing with the Budget, efficiency research, personnel, and planning, as management arms of the Chief Executive;

3. Extend the merit system upward, outward, and downward to cover all non-policy-determining posts; reorganize the civil-service system as a part of management under a single responsible Administrator, strengthening the Civil Service Commission as a citizen Civil Service Board to serve as the watchdog of the merit system; and increase the salaries of key posts throughout the service so that the Government may attract and hold in a career service men and women of the highest ability and character;

4. Overhaul the 100 independent agencies, administrations, authorities, boards, and commissions, and place them by Executive order within one or the other of the following 12 major executive departments: State, Treasury, War, Justice, Post Office, Navy, Conservation, Agriculture, Commerce, Labor, Social Welfare, and Public Works; and place upon the Execu-

tive continuing responsibility for the maintenance of effective organization;

5. Establish accountability of the Executive to the Congress by providing a genuine independent postaudit of all fiscal transactions by an Auditor General, and restore to the Executive complete responsibility for accounts and current financial transactions.

These proposals have the merit, we believe, of eliminating the evils of the patronage system; of opening out our civil service more fully and completely as a sound career service, permanent, nonpartisan, competent, fairly compensated, and affording promotion to posts of eminence; of unifying the responsible direction of personnel activities while at the same time providing for disinterested citizen supervision of the whole program.

These plans are designed to make possible a more responsible and effective supervision and direction of fiscal management than hitherto, first, by strengthening the Bureau of the Budget, particularly through the development of efficiency research; second, by returning to the Executive the powers inappropriately exercised by the Comptroller General; and third, by departmental reorganization. This opens the way for genuine Executive direction and for efficiency and economy.

At the same time, provision is made for what is equally essential, namely, genuine accountability of the Executive Office to the Congress through adequate audit and through general supervision of broad policies of fiscal and other administration.

The proposed arrangements provide for the organization of planning management through a National Resources Board with an advisory function of overhead consideration of the conservation and utilization of our national resources, both natural and human. Department reorganization, also, will increase the scope and effectiveness of planning.

These changes taken together will give to the Executive agencies of fiscal management, personnel management, and planning management. Under the plans proposed these three arms of management are knit together in the White House, under the immediate direction of the President.

The drastic reduction in the number of departments, commissions, boards, authorities, agencies, and activities from over 100 to 12 will have many implications. It will take us back to the Constitution in that it ties in the wandering independencies and abolishes the irresponsible and headless "fourth branch" of the Government which has grown up unnoticed. It will reestablish a single Executive Branch, with the President as its responsible head, as provided by the Constitution. Moreover, it will make it humanly possible for a President to do his job, and to coordinate the activities for which he is constitutionally, legally, and popularly responsible, by greatly lessening the contacts and detail which now engulf him. It will make of the Government a businesslike organization for effective and efficient service, and, finally, will render the whole Government more easily understood and controllable by the people, and thus a more faithful servant of the people.

At the same time, sharper lines of accountability to the Congress are traced, and forms of decentralization, both geographical and departmental, outlined.

Your Committee fully appreciates that there is no magic in management alone. Management is a servant, not a master—a means, not an end, a tool in the hands and for the purposes of the Nation. Public service is the service of the common good in peace or war and will be judged by this standard. Not merely lower unit costs but higher human happiness and values are the supreme ends of our national life, and by these terms this and every other system must finally be tested. Good management will promote in the fullest measure the conservation and utilization of our national resources, and spell this out plainly in social justice, security, order, liberty, prosperity, in material benefits, and in higher values of life. The adjustments and arrangements we suggest have no other purpose or justification than better public service for our people through better administrative management.

It may be said that there is danger that management itself will grow too great and forget where it came from or what it is for—in the old and recurring insolence of office. But in the judgment of your Committee, based upon broad observation of the bewildering sweep of recent events here and elsewhere, the really imminent danger now is that our democracy and perhaps others may be led by false or mistaken guides to place their trust in weak and faltering inaction, which in the bitter end runs to futility and defeat. In the late war, democracies showed vast strength and tenacity in times of strain that racked every fiber of the ship of state. And now we face and will master the critical tasks of reorganization and readjustment of many tangled parts of our national life on many new frontiers. The injustice and oppression intertwined with solid good in our American system will not always yield without a firm display of our national constitutional powers. Our national will must be expressed not merely in a brief, exultant moment of electoral decision, but in persistent, determined, competent day-by-day administration of what the Nation has decided to do.

Honesty and courage are not enough for victory, either in peace or in war. Intelligence, vision, fairness, firmness, and flexibility are required in an assembled, competent, strong organization of democracy. To falter at this point is fatal. A weak administration can neither advance nor retreat successfully—it can merely muddle. Those who waver at the sight of needed power are false friends of modern democracy. Strong executive leadership is essential to democratic government today. Our choice is not between power and no power, but between responsible but capable popular government and irresponsible autoocracy.

The forward march of American democracy at this point of our history depends more upon effective management than upon any other single factor. The times demand better governmental organization, staffed with more competent public servants, more free to do their best, and coordinated by an Executive accountable to the Congress and fully equipped with modern tools of management. Thus the President will have effective managerial authority over the Executive Branch commensurate with his responsibility under the Constitution of the United States.

