

THE NATIONAL BUDGET SYSTEM

THE INSTITUTE FOR GOVERNMENT RESEARCH

Washington, D. C.

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THE INSTITUTE FOR GOVERNMENT RESEARCH
STUDIES IN ADMINISTRATION

**THE NATIONAL BUDGET
SYSTEM**
**WITH SUGGESTIONS FOR ITS
IMPROVEMENT**

BY
W. F. WILLOUGHBY
DIRECTOR, INSTITUTE FOR GOVERNMENT RESEARCH

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to general needs, to one where they are subject to that measure of central direction, supervision, and control that is essential in order to ensure a subordination of special to general interests, a coördination of efforts, and a uniformity in procedure that is imperative if efficiency and economy in operation are to be secured.

This new system has now been in operation over five years, a sufficient length of time to permit of an evaluation of the manner in which it has operated. Such an evaluation is attempted in the present work. That the system has more than met the expectations of its proponents, can scarcely be questioned. Public officials such as the President, the Secretary of the Treasury, and the Chairmen of the Committees on Appropriations of the House and the Senate have united in commending it. In many respects it presents advantages superior to those to be found in the budget system of any other country. While this is true as will, it is believed, be made manifest in the body of the present work, it is desirable to recognize that there are many features in respect to which the system as it exists to-day is susceptible of improvement. These features, though they relate to matters of detail, are none the less important. After completing an account of the present system the writer has, therefore, sought, to indicate these features and to suggest the action that in his opinion should be taken to perfect a work that has been so well begun.

The writer is unwilling to close this preface without giving, as a matter of historical record, his testimony as to the persons to whom belong the credit for the accomplishment of this most important reform. To James W. Good, Member of Congress from the Fifth District of Iowa, more than to any other person, belongs

the credit of the adoption of the budget system. If any one is to be called the father of that system, he is entitled to that designation. As author of the bill that became the Budget and Accounting Act and of the resolution providing for the amendment of the Rules of the House so as to vest all power over appropriations in a single Committee on Appropriations, as Chairman of the Committee on Appropriations and of the Select Committee on the Budget that made a detailed study of the whole problem, and as leader on the floor in charge of the bill, Mr. Good was in control throughout; and to his energy and skill in piloting the measure through Congress its final enactment was due. In the Senate chief credit is due to the late Medill McCormick, Senator from Illinois, for securing action by that body; this notwithstanding the fact that the particular measure advocated by him differed in important respects from the one finally adopted.

The enactment of a law such as that providing for the budget system is little more than an order to go ahead with a certain project. This project can be a success or a failure according to the manner in which it is administered. That it has become a success is due, first, to the wholehearted support that it has received from the two Presidents, Harding and Coolidge, who have held office since its adoption; second, to the exceptional abilities of the two men, Charles G. Dawes, and Herbert M. Lord, who have successively held the position of Director of the Bureau of the Budget; and, third, to the support that has been given to the system by the Chairman of the House Committee on Appropriations since the entering into force of the budget system, Martin B. Madden, Representative from the First District of Illinois, and in scarcely less degree the Chairman of the Committee on Appropria-

tions of the Senate, Francis E. Warren, Senator from Wyoming. Mr. Dawes, by his determined and successful assertion of the powers conferred upon the Bureau of the Budget as the agency of the President and the development of the general powers of the President as head of the administration, established the dominant position of the President and the Bureau of the Budget as a central agency of financial control. General Lord, by his continuance of this policy, by his rare skill in meeting the technical problems involved in administering the system, and by the reputation that he has established for fairmindedness and disinterestedness, has made it possible to secure that coöperation between the spending services, the Bureau, and Committees on Appropriations, without which the system would not work effectively. Mr. Madden, by his decision to give great weight to the recommendations of the President as contained in the Budget and, as far as it was within the power of the Committee on Appropriations, to keep appropriations within the Budget estimates, has given to the Budget an influence in Congress that is responsible in no small degree for the efficiency with which the new system has worked.

Finally, credit should be given to the Institute for Government Research for the work done by it in the way of arousing public opinion in favor of the reform; investigating and making known, through its publications, the financial systems of those countries having the best developed budget systems; analyzing the problem as it confronted the national government; and assisting the select committees of the two Houses of Congress in the organization and conduct of their hearings on the subject and the formulation of the bill that finally became law.

PREFACE

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The foregoing has been written, not merely to give credit where credit is due, but also to emphasize the fact that the successful working of a budget system requires coöperation on the part of a large number of officers and agencies, and that without such coöperation the budget system as it exists to-day would be a far different institution from what it is.

W. F. WILLOUGHBY

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THE NATIONAL BUDGET SYSTEM

PART I

HISTORY

CHAPTER I

INTRODUCTION

Among the specific problems of public administration none exceeds in importance that of the establishment of an orderly and efficient system for the handling of the financial affairs of the government. Analyzed, this problem involves the adoption of means for determining with a maximum of accuracy the revenue and expenditure needs of the government, provision for meeting those needs through the enactment of revenue and appropriation laws, the establishment of an accounting and reporting system that will furnish a detailed record of the manner in which these laws are administered, the exercise by some central organ of that measure of direction, supervision, and control that will ensure that the several spending agencies are properly performing their duties and are working in proper harmony with each other, and, finally, an examination of the accounts by the fund-granting authority, the legislature, or by an agency acting for it, for the purpose of determining whether there has been full compliance with the orders given by it in its revenue and appropriation acts. These several requirements, though distinct, are closely

related to each other. To quote from a previous work of the author,¹ "it will be seen that, on the expenditure side at least, the operations constitute links in an unbroken chain, starting with the estimates and leading through the successive links of: consideration of these estimates, the granting of funds based upon such consideration, the expenditure of the funds so granted, the keeping of proper books recording these expenditure operations, the rendering of proper accounts, the audit of these accounts and the making of reports giving the results of these transactions, which last furnishes the basis for a new estimate as the starting point for another chain of operations."

There is now substantial agreement that this task of determining, making provision for, and meeting, the financial needs of a government cannot be properly performed unless use is made of what is known as a budget; that is, a document in which are brought together, and balanced one against the other, complete statements regarding the condition of the treasury, revenues and expenditures in the past, and an estimate of revenue and expenditure needs for the future; and unless there is established at the same time a proper system for the formulation of this document, for action upon the recommendations by the legislature, and control over the execution of its determinations of the legislature as expressed in the revenue and appropriation acts. Manifest as this requirement now is, it was not until the passage of the Budget and Accounting Act of 1921 that the Government of the United States made use of any such document or system. That act revolutionized the whole

¹ *The System of Financial Administration of Great Britain*, p. 6 (1917). Institute for Government Research, Studies in Administration.

system of financial administration of the Federal Government. To quote the Chairman of the Committee on Appropriations of the House of Representatives, Martin B. Madden, than whom there is no one who can speak with greater authority, "this measure marked the beginning of an epochal reform. As the years roll on and the history of the post-war period is written with that clear vision which comes from a dispassionate survey of events, the outstanding achievement to my mind will be the determined and successful effort devoted to the introduction of correct financial methods in the business of government."¹

It is the purpose of the present volume to set forth the provisions of this act and to describe the manner in which they have operated in practice during the five years that they have been in force. The magnitude of the changes that have been effected by the act cannot be appreciated without knowledge of the system that it supplanted. For this reason and, because the history of so important a measure should be recorded, there is first given a description of prior-existing conditions and a brief sketch of the movement that led to the enactment of this law.

¹ The New System in Government, *Saturday Evening Post*, June 9, 1923.

CHAPTER II

FINANCIAL PROCEDURE PRIOR TO 1921

Formulation of the Estimates. As has been indicated, prior to the passage of the Budget and Accounting Act of 1921 no provision existed in the national government for the formulation by any agency of a single, consolidated statement of the prospective revenues and of the estimated expenditure needs of the government, so prepared as to reveal the relations between the two and to furnish an intelligent guide to Congress in determining the policies that should be adopted by it in respect to the increase or decrease of taxation, the incurring or extinguishment of debt, and the voting of funds for the conduct of governmental affairs.

In the first years of the United States government it was assumed that the administration would take the initiative in presenting to Congress information regarding the state of the national finances and the needs of the government in respect to revenues and the appropriations required in order that the government might properly discharge its functions. This duty, it was held, was one that should be performed by the Secretary of the Treasury. The law establishing the Treasury Department thus made it the duty of the Secretary of Treasury "to prepare and report estimates of the public revenue, and the public expenditures."¹ A supplementary act, approved on May 10, 1800, directed him "to digest, prepare and lay before Congress, . . . a report on the sub-

¹ 1 Stat. L., 65.

ject of finance, containing estimates of the public revenue and public expenditures, and plans for improving or increasing the revenues, from time to time, for the purpose of giving information to Congress in adopting modes of raising the money requisite to meet the public expenditures."² These provisions of law opened up the opportunity to the Secretary of the Treasury to assume the functions of a real finance minister in the sense of scrutinizing and revising the requests for appropriations as they emanated from the spending services and of preparing and presenting to Congress a document in the nature of a budget that would express his judgment in respect to the provision that should be made by Congress for the revenue and expenditure needs of the government. Unfortunately Hamilton's attempt to exercise such powers and to give to the office of Secretary of the Treasury the functions and responsibilities of the British Chancellor of the Exchequer was unsuccessful, partly because of congressional jealousy of the Executive, partly because of party divisions, and partly because the structure of the new government did not lend itself to such a development.³

Gallatin likewise, as Secretary of the Treasury, sought to view the problem of carrying on the government as a whole, and to formulate plans which should be a budget in scope and in purpose.⁴ But whatever possibility there may have been in the formative years of the government for establishing the practice of having a comprehensive

² 2 Stat. L., 79.

³ A stimulating discussion of Hamilton's experience with the budgetary situation can be found in Henry Jones Ford, *Budget Making and the Work of Government*, *Annals of the American Academy of Political and Social Science*, Vol. 62, Nov. 1915.

⁴ See Henry Adams, *History of the United States*, Vol. 1, pp. 239, 272; Vol. 4, pp. 156, 366; Vol. 6, pp. 126, 157.

and well-considered administrative program embodying the policies of the Administration submitted to Congress, the opportunity for the development at that time of a proper budgetary system was lost; and the function of the Secretary of the Treasury in respect to the formulation of an expenditure program was restricted to little more than that of acting as an agency for the transmission to Congress of the requests for appropriations as they were formulated by the administrative services. The result was that Congress got from no responsible officer anything partaking of the nature of a general financial program in which estimates of expenditure needs were balanced against prospective revenues and the various requests for appropriations were considered in their relations to each other and their relative merits and urgency considered from the standpoint of the financial condition and needs of the government as a whole.

The passage of years merely strengthened this procedure. The estimates for appropriations for the succeeding fiscal year were submitted to Congress each December by the Treasury Department, but the latter, as stated, only acted as an agency of transmittal. When this practice was firmly established the wording of the law was changed to reflect the existing situation, and as changed became Section 3669 of the Revised Statutes, which provided that "all annual estimates for the public service shall be submitted to Congress through the Secretary of the Treasury, and shall be included in the book of estimates prepared under his direction." This was construed as precluding the Secretary of the Treasury from revising or controlling in any way the estimates of the several departments. He was restricted to the

purely mechanical and mathematical duty of having them printed in one book and of presenting them to Congress. The most difficult problem encountered in the performance of this minor duty was guarding against violations of the numerous laws governing the form and content of the estimates.*

It will be noted that during all this period there was scarcely a suggestion that the President should play any part in determining or in submitting to Congress his views in respect to the provision that should be made for meeting the financial needs of the government. It is true that he might, and at times probably did, acting through the heads of departments as members of his cabinet, make known to heads of services his wishes in respect to the character and amount of appropriations that should be requested by them. Neither in law nor in practice, however, was there any recognition of the possession of responsibility on his part for the formulation of a governmental financial and work program. Congress had no means of knowing whether the requests for appropriations submitted by service heads through the Secretary of the Treasury met with his approval or the reverse, nor in point of fact did Congress concern itself with this question. The President in a word had little or no part in this whole problem of determining and making provision for the financial needs of the government.

A slight indication of an appreciation of the desirability that the President should have some responsibility in respect to this matter was the insertion in the sundry

* The latest and most complete compilation of these laws can be found in House Doc. 129, 67 Cong. Most of the important legal provisions relating to estimates are included in the report of President Taft's Commission on Economy and Efficiency under the title of "The Need for a National Budget," House Doc. 854, 67 Cong.

civil appropriation act of March 4, 1909, of a section which provided, in part, that ". . . if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, advise the Congress how in his judgment the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenues, or, if such reduction be not in his judgment practicable without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency." * This clause seemed to open the door to a conditional supervision which might have developed into a system of partial control at least by the President over the estimates. In fact little or no action was taken under this provision and, so far as modifying the existing system is concerned, it might as well have never been enacted.

The defects of this system, or lack of system, are evident. As the author has elsewhere written,¹ in scarcely a single respect did this system conform to the essential requisites of a sound system of national finance. No attempt was made to consider the whole problem of financing the government at one time. Expenditures

* 35 Stat. L., 945, 1027.

¹The Problem of a National Budget, pp. 55-56 (1918). Institute for Government Research, Studies in Administration.

were not considered in connection with revenues. Even the idea of balancing the budget did not exist. Though the Secretary of the Treasury was required to lay before Congress each year the estimates of expenditures for the year to come, these estimates far from represented a consistent financial program. The essential basis for the elaboration of such a program existed neither in law nor in practice. Though the law required all the estimates to be submitted by the Secretary of the Treasury, that officer acted as a mere compiling authority; he had no power to modify proposals transmitted to him by the heads of the administrative departments. The estimates thus represented little more than the individual desires of the department heads. The President, to be sure, might have exercised his general powers to secure a coördination of the estimates and their conformity to a general policy. He, however, had no service through which he could effectively exercise such authority. There was absolutely lacking any organ at all corresponding in character or powers to the Treasury under the British system. The estimates, such as they were, were not compiled in accordance with any one principle, or in such a way that their significance could be clearly seen. There was no budgetary message; no proper scheme of summary, analytical, and comparative tables. Nothing in the nature of a balance sheet was provided. The administrative reports were prepared without any reference to their serving as supporting documents to the estimates; nor were they used to any extent for such purpose.

Most unfortunate of all, there was no one in the administrative branch of the government whose duty it was to protect the treasury from demands made upon it for funds. It was but natural and, in a way, proper that

each spending service should believe strongly in the importance of the activities entrusted to its charge and seek to secure the maximum sums possible for carrying on and expanding such activities and in looking after the interests of its personnel in respect to compensation. These services had no responsibility in respect to the keeping down of the total of expenditures. Their financial needs being met from a common fund, each inevitably sought to secure as large a share as possible. Furthermore, in formulating their estimates they did so with the knowledge that their requests would probably be cut down by Congress, and in consequence, they very generally swelled their estimates, hoping that the reductions made by Congress would not bring the total below the sums that they otherwise would have requested.*

The incentive thus existed throughout the government to ask for the maximum sums which it was thought might possibly be secured. There was no incentive to reduce expenditures or to modify demands for future grants. There was no agency whose duty it was to consider these demands from the standpoint of their relative urgency and desirability and their total from the standpoint of the general condition of the treasury and prospective revenues that would be available for meeting it.

* Senator Reed Smoot in a paper entitled "Reforms in the Federal Government," printed in the Proceedings of the Academy of Political Science, July, 1921, Vol. 9, p. 105, reports the following incident:

"A certain administrative officer said to me once, after the passage of the appropriation act carrying the item for his bureau, 'Well Senator, you treated us all right.'

" 'What do you mean,' I said to him. 'We cut off about one-third of the amount you asked for.'

" 'Yes, I know that,' the officer replied, 'but when we prepared our estimates we purposely added 40 per cent to the amount we actually needed, because we expected the committee would cut us down about in that proportion. So as a matter of fact we got all we expected, and certainly all we wanted.'"

While few of the bureau chiefs were as frank as this one, there is no doubt that most of them adopted the same tactics.

Another abuse that flourished, when no one revised or coördinated the estimates of the bureau chiefs before submission to Congress, was the duplication of activities. The natural desire of the head of a service to see his organization expand would be reflected in the requests in the estimates he would submit. In this way new activities were constantly being added to the various services, frequently duplicating the work of some other branch of the government whose activities were unknown both to the official requesting funds to duplicate them and to the committee of the House of Representatives which approved the request. A member of Congress describing the situation, reported "that there are thirty-nine separate governmental agencies handling engineering, architectural and public-work functions, all of a related kind. . . . There are twenty-six governmental agencies engaged in surveying and mapping; there are twenty-seven separate and distinct agencies in public-building operations; there are sixteen agencies authorized to build roads; there are nineteen engaged in hydraulic construction; there are sixteen doing work on rivers; there are ten engaged in public-land functions; there are fifteen doing chemical investigations connected with public-work operations; there are twenty-two doing engineering and research."* While much of the alleged

*Statement of Representative C. Frank Reavis, *Cong. Record*, June 3, 1920. He goes on to say, "Some of the duplications are so ridiculous that if they were not tragic they would be absurd. For instance, the Government seeks to protect the wild animals [in Alaska]. If a brown kadiak bear has twin cubs, one brown and one black, as often happens, and one should shoot the brown cub he must make his settlement with one department, but if he shoot its full brother, the black cub, he must settle with another department. If you were to shoot a fox in Alaska your settlement would be with the Department of Agriculture while if you trapped the same fox you must make your settlement with a bureau in the Department of Commerce."

abuse was more apparent than real, there can be no doubt that the lack of an agency to revise the estimates into a balanced plan permitted the duplication of many activities, with a consequent waste of the government's money.

Action upon Estimates by Congress. If conditions prior to the adoption of the budget system in 1921 were bad in respect to getting before Congress statements of the financial needs of the government, they were still worse as regards the provision made by Congress for the handling of these proposals when received. In the same way that it is essential that the work of formulating financial proposals should be concentrated in a single agency which can correlate the several proposals, consider them from the standpoint of their relative as well as their absolute merit and urgency, and give due weight to the protection of the treasury from improper or excessive demands, so it is desirable that the consolidated financial program thus resulting should be considered in each of the Houses of Congress by an agency having a similar function to consider the program as a whole, weigh relative merits, and have the responsibility of protecting the treasury as well as authorizing demands upon it. This fundamental requirement for the handling of financial proposals was absolutely lacking in both Houses of Congress. In neither House was any attempt made to consider at one time the whole problem of financing the government for the ensuing year. In the House of Representatives the work of considering the estimates as submitted by the several branches and spending services of the government and of bringing before the House what were known as the general appropriation bills, was distributed among no less than eight distinct committees, each acting independently of the others, and

no one having responsibility for seeing that the total recommended to be appropriated bore a proper relation to available resources and prospective income. This division of responsibility, moreover, was not in accordance with any logical or consistent classification of the fields of activities of the government. In no case were all the expenditure needs of a department considered by a single committee nor provided for by a single appropriation bill. The Committee on Agriculture reported appropriations for the Department of Agriculture; the Committee on Military Affairs reported appropriations for the War Department with the exception that appropriations for salaries and expenses of the Department in Washington were under the jurisdiction of the Committee on Appropriations; with the same exception the Committee on Naval Affairs reported appropriations for the Navy Department; the Committee on Indian Affairs reported appropriations for the Indian Service, but the appropriations for the salaries and expenses of the Indian Office, the Washington headquarters of the Indian Service, were under the Committee on Appropriations; the Committee on Foreign Affairs reported appropriations for the Diplomatic and Consular Service and for other expenses growing out of foreign relations, but appropriations for the State Department in Washington were under the Committee on Appropriations; the Committee on the Post Office and Post Roads reported appropriations for the Postal Service, the appropriations for the Post Office Department in Washington being under the Committee on Appropriations; the Committee on Rivers and Harbors reported appropriations for the improvement of rivers and harbors; the Committee on Appropriations reported appropriations bills for the payment

of pensions, for the legislative, executive, and judicial expenses of the United States, for the District of Columbia, for fortifications, for the sundry civil expenses of the government, and for deficiencies in any of the executive departments. To make matters worse it was a common practice for other committees to report out bills for general legislation carrying appropriations for putting their provisions into effect.

Under these circumstances it can be readily seen that no attempt was made to consider at one time the entire problem of financing the government; that no attempt was made to view expenditures in the light of estimated revenues, or vice versa; that no plan for carrying on the administration was formed; that no attempt was made to determine the relative merits of the demands on the treasury; that no attempt was made to coördinate the various activities of the government to prevent duplication; that no responsibility could be pinned to anyone except for the indefinite, general responsibility always attaching to Congress as a body. Each committee was likely to have its own policy, and each was sure to be jealous of its prerogatives. If a service were refused an appropriation by one committee, it sometimes applied to another committee for the same item and not infrequently met with success.

The appropriation committees, with the exception of the Committee on Appropriations, were friendly to the department or services under their charge. The members of both parties appointed to the Committee on Agriculture, for instance, were usually from agricultural states and were, therefore, interested in expanding the Department of Agriculture. Members on other committees, like the committees on Naval or Military Affairs,

who might have no predilection when first appointed, would, in time, become partisans of the particular department committed to their care through focusing their attention on one set of governmental activities and through constant exposure to the point of view and propaganda of the administrative officials in charge of the service in question. It was inherent in the system that each committee should guard the interests of the department or bureau under its jurisdiction and should desire to foster its growth and development, even at a time when the general condition of the finances was such that rigid economy should have been practiced. The assumption by the committees of the rôle of guardian would not, perhaps, have been objectionable if there had been some agency, such as the Committee on Ways and Means had formerly been, to act as an impartial arbiter in harmonizing their conflicting and extensive demands on the national revenue. As it was, friendly committees acted upon the estimates of some departments to the detriment of economy and of good administration. The desire of these committees, as shown by their attitude in the hearings on the estimates, was not to throw the light of publicity on the acts of the department and to compel a complete exposition and justification of them, but to develop the best possible case for the appropriations requested and to provide material which they could use later in Congress when defending its recommendations.

There was no opportunity to correct the evils resulting from this chaotic distribution of power among isolated committees when the fourteen appropriation bills were brought before the House. They appeared at different times, sometimes months apart, and the members of the House were not able to consider at one time the problem

of financing even a single department of the administration, much less the entire government. Usually it was not until the last days of a session that it was possible to know the total of the appropriations made.³⁰ Only then, after corrective action was impossible, could the amount of the appropriations be compared with the prospective revenue. And, of course, the formulation of a general policy, a reconciliation between the various policies of the committees, or the elimination of duplicated activities was not even attempted. Usually the recommendations of the appropriating committees were followed, but occasionally an amendment among the many always proposed from the floor of the House would receive enough support to be carried over the committee's opposition. Most of the amendments adopted increased the appropriations recommended by the committee, and frequently the popular support for them was stimulated by propaganda campaigns conducted by the organization seeking the larger amount.

The system for the handling of finance measures in the Senate repeated all the mistakes of that in the House and by so doing offered new opportunities for abuse. The control over financial affairs, which was at first concentrated in one committee, had been scattered so widely among non-coöperating committees that effective control was impossible. Revenue bills were under the jurisdiction of the Committee on Finance, while appropriation bills could be reported by the Committee on Agriculture and Forestry, the Committee on Military Affairs, the

³⁰ After describing, with dates, the legislative history of the appropriation and revenue bills in a typical session of Congress, Charles Wallace Collins in *The National Budget System*, p. 78, summarizes, "The Sixty-fourth Congress had met on the first Monday in December, 1915. Its financial program was not complete either in conception or in consummation until September 7, 1916, the next to the last day of the session."

Committee on Naval Affairs, the Committee on Pensions, the Committee on Indian Affairs, the Committee on Post Offices and Post Roads, the Committee on Commerce, and the Committee on Appropriations. The dominion of each corresponded to that of the House Committee of the same name, the most important exception being that instead of a river and harbor committee the Committee on Commerce was in charge of river and harbor bills in the Senate. As in the House, there were several committees which could report bills authorizing but not making appropriations.

Accordingly, neither the Senate as a body nor any of its committees was able to give the entire problem the consideration so necessary for proper management. Everything that has been said of the effects of the dispersion of power in the House applied equally to the Senate. Originally it was believed, due to the influences of English experience, that the House of Representatives would have the dominant voice in financial matters. For many years this was so, but for some time past the Senate had maintained a superiority in all legislation, even including financial bills, which must originate in the House. Appropriation and revenue bills were often amended in the Senate so extensively as to be practically new bills, and the Senate was in a position to insist upon having the greater part of its amendments accepted in the conference between the two bodies. The small number of Senators, the practically unlimited debate which permitted one or a few Senators to delay, or, if it were near the end of a session, to kill a bill by filibustering, the relative difficulty of maintaining party discipline as compared with the situation in the House, and the excessive deference which Senators gave to each other regardless

of party, were all factors which tended to make the influence of each Senator great and which made it necessary to meet their views. "Log-rolling," while not uncommon in the House, was even easier in the Senate. Senators seemed to be reached more effectively by propaganda drives for appropriations, as normally the amendments in the Senate increased the appropriations made by the House. Requests of departments and bureaus that had been refused by the House were usually presented to the Senate, and frequently were granted. Even members of the House of Representatives on occasion went to their Senators to get items put into a bill, after they had been unable to have them inserted when the bill was in the House.

To cap the climax there was a further opportunity for bad budgetary practices in the conference committees appointed to reconcile the differences in the contents of the bills as passed by the House and the Senate. According to the rules governing conference committees, they were not to put new matter in a bill or, if the dispute between the two Houses were over an appropriation, to exceed the higher figure or reduce the lower. As a matter of fact, on many occasions new items were put in bills, and items that had passed both Houses were dropped by conference committees which succeeded because of the lateness of the session or because members did not want to defeat an entire appropriation bill merely because of what had been done to a single item.²² Improper changes made by conference committees would have defeated a financial program, if there had been any, and could not, of course, receive the careful consideration that Congress should give financial measures.

²² For an example of what has been done by conference committees, see Schuyler, *American Diplomacy*, p. 28.

CHAPTER III

MOVEMENT FOR THE ADOPTION OF A BUDGET SYSTEM

The long tolerance of a system presenting what are now recognized as so many evils is to be explained only by the little attention that, until recent years, was paid to matters of administrative technique, the relative prosperity of the federal treasury, the comparative lightness of the burden of federal taxation, and the fact that, due to federal taxes being almost entirely indirect in character, such burden as existed was scarcely felt by the individual tax-payer. The rise some fifteen or twenty years ago of a general movement throughout the country for increased economy and efficiency in the conduct of public affairs which found concrete expression in the creation of privately financed bureaus of municipal research and official commissions on economy and efficiency having as their function the study of organization and methods of procedure of governmental bodies, and the recommendation of measures to be taken for the improvement of such organization and procedure;¹ the rapid development in the scope and amount of federal activities; and the corresponding increase in federal expenditures inevitably directed attention to the problem of securing a more efficient administration of the affairs of the national government.

¹ For an account of this movement, see G. A. Weber, *Organized Efforts for the Improvement of Methods of Administration in the United States (1919)*. Institute for Government Research, *Studies in Administration*.

Work of the President's Commission on Economy and Efficiency. At the instance of President William H. Taft and his secretary, Charles D. Norton, who became much interested in the movement for securing greater efficiency and economy in the administration of public affairs, Congress, by a section incorporated in the sundry civil appropriation act for 1911, approved June 25, 1910, placed at the disposal of the President the sum of \$100,000 with which to prosecute an investigation into the manner in which the administrative branch of the federal government was organized and the methods employed by it for the performance of its duties with a view to determining what improvements could be made in such organization and methods. Subsequent appropriations for this purpose were made, the total of such grants including the original grant amounting to \$260,000. For the discharge of the duty thus imposed upon him, the President created a Commission on Economy and Efficiency, the chairmanship of which was entrusted to Dr. Frederick A. Cleveland, who at the time was Director of the first and most important bureau of municipal research, that of New York City, the other members being W. F. Willoughby, Walter W. Warwick, Frank J. Goodnow, Harvey S. Chase, and Merritt O. Chance. This Commission, which functioned during the years 1910-1913, while urging many other changes in organization and procedure, at once reached the conclusion that much the most important improvement to be made in organization and procedure of the government lay in a thorough recasting of the whole system for determining and making provision for the financial needs of the government. It took the position, which was endorsed by the President, that no really worth-

while improvement in the conduct of the government could be accomplished until the government adopted a budget system following in principle those that were employed by leading nations such as Great Britain and which to a certain extent had been put into operation by certain of the states and cities of the United States. The Commission accordingly devoted a great deal of attention to this subject and prepared two reports in relation to it, which were transmitted to Congress by the President and published as public documents. The first of these, entitled "The Need for a National Budget,"¹ gave an account of the existing unsatisfactory conditions in respect to the matter of getting before Congress the financial needs of the government, pointed out how these conditions could only be remedied by the adoption of a properly devised budget system, and set forth the character of the budget system provision for which, in its opinion, should be made. The second volume, entitled "Message of the President of the United States Submitting for the Consideration of the Congress A Budget with Supporting Memoranda and Reports,"² had for its purpose to present the estimates for 1914 in the form of a budget to the end that Congress might see the character of information that would be furnished by a budget properly constructed.

It is a matter of interest as showing the difficulties that existed in persuading Congress of the need for a budget system that this effort on the part of the President to send to Congress a budget was resented and resisted by Congress. The disclosure of the President's intention to prepare a budget roused Congress to action

¹ 62 Cong., H. doc. 854 (1912).

² 62 Cong., S. doc. 1113 (1912).

to defend itself in the constant struggle with the Executive over the powers of the government. The situation was further complicated by the fact that it arose in the year of a presidential election with the party opposed to the President in control of the House of Representatives. The action of Congress took the form of a provision in one of the appropriation acts which stated that the persons charged with the duty of preparing estimates were to do so "only in the form and at the time now required by law, and in no other form and at no other time."⁴ The reason for this as stated by the Chairman of the Committee on Appropriations was that "Congress knew best the character and extent of the information it desired in responding to the demands of the executive for appropriations and because it had enacted a score of well-considered statutes on the subject. It was believed also that it would not be wise for Congress to abdicate, even by implication, its prerogative in this matter." The President, however, believed that he had power under the Constitution to obtain from the administrative officers any information he desired relating to their work, and instructed all the department heads, on September 19, 1912, to send to Congress the estimates required by law in the usual form and to prepare another set for him in accordance with the forms prepared by the Commission on Economy and Efficiency. The latter was to be revised and coördinated and finally submitted to Congress as a budget in the report that has been mentioned.

By that time the election was over and President Taft had lost his power as leader of his party. The report when issued by Congress was referred in the House to

⁴ 37 Stat. L., 360, 415.

⁵ *Cong. Record*, August 26, 1912.

the Committee on Appropriations, where it remained without receiving consideration or action.

This work of the President's Commission on Economy and Efficiency, with the support and advocacy of President Taft, while it produced no immediate tangible result, nevertheless was productive of great good in bringing to the front a realization of the defects of existing procedure, in centering attention upon the adoption of a budget system as the means by which these defects could be corrected, and in working out to a certain extent the technical problems of devising and operating a satisfactory budget system. Its educational influence was undoubtedly great. As an evidence of increasing interest in the subject the Chamber of Commerce of the United States, after an investigation of the system, made the proposal for the adoption by the national government of a budget system the subject of the first referendum that it submitted to its constituent members. The vote on this proposal, which was cast in 1912, resulted in its favor. This referendum was influential in educating the public and in organizing public opinion in favor of action by the national government. That the proposal was one attracting widespread attention and support is further evidenced by the fact that both of the great political parties in 1916 incorporated planks in their platforms in favor of it.

Work of the Institute for Government Research. In the fall of 1916 was established at Washington the Institute for Government Research, a privately supported organization having for its purpose the scientific study of the problems of public administration, and particularly those of the national government, and the promotion of those changes in administrative organization

and procedure which its studies led it to believe were desirable. This Institute, like the President's Commission on Economy and Efficiency, was persuaded that much the most important and fundamental change that was needed in the administrative system of the national government was the adoption of a properly devised budget system. It accordingly devoted its chief efforts during the first years of its existence to the working out of the problem of devising a system adapted to the American political system, to the drafting of the legislation required to put this system into effect, and to securing support of the proposal on the part of members of Congress and other public officials. As a necessary basis for its consideration of the problem it made a careful study of the budgetary systems of the leading nations of Europe and of those states which had adopted a budget system. The results of these studies were published in part in four volumes in its series *Studies in Administration* under the titles of "The System of Financial Administration of Great Britain," "The Budget by René Stourm: A Translation," "The Canadian Budgetary System," and "The Movement for Budgetary Reform in the States." The first of these volumes, which represented a study made on the spot by the Director of the Institute for Government Research in collaboration with two colleagues, was of special value as it gave the results of a personal investigation of the character and practical workings of what was recognized as the most highly developed and successful budget system then in existence. Following the appearance of these volumes, the Institute published a fifth volume prepared by its Director, entitled "The Problem of a National Budget," in which specific attention was given to the problem of the char-

acter of the budget system that would best meet the particular conditions presented by the national government and be in conformity with the American political system.

Legislative Action. Though the movement for budgetary reform in the United States had gained strength, it is uncertain whether this work on the part of the Institute for Government Research would have met with any more favorable reception than did the reports of the President's Commission on Economy and Efficiency but for the changed conditions brought about by the World War. The conclusion of that conflict found the national government burdened with an enormous public debt the total of which at its peak amounted to over twenty-six billions of dollars and calling for interest payments of over a billion of dollars annually, and a burden of taxation, most of which was in the form of direct taxes such as had never confronted the American people. From a condition where there was little trouble in securing revenues with which to meet its needs, and where those revenues were secured in a way that was scarcely felt by the individual taxpayer, the government found itself in a position where an adequate income could only be secured by great effort and under a system of taxation that was directly felt by a large part of the population. Almost for the first time in its history, the national government was confronted in peace time with the problem of balancing its income and outgo. The demand for the reduction of taxation was insistent. This demand could only be met by a curtailment of expenditures. And this in turn could only be intelligently done where means were at hand for accurately determining governmental needs. One of the chief arguments in favor of

a budget system is that it furnishes such means. Prime characteristics of this system are that it provides for accurate statements showing the condition of the treasury, balanced statements of prospective revenue and proposed expenditures, and the preparation by an officer interested in the protection of the treasury rather than in securing funds from it of a statement of expenditure needs in which relative as well as absolute merits of the individual demands are considered.

Appreciation of these facts led those responsible for the conduct of the financial affairs of the government to turn to the proposal for the adoption of a budget system as the means by which this problem of government income and expenditure might be more effectively handled and as an instrument which could be availed of for enforcing retrenchment in the voting of funds and increased economy in the expenditure of such funds as were voted. At this time, 1919, James W. Good was Chairman of the Committee on Appropriations of the House of Representatives. No one was in a position to see more clearly the defects of the existing system than he. After studying the literature of the subject that has been mentioned, he became convinced that the national government would never have a proper system of financial administration until it was based squarely upon a budget as its central and controlling feature. He appreciated that there was little likelihood that Congress could be induced to pass the legislation necessary in order that the government might be placed upon a budgetary basis until it had itself, through a committee of its own members, thoroughly investigated the subject and determined the character that this legislation should have. His first efforts accordingly took the form of the intro-

duction of a resolution calling for the appointment of a "Select Committee on the Budget," to be composed of twelve members of the House, with instructions to make a detailed study of the whole subject and to report its conclusions to the House. This resolution⁶ was adopted by the House on July 31, 1919. This committee, of which Mr. Good was made chairman, held exhaustive hearings, at which the leading students of the subject and high officers and former officers of the government appeared and gave their testimony. As set forth in the committee's report: "It was the policy of the committee to consider the subject in its broadest aspects in order to determine not what was theoretically desirable, but rather to determine what was practically feasible, keeping in mind at all times that to it had been committed the problem of recommending a system that would be in complete harmony with our constitutional form of government. These hearings were conducted with the idea of developing every phase of the subject, rather than a criticism or discussion of any bill that had been referred to the committee. The hearings, therefore, embraced a broad consideration of all the questions involved in budgetary legislation including necessary changes in the rules of the House." On October 8, 1919, this committee submitted its report and at the same time reported out for favorable consideration a bill which had been prepared by its chairman, and introduced in the House on October 7, 1919, and referred to the Committee for action.⁷ This brought the proposal before the House for action. A few days later the bill was called up, and after several

⁶ 66 Cong. 1 sess., H. R. 9783 (1919).

⁷ Mr. Good had previously, on May 20, 1919, introduced a bill providing for a budget system. The new bill represented the conclusions that had been reached by the Select Committee on the Budget as the result of its hearings.

days debate, which was of a high order, passed that body on October 21, 1919, by 285 to 3, and was sent to the Senate. No action on the bill further than its reference to committee was taken by the Senate during that session, which, so far as the Senate was concerned, was devoted largely to a consideration of the Versailles Treaty.

The first recommendation made by President Wilson in his annual message to Congress on its assembling in regular session December 2, 1919, was for the adoption of a budget system. He said: "I hope that Congress will bring to a conclusion at this session legislation looking to the establishment of a budget system. That there should be one single authority responsible for the making of all appropriations and that appropriations should be made not independently of each other, but with reference to one single comprehensive plan of expenditure properly related to the nation's income, there can be no doubt. I believe the burden of preparing the budget must, in the nature of the case, if the work is to be properly done and responsibility concentrated instead of divided, rest upon the executive. The budget so prepared should be submitted to and approved or amended by a single committee of each House of Congress and no single appropriation should be made by the Congress, except such as may have been included in the budget prepared by the executive or added by the particular committee of Congress charged with the budget legislation."

In the meantime, Senator Medill McCormick had become an urgent advocate of the budget and took the lead in the Senate in promoting action. On July 14, 1919, he secured the passage of a resolution, providing for a Select Committee to consider the subject. This com-

mittee, of which he was made chairman, likewise held public hearings on the subject, but, in view of the exhaustive hearings of the House committee, they were comparatively brief and covered no new ground. The budget bill which had passed the House was referred to this committee. On April 13, 1920, it reported out this bill, after striking out all after the enacting clause and inserting in lieu thereof the provisions of the bill which had been prepared and introduced in the Senate by Senator McCormick. The bill in this form passed the Senate on May 1, 1920, without a dissenting vote. The House refused to concur in the change made by the Senate, and the bill accordingly went to conference.

Though, as has been shown, both Houses were practically unanimous in favor of legislation providing for a budget system, they differed in respect to the character of action that should be had. Apart from matters of detail this difference related to but one point, but that was an exceedingly important one. The House, or Good, bill was based on the principle of imposing upon the President the direct and complete responsibility for the preparation and submission to Congress of the budget, which should represent his financial and work program as head of the administration; and to this end provided for the creation of a Bureau of the Budget that should be attached to his office to act as an agency through which he might meet this new responsibility thrown upon him. The Senate, or McCormick, bill was based upon the principle of erecting the office of Secretary of the Treasury into one analogous to that of the British Chancellor of the Exchequer and of placing responsibility for the preparation of the budget primarily upon him. To this end the bill provided that the bureau of the budget

should be a subordinate agency of the Secretary of the Treasury and be located in his department.*

This difference was fought out in the conference committee, and an agreement in the nature of a compromise was effected under which responsibility for the preparation and submission of the budget was placed upon the President, but the agency to be made use of by him in doing this work was a bureau of the budget of which the Secretary of the Treasury should be *ex-officio* the director. Like most compromises this was thoroughly satisfactory, neither to the proponents of the House bill nor those of the Senate bill. It seemed, however, the best that could be obtained.

The conference committee made its report on May 26, 1920. On May 27, the Senate, and, on May 29, the House accepted this settlement, and the bill was passed and sent to the President. To the surprise of all those who had been advocating the measure this bill was returned to Congress by the President without his approval on June 4, 1920. His veto was not based upon any objection to the provisions of the bill having for their purpose to provide for the establishment of a budget system. As has been shown by the quotation from his annual message of December 4, 1919, the President not only urged the adoption of a budget system but also one conforming to the provisions of the bill that was passed. This bill, in addition to providing for a budget system, provided for the abolition of the Office of Comptroller of the Treasury and the six Auditors and the creation in their place of a general accounting office, which should be an agency independent of the administrative branch

* For a statement of the arguments in favor of the House proposal, see Memorandum on the Status of the Proposed Bureau of the Budget, by W. F. Willoughby, *Cong. Record*, May 11, 1920.

and take over the duties formerly performed by the offices of the Treasury that were abolished. As the function of this new office was that of examining into and passing upon the financial acts of the administration it was believed that its head should have a quasi-judicial status in respect to his tenure of office and be not removable by the President as are purely administrative officers. This attempt on the part of Congress to place the comptroller general, the head of the general accounting office, beyond his power of removal was held by the President to represent an unconstitutional limitation upon his powers, and for this reason he returned the bill without his approval.*

The bill was returned by the President the day before the date which had been agreed upon for the adjournment of Congress and, though efforts were made to recast the bill so as to meet the objections of the President and to re-pass it, the shortness of the time available and the pressure of other business prevented these efforts from being successful. The President's veto thus killed the bill for that session.

No action was taken during the short session beginning the following December, as a change of administration was impending. However, immediately after the new Congress met on April 11, 1921, budget bills were again introduced, the Good bill placing the budget bureau under the President in the House and the McCormick bill placing it in the Treasury Department in the Senate. Events moved quickly now. On April 26,

* For an account of the provisions of the bill which finally became a law, "Budget and Accounting Act, 1921," having to do with the creation of the General Accounting Office, see Service Monograph of the Institute for Government Research dealing with this service now in preparation and to be shortly published.

the Senate passed the McCormick bill without a record vote. This bill then went to the House, where it was referred to the Select Committee on the Budget, which reported out the Good bill as a substitute for the Senate bill. The House passed the Good bill on May 5, by a vote of 344 to 9. This made the situation exactly the same as it had been a year earlier.

The conference committee to which the points of difference between the two Houses were referred for adjustment, reached an agreement and reported on May 25, 1921, a bill following substantially the House measure, practically the only concession to the Senate being that of placing the Bureau of the Budget in the Treasury Department. This concession, however, was but a nominal one, since the bill gave no authority to the Secretary of the Treasury and provided that the Director and Assistant Director of the Bureau should be appointed by the President and that the Bureau should work under the direct orders of the President.* To all effects the Bureau has in fact operated as a direct agency of the President. The bill was thus far more satisfactory to the proponents of the House bill than the one vetoed by

* Commenting on this feature Mr. Good said: "We believe it would have been better not to have put in the words 'in the Treasury Department,' but I agree with the gentleman from Wisconsin that it is an idle phrase. It does not mean anything, because the real meat in the section is the power granted by the section, and the only power conferred is the power we give to the President. The President is given power to appoint the director and assistant director, and he is not required even to get the confirmation of the Senate, because it was thought that for these offices that would be so peculiarly the President's staff, the President's force, the President, without being questioned with regard to his appointments, should appoint the men whom he believed he could trust to do his will in the preparation of the budget, so that when the budget came before him it would be a budget that reflected his sentiment and determination with regard to economy and with regard to expenditure. Then, too, the budget is to be prepared for the President under such rules and regulations as the President shall subscribe. No power is granted to the Secretary of the Treasury." *Cong. Record*, May 27, 1921.

President Wilson. Incidentally the bill contained no provisions meeting the objections of President Wilson, the section governing the tenure of office of the Comptroller General providing that that officer was removable only by joint resolution of Congress. This bill was adopted by both Houses, and received the approval of President Harding on June 10, 1921, becoming what is known as the "Budget and Accounting Act, 1921."²

The fundamental features of this act are: the direction given to the President annually to prepare and submit to Congress a document to be known as the Budget, which should give complete information regarding the condition of the treasury, revenues, and expenditures in the past and his program in respect to the provision that should be made for expenditures in the future and the manner in which such expenditures should be financed; the prohibition of any other officer of the government to request the grant of funds except when called upon to do so by Congress; the provision of a new service to be known as the Bureau of the Budget, which should act as the agency of the President for the preparation of the budget; and the creation of the new service, the General Accounting Office, with a Comptroller General at its head, which should be an independent establishment and take over all the duties formerly vested in the Comptroller of the Treasury and the six Auditors for the departments, which offices were abolished. The character of these provisions and their significance will be fully set forth in the pages that follow.

² 42 Stat. L., 20.

CHAPTER IV

REFORM OF THE RULES OF CONGRESS IN REFERENCE TO APPROPRIATION BILLS

Though the preparation, under proper auspices and in proper form, of a budget would be a great gain, it was nevertheless appreciated by those in favor of the adoption of a budget system by the national government, that this act represented but one step in putting the administration of the financial affairs of the government upon a proper basis. If the new system was to be fully effective it was imperative that the two Houses of Congress should effect an entire reorganization of their procedure for the handling of financial proposals so as to do away with the evils that have been mentioned and to provide a system that should be in harmony with the principle of centralizing responsibility and making it possible to consider the whole problem of financing the government at one time. This could only be secured by vesting in a single committee in each House, full and exclusive jurisdiction over all financial proposals, or at least vesting such complete jurisdiction in two committees, one to concern itself with revenue and the other with expenditure proposals.

From the theoretical standpoint there was much to be said in favor of a single committee to have jurisdiction in respect to both sides of the budget. There were, however, two practical objections to this policy. There was great opposition in Congress to vesting in a single committee the great powers that such a committee would

have, and a belief that it would be impossible for a single committee properly to perform its work if it had to consider all revenue as well as expenditure proposals. Secondly, it was an interesting, and in some respects remarkable, fact that while the Committee on Ways and Means, which had jurisdiction over revenue measures, considered bills coming before it from a party, standpoint, this was not true of the Committee on Appropriations and other committees having jurisdiction over general appropriation bills. In considering bills for the meeting of the expenditure needs of the government, these committees almost wholly disregarded political considerations, and divisions within them rarely followed party lines. This non-partisan consideration of the expenditure needs of the government was felt to be a desirable feature. It was thought probable, if not inevitable, if provision were made for a single committee to handle both revenue and expenditure proposals, that this committee would follow the practice of the Committee on Ways and Means and consider all measures coming before it in a partisan spirit. Therefore, it was thought that action should take the direction of providing for two committees, one to consider all revenue and allied matters and the other to consider all expenditure proposals.

Reform of the House Rules. On the same day, October 7, 1919, that Mr. Good introduced his bill to put into effect the conclusions reached by the Select Committee on the Budget and had this bill referred to that committee, he likewise introduced a resolution¹ providing for a modification of the Rules of the House, the most important feature of which was the provision calling

¹ 66 Cong. 1 sess., H. R. 324, October 7, 1920.

for a single Committee on Appropriations of thirty-five members, to have entire jurisdiction in respect to appropriation proposals. Four days later, October 11, 1919, Mr. Good on behalf of the committee reported out this resolution, recommending its adoption.* In this report, which was a very able document, its author said:

The enactment of H. R. 8793, providing for a national budget system and an independent audit of Government accounts, is absolutely necessary. The adoption of the Resolution under consideration to complete the program laid down by that measure is highly desirable. Congress will not perform its full duty by requiring the executive department to adopt business methods if it refuses to lay down the same rule for the transaction of the business properly coming before it.

The adoption of this resolution will permit the Committee on Appropriations, consisting of thirty-five members, to divide the work between the subcommittees which it will create, so that the budget can come before Congress in one measure. The consideration of that measure will involve a full and comprehensive discussion in Congress of the big problem of Government finance. Members of Congress can see at a glance the entire picture. The financial obligations of the Government viewed in this way will have a tendency to sober the temper of Congress when it comes to passing legislative bills that may mean the taking up of new Government activities which will require future appropriations.

Without the adoption of this resolution true budgetary reform is impossible. Its adoption will permit Congress to treat appropriations in a businesslike and economical way. While it means the surrender by certain committees of jurisdiction which they now possess and will take from certain members on those committees certain powers now exercised, we ought to approach the consideration of the big problem with a determination to submerge personal ambition for the public good.

* 66 Cong., H. rept. 373, October 11, 1919.

On June 1, 1920, this resolution was called up and, after a few unimportant amendments, was adopted by a vote of 200 to 117.¹ Due to the unexpected veto by the President of the first budget bill, the change in the rules of the House was thus effected prior to the final passage of the budget act.²

Reform of the Rules of the Senate. The desirability that the Senate should modify its rules in respect to the consideration of appropriation bills so as to make its system conform to that of the House was evident. This was effected by an amendment to the rules, adopted March 6, 1922, which, following the House amendment, provided that thereafter all appropriation bills should be considered by a single Committee on Appropriations instead of by a large number of committees as in the past. At the same time other changes in procedure in respect to the amendment of appropriation bills and the inclusion in appropriation bills of general legislation were made which will receive subsequent consideration.³

Though the rules of the Senate and the House governing the handling of appropriation bills are not identical, the fundamental principles underlying them, that all revenue bills will be handled by one committee and all appropriation bills by another and that the committee on appropriation bills shall not have power to report bills containing general legislation, are the same.

¹ The entire debate in the House can be found in the *Congressional Record* of that day. The same subject was also discussed in the House on Oct. 20 and 21, 1919.

² Certain other changes, especially in respect to the manner of handling amendments to appropriation bills made by the Senate will receive later consideration.

³ The debate in the Senate can be found in the *Congressional Record* of March 1, 2, 3, 4, and 6.

As each new Congress makes its own rules, it is always possible that the power now concentrated solely in the Committee on Appropriations may be scattered again, but it is not likely for some time to come. An attempt to overthrow the committee in the House was anticipated just before the new Congress assembled in March 1921, but the new rule was retained without much difficulty.* After the experience of several years during which the new procedure has apparently worked with marked success, the new rules appear to be firmly established. No opposition to them has been expressed in Congress and, judging by the past, the important rules of either House can only be changed after great effort and much pressure.

* See the *New York Evening Post* of February 23, 1921; the *New York Times* of February 28, 1921, and the *Brooklyn Eagle* of February 6, 1921.

CHAPTER V

ORGANIZATION OF THE BUREAU OF THE BUDGET

Before entering upon a consideration of operations under the new system, it is desirable to give a brief account of the organization of the Bureau of the Budget as the chief executive agency through which this system is administered.

General Function of the Bureau. The Bureau of the Budget, provision for the creation of which was made by the Budget and Accounting Act, has as its primary function that of acting as the agency through which the President may discharge the duty imposed upon him of formulating and submitting to Congress a budget and of making recommendations to that body of means by which the organization and operations of the administrative services may be made more economical and efficient. It is important to note that no authority is conferred by the act directly upon the Bureau: all grant of powers is made to the President. Upon him rests the responsibility for all action taken in carrying into effect the provisions of the act, the Bureau being but the agency made use of by him in exercising this grant of powers. The reasons for this are two-fold. In the first place it was desired to emphasize in every possible way the position of the President as head of the administration, with responsibility for making known to Congress his recommendations in respect to the provision that should be

made for the expenditure needs of the government and the means by which such needs should be met, and of examining into the manner in which such administrative services were organized and conducted and recommending the legislation required to put them upon a more efficient and economical basis. Secondly, at the time the act was under consideration there was considerable apprehension that the office of Director of the Bureau might have the character, as it was expressed, of a super cabinet position. There was a strong feeling that it was contrary to American political traditions and undesirable to create an office the head of which could exercise an authority in respect to administrative matters superior to that of members of the cabinet. This situation was avoided by vesting this superior authority in the President and making the Bureau of the Budget but his executing agency. In defining the duties of the Bureau of the Budget, the act consequently carefully makes use of such expressions as "under such rules and regulations as the President may prescribe," "when directed by the President," etc.

Status of the Bureau. Technically, the Bureau of the Budget is a unit of the Treasury Department. Actually, as regards the exercise of its powers, it functions as an agency attached directly to the Office of the President. This results from the fact that the Director and Assistant Director are appointed by the President and that, throughout the Budget and Accounting Act, wherever reference is made to a superior authority whose direction or approval is required, the President and not the Secretary of the Treasury is designated. In fact, no mention of the Secretary of the Treasury is anywhere made in the act.

General Administration. At the head of the Bureau is the Director, with an Assistant Director, who are appointed by the President and receive salaries of \$10,000 and \$7500 a year, respectively. They are appointed without term, and are thus subject to removal by the President at his pleasure. Their appointment, moreover, contrary to the usual provision in respect to Presidential appointees, does not require the approval of the Senate. These provisions exist in order to make clear that those two officers are in a peculiar way the direct personal representatives of the President. It would be impossible for the system to work properly unless these officers have at all times the entire confidence of the President and are so situated that they will loyally carry out his policies.

No attempt was made in the Budget and Accounting Act to prescribe the internal organization of the Bureau or to fix its personnel except that the Director was empowered, subject to such rules and regulations as the President might prescribe, to appoint all his subordinates and fix their compensation, subject to the limitation that no person should be appointed at a salary in excess of \$6000 a year and that not more than four persons should be appointed at a salary in excess of \$5000 a year. These provisions regarding the power of the Director to fix the salaries of his employees are, however, now modified by the provisions of the Personnel Classification Act of 1923, subsequently enacted. The Bureau as now organized embraces thirty-eight officers and employees.¹ The total of appropriations for the Bureau for the fiscal year 1926 was \$190,000, of which \$165,000 was for salaries and expenses and \$25,000 for printing and binding. In addition the Bureau is provided with quarters, including

¹ For list of these and their salaries, see Appendix 5.

lighting, heating, etc., in the Treasury Building, and as will be subsequently pointed out, military and naval officers, not to exceed twenty-six, may be assigned for service on coördinating activities. These activities, while under the general supervision of the Director, are distinct from the activities of the Bureau proper.

Office of Chief Clerk. The conduct of the general routine business operations of the Bureau is vested in the Office of Chief Clerk, presided over by a Chief Clerk, who with his six subordinates, including three messengers, performs the duties usually pertaining to such an office.

Office of Counsel. For the handling of all legal matters, provision is made for an officer known as Counsel. This officer assists in the drafting of rules and regulations and the compilation of laws governing the preparation and transmission to Congress of statements of receipts and expenditures and estimates of appropriations, an obligation imposed upon the Bureau by the Budget and Accounting Act, and performs such other duties as may be assigned to him.

Assistants to the Director. In the discharge of the powers conferred upon him, the Director of the Bureau has made provision for seven officers known as Assistants to the Director. One of these Assistants is called the Executive Assistant, and as the title indicates, has general jurisdiction. All are assigned to general supervision over the work of the investigators of several departments and they may be assigned to special problems as they develop.

Division of Estimates. The Division of Estimates is composed of six employees, the Chief of the Division,

Assistant Chief, and four clerks. They prepare the budget document and compile the various tables included in it. They also edit and supervise the supporting statistics and data which are transmitted to Congress with supplementary and deficiency estimates. The Division is also frequently called upon by the Director to prepare financial statistics for his use. It is here, too, that records are kept of the apportionments of the appropriations of the departments and establishments and of the expenditures made from them.

Board of Estimates. The seven Assistants to the Director, together with the Director, Assistant Director, and Counsel have been constituted a Board of Estimates whose duty it is, as is elsewhere described, to review the work of the subordinate employees in respect to the examination of the estimates as submitted by the spending services, to hear the representatives of such spending services in defending their requests for funds, and to determine the estimates that shall be finally included in the budget.

Investigators. Next in rank below the superior officers that have been mentioned are twelve so-called Investigators. It is the duty of these officers to familiarize themselves with the organization, activities, and methods of business of the several spending services and to keep in touch with their operations and needs throughout the year, and later when the estimates are received from such services, to subject them to critical examination and to make recommendations regarding their approval or modification. In order that they may perform these duties efficiently, each Investigator is assigned a par-

ticular department or group of departments or establishments. The assignment now in force is as follows:

1. Department of Agriculture
2. Department of the Interior
3. District of Columbia
4. Treasury Department, Railroad Administration, and Board of Tax Appeals
5. Post Office Department and Interstate Commerce Commission
6. Navy Department, National Advisory Committee for Aeronautics, and Shipping Board
7. War Department, National Homes for Disabled Volunteer Soldiers, Federal Power Commission, and Panama Canal
8. Departments of Justice and State
9. Department of Commerce and Veterans' Bureau
10. Department of Labor, Federal Trade Commission, and Board of Mediation
11. Bureau of Efficiency, Civil Service Commission, Employees Compensation Commission, Federal Board for Vocational Education, United States Housing Corporation, Geographic Board, and Smithsonian Institution
12. Executive Office, Alaska Relief Fund, Alien Property Custodian, American Battle Monuments Commission, Commission of Fine Arts, Grant Memorial Commission, Lincoln Memorial Commission, Office of Public Buildings and Public Parks of the National Capital, Arlington Memorial Bridge Commission, Tariff Commission, and General Accounting Office

Federal Business Associations. As a further aid in securing coöperation between the several administrative services and their employees in the field, provision has also been made for the creation of what are known as Federal Business Associations. The purpose of these

associations is to bring together government officials in the same locality for friendly consultation and mutual aid. By July 1926, 179 of these associations had been organized.

Business Organization of the Government. As a final effort to secure coöperation on the part of government employees, to develop an *esprit de corps* among such officials, and to promote interest in the general welfare of the government as a whole as opposed to special interest in the affairs of particular services, the President, acting upon the suggestion of the Director of the Bureau of the Budget, has created an organization known as the Business Organization of the Government. This organization is composed of the directing personnel of the government at Washington; that is, the members of the Cabinet, the members of the independent boards and commissions, the chiefs of bureaus, chief clerks, disbursing officers, and others in charge of the operating units of the departments, establishments, and bureaus. This organization, which dates from the establishment of the budget system, holds two meetings a year, one near the end of June and the other in the latter part of January. At these meetings the President and the Director of the Bureau of the Budget make addresses in which the policy and wishes of the President are made known to these responsible officers of the government and a report is made of how financial operations have been going and what is expected of the directing personnel in the way of formulating their estimates and in expending the funds that have been granted to the services for their support and operation. These addresses

are subsequently printed as pamphlets and are given wide distribution among the government personnel.³

Coördination Agencies. The foregoing represents the organization of the Bureau proper. In addition the President has placed under the general direction of the Director of the Bureau of the Budget a large number of coördination agencies, most of which are in the form of coördination boards made up of officers or employees of the several administrative services assigned for that work. An account of the organization and work of these agencies will be given in Part IV, dealing with the Execution of the Budget.

Budget Officers of the Departments. Though not officers of the Bureau of the Budget, mention, finally, should be made of the Budget Officers of the departments. The Budget and Accounting Act provides that "the head of each department and establishment shall designate an official thereof as budget officer therefor, who, in each year under his direction and on or before a date fixed by him, shall prepare the departmental estimates. Such budget officer shall also prepare, under the direction of the head of the department or establishment, such supplemental and deficiency estimates as may be required for its work."

This provision of the act was a happy one, since the work of the Bureau of the Budget is greatly facilitated by having a definite official in each department with which it can have direct relations without the necessity for having such relations through the head of the department who, on account of his other duties, cannot always

³ Beginning with the meeting of June 30, 1924, the speeches have been broadcast over the radio.

be reached and cannot spare the time for consultation upon matters arising between the Bureau of the Budget and the administrative services. Of these officers, the Director of the Bureau of the Budget says: *

By acting as liaison officers between the Bureau of the Budget—with whom they deal direct—and their departments, and, in addition, performing regular departmental duties, they occupy a dual status. Their intimate knowledge of the organization and needs of their respective departments has made them valuable assistants to the heads thereof and as their representatives these Budget officers may become a most effective means of applying administrative control over the financial programs of their various departments. They are called upon to furnish statistical and other information to the Bureau of the Budget, and through them are communicated to their superior officers the Executive policies underlying the preparation and execution of the Budget. The Budget officers are performing an indispensable service in Budget operations, and their splendid coöperation and assistance during the past fiscal year is appreciated.

* Annual Report, 1926, p. 14.

PART II

FORMULATION OF THE BUDGET

CHAPTER VI

RESPONSIBILITY OF THE PRESIDENT FOR
THE PREPARATION AND SUBMISSION
OF THE BUDGET

President Alone Authorized to Request Appropriations. From the standpoint of principle, the greatest innovation of the Budget and Accounting Act was the placing of entire responsibility for the submission to Congress of a statement of the financial needs of the government upon the President. Not only does this act direct that the President shall, annually, on the first day of each regular session, submit to Congress a Budget in which he shall make known fully his recommendations regarding the voting of funds for the support of the government and how these funds shall be raised, but also that no other officer shall make any such recommendations unless specially requested so to do by Congress. A section of the act thus provides that:

No estimate or request for an appropriation and no request for an increase in an item of any such estimate or request, and no recommendation as to how the revenue needs of the government should be met, shall be submitted to Congress or any committee thereof by any officer or employee of any department or establishment, unless at the request of either House of Congress.

The reasons for this provision are as follows: Under the old system when each department and establishment made its requests for appropriations directly to Congress, not only did these requests represent no coördinated program or pay regard to the general condition of the treasury, but it was impossible to determine whether they had the approval and support of the President. Even in regard to such important matters as requests for greatly augmented appropriations in order to increase the size of the military or naval establishment and proposals for the radical modification of taxation systems, knowledge was often lacking as to the position of the President. One of the prime purposes of the Budget and Accounting Act was to vest responsibility for the financial and work program of the administration in the President. To have permitted the continuance of the old practice of department heads making direct requests for appropriations would have tended to defeat this purpose. It would also have given rise to conflicts between the President and his administrative subordinates in respect to financial needs and administrative policies.

This principle is one which it is not easy to enforce in practice. Administrative officials when appearing before the committees on appropriations of Congress have difficulty in refraining from urging larger appropriations for their services than those carried in the budget. President Harding in his address at the fifth regular meeting of the Business Organization of the Government, June 18, 1923, found it necessary to admonish administrative officials on this point in the following language:

I have noticed from the hearings before the Appropriation Committees of Congress that some of the

officials of the Government have not yet realized that under the Budget and Accounting Act the estimates which are before Congress are those submitted by the Chief Executive. The officials to whom I refer were apparently of the impression that the estimates which their respective departments or establishments submitted to the Bureau of the Budget were the official estimates which they were authorized to advocate before the congressional committees. I trust this erroneous impression will not prevail hereafter. If Congress desires estimates other than those submitted by the Chief Executive, it has reserved unto itself in the Budget and Accounting Act the authority to request such estimates and defined the method of obtaining them. But the administrative officials, who are operating under the Executive, are expected to subscribe cordially and loyally to the budget estimates, and I do not hesitate to say that the repetition of an advocacy of an estimate before the Congressional Committees in excess of the executive recommendation, will be looked upon as sufficient reason to give consideration towards severance of employment with the Government.

A year later at the seventh regular meeting of the Business Organization of the Government, June 30, 1924, the President again referred to the practice of appealing to Congress for greater appropriations than those carried in the budget and said, "I herewith serve notice again as Chief Executive that I propose to protect the integrity of my budget." At the next meeting, the eighth, held on January 26, 1925, the President felt called upon to repeat his caution to administrative officials in the following language:

At our last meeting I had occasion to call attention to the fact that under the law the only lawful estimates are those which the Chief Executive transmits to Congress. My reason for thus calling the matter to your

attention was that in a few instances officials of the executive branch of the Government advocated before the committees of Congress the appropriation of amounts in excess of those recommended in the Executive estimates. Both the letter and the spirit of the Budget and Accounting Act prohibit such action. There is nothing, however, in the law, nor any intent on the part of the Chief Executive, to preclude the officials who appear before the committees of Congress from giving the committees full and complete information on any items contained in the estimates. There is a marked distinction between advocating an increase in the Executive estimates and furnishing Congress with full and complete information concerning them. The former is prohibited by law, as it should be. The latter is a fulfillment of the right of Congress which has never been questioned nor should ever be questioned.

This position that Congress should look alone to the Chief Executive for recommendations regarding the expenditure needs of the administrative services, and that administrative officials should not question such recommendations before committees of Congress, it should be remarked, is greatly strengthened by the fact that Congress is given no information regarding the amounts originally requested by the spending services in submitting their requests for appropriations to the Bureau of the Budget. In many of the state budget systems it is the practice for the budget as formulated and submitted to the legislature to show in parallel columns the amounts requested by the services and the amounts recommended by the governor. This is not done in the national budget. The decision was made on the ground that to do so would weaken the responsibility of the President for the formulation of the budget, tend to raise issues between the President and his administrative

subordinates, and unduly increase the work of the committees on appropriations in deciding these issues. That the system adopted tends strongly to keep down appropriations, there can be no doubt.

Notwithstanding the definite adoption of this principle, it must be recognized that administrative officials are put in a difficult position in appearing before the committees on appropriations to testify regarding the needs of their services. It is not easy to distinguish between answering frankly questions put to them regarding the needs of their services and advocating increased appropriations. An illustration of this is afforded by the discussion which took place in the House of Representatives over an increase that had been made by the Committee on Appropriations in the estimate of appropriations for the Bureau of Foreign and Domestic Commerce as contained in the budget for 1926.¹ The defenders of the Committee's figure, which was slightly above the budget estimate, were able to say that the Department of Commerce had never asked for the increase. But the advocates of a further increase got an affirmative answer when they asked "if it is not a fact that both Secretary Hoover and Director Klein (of the Bureau) stated to the committee that while, of course, they were not in a position to ask that the Budget estimates be increased, yet they absolutely could not function and dispose of present business under 32 days, and in some instances 4 months, unless they got more money." They also pointed out that "Doctor Klein told the committee that the bureau could not function to the advantage of the public unless the appropriations are increased"; that "while you will not find any specific request for increase,

¹ *Cong. Record*, January 23, 1925.

yet in the statement made by the Secretary of Commerce, giving his view on the question of trade competition during the next fiscal year and the necessity of increasing the appropriation in order to meet it, his opinion is expressed"; that the director of the bureau, Dr. Klein, had informed the committee, for instance, that "the European situation alone has almost doubled the burden of the organization, and how we are going to meet that with an increase in our funds of $2\frac{3}{4}$ per cent I do not know," and that "if the gentleman will read these hearings I think he will find that the director has stated clearly and emphatically to the committee that he will not be able to carry out the purposes of that bureau unless he is given more money."³

After all this was stated, the chairman of the Committee on Appropriations in defending his committee's recommendation said, "There has been no request made by Secretary Hoover or anybody else in his behalf for any appropriation in addition to what we carry in the bill."⁴ This was probably technically true, but the Secretary of Commerce and the Director of the Bureau had undoubtedly made it clear that in their opinion an increase in the budget figures was desirable. In this particular case one may question whether these two officers fully complied with the spirit of the President's instructions. Nevertheless, it must be admitted that, when the direct question is asked of the head of a service whether his service will not suffer if larger appropriations are not provided, he must give in his answer his personal convictions.

Recognition must also be had of the fact that administrative officials have means, other than that of directly

³ *Ibid.*, January 20, 1925.

⁴ *Ibid.*, January 23, 1925.

petitioning Congress or making known their wishes at hearings before the committees on appropriations, to influence Congress to grant larger sums for their services than are carried by the budget. They can urge the needs of their services in private conversation with members of Congress or get their friends to do so, and can take steps to organize public opinion in support of more liberal appropriations. How much is done in the first of these ways it is impossible to say. That departments or bureaus have at times sought to have public pressure brought to bear upon Congress for increased appropriations, there can be little doubt.

It has been noticeable during the first days of September for the past few years that obviously inspired articles have appeared in the papers describing the calamities that threaten the country because of contemplated cuts by the Bureau of the Budget in the estimates of the services concerned. The most extensive drives so far have been conducted for the War and Navy Departments, probably because those two have suffered the greatest reductions. The date of these campaigns shows that they are directed against the Bureau of the Budget, although it is undoubtedly expected that the public opinion they create will help four or five months later when the estimates are before Congress. Thus, in 1924, articles appeared in the papers saying, "Lack of funds for naval repair work, it was learned yesterday, may cause the tie-up of the battleships Wyoming, Utah, Arkansas, New York and Texas. The Florida . . . already is laid up at Boston, the most conspicuous example to date of deterioration in the navy due to inadequate appropriations. Naval officials were alarmed yesterday by the publication of news that the bureau of the

budget already has slashed \$56,000,000 from 1926 estimates. . . . The estimate of \$346,000,000 submitted by the Navy Department was regarded by naval officials as a minimum. If this figure is to be reduced \$56,000,000 by the bureau, navy officials declare America's naval strength under the 5-5-3 treaty cannot be maintained." * As no figures or statement had been made public by the Bureau of the Budget, the articles must have been started at the other end of the transaction, and obviously were intended to arouse public opinion to coerce the Bureau in the hearings and conferences to start some ten days later. Enough comment was stimulated to induce "the spokesman for the President," to state that "the President has frequently read about the Navy being far below the standard and ready to sink into oblivion, and that the Army is far below what it should be and would be wiped off the face of the earth in time of war, but he is not greatly impressed with either of these statements. . . . He wants the Navy to have an adequate appropriation. He also wants to see the policy of the budget maintained. He is personally responsible for this business agency of the Government and he has no intention of committing an act that would tend to break down the budget's usefulness or its established policy. Neither has he the intention of permitting any of the Departments under him to bring about such a breakdown of the budget." "

In 1925 the publicity campaign on behalf of the Army appropriation was the most conspicuous, although efforts for others could be noticed in the papers. During the last week in August articles appeared in the papers

* *Washington Post* of September 5, 1924. A much longer article was carried the previous day. Similar items appeared in other papers.

" *Washington Star*, September 16, 1924.

stating that "officials of the War Department" feared that as a result of indicated cuts in their estimates the Army would have to be reduced, that the necessary supplies could not be purchased, and that the whole machine might break down.⁶ Again there was a response from the "spokesman" for the President. He said "The President feels that much of the publicity now being given accounts of drastic reductions in the army and navy and sweeping curtailment of the operation of the Shipping Board vessels, is designed entirely to interfere with his planned economy through creating in the public mind a belief that the interests of the nation at large are to suffer because of his desire to keep the tax rate at the lowest possible figure . . . it would be unwise to take too seriously the reports that the army general staff is discouraged because of planned reductions in the appropriations for that service. . . . The President is becoming somewhat incensed over the manner in which the opponents of his efforts to reduce governmental costs are attacking him through indirect methods of publicity."⁷

One of the most interesting cases where appeals were made to Congress for appropriations other than those provided in the budget and one which received wide publicity related to appropriations for the National Guard. One was a supplemental appropriation of \$1,332,000 for the fiscal year 1925 and the other of \$1,742,800 was for the fiscal year 1926. In making both appropriations the budget estimates were disregarded by Congress and the requests made to the two committees on appropriations by the President of the National

⁶ See especially the *Washington Post* of August 25, 1925 and September 10, 1925.

⁷ *Washington Post*, August 26, 1925. The same issue had an editorial on the subject. *New York Times* of August 26, 1925.

Guard Association, Brigadier General M. A. Reckford, the adjutant general of Maryland, were granted. Although this officer apparently did not consider himself bound by the Budget and Accounting Act, which prohibited such requests for appropriations from officers or employees of the government, the President in a statement issued on March 23, 1925, took the view that as the law empowers him to submit estimates for the National Guard the beneficiaries of the appropriations are amenable to the law. At first the President indicated that to protect the budget system he would instruct the War Department not to expend the appropriations. This suggestion led to a consideration of possible mandamus proceedings against the War Department to compel the payment of the money as provided by law. But no test of the power of the Executive to halt disbursements in this manner was made, as the President, after a little delay, took no steps to prevent the expenditure of the money.*

Propaganda in favor of the increase of appropriations for the Bureau of Foreign and Domestic Commerce furnishes another illustration of this indirect method of increasing budget estimates. This Bureau has received increased appropriations every year without exception since 1921, when the total was \$1,085,400, to 1925, when it was \$3,115,303. The budget for 1926 provided a slight increase over 1925 and the Committee on Appropriations recommended a further increase of a small amount. Yet, in the words of the Chairman of the Committee on Appropriations, "They were not happy with an increase of

* See particularly *The New York World*, March 24, 1925; *The Philadelphia Evening Public Ledger*, March 24, 1925; *The Baltimore Sun*, March 25, 1925; an editorial in the *Springfield Weekly Republican*, April 2, 1925; *The Washington Post*, April 11, 1925.

only \$142,000. They presented their needs to the committee and did not get what they thought they ought to have. So they determined that they would bombard Congress with propaganda." * Telegrams from export associations, business organizations, and individuals were received in large numbers by Congressmen. The telegrams were practically in the same language and were obviously inspired, as some of them were received days before the amendment which they urged was introduced, so that no one except insiders could have known of it. In this particular instance a vigorous opposition to the amendments, which would have still further increased the appropriations, by several members of the Committee on Appropriations, who stated that the business men sending the telegrams were inadequately informed and did not understand the situation, was successful and the amendments were beaten.

The position, of course, cannot be taken that it is improper for private persons or organizations to make known to Congress their wishes in respect to the expansion or retrenchment of the vote of funds for particular purposes. It would seem, however, to be contrary to the spirit of the Budget and Accounting Act, and the instructions of the President for administrative officials to support such propaganda and much less to initiate it. The whole problem of the extent to which administrative subordinates of the President should directly or indirectly seek to secure modifications in the President's expenditure plan is one which cannot be entirely solved by formal legislation and instructions. It requires in addition loyal coöperation on the part of all officers concerned in seeing that the spirit as well as the letter of the law is observed.

* Mr. Madden. *Cong. Record*, January 23, 1925.

Question of Restriction of Estimates to Those Needed for the Execution of Existing Law. When we come to a consideration of the second phase of the budget system, that of action upon the budget by Congress, it will be seen that one of the most vital principles observed by that body in providing for the administrative needs of the government is the rigid distinction that is made between the authorization of an appropriation and the appropriation itself. Only committees on general legislation have authority to report bills providing for the addition to or modification of existing law, and only the Committee on Appropriations has authority to report bills providing for appropriations to put into effect existing provisions of law. Not until an expenditure has been authorized by law is it, therefore, competent for the Committee on Appropriations to insert in an appropriation bill reported by it an item to put this authorization into effect.

This practice, which it may here be said is a desirable one, manifestly raises the important question as to whether the President in formulating his budget should observe the same distinction; that is, whether he should confine his recommendations for appropriations to items having for their purpose to put into effect existing provisions of law regarding the activities of the government or whether he should, in addition, recommend appropriations for purposes that have not been so authorized; and whether, conversely, if an activity or project has been authorized it is his duty to estimate for appropriations with which to make this authorization effective.

So far as the provisions of the Budget and Accounting Act are concerned, the President is free to adopt such a policy in respect to these matters as he sees fit. In respect to the first he has from the beginning adopted

the distinction observed by the two Houses of Congress and has consistently refrained from recommending in his budget appropriations other than items for the putting into effect of existing authorizations of law.* On first examination, this decision would seem to be unfortunate and to do violence to one of the fundamental purposes of a budget system, that of securing from the Chief Executive a complete statement of what provision in his opinion should be made for meeting the administrative needs of the government. To state this in another way, the feeling is strong that a budget should be a work program as well as a financial program. In its practical operation the decision means that the President is debarred from recommending appropriations for most works involving a capital outlay, such as public buildings, additions to the Navy, or the engaging in new activities such as the regulation of radio communication, the control of aviation, etc., no matter how urgent such works or activities may be, unless Congress has previously by general statute authorized such work or activity.

Notwithstanding the fact that the President's decision in respect to this matter is probably not in accordance with the intent of the framers of the Budget and Accounting Act, and has the disadvantage that has been mentioned, there is much to be said in favor of this policy and it is by no means certain that the decision was an unwise one. It has the great advantage that it relieves the President from pressure on the part of his administrative subordinates and private interests to include in his budget, recommendations for new works and activities that it would be difficult for him to resist and re-

* This refers to the budget proper. In his budget message, he does, however, advise the voting of funds for purposes not authorized by existing legislation.

garding the merits of which it would be difficult for him to determine. Thus, for example, had he made the contrary decision, delegations from all over the country composed of the delegations in Congress for the states interested, national and state committeemen of the President's political party, representatives of chambers of commerce and like bodies would have waited upon him to urge the recommendation in his budget of appropriations for new reclamation projects, new public buildings, new river and harbor improvement projects, and the like. To all such requests he can now, under the policy that has been adopted by him, make response that such requests should be made to Congress; that Congress is the body where they can be examined and their merits determined by the appropriate committees on general legislation; and that not until Congress has declared its will should he ask for money for making this will effective.

In attempting to determine the wisdom of the decision that has been made as measured by actual results it is important to note that the five years that the new budget system has been in operation have been years of retrenchment, when every effort has been made to curtail government activities and reduce expenditures. The President has, therefore, been under little incentive to recommend new activities and expenditures, and his failure to do so in his budget has attracted little attention, or, if noted, has been received with favor. Should the government enter upon a period where expansion is demanded a new situation will be presented, and the President may at that time modify his budget policy in this respect.

Before leaving this subject it should be mentioned that the President has on occasion recommended the

voting of appropriations for a purpose not provided for by existing law. In submitting his budget for 1927 he urged strongly a large appropriation for the erection of new public buildings both in the District of Columbia and outside the seat of government. This recommendation, however, was not included in the budget proper but was contained in his budget message transmitting the budget. This procedure is certainly the desirable one, since it segregates clearly estimates for new work from those for carrying on the government under existing authorizations of law, and thus harmonizes with the system under which the committees on appropriations can only consider items of the latter character.

Obligation of Submission of Estimates Needed for the Execution of Existing Law. Turning now to the second phase of this problem, that of the obligation of the President to estimate for funds to put into effect authorizations of expenditures that have been made by statute, somewhat different considerations are involved. Stated concretely, the question here presented is whether after Congress has authorized or even directed the undertaking of a project, such as the erection of a public building, the President should exercise his discretion in respect to asking for an appropriations to put this authorization or order into effect. In practice the President has exercised such discretion. He has not hesitated to ask for appropriations for the construction of a smaller number of naval vessels than has been authorized by law, for a smaller sum for the prosecution of an activity that existing law authorizes, etc. There can be little doubt that this policy can be fully justified. It may be that a given project is highly meritorious, but that the

condition of the treasury is such as not to warrant its immediate execution. The problem that confronts the President in formulating his budget is not what work has intrinsic merit, but what work in view of the state of the finances should be undertaken during the year to which the budget relates. It is of the essence of the budget system that the President should give to Congress his opinion from this standpoint.

It should further be noted that the fact that the President does not include in the budget an item providing for the putting into execution of an authorization or recommends a sum smaller than that authorized, does not preclude provision therefor being made by the Committee on Appropriations or by the House itself when it has under consideration the appropriation bills for amendment. The action of the President in refusing to recommend appropriations to put into effect authorizations has, however, and ought to have, great influence with the Committee and the House.

Control of Recommendations by Administrative Officers of New Legislation Necessitating New Appropriations. This distinction between the authorization of an appropriation and the appropriation itself has still another bearing upon the duty of the President in respect to the control of requests that shall be made upon Congress for the grant of funds. The Budget and Accounting Act, as has been seen, is emphatic in providing that the President alone shall have the right to recommend to Congress appropriations for the public service and that the President has taken steps rigidly to enforce this provision. It must be evident, however, that if other administrative officers exercise fully their right to recommend to Congress the enactment of laws authorizing

and directing the creation of new services or the engaging in new lines of work, which legislation will necessitate the appropriation of money to put them into effect, the object aimed at by the Budget and Accounting Act of vesting in the Chief Executive alone the responsibility of making recommendations in respect to the expenditure needs of the government would be largely defeated. To prevent any such result the President has consequently taken the exceedingly important action of directing that no administrative officer shall recommend or urge upon Congress any new legislation having for its purpose or effect to give rise to the necessity for additional appropriations without his approval thereof being first obtained. This order was given through Budget Circular No. 49, issued December 19, 1921, which reads as follows:

The language of Section 206 (of the Budget and Accounting Act prohibiting direct requests for appropriations other than by the President) relates only to estimates or requests for direct appropriations or increases in items of prospective appropriations. But it is necessary for a full compliance with its spirit that all requests or recommendations for legislation, the effect of which would be to create a charge upon the public treasury or commit the Government to obligations which would later require appropriations to meet them, should be first submitted to the President before being presented to Congress. It is therefore directed:

(a) Before any request or recommendation of this character, originating in or sponsored by any executive department or establishment of the government, is sent to either House of Congress, or to any committee thereof, it shall first be submitted to the Director of the Budget, who shall make recommendations with respect thereto, to the President. And no such request shall be submitted to either House of Congress, or to any committee

thereof, without having first been approved by the President. When so approved, the request or recommendation to either House of Congress, or to any committee thereof, shall recite the fact that such approval has been obtained.

(b) Whenever any request or measure proposing legislation, with the purpose or effect set forth above, shall be referred to any executive department or independent establishment for advice or expression of opinion thereon, the head of the executive department or independent establishment concerned shall ascertain, through the Director of the Budget, whether or not such recommendation, request or measure is in accord with the financial program of the President. And such advice or expression of opinion when transmitted shall include a statement whether the proposed legislation is or is not in such accord.

(c) That copies of such requests, recommendations or proposed measures referred for advice as in subparagraph (b) shall be promptly furnished to the Director of the Budget for the information of the President.

It is impossible to exaggerate the importance of this action on the part of the President. It means that the President assumes leadership and responsibility not merely for the recommendation of moneys needed for the financing of the government in accordance with existing law, but also for the recommendation of new legislation that will affect in any way the government work program. In operation this order has added enormously to the influence of the Bureau of the Budget. We have the authority of the Director of the Bureau of the Budget that its enforcement has doubled the work of his Bureau. This centralization of responsibility for the work program has further been strengthened by the order elsewhere noted that no administrative service shall enter upon any new activity, even though sanctioned by existing law, until notice of the intention to do so has been given to the Bureau of the Budget.

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CHAPTER VII

FORM AND CONTENTS OF THE BUDGET

Scope of the Budget Document. The term "Budget" as originally employed, and still used in European countries, meant little more than a comparative statement of estimated revenue and expenditure needs. In the United States, this conception of the nature and functions of a budget has been greatly broadened. To quote with slight modifications, a definition previously given by the writer,¹ a budget is the instrument through which the financial operations of the government past and prospective are correlated, compared one with the other and brought under examination at one and the same time. It is, or should be, at once a report, an estimate, and a proposal. It is the document through which the chief executive, as the authority responsible for the actual conduct of governmental affairs, comes before the fund-raising and fund-granting authority and makes full report regarding the manner in which he and his subordinates have administered financial affairs during the last completed year; in which he exhibits the present condition of the public treasury; and, on the basis of such information, sets forth his program of work for the year to come and the manner in which he proposes that such work shall be financed. The most important feature of a budget is that it shall be all-comprehensive. It must bring together in one consolidated presentation all the essential facts re-

¹ W. F. Willoughby, *The Problem of a National Budget*, pp. 4-5. (1918).
Institute for Government Research. Studies in Administration.

garding the financial condition of the treasury and the financial operations of the government, past and prospective, in such a way that the relationships between past action and proposals for the future and between prospective revenues and proposed expenditures may be clearly seen. It should, in a word, give all the information needed by the fund-raising and fund-granting authority in the determination of financial policies in a way that its purport and significance may be readily seen.

This broad scope of the budget was appreciated by the framers of the Budget and Accounting Act. That act thus provides that:

The President shall transmit to Congress on the first day of each regular session, the Budget, which shall set forth in summary and in detail:

(a) Estimates of the expenditures and appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year; except that the estimates for such year for the Legislative Branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year and shall be included by him in the Budget without revision;*

(b) His estimates of the receipts of the Government during the ensuing fiscal year under (1) laws existing at the time the Budget is transmitted, and also (2) under the revenue proposals, if any, contained in the Budget;

(c) The expenditures and receipts of the Government during the last completed fiscal year;

(d) Estimates of the expenditures and receipts of the Government during the fiscal year in progress;

(e) The amount of annual, permanent, or other appropriations, including balances of appropriations for

* Due to the American doctrine of the separation of powers it was felt that each of the three branches of government should estimate for itself its appropriation needs.

prior fiscal years available for expenditure during the fiscal year in progress as of November 1 of such year;

(f) Balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress; and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

(g) All essential facts regarding the bonded and other indebtedness of the Government; and

(h) Such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

If the estimated receipts for the ensuing fiscal year contained in the Budget, on the basis of laws existing at the time the Budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year contained in the Budget, the President in the Budget shall make recommendations to Congress for new taxes, loans or other appropriate action to meet the estimated deficiency.

If the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, he shall make such recommendations as in his opinion the public interests require.

It will be seen from the foregoing extract that though the Budget and Accounting Act took pains to prescribe the character of information that should be furnished by the Budget, it not only left to the discretion of the President the form in which this information should be presented but it also authorized the President to include in the Budget any other statements, in addition to those

required by the act, that in his opinion was necessary or desirable in order to make a full showing of the financial condition and operations of the government and its future income and expenditure needs. The determination of the contents and form of the Budget was thus a matter that was largely left to the President.

At the time that the budget bill was under consideration considerable apprehension was felt by members of Congress that if the budget did not present the estimates of appropriations in the same form that they had been presented in the past, it would be impossible to compare them with previous estimates and appropriations. The act, therefore, prescribed that the contents, order, and arrangement of the estimates of appropriations and the statements of expenditures and estimated expenditures should conform to the requirements of existing law. It, however, directed the President to prepare and submit what was designated as an "Alternative budget" for the first fiscal year under the new system, which should be in such form and scope as the President might think desirable. Due to these provisions the first budget submitted by the President, the one submitted December 1921, and relating to the fiscal year ending June 30, 1923, was in two forms, one designated "The Budget", conforming as nearly as might be to the old "Letter of Estimates", and the other designated "The Alternative Budget", corresponding to the scheme of presentation which, in the opinion of the President, should be employed under the new system. In practice, no use was made of the first document except possibly for reference purposes. The Alternative Budget proved to be a document presenting the facts regarding the financial condition, operations, and needs of the government in so much

clearer form that it alone was made the basis for the consideration of the problem of financing the government by the Committee on Appropriations and Congress. The Alternative Budget thus became the real first budget under the new system, and its scheme of presentation of the data has been followed with comparatively slight modifications in all subsequent budgets.

Division of the Budget into Two Parts. As framed by the Bureau of the Budget, acting for the President, the Budget consists of two distinct parts. The first contains the President's budget message and the general financial statements having for their purpose to make known the condition of the treasury, receipts and expenditures in the past, estimated receipts and expenditures for the year in progress, and estimates of prospective receipts and expenditure needs, so presented that the purport of the proposed receipts and expenditures can be clearly seen. The second, which embraces much the greater part of the volume, contains the detailed estimates of expenditures for the several organization units of the government.¹

The division of the Budget into two parts has for its purpose to make it easy for those who are interested only in the general financial condition and operations of the government to secure the information desired by them, and to secure economy in the distribution of the document. Economy is achieved by printing Part I as a separate pamphlet or reprint, the sending of which meets the needs of most persons requesting copies of the Budget. Only a comparatively small edition is required of the complete document.

¹ The latest budget, that for 1928, is a large quarto volume of 1476 pages, of which 136 pages are devoted to Part I and 1340 to Part II.

Character of Part I: General Statements. To the general public, Part I is much the most interesting part of the Budget. In addition to the President's budget message it contains a series of tables giving in an exceptionally complete and clear manner the essential facts regarding the financial condition and operations of the government and the provision that it is proposed shall be made for future financial needs. To those desiring this class of information it is a much more valuable document than the annual report of the Secretary of the Treasury. That the character of the data there given may be seen, there is given a brief description of each of the thirty financial statements that are included in the budget for 1928.

Statement No. 1. This is the basic statement of the budget showing the condition of the treasury at the end of the fiscal years 1926 and 1925; the estimated condition of the treasury at the end of the fiscal year in progress, 1927; and the estimated condition of the treasury at the end of the fiscal year 1928, if the financial proposals in the budget are adopted; and how this condition was or should be reached. The statement gives the actual and estimated figures for each of the four years for (A) Expenditures; (B) Receipts; (C) Excess of ordinary receipts over expenditures payable therefrom; (D)

* In the Budget a clear distinction is made between "estimates of appropriations" and "estimates of expenditures." The former has reference to the new or additional grants to be asked of Congress, and the latter represents the amount of money which it is estimated will be withdrawn from the treasury during the fiscal year in progress and the ensuing fiscal year. The cash withdrawals during a fiscal year are made from appropriations made for prior years as well as from appropriations made for the year to which the figures relate, and in estimating expenditures account has also to be taken of the fact that money appropriated for a year will not be completely disbursed during that year, due to the fact that it is impossible to liquidate all incumbrances during the year, thus leaving at the end of each year outstanding bills or claims that will have to be paid during the ensuing year.

Balance in the general fund at the beginning of the fiscal year; (E) Balance and excess of ordinary receipts over expenditures payable therefrom; (F) Amount of general fund applied or estimated to be applied to redemption of the public debt, in addition to sinking fund and redemptions from restricted receipts; and (G) Balance in general fund at end of fiscal year for working capital.

Expenditures are first classified into those for ordinary expenditures and reduction in public debt required to be paid from ordinary receipts. Ordinary expenditures are then subdivided into: (1) General expenditures, which are itemized by major organization units; (2) interest on public debt; (3) customs refunds; (4) internal revenue refunds; (5) postal deficiency; (6) Panama Canal; (7) railroads; (8) War Finance Corporation; (9) Emergency Fleet Corporation and Shipping Board; (10) alien property funds; (11) adjusted service retirement fund; (12) civil service retirement fund; (13) government life insurance; (14) District of Columbia teacher's retirement; (15) foreign service retirement; and (16) general railroad contingent.

Receipts are first divided into Customs, Internal revenue, and Miscellaneous. Internal revenue is further divided into Income and profits tax and Miscellaneous internal revenue. Miscellaneous is subdivided into: (1) Proceeds of government-owned securities, which are itemized: (2) trust funds receipts appropriated for investment; (3) proceeds of sales of surplus property; (4) Panama Canal tolls, etc.; (5) receipts from miscellaneous sources credited direct to appropriations, and (6) other miscellaneous.

Statement No. 2. This shows the estimated expenditures for the budget year 1928 and the estimated and

actual expenditures for the fiscal years 1927 and 1926, respectively. It is a supporting statement to Statement No. 1 only with a slightly different arrangement. Expenditures are classified into four groups under the heading of ordinary expenditures, reduction in principal of the public debt, payable for ordinary receipts, interest on the public debt, and investment of trust and special funds. The ordinary expenditures are given by organization units and in detail so that the expenditures of the bureaus and other subdivisions of the departments and independent establishments are shown, and in many cases these are further broken up into appropriations or groups of appropriations.

Statement No. 3 shows the estimated receipts for the fiscal year 1928 compared with the estimated for the fiscal year 1927 and the actual for the fiscal year 1926. It is also a supporting statement to Statement No. 1 and gives the details of the receipt figures which appear in Statement No. 1 by showing what organization units collect them and from what sources.

Statement No. 4 shows the estimated receipts for the fiscal year 1928 compared with the estimated for the fiscal year 1927 and the actual for the fiscal year of 1926 classified in a manner conforming to that by the Treasury Daily Statement.

Statement No. 5 shows the estimated expenditures for the fiscal year 1928 compared with the estimated and actual of 1927 and 1926, respectively, by character of expenditures. In this table expenditures are first classified into (1) Current expenses, including equipment; (2) nonadministrative expenses; (3) construction work, including national defense structures; (4) District of Columbia; (5) deficiencies in postal revenues; (6) operations in special accounts; (7) investments, which are

itemized; (8) reduction in principal of the public debt payable from ordinary receipts; (9) special funds; and (10) trust funds.

Statement No. 6 shows the estimated receipts for the fiscal year 1928 compared with 1927 and 1926, by sources. These are the same figures as in Statement No. 3 only no organization units are shown, and the receipts from the same source, such as the sale of government property or interest, premium, and discount, are grouped together no matter by whom collected.

Statement No. 7 shows the estimated expenditures and receipts for the fiscal year 1928 compared with 1927 and 1926 of the Post Office Department and Postal Service. The expenditures are classified by character and the receipts by sources. This is the only statement where the expenditures and receipts of the Postal Service are included except the deficits which are paid from the ordinary receipts of the government and properly included in the statements of expenditures, and the estimated surpluses which are included in the expenditure statements as negative expenditures.

Statement No. 8, which is a new statement appearing for its first time in the Budget for 1928, shows the condition and operations of various special funds and accounts such as the United States Employees' Compensation Fund, the Federal Power Commission, the United States Housing Corporation, etc.

Statement No. 9 shows the estimates of appropriations for the fiscal year 1928 compared with the appropriations for 1927, classified according to governmental functions with the percentage of each to the total for the entire government. The functions are divided into four groups under the headings of general functions, military functions, civil functions, and nonfunctional.

General functions include legislative, judicial, executive, and general administration. Military functions include national defense, special war agencies, and military pensions, retirement pay, World War allowances, etc. Nonfunctional appropriations include refunds, fixed debt charges, and trust funds. The civil functions are classified under the following heads: (1) Foreign relations and protection of American interests abroad; (2) general law enforcement; (3) provision for control of currency and banking, (4) administration of Indian affairs; (5) administration of public domain; (6) promotion and regulation of commerce and industry; (7) promotion, regulation, and operation of marine transportation; (8) promotion and regulation of land transportation; (9) promotion and regulation of agriculture; (10) promotion and regulation of fisheries; (11) promotion of labor interests; (12) immigrants and naturalization; (13) promotion of public health; (14) promotion of public education; (15) science and research; (16) public works; (17) revenue-producing enterprises; (18) local government; (19) relief expenditures.

Statement No. 10 gives a summary of the estimates of appropriations for the fiscal year 1928 by the character and objects of expenditure and the percentage of each to the total compared with the appropriations for 1927. This table is a summary of the information shown for each separate estimate included in the budget. The classification of objects of expenditures used is that prepared by the General Accounting Office given above.

Statement No. 11 gives a summary of expenditures by character and object for each of the four years, 1923-1926 inclusive.

Statement No. 12 compares the estimated expenditures for the fiscal year 1926 with the estimated for 1925 and

the actual of each of the previous ten years. The expenditures are not shown by organization units but by functions. The same classification of functions and the same subdivisions of them are used as in Statement No. 9 described above. In addition to the amounts spent for each function and its subdivisions, the percentage of each to the total expenditures of the year are shown.

Statement No. 13 gives a comparison of the appropriations recommended by the Bureau of the Budget in the Budget and in supplemental estimates, with the appropriations made by Congress for the fiscal years 1927 and 1926. The figures are shown by major organization units except that the amounts for the principal and interest of the public debt are listed separately. Consequently, all the departures of Congress from the recommendations of the Bureau of the Budget are not shown; as an increase in one of the appropriations of a department may be offset by a decrease in another without changing the simple figure which includes them all.

Statement No. 14 compares the estimates of appropriations for the fiscal year 1928 for the current operation of the government with those for 1927. The figures are classified by major organization units and the percentage of each of the total is given.

Statement No. 15 gives a comparison of appropriations for 1927 and 1926 by major organization units, distinguished between kinds which are annual and those which are permanent and indefinite.

Statement No. 16 gives the appropriations for each of the years 1922-1927 inclusive, including revised public debt appropriations, judgments and claims, by major organization units.

Statement No. 17 gives the balances by major organization units of appropriations of June 30, 1926, and of

appropriations for the fiscal year 1927, including revised estimated permanent and indefinite appropriations, as of November 1, 1926, reported by the Secretary of the Treasury.

Statement No. 18 shows the consolidated current balance sheet at the close of business, June 30, 1926. It gives the amount and location of cash and the nature and amount of the liabilities and reserves as well as the balance.

Statement No. 19 is a summary statement of operations in the general fund for the fiscal year ended June 30, 1926. It shows the receipts by sources, the expenditures by character as in Statement No. 5, the balance in the general fund at the beginning of the fiscal year, and the balance at the end of the fiscal year.

Statement No. 20 is a statement of operations, public debt receipts, and expenditures, for the fiscal year ended June 30, 1926.

Statement No. 21 is a consolidated statement of operations for the fiscal year ended June 30, 1926, of both the general fund and the public debt loan funds.

Statement No. 22 is a summary statement of outstanding debt at the close of business June 30, 1926, compared with June 30, 1925, and June 30, 1926.

Statement No. 23 is a detailed statement of the outstanding debt shown in the above, giving the amounts of each issue of bonds or other debt outstanding on the dates mentioned.

Statement No. 24 gives in detail the amounts of securities owned by the Government on June 30, 1926, and 1925.

Statements No. 25, 26, and 27 show, respectively, the actual cumulative sinking fund account for the fiscal year 1926, the estimated for 1927, and the estimated for 1928.

Statement No. 28 shows the proposed public debt issues and redemptions for the fiscal year 1928 compared with the estimated for the fiscal year 1927 and the actual for the fiscal year 1926.

Statement No. 29 shows by classification, services and grades for each of the major organization units, and for each of the years 1928, 1927, and 1926, the average number of employees, the average salary, and the total salaries of the personnel in the District of Columbia, classified under the act of March 4, 1923. This table is a summary of the information accompanying the individual estimates in the Budget.

Statement No. 30 contains the estimated average number of classified employees in the District of Columbia of the departments and independent establishments, their total salaries, and the average rate for the fiscal year 1928, the estimated for the fiscal year 1927, and the actual for the fiscal year 1926.

Following the last statement are the "Explanatory Synopsis of Estimates of Appropriations," which briefly explains the differences from the appropriations of the previous year, and the "Recapitulation of Estimates of Appropriations for 1928 and of Appropriations for 1927," which compares the two by organization units with the bureaus and offices and the appropriations or groups of appropriations under each. The permanent appropriations are listed at the end of this table.

Character of Part II: Detail Estimates. Part II gives the detail estimates of appropriations for the several branches, departments, independent establishments, and bureaus of the government. The method of classification and statement of these estimates constitutes one of the greatest improvements from the standpoint of budgetary technique that has been effected by the new

system. Under the old system all of the estimates for the support of a department or bureau did not appear in one place but were scattered under a number of different heads. It was difficult, if not impossible, to determine the total that was estimated for a department or bureau. The same, as has been pointed out, was true of the appropriation system that was based upon and followed the estimates, most services being appropriated for not in a single bill but in a number of different bills which were framed by different committees or subcommittees and considered by Congress at different times. The Bureau of the Budget, in framing the Budget, adopted the principle of the classification of estimates by organization units. Under this system all of the appropriations asked for the support of a department or a bureau within a department are presented in one place and totalled so as to show the amount requested for each such unit. This laid the basis for, and made possible, the adoption of a new system of appropriation bills which was put into effect upon the budget system entering into operation, under which the total needs of each department and bureau are provided for in a single bill.

Part II is accordingly divided into thirteen chapters corresponding to the major subdivisions of the government: the Legislative Establishment, Executive Office and Independent Establishments, Department of Agriculture, Department of Commerce, Department of the Interior, Department of Justice, Department of Labor, Navy Department, Post Office Department, Department of State, Treasury Department, War Department, and District of Columbia. In each chapter there is shown, for each grand division, each department, and each bureau or major subdivision of a department, or inde-

pendent establishment, the last appropriation that was made for each such service by Congress and in a parallel column the amount proposed for the next appropriation. The exact language of the last appropriation act is used. Where changes in the wording of the law are recommended, the part to be omitted is included in brackets, while additions are printed in italics. Immediately following the text of the law there are the citations to the Statutes at Large of the preceding appropriation act and of the law which originally authorized the activity or created the agency conducting it.

To support each estimate there is a table showing how the corresponding appropriation was spent during the last completed fiscal year, how it is estimated the appropriation will be spent during the current fiscal year, and how it is proposed to spend the amount called for by the estimate for the ensuing year. The expenditures, both actual and estimated, are shown by objects according to a standard classification prepared for the administrative services by the General Accounting Office.* All expenditures are classified into the following groups:

Current Expenses

- Personal services
- Supplies and materials
- Subsistence and support of persons
- Subsistence and care of animals, and storage and care of vehicles
- Communication service
- Travel expenses
- Transportation of things
- Printing and binding
- Advertising and publication of notices
- Furnishing heat, light, power, water, and electricity

*General Accounting Office, Bulletin No. 1, May 11, 1922.

- Rents
- Repairs and alterations
- Special and miscellaneous current expenses
- Fixed Charges
 - Interest
 - Pensions, retirement salaries, annuities, and World War allowances
 - Grants, subsidies, and contributions
- Acquisition of Property
 - Equipment
 - Land and interests in land
 - Structures and parts and nonstructural improvements to land
 - Stores purchased for resale
- Payment of Debt
 - Public debt redemptions and purchases
- Capital Outlays for Rights and Obligations
 - Investments
 - Treaty obligations
 - Repayments of deposits
 - Refunds, awards, and indemnities

Some of these items are further subdivided. Thus, supplies and materials are segregated into nine kinds, communication service is separated into telegraph and telephone, and plant and equipment is divided into various kinds. In like manner the estimates for personnel are presented according to a standardized scheme of classification worked out by the Personnel Classification Board. This classification gives precise and detailed information regarding the class and specific grade of the positions to be provided for. All these data are supplied by the administrative services on forms prepared by the Bureau of the Budget when their final estimates are submitted, to which are added the revisions made necessary by any changes in the estimates allowed by the Board of Estimates as the result of its hearings. The

CHAPTER VIII

METHOD OF PREPARATION OF THE BUDGET¹

The actual work of preparing the Budget, subject of course to the direction of the President, is entrusted by the Budget and Accounting Act to the Bureau of the Budget. That act thus provides that:

The Bureau of the Budget, under such rules and regulations as the President may prescribe, shall prepare for him the Budget, the Alternative Budget and any supplemental or deficiency estimates, and to this end shall have authority to assemble, correlate, revise, reduce or increase the estimates of the several departments or establishments.

In describing the procedure that has been adopted by the Bureau of the Budget in performing this task, the following different steps should be recognized:

1. Formulation by the President of his financial policy
2. Formulation of estimates of income and expenditures by the Director of the Bureau of the Budget
3. Submission by the spending services of preliminary estimates
4. Consideration of the preliminary estimates by the Bureau of the Budget
5. Submission by the spending services of revised estimates

¹In the preparation of this section the article "The Preparation of the National Budget", by Henry P. Seidemann, Chief Accountant of the Institute for Government Research, *Annals of the American Academy of Political and Social Science*, May 1924, has been largely drawn upon, with wording to a considerable extent followed.

6. Consideration of the revised estimates by the Bureau of the Budget
7. Preparation of the Budget document

Formulation by the President of His Financial Policy. The first step in the formulation of the budget is the adoption by the President of a financial policy. By this is meant the determination by the President of the position he desires to take in respect to such matters as the expansion or contraction of the government's activities, the retirement of the public debt, the increase or reduction of taxation and such special matters as the increase or decrease of the military and naval establishments, the grant of bonuses to war veterans, the voting of grants in aid to the states, and the like. The financial policy thus formulated is made known by the President not only to the Director of the Bureau of the Budget but also to all the directing personnel of the government, in his address at the meetings of the Business Organization of the Government, the character and purpose of which is elsewhere described. Thus, at the fifth regular meeting of the Business Organization of the Government, June 18, 1923, President Harding, said:

Another task which will shortly confront us is the preparation of the Budget for the fiscal year ending June 30, 1925. I contemplate a substantial reduction in the estimates of appropriations for 1925 as compared with appropriations for 1924. In fact, I have expressed to the Director of the Bureau of the Budget my desire that the 1925 estimates, exclusive of the amount required to meet reduction in, and the interest on, the public debt and the amount required for the Post Office Department, will not be in excess of \$1,700,000,000. To reach this amount, the estimates for 1925 must be \$126,000,000 less than appropriations for 1924.

Along the same lines President Coolidge in his budget message accompanying the Budget submitted in December, 1923, said:

The executive instructions governing the preparation of these estimates called for a substantial reduction as compared with the appropriations for 1924. This was essential to a continuation of the policy of strict and drastic economy. This is the administration's undebatable policy. It has been adhered to unswervingly in the past and we shall hew to the line in the future.

As illustrative of the declaration by the President of his policy in respect to particular classes of expenditures may be mentioned the announcement made by President Coolidge in several of his budget messages and in his addresses at the meetings of the Business Organization of the Government of his opposition to the extension of the system of grants in aid to the states for the performance of activities of any kind.

It will be noted that this declaration of general policy in respect to expenditures is made prior to the formulation and submission to the Bureau of the Budget of the requests of the spending services for grants of funds to be included in the budget. They are thus forewarned to formulate their requests in accord with such instructions. Without such instructions they would be free to formulate their requests solely on the basis of the grants that they would like to secure. If they disregard the instructions the position of the Bureau of the Budget in modifying the requests so as to bring them into conformity with the President's program, is greatly strengthened.

It should also be noted that while the Presidents have not hesitated to formulate and announce a definite ex-

penditure policy, they have not expressed themselves with the same definiteness in respect to revenue or taxation problems. In point of fact, ever since the adoption of the budget system, the President has shown a tendency to view the budget primarily as an expenditure program. He does not hesitate, however, to express his opinion as to whether taxes should be increased or decreased and the general character that such action should take.

Formulation of Estimates of Income and Expenditures by the Director of the Bureau of the Budget. It is of the essence of a proper budget system that estimates of expenditures and income shall be brought into comparison, to the end that information will be available as to whether the total of proposed expenditures exceeds or is less than available income, and the amount of such excess or deficit. Responsibility for furnishing the facts regarding the condition of the treasury and income rests primarily upon the Secretary of the Treasury as the official who has charge of the collection and custody of the revenue and the keeping of the accounts of financial operations. This obligation is clearly set forth in the executive order of November 8, 1921, having for its purpose to prescribe the general rules regarding the preparation of the budget and the conduct of the Bureau of the Budget, which prescribes that:

Concurrently with the transmission of the estimates by the Director of the Bureau of the Budget to the President, the Secretary of the Treasury shall transmit a statement for the information of the President, showing, from the point of view of the Treasury, the relation between the estimated appropriations and expenditures and the estimated receipts of the government. This statement shall contain all necessary memoranda and

tables together with such other comments as may be pertinent to the subject matter of the Budget, including suggestions and recommendations as to how the revenue needs of the Government may be met. The Secretary of the Treasury shall, at the same time, prepare and transmit to the President, for incorporation in the Budget, the figures for the actual expenditures of the Government for the last completed fiscal year, the figures for the actual and estimated receipts for the last completed fiscal year, the current and ensuing fiscal years, required by subdivisions (b), (c) and (d) of section 201 of the Budget and Accounting Act, and also the financial statements required by the provisions of subdivisions (f), (g), and (h) of the same section. The Secretary of the Treasury shall, if the estimated receipts for the ensuing fiscal year, on the basis of laws existing at the time the budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year, make recommendations to the President for new taxes, loans or other appropriate action to meet the estimated deficiency. If, on the other hand, the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, the Secretary, for the information of the President, shall make such recommendations and suggest such financial measures as in his opinion the public interest may require. The Director of the Budget shall make available to the Secretary of the Treasury at his request any information in the possession of the Bureau or any of its employees in respect to the receipts and expenditures of the Government and any other matters that may be pertinent to the business of the Treasury. The Secretary of the Treasury shall make available to the Director of the Budget at his request any information in the possession of the Treasury or any of its employees in respect to the receipts and expenditures of the Government and any other matters that may be pertinent to the business of the Budget.

This executive order would seem to indicate that responsibility for preparing the estimates of income and expenditure was placed upon the Secretary of Treasury, and this was in fact the situation when the first budget was prepared. Though this order has never been formally revoked, the practice now is, and has been since the formulation of the second budget, for this responsibility to rest upon the Director of the Bureau of the Budget, since the data furnished by the Secretary of the Treasury is carefully scrutinized by the Director and, if deemed advisable, modified. In practice changes contemplated by the Director are taken up with the Secretary of the Treasury and an agreement is reached between them as to the figures that should be incorporated in the budget. The point to be noted is that the Director assumes full responsibility for the estimates and that they represent his best judgment.

This estimate of total income and expenditure is of great significance, since it is this statement which sets forth the extent to which a surplus or deficit is to be expected and consequently the possibility that exists in respect to the reduction of the public debt or the reduction in taxes or the need for an increased income.

In this statement the total of prospective expenditures is practically fixed by the total of the appropriations recommended by the Director of the Bureau of the Budget for inclusion in the budget. The manner in which the Secretary of the Treasury makes his estimate was set forth in a Treasury statement to the Ways and Means Committee of the House of Representatives under act of October 19, 1925, from which the following is taken:

Estimates of probable receipts from taxation are, of course, not always borne out by results. For example,

the 1924 Act levied a tax on mah-jongg sets presumably to bring in revenue, but I hardly think that this tax is now considered a reliable source. In the Treasury, we have endeavored to reach our estimates from various viewpoints, so as to ensure a probable degree of accuracy. Customs receipts are estimated by the Director of Customs, who is the practical operating man, by Mr. McCoy, the Government Actuary, and by Mr. Riddle, head of the Statistical Division of the Treasury. Income and miscellaneous taxes are estimated by Mr. McCoy, Mr. Riddle, and Mr. Nash, Deputy Collector of Internal Revenue. The last in his end is the practical man. Mr. Riddle's estimates are based on a study of past and existing business conditions and industrial cycles. For instance, prosperity of corporations in one year is reflected in the dividends received by their stockholders in the later years. Mr. McCoy has his own method of figuring. I confess I do not always understand it, but he certainly obtains remarkably accurate results. All of the estimates are gathered together and at a conference, the differences are threshed out and the most probable figure is selected. Approaching as we do the subject from a practical and two different theoretical viewpoints, I think we achieve as accurate a result as is obtainable.

It is hardly necessary to point out that it is extremely important that this estimate of probable income and balance in the form of surplus or deficit should be as accurate as possible, since upon it more than any other fact rests the determination of the general financial program of the government. If a deficit is shown, appropriations must be curtailed, increased income sought, or additional indebtedness incurred. If a surplus is indicated, greater liberality in the grant of funds may be indulged in, indebtedness paid off, or taxation reduced.

Special mention is made of this point, since it has happened that the estimates of income, expenditures, and

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balances as made by the Director of the Bureau of the Budget in conference with the Secretary of the Treasury for use in the budget, since the adoption of the budget system, have proven to be wide of the mark, and the accusation has been made that income has been consciously and deliberately underestimated in order to deter Congress from making certain appropriations; such, for example, as that for the soldiers' bonus to which there was opposition, and to permit of a more rapid reduction of the public debt. In practice, three estimates are prepared: the first in December for inclusion in the budget for the year to which the estimate relates, the second seven months later, the day before the fiscal year begins, which takes account of the action of Congress in the way of the grant of appropriations and the modification of the revenue system, if any, and the third in the following December, after the year is nearly half completed, for inclusion in the budget for the following year. Following is a statement showing these several estimates compared with actual results for each of the fiscal years since the budget system has been in operation: *

FISCAL YEAR ENDED JUNE 30, 1923

	Receipts	Expenditures	Deficit	Surplus
Estimated Dec. 1922 in the budget for 1923.....	\$3,138,182,790	\$3,905,754,777	\$767,571,987	.....
Estimated June 30, 1923.....	3,073,825,311	3,896,298,540	822,473,229	.....
Estimated Dec. 1923 in the budget for 1924.....	3,429,856,099	3,703,801,677	773,898,712	.....
Actual	3,841,926,726	3,534,269,266	.....	\$309,657,460

FISCAL YEAR ENDED JUNE 30, 1924

	Receipts	Expenditures	Deficit	Surplus
Estimated Dec. 1923 in the budget for 1924.....	\$3,361,812,390	\$3,181,843,294	.....	\$180,069,125
Estimated June 30, 1924.....	3,638,480,483	3,668,534,011	\$30,053,528	.....
Estimated Dec. 1924 in the budget for 1925.....	3,804,677,712	3,565,098,088	.....	239,579,624
Actual	4,014,044,701	3,906,677,713	.....	107,366,988

* These figures are taken from the budgets and the annual reports of the Director of the Bureau of the Budget.

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FISCAL YEAR ENDED JUNE 30, 1925

	Receipts	Expenditures	Deficit	Surplus
Estimated Dec. 1923 in the budget for 1925.....	\$3,693,762,078	\$3,298,080,444	\$395,681,634
Estimated June 30, 1924.....	3,579,831,419	3,554,891,549	.....	24,939,870
Estimated Dec. 1924 in the budget for 1926.....	3,601,968,297	3,534,083,808	.....	67,884,489
Actual	3,780,148,684	3,529,643,446	.....	250,505,238

FISCAL YEAR ENDED JUNE 30, 1926

Estimated Dec. 1924 in the budget for 1926.....	\$3,641,295,092	\$3,267,551,378	.....	\$373,743,714
Estimated June 30, 1925.....	3,666,642,175	3,375,671,501	.....	290,970,674
Estimated Dec. 1925 in the budget for 1927.....	3,880,716,942	3,618,675,186	.....	262,041,756
Actual	3,962,755,690	3,584,987,873	.....	377,767,816

Examination of this statement shows that there has been a general failure accurately to estimate operations, the variation amounting in many cases to hundreds of millions of dollars. Receipts were underestimated for 1923 by \$503,743,976; for 1924 by \$650,232,342; for 1925 by \$86,386,606;* and for 1926 by \$321,460,598. Expenditures as first estimated have in all cases been exceeded in practice, in two of the years by very considerable sums. This has been due to supplemental and deficiency appropriations made by Congress after the estimates were framed. It will be remarked, however, that the revised estimates of expenditures submitted after Congress had acted upon deficiency and supplemental estimates and the year had run for five months in every case exceeded actual expenditures. The result of this failure to gauge accurately, future operations was that, while a deficit of \$167,571,977 was estimated for 1923, there was in fact a surplus of \$309,657,460, a difference

* The tax reduction was estimated to amount to about \$300,000,000, but proved to be only about \$212,000,000. Half of this, the payments of March 15 and June 15, affect the fiscal year ended June 30, 1925. Its receipts were also affected by the flat 25 per cent. reduction on the 1924 income taxes.

of \$477,229,437; in 1924 an estimated surplus of \$180,969,125 was converted into a surplus of \$505,366,986, a difference of \$324,397,861; in 1925, an estimated surplus of \$395,681,634 proved to be but \$250,505,238, an underestimate of \$145,176,396; and in 1926 an estimated surplus of \$373,743,714 resulted in a surplus of \$377,767,816, a difference of \$4,024,102.

This failure accurately to estimate prospective income and expenditures has inevitably given rise to criticism which has taken the form of questioning the skill with which the estimates were made and whether receipts have not been intentionally underestimated in order to promote the President's policy of keeping down appropriations and preventing a too great reduction in taxes.

In passing judgment upon these criticisms certain things should be borne in mind. The first and most important is that the period covered has been a very abnormal one, both in respect to expenditures, as the result of liquidating war obligations, and in respect to income, as the result of frequent changes in the revenue law. Many contingencies were present the effect of which could not be foreseen. It was thus impossible to estimate the sums that would be received from foreign governments as the result of settling the indebtedness of our late allies to us. Secondly, the operations of the government in so-called special accounts, such as the purchase and sale of securities of railroads and land banks, the advances to and repayments by the War Finance Corporation and the like, might affect the financial operations of the government on one side of the account or the other by millions of dollars. Finally, there is the factor of the general prosperity of the country the effect of which it is difficult to gauge any considerable time in the future.

Granting all this, it would appear that the Director of the Bureau of the Budget has in almost all cases given the treasury the benefit of the doubt and has probably been ultra conservative in estimating prospective income. This has been unfortunate, since it has tended to lessen the confidence of Congress in his estimates. While it is undoubtedly the part of wisdom to estimate conservatively, this can be carried too far, and, as conditions become more normal it is to be hoped that the estimates will in the future be more accurately borne out by actual operations.

Submission by the Spending Services of Preliminary Estimates. The Budget and Accounting Act provides that the departments and establishments shall submit their estimates of appropriations needed or desired by them not later than September 15 of each year, and that should they fail to do so the President shall propose such estimates as he deems proper. The Bureau of the Budget has, however, prescribed an admirable system under which the departments and establishments are required to submit at an earlier date what are known as preliminary estimates.

In the last days of June or in the first part of July, the Bureau sends a notice to all the departments and independent establishments, calling upon them to prepare preliminary estimates of appropriations for the next budget and to submit them to the Bureau by a specified date. In its Circular No. 162, dated June 23, 1925, calling for the preliminary estimates for the fiscal year 1927, the date appointed for their submission was July 15. The services were notified that the Bureau was distributing forms composed of sheets from the previous

budget, which showed the budget estimate of the fiscal year 1926, the appropriation made by Congress, and the language of the appropriation act. On them the heads of the departments and establishments were instructed to enter the corresponding amounts which they desired for the fiscal year 1927. No supporting information about the number of employees and the amount of their salaries, or other details of how the sums requested would be spent, was required at this time, but any new matter or material change proposed in the wording of an existing appropriation was to be explained. These estimates are prepared and submitted by the budget officers of the departments and independent establishments who, under the Budget and Accounting Act, are appointed by the department and establishment heads for the purpose of centralizing the preparation and revision of the estimates. At or about the same time, Congress and the Supreme Court are requested to send in their estimates, which as has been pointed out, are not subject to revision by the President or the Bureau of the Budget but must be included in the Budget in the form submitted. The purpose of these preliminary estimates, together with those submitted by Congress and the Supreme Court, is to supply the President with advance information in respect to the total requests for funds which he can compare with the estimate of income submitted by the Director of the Bureau of the Budget and, on the basis of such comparison determine the extent, if any, to which these preliminary requests should be curtailed in order to bring their total into conformity with his general financial program.

Consideration of the Preliminary Estimates by the Bureau of the Budget. As has been stated, the President in formulating his financial policy has fixed a total beyond which he does not desire that the aggregate of estimates shall go. The preliminary estimates always exceed this total.⁴ Those for 1926, for example, were \$301,701,344.75 in excess of the maximum fixed by the President. This represented the sum that had to be cut from the preliminary estimates in order to bring this total within the limit that had been fixed. Upon the receipt of these preliminary estimates, the Bureau of the Budget tabulates them in order to determine their total, and turns them over to its force of "investigators" for detail examination. These investigators, of which there are now fourteen, have each been assigned to consider the problems and needs of a particular department and establishment or group of departments and establishments. To quote the Director of the Bureau,⁵ they "bring to bear upon the estimates a wealth of information and a familiarity with services, projects and purposes that guarantee a defensible and dependable result." It is the duty of these officers to go over the preliminary estimates item by item and determine what changes in their opinion should be made in them. Their recommendations are then reported by the Assistant to the Director in supervisory charge of this branch of the Bureau's work, who lays them before the Board of Estimates which the Bureau sets up for reviewing the recommendations of the investigators. This Board determines the extent to which the recommendations of

⁴ Eighth Regular Meeting Business Organization of the Government, Jan. 26, 1925.

⁵ Address at the Sixth Regular Meeting, p. 8.

the investigators shall be accepted, compares the estimates of one department with those of another, and on its own initiative, modifies the estimates as in its judgment seems wise and necessary to bring them into conformity with the general program that has been adopted. Where there is a doubt of the wisdom of a contemplated reduction, it is generally resolved in favor of the treasury and the reduction made for the reason that the estimating agencies will later have opportunity to show why such reduction should not be made.

After the Board of Estimates has completed its study of the preliminary estimates, each department and establishment is notified of the total amount which the President has allotted to it and is directed to prepare revised estimates coming within these totals, to apportion such totals in such manner as will best provide for the activities of its services, and to submit such revised estimates to the Bureau of the Budget. Thus, following the examination of the preliminary estimates for 1925 the Bureau of the Budget sent the following communication to the heads of all the departments and establishments:

I have the honor to advise you that the President has approved the allocation to your office of \$. as a tentative maximum of the total of your estimates for the fiscal year ending June 30, 1925.

Your regular estimates for the fiscal year 1925, to be submitted on or before September 15, 1923, and prepared in accordance with the instructions of July 30, 1923, should not, therefore, exceed in their total the amount above stated.

If your estimates thus prepared do not in your opinion meet the absolutely necessary requirement of your office, they will be accompanied by a supplemental statement

showing the additional amount which you believe will be required, allocated to appropriation titles, and setting forth the necessity therefor. In stating the necessity for such increase it is requested that you indicate the consequences which would result from failure to secure the additional amount that you recommended.

The purpose of requiring the submission of these preliminary estimates is to enable the Bureau to fix the totals to which the several departments shall make their final requests for funds conform, and to afford opportunity to its investigators to make their studies of the expenditure needs of such services. It should be noted that no information is given to the departments and establishments at this time as to the changes in the estimates suggested by the investigators or tentatively determined upon by the Board of Estimates. All that they are told is that they must bring their revised estimates within the totals specified to them.

Commenting on this procedure, the Director of the Bureau of the Budget, in his address at the Sixth Regular Meeting of the Business Organization of the Government, January 21, 1924, said:

This procedure contemplates that the departments and establishments remake their estimates as though not a penny would be available in addition to the restricted amount allocated. No information was given to show how that amount was determined by the Bureau of the Budget. It was understood, however, that if the amount allowed proved insufficient, opportunity would be afforded to justify increases. This method placed the burden of proof on the shoulders of the Government bureaus where it belongs. The spirit of the plan lies in the expectation that the executives will, with their

limited estimates, provide for the more necessary and vital things and let reductions fall where they will work the least inconvenience and damage. This principle is both scientific and historic.

Submission by the Spending Services of Revised Estimates. Upon being notified of the totals to which they must make their final requests for funds conform, it becomes the duty of the departments and establishments to revise their preliminary estimates accordingly and to re-submit them to the Bureau of the Budget. These revised estimates must be submitted on or before September 15 of each year on forms prescribed and furnished by the Bureau of the Budget. These forms call for data showing in parallel columns the amounts estimated for the budget year, the estimated expenditures for the year in progress, and the actual amounts expended in the last completed fiscal year. They must be supported by a classification of expenditures according to objects of expenditure, as prescribed by the General Accounting Office in its Bulletin No. 1 of May 11, 1922, which was issued for the purpose of obtaining uniformity in analyzing government expenditures.

These revised estimates are prepared, in the first instance, by representatives of the bureaus and offices of the departments, and they are revised and reviewed by the heads of such bureaus and offices and sent to the budget officer of the department for final examination and submission to the Bureau of the Budget. In some departments the estimates as revised by the bureau chiefs are sent to a budget committee for the department for examination and report. In order that this committee may have the proper perspective for its determina-

tions, each of its members is assigned to one or more bureaus and offices to study the activities and requirements of such services. Subsequently the estimates for each bureau are considered in detail by the entire committee in conference with the chiefs of such offices. The first consideration of this departmental committee is to adjust the estimates so that the total to be submitted for a department will come within the amount fixed for it by the Bureau of the Budget. Each item of the appropriations requested and the expenditures contemplated under such grants if given by Congress, is subjected to a searching inquiry, both as to its necessity and as to the amount required to conduct the particular activity efficiently and economically. If this committee is not fully convinced of the necessity of an appropriation estimated for by a bureau or office, it recommends that such item or items be disapproved by the budget officer. The findings and recommendations of the committee are then reviewed by the budget officer of the department and, after final revision, the estimates are assembled and transmitted to the Bureau of the Budget.

Though the departments and establishments are required to keep the total of their revised estimates within the figure that has been fixed by the Bureau of the Budget as the result of its examination of their preliminary estimates, they are permitted to transmit with these revised estimates "supplemental estimates" having for their purpose to make known the amounts which they believe should be granted to them in addition to those included in the revised estimates and to submit in connection therewith statements in their support. It is in these supplemental estimates that the departments and

establishments have the best opportunity for urging upon the Bureau of the Budget their special claims for enlarged grants for particular purposes.

Consideration of the Revised Estimates by the Bureau of the Budget. Upon the receipt of the revised estimates and supplemental estimates by the Bureau of the Budget, they are again subjected to an intensive study by the investigators and the Assistants to the Director, both from the standpoint of the needs of a particular department and from the standpoint of the government as a whole.

The statements and estimates of receipts and expenditures transmitted with the estimates of appropriations are now detached from the other papers and forwarded to the Division of Estimates of the Bureau, where they are used to prepare financial data. The estimates of receipts are used to prepare a combined statement of estimated income for the year in progress and the ensuing fiscal year, while the expenditure data are finally revised to agree with the revised estimates of appropriation allowances and used for compiling the estimated expenditures of the year in progress and the year to be financed.

Hearings on the Revised Estimates by the Board of Estimates. The next step is the hearings before the Board of Estimates. The Board of Estimates is composed of the Director, Assistant Director, the Executive Assistant, and the six Assistants to the Director. This Board may sit as a board and call before it different officials for a discussion and explanation of their requirements, or individual members may call informal conferences.

It is at this stage particularly that the information gained throughout the year by the investigators of the Bureau of the Budget is brought to bear upon the figures submitted by the departments. The spending officials naturally take the departmental viewpoint, that of expansion, whereas the investigators have the point of view of the Bureau of the Budget, that of protecting the treasury.

Hearings are held by the Board from the date of the receipt of the revised estimates, September 15, until well into November. At these hearings representatives of the departments are given the opportunity to state their needs and justify their requests for appropriations. The amounts finally agreed upon are the amounts included in the Budget, and they are the maximum amounts that a department may request of Congress when appearing before the appropriation committees in defending their estimates. Though these totals are usually less than the services would like to have, every opportunity has been offered them to present their claims, and especial consideration has been given to them in the apportionment of the totals among the several services of the departments and establishments and the sub-heads under which the estimates are presented for the several services.

Preparation of the Budget Document. With a decision finally reached regarding the amounts for the various items of expenditure, the final step to be taken is the preparation of the budget document. In some cases the changes in the revised estimates reached by the Board of Estimates are made at the hearings in the revised estimates. In other cases these estimates are returned for final revision in accordance with the Board's decision

by the several departments. The work of getting into proper form all the data to be included in the Budget is a heavy one especially in view of the short time available for its execution. It is unnecessary, however, to enter into the details of the operations by which this work is done.

CHAPTER IX

DEFICIENCY AND SUPPLEMENTAL ESTIMATES

In an ideal budget system, the budget in its estimates and the general appropriation acts in their grants would make complete provision for the expenditure needs of the government for the year to which they relate. Unfortunately this ideal condition has never been, and, it is doubtful whether it ever can be, completely met. In the first place, as has been pointed out, the budget is framed on the basis of existing law. It is impossible for the President or his budget officer to foresee what new legislation calling for funds with which to be put into effect will be enacted. Secondly, there are many items which it is impossible for the Bureau of the Budget or Congress to estimate accurately. A no inconsiderable number of these items represents expenditures which it is practically obligatory upon the government to meet promptly. No one can tell in advance just how much money will be required to meet military pensions or payments to be made to those who participated in the late war, how much should be paid to creditors of the government on account of claims found to be valid and meritorious by the Court of Claims, how much will be required to meet deficits in the operation of the Postal Service, the United States Emergency Fleet Corporation, and like services, how much to be returned to tax payers in the way of refunds for taxes improperly collected. In the effort to keep down the total of appropriations it is the tendency of the Bureau of the Budget,

and still more of the Committee on Appropriations and of Congress, to estimate these expenditures on a conservative basis, with the result that in some, if not all, of these cases the amounts provided for are inadequate. Hardships would result if claims of this character were not promptly met and had to await the passage of the appropriation bills for the next ensuing year. Thirdly, the estimates, as originally formulated by the spending services have to be made a year before the commencement of the fiscal year to which they relate, and those finally included in the budget seven or more months before the beginning of such year. Much may happen in the meantime, conditions may change, and entirely new emergencies arise.

It would seem to be inevitable, therefore, that need will exist for the voting by Congress of funds other than those estimated for in the budget or carried by the general appropriation acts having for their purpose the putting into effect of the budget estimates.

Conditions Prior to Budget and Accounting Act, 1921. Though deficiency and supplemental estimates and appropriations are thus necessary, they are none the less an evil, and, as an evil no efforts should be spared to reduce their extent. Prior to the adoption of the budget system, this evil was of great proportions. What the situation was, is shown by the remarks of two members of the House who were successively chairmen of the Committee on Appropriations and thus in a position to speak with exceptional authority. In a letter addressed to Professor H. J. Ford, under date of October 13, 1909, Mr. Tawney said:¹

¹ H. J. Ford, *The Cost of Our National Government*, p. 127.

Outside of the demands for appropriations which come to Congress through the regular estimates, we have what is known as Supplemental Estimates; and prior to the Fifty-ninth Congress the practice was to submit a large part of the estimates through supplemental estimates. This practice grew out of the carelessness of the departments in making their general estimates covering all the needs of their respective departments for the year for which the estimates were made.

The statement that the departments were careless in estimating their expenditure needs treated the departments too leniently. There is no doubt that the departments deliberately underestimated their needs in order to make a good showing or because they thought that they would stand a better chance of getting what they wanted by making their requests at two times. On this we have the instance cited by Mr. Fitzgerald, who succeeded Mr. Tawney as Chairman of the Committee on Appropriations, of the head of a department who, when asked as to why a certain supplemental request for more than a million dollars had not been included in the original estimates, frankly replied: "This estimate was not included in the Annual Book of Estimates because of the desire to keep the estimates as low as possible." This, says Mr. Fitzgerald, "was a fraud on Congress; it was a gross violation of law and a great injustice to the country, because it was simply, to use the vernacular, a thimble-rigging affair."^a

In another place, Mr. Tawney, in commenting upon an act of Congress having for its purpose to curtail the deficiency and supplemental appropriation evil which is described below said:^b

^a Testimony before the Committee on Finance of the New York Constitutional Convention, May 26, 1915.

^b *Cong. Record*, Vol. 46, p. 4571.

Until six years ago deficiencies were so general as to apply to practically every branch of the public service and represented a considerable percentage of the original appropriations granted. Administrative officers did not hesitate to embark at the beginning of the fiscal year on a scale of annual expenditure fixed according to their own judgment and estimate of the needs of the public service, without reference to the amount appropriated by Congress for the year's service.

Attempted Control through Legislation. Congress has from time to time passed legislation having for its purpose to curb the deficiency appropriation evil, at least so far as representing avoidable deficiencies by the spending services. The first effort in this direction was the insertion of a section in the legislative, executive, and judicial appropriation act for 1871, approved July 12, 1870, providing that:

No department of the government shall expend in any fiscal year, any sum in excess of appropriations made by Congress for that fiscal year, or involve the government in any contract for the future payment of money in excess of such appropriations.*

By Section 4 of the general deficiency appropriation act, approved March 3, 1905, this provision was amplified and strengthened and became what is known as the

*As an illustration of the manner in which officers of the government obligated the government when no funds had been appropriated with which to discharge the obligation, the following incident which was told to the writer by the present Director of the Census may be cited. General Francis A. Walker when Director of the Census employed a considerable number of men, of whom the present Director of the Census was one, to do work for which there was no appropriation. As no funds were available with which to compensate them, he issued to them "certificates", which were to be redeemed as soon as money was made available through a deficiency appropriation. These certificates were deposited by those to whom they were given in bank and thus passed into the hands of third parties. This action practically forced the hands of Congress and compelled it to pass the necessary deficiency appropriation.

“Anti-Deficiency Act.” As amended February 27, 1906, this act,¹ which is now in force, reads as follows:

No executive Department or other Government establishment of the United States shall expend, in any one fiscal year, any sum in excess of appropriations made by Congress for that fiscal year, or involve the Government in any contract or other obligation for the future payment of money in excess of such appropriations unless such contract or obligation is authorized by law. Nor shall any Department or any officer of the Government accept voluntary service for the Government or employ personal service in excess of that authorized by law, except in cases of sudden emergency involving the loss of human life or the destruction of property. All appropriations made for contingent expenses or other general purposes, except appropriations made in fulfillment of contract obligations expressly authorized by law, or for objects required or authorized by law without reference to the amounts annually appropriated therefor, shall, on or before the beginning of each fiscal year, be so apportioned by monthly or other allotments as to prevent expenditures in one portion of the year which may necessitate deficiency or additional appropriations to complete the service of the fiscal year for which said appropriations are made; and all such apportionments shall be adhered to and shall not be waived or modified except upon the happening of some extraordinary emergency or unusual circumstance which could not be anticipated at the time of making such apportionment, but this provision shall not apply to the contingent appropriations of the Senate or House of Representatives; and in case said apportionments are waived or modified in writing by the head of such Executive Department or other Government establishment having control of the expenditure, and the reasons therefor shall be fully set forth in each particular case and communicated to Congress in connection with estimates for any additional appropriations required on account thereof. Any person violating

¹ 34 Stat. L., 27, 49.

any provision of this section shall be summarily removed from office and may also be punished by a fine of not less than one hundred dollars or by imprisonment for not less than one month.

This rather remarkable law, though it does not appear that its penal provisions were ever invoked or even that the departments opened up any systematic system of allotment accounts in compliance with its provisions, was nevertheless effective in preventing the gross abuses of the past, since it made known in most emphatic terms the position of Congress in respect to the incurring of deficiencies and placed those asking for them in a difficult position unless they could clearly demonstrate that the need for them had not arisen through the fault of the requesting department. That it had an effect, is shown by the statement of Mr. Tawney that:*

the greatest reform in public expenditure wrought by legislation during the last six years, a reform that will continue to be emphasized each year in the future is the so-called anti-deficiency act as it was perfected and made effective at the first session of the Fifty-ninth Congress.

The anti-deficiency act of 1905 had for its purpose to prevent the incurring of unauthorized obligations or expending general funds in such a way that they would be exhausted before the end of the year and thus give rise to the need for additional appropriations. It did not reach the evil of departments failing to include in their annual estimates a full statement of their needs and of presenting those needs in later estimates. To correct this Congress inserted in the legislative, executive, and judicial appropriation act of June 22, 1906, the following section:

* *Cong. Record*, Vol. 46, p. 4571.

Hereafter the heads of the several executive departments and other officers authorized or required to make estimates for the public service shall include in their annual estimates furnished the Secretary of the Treasury for inclusion in the Book of Estimates all estimates of appropriations required for the services of the fiscal year for which they are prepared and submitted, and special or additional estimates for the fiscal year shall only be submitted to carry out laws subsequently enacted or when deemed imperatively necessary for the public service by the department in which they shall originate in which case such special or additional estimate shall be accompanied by a full statement of its imperative necessity and reasons for its omission in the annual estimates.

The Budget and Accounting Act recognized the unavailability of deficiency and supplemental appropriations. It thus provided (Sec. 203) that:

The President from time to time may transmit to Congress supplemental or deficiency estimates for such appropriations or expenditures as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such estimates with a statement of the reasons therefor, including the reasons for their omission from the Budget.

Whenever such supplemental or deficiency estimates reach an aggregate which, if they had been contained in the Budget, would have required the President to make a recommendation under subdivision (a) of section 202, he shall thereupon make such recommendation.

Control through Bureau of the Budget. In the provisions of law that have been quoted, and which are now

* Paragraph (a) of Section 202 is the one requiring the President, when estimated expenditures as contained in the budget are more than estimated receipts plus available surplus in the treasury, to make recommendations as to how the prospective deficit should be met.

in force, Congress has gone about as far as it can in the way of putting the spending services under obligations to cover all their needs in their annual requests submitted to the Bureau of the Budget and so to conduct their operations that the moneys granted them will take care of their activities throughout the year. The weak point in this legislation, or at least that enacted prior to the passage of the Budget and Accounting Act, is that it imposed obligations but provided for no effective means for enforcing those obligations. With the passage of the Budget and Accounting Act, this defect has been remedied. In the Bureau of the Budget the President, who is as much interested as Congress in reducing to a minimum the deficiency and supplemental appropriation evil, has an agency through which he can exercise that direction and control over the spending services that will ensure that no demands are made for deficiency and supplemental appropriations that are not justified by the facts. It remains to consider what has been done by the Bureau in this way and the success that it has achieved.

In the first place, and in some respects most important of all, the President, being responsible for the budget, let it be known in no uncertain terms that he expected his administrative subordinates to frame their regular estimates and to plan for the expenditure of the money that was granted to them in the regular appropriation bills so that they would not be under the necessity of requesting additional appropriations except to meet unavoidable deficiencies subsequently developing. On April 30, 1921, in anticipation of the passage of the Budget and Accounting Act, he wrote a letter to the members of his cabinet in which he said:

I do not know of any more dangerous tendency in the administration of governmental departments, and I am very sure that we can never fix ourselves firmly on a basis of economy until the departments are conducted within the provisions made by Congress.

At the Third Regular Meeting of the Business Organization of the Government, July 11, 1922, he expressed himself still more fully and emphatically upon the subject. He said:

During the year just closed deficiency and supplemental estimates amounting to \$661,251,409 were submitted to Congress. Many were unavoidable because of war conditions; but as the war recedes we should have constantly less occasion for deficiency estimates. Congress chafes under these conditions and executive policy cannot countenance abuses in this direction. After the Civil War, the deficiency habit became so strong that Congress enacted an "anti-deficiency act" with which you are all familiar and with which the executive expects a wholehearted compliance. I cannot overstate the importance of this policy, and responsible officials will be held strictly to account for its observance.

Secondly, the Bureau of the Budget has scrutinized with unusual care all requests for deficiency and supplemental estimates and has refused to transmit many of them to Congress or has greatly reduced their amounts. Thus, the Director of the Bureau, in speaking of the amount of deficiency and supplemental estimates that had been submitted to Congress, said:⁴

The supplemental estimates sent to Congress this fiscal year for inclusion in deficiency bills affords little clue to the very large total that failed to survive the Budget Bureau.

⁴Seventh Regular Meeting of the Business Organization of the Government, June 30, 1924.

The mere knowledge of this attitude of the President and the Director of the Bureau of the Budget in respect to deficiency and supplemental estimates has necessarily acted as a strong deterrent force upon the spending services.

Apportionment System. Thirdly, the Bureau of the Budget has restored to life the apportionment system called for by the anti-deficiency act, which from the beginning had been ignored by many services and by others had been allowed to lapse or was being operated in a merely perfunctory manner. Under date of December 21, 1921, the Bureau of the Budget issued a circular to the heads of all departments and establishments, not only calling attention to this provision of law requiring the apportionment of appropriations, but also establishing a system under which reports should be made at regular intervals to the Bureau of the Budget of apportionments so made and operations under such apportionments. The latest circular on this subject, which sets forth the condition now in force, is dated April 7, 1926, and reads as follows:

1. You are requested to furnish the Bureau of the Budget, as soon as possible after the passage of your annual appropriation act and prior to June 30 of each year, a statement showing (1) the appropriations made available for your department or establishment for the following fiscal year in annual and other appropriation acts; (2) the apportionments of these appropriations made in accordance with the provisions of the Anti-Deficiency Law (Act of February 27, 1906, 34 Stat., 49, as amended); and (3) the amount of the General Reserve set up under each appropriation. It is desired that no apportionment period longer than three months be used in making apportionments.

2. This statement will be made on Standard Form No. 12 (Budget Circular No. 175). It will include Annual Appropriations, Supplemental Appropriations, Permanent and Indefinite Appropriations, and all increments to appropriations made available from appropriations for prior years, from appropriations for succeeding years, and from transfers from other departments and establishments. It will exclude appropriations or parts of appropriations transferred to the Retirement Fund and to other departments and establishments for expenditures. When any change in the amount of an appropriation is made after the original statement is submitted, a new statement will be furnished on Standard Form No. 12 showing the revised amount of appropriation and of apportionments thereunder.

3. General Reserves should be provided (1) to meet emergencies that cannot be anticipated at the time the apportionment is made, and (2) to effect savings in the appropriation where such savings can be made without detriment to the service in question.

4. Not later than the 15th of each month following the end of a quarter each department and establishment will furnish the Bureau of the Budget with a statement showing for each apportionment—

(a) The amount of obligation authorized under it by the head of the agency charged with the administrative control of the funds of the apportionment.

(b) The amount actually obligated under the corresponding apportionment for the quarter ending three months before.

When the "actual obligation" is available it should be reported under (a) instead of the "authorized obligation," but the report will not be delayed for this purpose.

5. A waiver modifying an apportionment, required by the Anti-Deficiency Law, should be made on Standard Form No. 11 (Budget Circular No. 175), and a copy sent to the Bureau of the Budget at the time of issue.

General Reserve System. Finally, the Bureau of the Budget, at the direction of the President, has adopted the system of requiring all the departments and establishments, at the beginning of each fiscal year, to set aside a portion of their appropriations as a reserve fund that may not be drawn upon except to meet absolute needs, and to plan their expenditure program on the basis that only the amounts not so set aside shall be available for expenditure. These reserves cannot be obligated by bureau chiefs without specific authorization by the head of the department. The requirement of this action was one of the first steps taken by the Bureau of the Budget upon its creation. On July 1, 1921, the day on which the Budget and Accounting Act went into full effect, the Bureau of the Budget issued to the departments and establishments the following order bearing the President's approval:

The Budget Officer for each department or independent establishment will secure from the head of each bureau or branch thereof responsible for the obligation of appropriations, an estimate of the portion of the funds available for the fiscal year 1922, the expenditure of which is indispensable in carrying on the activities of such bureau or branch, and the resulting balance which may be saved under each appropriation; and will submit such estimates to the head of his department or establishment for approval or modification. Upon such approval or modification by the head of the department or establishment, the estimates will be returned to the Budget Officer thereof who will communicate them to the Director of the Budget. The Director of the Budget will, in his discretion, confer directly with the head of the department or establishment, or with the chief of the bureau or branch, with a view to a modification of the estimates, or will make recommendations in regard thereto to the President.

2. The estimated savings under the several appropriations will be submitted by the Director of the Budget to the President for his approval, and upon such approval the balances thus saved which will be designated as a "General Reserve," will be so carried under their respective appropriation titles on the records of the Director of the Budget, and of the department or independent establishment.

3. The amount approved by the President for expenditure under an appropriation title shall be considered as the *maximum* available for obligation during the fiscal year. The estimates of expenditures, once approved, will be subject to further study and revision during the course of the fiscal year, and all possible additional savings therefrom will be effected. To this end the heads of bureaus and branches will maintain upon their financial records additional sums reserved from obligation so that if the developments of the fiscal year permit, these amounts may be added to the General Reserve.

Later this system was modified so as to require merely that each department and establishment should, at the beginning of each fiscal year, set up a reserve that would not be drawn upon except upon the express order of the head of the department or establishment.

The purpose of this order was primarily to secure a saving in the expenditure of appropriations made. Normally, however, it would tend to prevent the necessity for deficiency appropriations, and the system in operation is administered with this end in view. Thus the Director of the Bureau of the Budget, in his address at the Fifth Regular Meeting of the Business Organization of the Government, June 16, 1923, in speaking of the problem of preventing deficiencies said:

The creation of a general reserve from appropriated funds is so intimately connected with the subject of reduced expenditures and consequent saving that I must

again emphasize its importance. The general reserve has assumed a permanent place in executive operation. It has the approval of the President, and has justified itself in actual practice by what it has done. Reaching a peak of \$93,000,000, the reserve will show a balance of more than \$82,000,000 at the end of the year. It has been admirably administered by most of the Government's agencies.

I feel we all agree that it is sound business to keep on hand funds for emergencies. In these days when deficiencies are discredited it is part of wise administration to prepare for the unexpected. The record of the current year also shows that the general reserve is a most successful saving agency, and saving today is required by all executive departments and establishments. In making your apportionments for 1924, under the provisions of the anti-deficiency act, you are expected to set up a reasonable reserve. This will enable the head of the department or establishment to meet an emergency without interrupting or changing the carefully studied program of expenditures on which the apportionments are based.

Results of Work of the Bureau of the Budget. As has been stated, it is impossible to foresee all contingencies and thus completely to do away with the necessity for deficiency and supplemental appropriations. The best that can be done is to reduce them to a minimum and especially to eliminate real deficiencies as distinguished from the need of supplemental appropriations. That the Bureau of the Budget, operating under the new budget system, has largely been able to do this would be indicated by the remarks of the Director of the Budget at the Fifth and Seventh Regular Meetings of the Business Organization of the Government, June 16, 1923, and June 30, 1920. At these meetings he said:

... The total of all supplemental and deficiency estimates submitted to Congress during this fiscal year amounted

to \$236,411,166.57, Congress appropriating thereon \$233,853,365.94. Of that amount less than \$7,000,000 was subject to administrative control, while approximately \$500,000 represented the total of actual deficiencies. The remainder was needed for claims, judgments, refund of taxes, to provide for laws enacted and agreements entered into after submission of the regular estimates, for scrapping Navy vessels under the treaty, for modernizing battleships, for insurance of war veterans, for needs of the postal service and for expenses incurred because of the coal and railroad strikes. The imposition of executive pressure and more scientific estimating have practically eliminated deficiencies.

* * * *

. . . Supplemental and deficiency estimates forwarded to Congress for 1921, the last pre budget year, reached the alarming total of \$655,945,586.84. They were reduced to \$528,517,810.65 for 1922, crowded down to \$222,249,912.04 for 1923, and we have hammered them down for 1924 to \$54,169,443.01—a reduction of nearly 92 per cent below 1921, the last year in which annual estimates were submitted without budget control.

The figures given do not include estimates for claims, judgments, and refunds, which are not susceptible of reduction, and do not include increased compensation estimates which are practically the same for the four years and would not appreciably affect the proportion.

A very considerable reduction in the gross amount of deficiency and supplemental appropriations would be expected as we receded from the war period and returned to more normal conditions. The foregoing figures indicate, however, great progress in the reduction of ordinary and avoidable deficiencies. Of this system, the Director of the Bureau of the Budget in his last annual report says: "The success of this procedure in preventing deficiencies in appropriations and in saving public funds has firmly embedded it in our National Budget System."

¹ Annual Report, 1926, p. 11.

PART III
ACTION UPON THE BUDGET BY CONGRESS
CHAPTER X
FINANCIAL PROCEDURE: GENERAL

House of Representatives. As has been pointed out in Part I, the fundamental change made in the organization and procedure of the House of Representatives in order to bring them into harmony with the new budget system was to vest all power in respect to the reporting out of bills carrying an appropriation in the hands of a single enlarged committee on appropriations. This committee as now constituted is composed of thirty-five members, of whom something over a majority are selected from the majority party.¹ Congress assembles each year in regular session on the first Monday in December. On the next day the President transmits his annual message to Congress. On the day following he submits his Budget with his accompanying message. This message and the Budget are, under the rules, immediately referred to the Committee on Appropriations. The budgets so far have contained no revenue proposals, but, if any should be included, they would have to be referred to the Committee on Ways and Means.

Upon its receipt, the Committee on Appropriations, in full meeting, considers the Budget in its general aspect

¹ In the Sixty-ninth Congress the committee was composed of twenty-one representatives of the majority and fourteen representatives of the minority party.

and formulates in a more or less definite way its policy in respect to it. Having determined its general policy, which may take the form of deciding that the total of appropriations to be recommended to the House shall not exceed a certain sum, the work of examining the estimates of appropriations in detail is entered upon. For this purpose, the Committee resolves itself into ten subcommittees. All these subcommittees are composed of five members, three from the majority party and two from the minority, except the subcommittee on the Treasury and Post Office departments, which has six members, of whom four are from the majority party, and the subcommittee on deficiencies, which has ten members, including six from the majority. The chairman of each of these subcommittees as well, of course, of the entire committee is always a representative of the majority party.

It has been pointed out in our consideration of the form and contents of the Budget that the primary principle of classification of estimates is according to organization units. This means that all the estimates for a branch of the government, a department, or an independent establishment are given in one place. The scheme of appropriation bills follows this classification, with the result that all appropriations for a branch of the government, department, and independent establishment appear in the same bill. In order to reduce the number of appropriation bills, the appropriations for two or more departments and establishments are provided for in one bill. This, however, does not interfere with the segregation of appropriations by departments and establishments, the bills containing as many distinct parts as there are departments and establishments cov-

ered by it. The organization of subcommittees follows this scheme of appropriation bills, there being a subcommittee for each bill. The present arrangement of appropriation bills and subcommittees is as follows:

1. Treasury and Post Office Departments
2. District of Columbia
3. War Department
4. Department of Agriculture
5. Executive Office and Independent Offices
6. Interior Department
7. Navy Department
8. Departments of State, Justice, Commerce, and Labor
9. Legislative Establishment
10. Deficiencies

The first step taken by the subcommittee is to hold hearings on their respective sections of the Budget. At these hearings, heads of the departments, the bureau chiefs, and other responsible administrative officers are summoned before the subcommittee and asked to explain all the estimates that have been submitted. The estimates of each bureau are taken up item by item and are subjected to the scrutiny of the members of the subcommittee. How thorough this investigation will be, depends partly on accident and partly on the individuals involved. The bureau chief may be called upon to give a complete and detailed statement of his work-program and may be closely cross-examined, or the questions may be somewhat perfunctory. The reasons for any changes, especially increases, from the amounts appropriated for the preceding year will almost certainly be demanded in full, as the members of the subcommittee are likely to have to defend them later on the floor of the House and, there-

fore, want to be sure of their necessity. The testimony before the subcommittee is reported stenographically and printed quickly so that it will be available to members of the House when the appropriation bill to which it applies is under consideration by the House. The volumes containing the evidence given to the subcommittees sometimes aggregate more than 15,000 pages, and offer a wealth of information to anyone interested in the administrative details of the government.

After all the testimony has been taken the subcommittee is in a position to study the evidence and to decide on how much should be allowed for each activity under its jurisdiction. It is in making these decisions that the subcommittee applies the policy agreed upon by the whole Committee on Appropriations. The subcommittee then presents its recommendations in the form of a bill to the whole Committee and the chairman of the subcommittee explains the action taken, particularly the increases over the preceding year and deviations from the estimates made by the Bureau of the Budget. The whole Committee may make whatever changes it desires and then the bill is reported to the House and placed on the calendar of business.³

Under the rules, all appropriation bills must be first considered in the Committee of the Whole House on the State of the Union, where one hundred members con-

³ The Budget and Accounting Act contemplated that use would be made by the Committee on Appropriations of the services of the Comptroller General as an aid in passing upon the necessity for the appropriations requested. This appears from a section of the act that reads: "He [the Comptroller General] shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request." Up to this time this provision has not been availed of by the Committee on Appropriations.

stitutes a quorum. As it is imperative that all appropriation bills shall be passed by Congress before its adjournment or before the beginning of the fiscal year July 1, these bills are highly privileged, and it is in order for the motion to be made, at almost any time after the reading and approval of the journal of the previous day, to go into Committee of the Whole for the consideration of appropriation bills generally or a specifically named appropriation bill. Each bill is in the charge of a member of the Committee on Appropriations, usually the member who was chairman of the subcommittee having charge of the preparation of the bill. At the time that the motion is made to go into Committee of the Whole for the consideration of an appropriation bill, the agreement is reached that what is known as general debate on the bill shall be limited to a certain number of hours, which time is controlled wholly by the member in charge of the bill and the ranking member of the opposition on the subcommittee which prepared the bill. Not until after the conclusion of the general debate is the bill taken up for consideration in detail and amendment. Curiously enough, this general debate need not relate to the bill under discussion and in point of fact much of the general debate, with the exception of the remarks of the member in charge of the bill, relates to matters extraneous to the bill. This is unfortunate, if for no other reason, because it is confusing to the reader who attempts to follow the discussion that takes place on appropriation bills as reported in the *Congressional Record*.⁹

⁹ Under the leave to extend remarks that is usually granted to members requesting it, members may be given only a few minutes for participation in general debate and take advantage of leave to extend their remarks to have inserted in the *Congressional Record* speeches which if spoken would have required hours to deliver.

Following the general debate, which usually is limited to two or three hours, the bill is taken up paragraph by paragraph for discussion and amendment under what is known as the "five-minute" rule. At this time all discussion and amendment must be germane to the bill and to the paragraph under discussion. Under the rule any member may at this time move an amendment and speak for five minutes in its support, and other members may speak in opposition or in support of it for a like period of time. The debate that takes place under this rule is said to be one of the most effective and illuminative to be found in any legislative body. It is at this time that the House critically considers the appropriations recommended by the Committee on Appropriations and makes effective its wishes in respect to such appropriations. As is elsewhere pointed out, the tendency on the part of members of the House is to support the Committee on Appropriations, and most amendments opposed by it are rejected. Although a majority of the Committee of the Whole may at any time, on motion put, close all debate on a particular paragraph, this power is rarely exercised so long as the debate is bona fide and not intended for purposes of delay.

After the entire bill has been considered by the Committee of the Whole it is reported back to the House with any amendments that may have been adopted in the Committee of the Whole. Here it is immediately acted upon, given its third reading, at which no amendments are in order, is passed, and sent to the Senate.

Senate. Not until the House has acted does the Senate enter upon the consideration of the voting of moneys for the support of the government. This results from the provision of the constitution which reads:

All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills (Art. I, Sec. 3).

It will be noted that this article apparently refers only to revenue bills. From the beginning of the government it has, however, uniformly been held by the House that the language of the section was intended to cover appropriation as well as revenue bills. Though the Senate has at times questioned this claim, it has acquiesced in the House contention in so far as the general appropriation bills are concerned. Prior to the adoption of the budget system, however, it frequently included appropriation clauses in bills originating with it.*

The appropriation bills when received by the Senate are immediately referred to its Committee on Appropriations. This Committee is composed of eighteen members. When the new procedure was adopted in 1922, providing that all jurisdiction over appropriation bills should be vested in this single committee, the exceedingly interesting provision was made at the same time that when the committee was considering the appropriation bills for the Department of Agriculture, Post Office Department, War Department, Navy Department, District of Columbia, Rivers and Harbors, and Diplomatic and Consular Service three members of the respective committees on general legislation dealing with the affairs of these departments and services, to be selected by such committees, should sit with the Committee on Appropriations as *ex officio* members, and that one member of such com-

* For an exceedingly interesting discussion of this subject see "The Supply Bills. An Article by John Sharp Williams concerning the constitutional power of the House of Representatives to originate supply bills." 62 Cong., Sen. doc. 872, July 15, 1912.

printed form are distributed to the Senators before the bill in question is taken under consideration on the floor.

The subcommittee reports the bill as amended to the whole Committee on Appropriations, which may or may not make further changes before it is reported to the Senate. When that is done by the chairman of the subcommittee who had it in charge, he usually gives notice of when he proposes to call the bill up for consideration on the floor. After that the procedure is essentially similar to that employed in the case of any other bill before the Senate.

To this statement there is one important exception. In the House, an appropriation bill, when under consideration in Committee of the Whole, is open to amendment on the motion of any individual member. In the Senate, this is not so. A rule of the Senate provides that:

No amendments shall be received to any general appropriation bill the effect of which will be to increase an appropriation already contained in the bill, or to add a new item of appropriation, unless it be made to carry out the provisions of some existing law, or treaty stipulation, or act, or resolution previously passed by the Senate during that session; or unless the same be moved by direction of a standing committee or select committee of the Senate, or proposed in pursuance of an estimate submitted in accordance with the law.

* * * *

All amendments to general appropriation bills moved by direction of a standing or select committee of the Senate, proposing to increase an appropriation already contained in the bill, or to add new items of appropriations shall, at least one day before they are considered, be referred to the Committee on Appropriations, and when actually proposed to the bill, no amendment proposing to increase the amount stated in such amendment shall be received.

This limitation upon the right of an individual member to propose amendments having for their purpose or effect to increase appropriations as contained in an appropriation bill as reported by the Committee on Appropriations is, it need hardly be said, of great significance. Unless to put into effect existing provisions of law, no such increase can be proposed until its desirability has been passed upon and approved by an appropriate committee on general legislation.

If, as is ordinarily the case, the bill passed by the Senate differs in some respects from that passed by the House, a conference will be arranged. The conferees, who are chosen in each case from the members of the two subcommittees that had charge of the bill, are appointed by the President of the Senate and the Speaker of the House. According to the rules governing the powers of conferees, nothing in the bill can be changed except where there is a disagreement between the two houses, nor can any new matter be added in conference. When two amounts are named in an appropriation bill after it has passed both houses, the conferees may agree upon any figure between the two extremes, but they cannot go below the lower amount or above the higher. Any violation of this rule makes the conference report subject to a point of order when the report is presented in each house. A conference report may, of course, be rejected by either house, in which case more conferences are held. When all differences between the two bodies have been adjusted, the bill is enrolled, signed by the two presiding officers, and sent to the President.

As in the case of all legislation, appropriation bills, after their passage by the two Houses, must be sent to the President for his approval. If disapproved by him,

the bill is returned to Congress where it may be repassed and made effective without the President's approval provided it receives a two-thirds affirmative vote in each of the two houses.

It will be noted that, contrary to the usual provisions in most of the states, the Chief Executive has no power to veto specific items in an appropriation bill; he must accept or reject the bill as a whole.*

Non-Partisan Character of Congressional Action. In concluding this account of the general procedure of Congress for the handling of appropriation measures, it is important to point out that throughout this entire procedure the matter of political partisanship plays but little or no part. On the expenditure side at least, this whole problem of providing for the financial needs of the government is handled from a purely business standpoint. As evidence of this the following remarks of the Chairman of the House Committee on Appropriations in discussing the work of his committee may be quoted:

There is no politics (he said) in anything this committee does. Every member of the committee is a full-fledged member, whether he is a Democrat or a Republican, and knows everything that the chairman knows about everything that is to be done, and each one is called upon to assume his share of responsibility. I am very proud to say that under the leadership of the distinguished gentleman from Tennessee (Mr. Byrns) the Democratic members of the Appropriations Committee

* At least one prominent political scientist has held that the President has the power, under the constitution, to veto items of appropriation bills. See Henry Jones Ford, *The Cost of Our National Government*, p. 118. If the President ever had such power, and it is exceedingly doubtful, it has to all effects and purposes been lost by failure to make use of it. No future President is apt to assert it unless this power has been specifically conferred upon him by constitutional amendment.

have been in harmony with everything that has been done, and they have coöperated with us in everything we have had to do, faithfully, courageously, and honestly, and we have never had one difference of opinion arising out of partisanship about the final conclusion of any question before the Committee since I have been chairman.'

This attitude is carried out on the floor of the House and also characterizes the Senate in its proceedings. Apart from the fact that it ensures a more careful examination of estimates upon their intrinsic merits and with due regard to the state of the finances, it has the important result that the recommendations of the Committee on Appropriations as embodied in the appropriation bills reported by it, instead of being subjected to partisan attack on the floor of the House, have the general support of the entire membership of the Committee, which, in turn greatly increases the probability that the recommendations of the Appropriations Committee will be followed by the House.

' Martin B. Madden in *Cong. Record*, Dec. 21, 1925.

CHAPTER XI

DISTINCTION BETWEEN THE AUTHORIZATION AND THE GRANT OF APPROPRIATIONS

In the preceding chapter the attempt has been made to set forth, in the most general way only, the organization and procedure of Congress for the handling of financial measures. The significance of this system cannot, however, be appreciated without a clear understanding of a fundamental principle that underlies this system. This is the distinction that is made in both Houses between the act of authorizing an appropriation and that of making the appropriation itself. Acts of the first class have for their purpose to add to, repeal, or modify existing provisions of law. Proposals of the second class have for their purpose to grant moneys by which previously existing provisions of law may be put into effect. This distinction runs throughout the rules. It delimits the jurisdiction and powers of the committees on general legislation on the one hand and the Committee on Appropriations on the other, and determines the nature of the amendments that may be proposed to the two classes of measures while they are under consideration.

With one exception, which will be presently noted, the rules rigidly prescribe that all proposals of general legislation shall be referred to the proper committees on general legislation, and that all proposals calling for the appropriation of money from the treasury shall be referred to the committee on appropriations; that the com-

mittees on general legislation shall not have authority to include in bills reported by them clauses providing for the appropriation of money; and that the Committee on Appropriations shall not have authority to include in bills reported by it clauses providing for general legislation, with the single exception that such clauses may be inserted if they have for their purpose to reduce expenditures; and that no amendment calling for an appropriation is in order to a bill of general legislation, and no amendment calling for general legislation is in order to an appropriation bill while those bills are being considered by the House. The House rules on these points as they exist at present read:

There shall be elected by the House at the commencement of each Congress the following standing committees:

(Here follows the list of committees, including the Committee on Appropriations.)

All proposed legislation shall be referred to the committees named in the preceding rule as follows, viz. subjects relating—

* * * *

To appropriation of the revenue for the support of the Government—to the Committee on Appropriations.

* * * *

No bill or joint resolution carrying appropriations shall be reported by any committee not having jurisdiction to report appropriations, nor shall an amendment proposing an appropriation be in order during the consideration of a bill or joint resolution reported by a committee not having that jurisdiction. A question of order on an appropriation in any such bill, joint resolution or amendment thereto may be raised at any time.

No appropriation shall be reported in any general appropriation bill, or be in order as an amendment thereto,

for any expenditure not previously authorized by law, unless in continuation of appropriations for such public works and objects as are already in progress. Nor shall any provision in any such bill or amendment thereto changing existing law be in order, except such as being germane to the subject matter of the bill shall retrench expenditures by the reduction of the number and salary of the officers of the United States by the reduction of the compensation of any person paid out of the Treasury of the United States, or by the reduction of amounts of money covered by the bill: *Provided*, That it shall be in further order to amend such bill upon the report of the Committee or any joint commission authorized by law or the House Member of any such commission having jurisdiction of the subject matter of such amendment, which amendment being germane to the subject matter of the bill, shall retrench expenditures.¹

The Senate Rules, though differently worded, are substantially similar. They read:

1. The following standing committees shall be appointed at the commencement of each Congress with leave to report by bill or otherwise.

* * * *

Committee on Appropriations of eighteen senators.

2. The general appropriation bills shall be referred to the Committee on Appropriations.

3. The Committee on Appropriations shall not report an appropriation bill containing amendments proposing new or general legislation, and, if an appropriation bill is reported to the Senate containing amendment propos-

¹ This exception to the general rule that general legislation may not be carried in an appropriation bill or be moved by way of amendment while the bill is under consideration, is the famous "Holman Rule", which has had a long and interesting history. The motive underlying this exception is evident. It permits the Committee on Appropriations to provide for retrenchment in expenditures, even though a change in existing general legislation is involved, without the necessity for securing such change by a special bill.

ing new or general legislation, a point of order may be made against the bill, and, if the point is sustained, the bill shall be recommitted to the Committee on Appropriations.

4. No amendment which provides general legislation shall be received to any general appropriation bill.

The significance of these provisions from the standpoint of providing for the needs of the government is that such provisions involve the taking of two distinct steps: first, the passage of an act of general legislation authorizing or directing the government to do a certain act or prescribing the powers, duties, organization, and procedure of a service; and, second, the passage of another act appropriating the money by which this direction or authorization may be put into effect. The two acts are not only distinct, but the bills providing for them are handled by separate committees. To illustrate, all bills authorizing or directing the erection of public buildings must, under the rules of the House, be referred to the Committee on Public Buildings; all bills for the improvement of rivers and harbors, to the Committee on Rivers and Harbors; all bills providing for governmental activities in relation to agriculture, to the Committee on Agriculture; and so in reference to all other proposals calling for work of the government, each goes to its appropriate committee. These committees consider the desirability of the government undertaking the work called for and report out bills embodying their conclusions. These bills may not contain clauses appropriating money for putting their conclusions into effect. They do, however, contain provisions "authorizing" appropriations and fixing the limits of the appropriations so authorized. Not until acts of this kind have been passed

does the Committee on Appropriations have authority to include in the appropriation bills reported by them, items for engaging in work not previously authorized. It will thus be seen that one committee passes upon the desirability of a new project and fixes the maximum sum that may be voted for its execution, and another committee, the Committee on Appropriations, passes upon the desirability of voting funds for its execution.

The reasons leading Congress to adopt this system were these. A very large part of the work of Congress consists in acting as a board of directors for the government corporation; that is, determining administrative policies, the activities that the government shall engage in, the organization and procedure of the services for performing such activities, the funds that shall be available for meeting the expenditures thereby entailed, etc. The policy of granting to committees on general legislation the power to report out bills covering matters, both of general legislation and appropriations, had been tried and proven a failure. Under it responsibility for the expenditure program was diffused and rested largely in the hands of committees seeking grants from the treasury rather than the protection of the treasury. To have vested complete control over the authorizing of expenditures as well as the grant of funds with which to put these authorizations into effect in the hands of a single committee, the Committee on Appropriations, would have meant entrusting to this one committee practically the entire jurisdiction in respect to governmental policies and operations. The feeling was that no one committee could properly discharge the duties that would thereby be thrown upon it. Apart from the great burden of work that has to be done, the variety of this work is such that

it can only be efficiently performed by bodies which are in a position to specialize upon and become experts in particular lines of work. The committees on general legislation represented such specialized agencies, the Committee on Agriculture in respect to activities falling in the field of agriculture, the Committee on Rivers and Harbors in respect to the need for river and harbor improvements, etc. Apart from these considerations was the fact that the members of the House were unwilling that a single small group of men should have such great powers and the remaining great majority have little direct voice in determining the administrative policies that should come before the House for consideration. Even had the proposal to concentrate in a single committee authority in respect to both the authorization of expenditures and the voting of funds had intrinsic merit, it could not possibly have received the support of the House. Self-denial on the part of members of committees, which had formerly had powers in respect to appropriations, was strained to the limit in the policy that was adopted of vesting all jurisdiction over the consideration of appropriations in the single committee on appropriations.

If regard is had for all the considerations involved, the decision of the House to make the distinction that has been described between the authorization of expenditures and the appropriation of money with which to meet such expenditures, must be deemed to have been a wise one.

The operation of this system gives rise to certain questions, the answer to which may have far-reaching effect. It is desirable, therefore, that some discussion of them should be had. The most important of these is the extent

to which general legislation authorizing the appropriation of moneys for government work should have controlling force with the Committee on Appropriations in formulating the appropriation bills. The extreme position in one direction would be that when Congress has definitely spoken through the passage of an act directing a certain thing to be done and authorizing an appropriation for the purpose, the Committee on Appropriations in drafting the appropriation bills should see that this will of Congress is given effect by including an appropriation for it. The extreme in the other direction is that, while it is true that Congress has made known its approval of the use of public funds to a specified extent for a stated purpose, it still remains for the Committee on Appropriations fully to use its judgment as to whether moneys shall be provided for the work.

Strong arguments can be brought against the taking of either of these positions. If the authorization of appropriations is to be deemed as in the nature of a mandate to the Committee on Appropriations to vote the funds, the real authority and responsibility for determining the expenditure program of the government passes from the Committee on Appropriations to the several committees on general legislation, and thus is produced a condition of affairs which it was the purpose of the revision of the rules effected at the time that the Budget and Accounting Act was passed to correct. This position, moreover, ignores the fact that the problem of financing the government involves factors other than that of the absolute merit of the authorizations for the appropriation of funds taken individually. These other factors are the relative merits and urgency of the authorizations, the condition of the treasury, the total of prospective income,

and the general policy of the government in respect to such matters as retrenchment, the payment of the public debt and the reduction of taxation.

If, on the other hand, the Committee on Appropriations takes the position that these acts of general legislation are mere expressions of the willingness on the part of Congress that the appropriations authorized shall be made and that the committee is free to ignore them and to use its own judgment as to whether they shall be rendered effective through the grant of funds, the Committee on Appropriations has in effect a veto on the acts of the committees on general legislation in so far as the determination of the activities of the government is concerned. Apart from the question of the desirability of the Committee on Appropriations having any such power, it is certain that, should it take any such extreme position, the resentment on the part of the members of the committees on general legislation would be such that would destroy, or at least seriously modify, the work of the Committee on Appropriations as expressed in the appropriation bills reported by it, by forcing the amendment of such bills while under discussion in the House.⁷

It is evident from the foregoing that Congress is confronted with something in the nature of a dilemma in the performance of its task of determining the work program of the government. The only solution open is that of the adoption of a policy that avoids taking either

⁷ Where a time limit has been fixed in an authorization, the Committee on Appropriations is under a special pressure to provide funds. In respect to such cases, Mr. Madden, the Chairman of the House Committee on Appropriations, has stated the policy of the committee as follows: "It has been the policy of the committee since I have been the chairman of it wherever a project has been legislated on, which is to be finished in a given period, to appropriate the money to complete the project within the period." *Cong. Record*, Jan. 15, 1925.

of the two extreme positions that have been mentioned but seeks a middle ground where regard is had to both conflicting considerations. This, in fact, is what has been done. The Committee on Appropriations, while not looking upon acts authorizing the appropriation of money as orders which it is compelled to put into effect, nevertheless seeks to meet the wishes of Congress as expressed in such acts as far as it can do so consistent with meeting its other obligations of seeing that the total of expenditures authorized is not out of proportion to the general program of the government in respect to debt reduction, reduction of taxes, etc. This means that it has to consider each authorization on its individual merits and seek to determine the extent to which it was the intent of Congress in making it that it should be immediately acted upon. There are some authorizations in respect to which it is manifest that Congress did not intend that they should be immediately and fully put into execution. Such, for example, would have been the authorization for the appropriation of not to exceed \$100,000,000 annually for public education carried by the Smith-Towner Bill for the creation of a Department of Education, had that bill become a law. Probably in the majority of cases, the authorization is in the nature of a limitation of the maximum amount that is authorized to be appropriated, and the Committee on Appropriations is not unduly exercising its discretion in appropriating sums within this maximum. The whole situation, in a word, is one to be handled, not by rigid adherence to a fixed rule, but by the exercise of discretion in view of all the circumstances of the case.

CHAPTER XII

EXTENT TO WHICH BUDGET ESTIMATES ARE MODIFIED BY CONGRESS

In the movement for budgetary reform in the United States, no question has attracted greater attention than that of the controlling force that should be given to the estimates of appropriations as formulated and submitted to the legislature by the Chief Executive. At the inception of the movement, the United States itself had had no experience with a real budget system. It was natural, therefore, that those interested in reform in this field should look for aid, in determining the character of action required in order that a successful budget system might be set up, to England, a country which was believed to possess an exceptionally well-developed budget system, and, under that system had certainly had an exceptionally efficient administration of its financial affairs.

Comparison of American and English Systems in Respect to Power of Legislature to Modify Estimates. Prime features of the English budget system were that Parliament refused to consider any proposal for the expenditure of funds that did not originate with the ministry or to entertain any motion for the increase of an expenditure as proposed to it by the ministry: its powers thus being restricted to the reduction of proposed expenditures and to the general consideration and criticism of the ministry's proposals. Even its powers to reduce items in ministerial proposals were more

nominal than real, since the ministry with its majority at its back could, if it desired, always defeat such proposed reductions. As a result of these provisions the executive branch of the government had, not merely the formulation of the budget so far as expenditures are concerned, but also the actual determination of the action that should be had upon such budget. No greater contrast in respect to the exercise of the power to determine the expenditure program of the government could exist than that between the English and the American system. In England this program was determined by the executive branch, in the United States by the legislative branch.

Struck by this great difference between English and American practice, many advocates of the adoption of a budget system in the United States believed that a really effective budget system could not be established that did not rest upon the English principle of vesting in the chief executive rather than in the legislature, the determination of the expenditure program. This is not the place to enter into a comparison of the relative merits of these two systems. The author will only say that, in his opinion, all the arguments do not lie on one side. However this may be, the fundamental error made by advocates of the English system was their failure to recognize the relation that existed between the determination of the expenditure program and the general political system of the country. The English political system is one of responsible government, that is, one where a responsible ministry is in charge of the administration of both executive and legislative affairs. The power of the ministry in respect to the organization and determination of the expenditure program was no different in kind from that which it possessed in respect to legislation and the con-

duct of public affairs generally. The American political system is one of separation of powers, where the legislative, executive, and judicial functions are vested in distinct branches of the government. The English budget system is one that is in thorough harmony with the English political system; it would be totally out of harmony with the American system. Thus, to illustrate, it would mean that if a chief executive had certain convictions in respect to such important matters as the expansion or reduction of the military or naval establishments, the scope of operations of such bodies as the Interstate Commerce Commission or the Federal Trade Commission, he could make his will prevail even though Congress were strongly opposed to such a policy. It is unnecessary to say that the American people are not prepared to accept any such redistribution of political powers.

The practical problem as it confronted the United States was, therefore, that of devising a budget system that should be in harmony with its political system. Unless one were prepared to change this political system, which could only be done by way of constitutional amendment or revision, it was necessary that the budget system to be created should recognize the distinction between the formulation of the budget and action thereon. The first, under the American political system, is an executive, the second a legislative function. This distinction is recognized by the Budget and Accounting Act. Under this act Congress thus retains the full power which it has always possessed of modifying in any manner it sees fit the proposals of the President as contained in the budget.

Extent to Which Estimates Have Been Modified in Practice. While it is a necessary feature of the federal

budget system that Congress shall have full power to adopt, modify, or reject the expenditure proposals contained in the President's budget, it is none the less desirable that it should largely be guided by such proposals. Though a great service would be rendered in getting before Congress in a proper form a statement of governmental needs, even were the recommendations of the President not followed, the effectiveness of the budget system would be materially weakened by such failure on the part of Congress to approve such recommendations. These proposals emanate from an officer who performs the functions of a general manager, and who, through his Bureau of the Budget, is in direct touch with administrative operations and needs. While Congress may be in a position to determine with equal wisdom matters of general policy, it does not have the same competency as the President to determine the details of the provisions that should be made for the conduct of the current operations of the administrative services. It is a matter, therefore, not merely of interest, but also of importance to determine the extent to which Congress has, in fact, followed the budgetary recommendations of the President.

In considering this question note should be taken of the fact that four opportunities exist for the modification of budgetary estimates: first by the House Committee on Appropriations in formulating the appropriation bills to be reported by it; second, when these bills are read section by section for amendment in the Committee of the Whole; third, by the Committee on Appropriations of the Senate in considering what changes if any will be recommended in the appropriation bills as passed by the House and referred to it for consideration and

report; and fourth, when the bills as reported by committee are considered by the Senate for amendment and action.

It is fortunate that we have available information showing in detail the changes that have been made in the President's estimates at each of these stages of consideration with the exception of the changes suggested by the Senate Committee on Appropriations. On April 22, 1926, Mr. James B. Buchanan, a member of the House Committee on Appropriations, submitted to the House a series of tables comparing the President's estimates with the appropriation bills as reported by the House Committee on Appropriations, as passed by the House, as passed in first instance by the Senate, and as finally agreed upon in conference and enacted into law for each year since the budget system has been in operation.¹ The more important figures taken from those statements appear on the opposite page.

This statement reveals a number of facts that are of great significance. Of the several opportunities to accept or modify the budget proposals, that possessed by the House Committee on Appropriations is the most important. It is that body which frames the appropriation bills which come before the two houses for consideration. It, furthermore, is the body which makes the one comprehensive, searching inquiry into the merits of the budget proposals. Its findings, therefore, have, and ought to have, great weight not only with the House but with the Senate as well. In no small degree, therefore, the extent to which the President's proposals are adopted by Congress depends upon the attitude assumed by that body. The situation is one where this com-

¹ *Cong. Record*, April 22, 1926.

	1923	1924	1925	1926	Total 1923-1926
Budget Estimates	\$2,957,597,376.83	\$2,567,259,344.61	\$2,338,067,222.58	\$2,764,221,237.37	\$10,627,335,181.39
Recommended by House Committee.....	2,447,021,717.50	2,526,267,529.22	2,308,738,379.98	2,711,700,054.88	9,994,658,781.58
Voted by the House.....	2,484,439,641.69	2,546,808,596.89	2,312,118,801.34	2,716,775,765.91	10,060,162,805.83
Voted by the Senate.....	2,721,806,104.27	2,571,538,902.10	2,341,433,626.72	2,762,052,764.63	10,396,831,397.82
Finally Appropriated	2,642,615,024.96	2,556,873,068.89	2,329,042,525.50	2,751,624,741.67	10,280,155,380.62
<i>Increases or Decreases</i>					
House Committee over Budget.....	- 509,555,640.23	- 49,971,815.39	- 29,528,642.65	- 52,520,222.69	- 622,676,400.06
House over Committee.....	+ 96,387,024.19	+ 20,521,667.67	+ 2,580,221.41	+ 5,074,811.03	+ 65,504,024.30
Senate over House.....	+ 237,346,462.66	+ 24,730,305.21	+ 29,314,825.38	+ 45,276,998.72	+ 336,668,591.97
Appropriations over Budgets.....	- 312,361,792.27	- 10,385,128.43	- 9,024,627.08	- 12,596,495.90	- 344,368,053.68

mittee can give great weight to the budget proposals, and only depart from them in clear cases, or can view the budget as were the departmental estimates under the old system, as a mere means of getting before Congress information, the duty of framing an expenditure program resting with the Committee.

Fortunately, the House Committee on Appropriations has from the start adopted the first attitude. It has taken the position that the President's budget was a real expenditure program and should be adhered to except where it could be plainly shown that modification should be made in it. Of supreme importance was the decision of the Committee that the President's recommendations should be deemed to be a conclusive statement of the maximum expenditure needs of the government and that it would not consider the making of any increases in such requests. Thus, the Chairman of the Committee on Appropriations in placing before the House the first appropriation bill under the new system, said:

The Committee on Appropriations decided to do one thing which I think will meet with the commendation of the House. We decided in advance that we would not hear any argument from any chief of any department or any bureau in the Government for the restoration of any item that had been eliminated by the Director of the Budget, so that when the Director of the Budget makes a cut in the proposals submitted to him by the department chiefs, we take that cut as final, and we allow no man to come and argue for its restoration. We have, however, retained the right that we possess, as your spokesmen in the preparation of these bills, to go downward, not upward. In no case will you find that we have recommended in any bill that we propose for your consideration an item in excess of that recommended by the budget officer. You

will find a great many items of reduction, but none of increase. . . .

Though this policy has in cases been departed from, it nevertheless represents the general policy of the Committee, and as time goes on this policy is likely to become more and more fixed.

It results from the adoption of this policy that the function of the House Committee on Appropriations has become that of a body to reduce rather than to increase appropriations. Under the new budget system, the estimates as originally framed by the spending services thus undergo, not one, but two rigid examinations having for their purpose and effect to reduce them within the narrowest practicable limits.

If reference is had to the table given on page 145 it will be seen that each year the House Committee on Appropriations has framed bills calling for the voting of a total of appropriations substantially less than that asked for by the President. The figures for 1923 are not representative, since 1923 was the first year under the new system and conditions were still abnormal, especially in respect to the financing of agencies created during the war. For 1924 the Appropriations Committee recommended appropriations, speaking in round numbers, \$40,000,000 less; for 1925, \$29,000,000 less; and for 1926, \$52,000,000 less than were asked for by the President. We are here dealing with the total of all appropriations bills. In all cases, however, it is believed, the total recommended by the House Committee on Appropriations in each appropriation bill considered individually was less than the amount estimated for in the budget.

¹ *Cong. Record*, January 5, 1922.

Turning now to the next stage in the consideration of appropriation bills, it will be seen by reference to the table, that, though the House has in all cases increased the sums recommended by its Appropriations Committee, such increases have been almost negligible in amount, \$20,000,000 for 1924; \$3,000,000 for 1925; and \$5,000,000 for 1926. This means that the Committee on Appropriations succeeds in putting through the House its bills substantially in the form drafted by it. In point of fact the strong tendency of the House is to support its Appropriations Committee. Most amendments to the appropriation bills that are proposed while the bills are under consideration in the House, that are opposed by the Committee on Appropriations, are defeated. This applies especially to the hundreds of thousands of items having for their purpose to meet the detailed operating needs of the administrative services. It is only when a matter of general policy, such as the provision that shall be made for public works and the like is involved, that the House is at all likely to take a position contrary to that of its Committee on Appropriations.

The Senate, both in its Committee on Appropriations and when acting as a body, is likely to take a more liberal attitude in respect to the voting of funds. The Senate thus increased the total voted by the House by the sum of \$24,000,000 for 1924; \$29,000,000 for 1925 and \$45,000,000 for 1926. It was able, however, to maintain only a portion of these increases in conference committee. It is difficult to explain on any logical ground why the Senate should be more liberal in respect to the granting of funds than the House. One explanation may be the rigidity with which estimates have been trimmed by both the Bureau of the Budget and the House. When the ap-

appropriation bills have reached the Senate stage, the only desire present is to increase items for particular purposes in which individual Senators or committees on general legislation are interested. Whatever the explanation, the fact is that the House is the more economical of the two bodies.

To the general public and from the standpoint of administration, the most important matter is not so much the relative attitudes of the two Houses of Congress and their committees on appropriations as the result as expressed in the appropriation bills as finally enacted. This result, it will be seen, is the voting in all cases of a smaller total of appropriations than that asked for by the President. For 1924 the total of appropriations was \$10,000,000 less than the total of the estimates, for 1925, \$9,000,000, and for 1926, \$12,000,000. In view of the fact that it is usual in the United States to look upon the legislative branch as the one which by its nature is prone to extravagance, this showing cannot but be deemed to be highly significant and a strong testimonial to the manner in which the national budget system has operated in practice.

In some respects the most important fact brought out by this showing is not so much that Congress has proven itself to be even more economically disposed than the President as the exceedingly close correspondence between the total asked for by the President and the total voted. In each of the three years considered the difference between the two totals has been less than one-half of one per cent. This means that the President's financial program as regards its general bearing upon the national finances, has been adopted substantially without change. When one considers the fact that Congress has full

power to modify budgetary estimates in any manner that it sees fit, this result must be deemed to be little short of remarkable.

In the foregoing we have considered the extent to which Congress adheres to the budget only from the standpoint of the grand total of appropriations asked for and granted. It is of course possible that Congress may make many changes in respect to the specific items included in the budget, and yet, by decreases being offset by increases, produce a total showing no great variation from the budget total. In point of fact Congress at one or another of the stages of its consideration of appropriation bills does make many changes in respect to particular items. That it does so is brought out by the following table, taken from Part I of the Budget, which compares estimates with appropriations 1923, 1924, 1925, and 1926 according to appropriation bills.*

	Budget and Supplemental Estimates	Appropriations by Congress	Increases by Congress (+); decreases (-)
<i>Fiscal year 1923</i>			
1. Legislative establishment	\$17,828,165.96	\$14,822,820.30	— \$2,995,345.66
2. Executive and independent establishments	562,206,907.88	564,323,782.24	+ 2,116,874.36
3. Department of Agriculture.....	73,663,848.00	88,009,516.00	+ 14,345,668.00
4. Department of Commerce.....	22,112,493.91	21,347,494.36	— 764,999.55
5. Interior Department	335,311,753.30	344,373,642.50	+ 9,061,889.20
6. Department of Justice.....	23,172,614.32	22,597,664.78	— 574,949.54
7. Department of Labor.....	7,812,347.69	7,491,188.20	— 321,159.49
8. Navy Department	461,324,568.04	325,855,835.59	— 135,468,732.45
9. Post Office Department.....	594,814,029.71	573,461,785.02	— 21,352,244.69
10. State Department	11,175,115.25	11,128,124.74	— 46,990.51
11. Treasury Department	164,385,985.61	161,761,846.77	— 2,624,138.84
12. War Department, including Panama Canal	368,953,694.51	348,676,428.19	— 20,277,266.32
13. District of Columbia.....	30,214,338.02	26,687,725.47	— 3,526,612.55
14. Public debt, principal and interest.....	1,430,088,800.00	1,430,088,800.00	.....
Total, including Postal Service payable from postal revenues...	\$4,103,144,662.21	\$3,940,626,654.16	—\$162,518,008.05

* The figures given in this statement are not comparable with those given in the preceding statement, since they are prepared upon the basis of all appropriations for the support of the government, permanent as well as those included in the annual appropriation acts, which latter are based on the estimates.

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	Budget and Supplemental Estimates	Appropriations by Congress	Increase by Congress (+); decrease (-)
<i>Fiscal year 1924</i>			
1. Legislative establishment	\$15,823,721.64	\$14,816,031.60	- \$1,007,700.04
2. Executive and independent establishments	525,233,533.12	513,446,866.82	- 11,786,666.30
3. Department of Agriculture	87,438,105.82	86,750,403.00	+ 1,312,297.18
4. Department of Commerce	21,874,157.32	21,503,577.34	+ 370,580.18
5. Interior Department	239,684,044.85	227,595,371.37	- 2,088,673.48
6. Department of Justice	22,528,406.00	21,007,888.50	- 530,607.50
7. Department of Labor	7,009,751.00	7,838,051.00	+ 738,300.00
8. Navy Department	300,558,789.97	297,317,591.62	- 3,241,198.35
9. Post Office Department	608,366,405.69	597,011,793.42	- 11,354,612.27
10. State Department	16,133,859.21	15,507,974.70	- 625,884.51
11. Treasury Department	281,316,446.87	278,758,477.21	- 2,557,969.66
12. War Department, including Panama Canal	336,425,706.44	350,242,231.23	+ 13,816,524.79
13. District of Columbia	27,774,881.26	26,359,185.26	- 1,415,696.00
14. Public debt, principal and interest	1,451,968,125.00	1,451,968,125.00	.....
Total, including Postal Service payable from postal revenues...	\$4,032,226,024.41	\$4,013,113,558.09	- \$19,112,466.32
<i>Fiscal year 1925</i>			
1. Legislative establishment	\$15,240,273.82	\$14,817,390.70	- \$422,883.12
2. Executive and independent establishments	536,431,819.00	535,870,132.70	- 561,686.30
3. Department of Agriculture	78,048,805.07	75,022,254.07	- 2,126,551.00
4. Department of Commerce	26,413,785.73	26,159,067.73	- 253,818.00
5. Interior Department	305,032,548.88	296,223,305.61	- 8,809,243.27
6. Department of Justice	24,732,018.50	24,602,210.44	- 129,808.06
7. Department of Labor	7,390,610.89	8,678,550.89	+ 1,287,940.00
8. Navy Department	296,185,450.12	294,402,081.49	- 1,623,368.63
9. Post Office Department	621,000,127.07	621,584,684.08	+ 584,557.01
10. State Department	16,529,778.56	16,016,182.07	- 513,596.49
11. Treasury Department	319,477,479.66	318,225,590.92	- 1,251,888.74
12. War Department, including Panama Canal	352,340,116.40	351,096,086.52	- 1,244,029.88
13. District of Columbia	30,428,024.43	31,383,745.33	+ 955,720.90
14. Public debt, principal and interest	1,336,806,401.00	1,336,806,401.00	.....
Total, including Postal Service payable from postal revenues...	\$3,967,856,139.13	\$3,952,678,192.55	- \$15,177,946.58
<i>Fiscal year 1926</i>			
1. Legislative establishment	\$16,969,600.91	\$16,699,321.74	- \$270,279.17
2. Executive and independent establishments	576,786,522.40	578,869,714.40	+ 2,083,192.00
3. Department of Agriculture	108,699,744.21	105,755,953.06	- 2,943,791.15
4. Department of Commerce	29,147,520.60	29,320,357.00	+ 172,836.40
5. Interior Department	276,539,411.00	278,674,207.24	+ 2,134,796.24
6. Department of Justice	26,239,638.66	25,518,933.66	- 720,705.00
7. Department of Labor	8,038,160.00	9,299,525.00	+ 1,261,365.00
8. Navy Department	302,755,610.20	304,006,043.60	+ 1,250,433.40
9. Post Office Department	730,530,243.83	738,464,608.93	+ 7,934,365.10
10. State Department	20,600,424.88	16,720,120.08	- 3,880,304.80
11. Treasury Department	325,633,576.70	324,021,222.27	- 1,612,354.43
12. War Department, including Panama Canal	343,815,097.75	344,912,544.35	+ 1,097,446.60
13. District of Columbia	36,068,215.37	37,253,016.37	+ 1,184,801.00
14. Public debt, principal and interest	1,320,428,595.00	1,320,428,595.00	.....
Total, including Postal Service, payable from postal revenues...	\$4,192,421,336.20	\$4,181,662,769.32	- \$10,758,566.88

* Includes \$7,300,000 not in the Budget, but included by the appropriation committees.

It will be seen from this statement that, though the total of appropriations is in all cases less than the estimates, in some cases the totals of particular bills are in excess of the estimates. It is easy, however, to exaggerate the importance of the changes made by Congress in the budget estimates. Appropriations are of two kinds, those having for their purpose to provide for the current running expenses of the spending services and those involving matters of policy in respect to the character and scope of the activities of the government. In respect to the thousands of items falling in the first category Congress accepts with little question the recommendations of the President. In respect to the second it exercises to a greater degree its own judgment, being careful, however, as has been seen, that the total voted by it shall not depart to any important extent from the total which the President estimates can safely and properly be devoted to the expenditure needs of the government.

Comparison with English System. It is a matter of no little interest, on the basis of the showing that has been made, to compare the operations of the national budget system with that of the English system, which rests upon such a different principle as regards the controlling force of the budget as framed by the executive. Advocates of the English system, under which Parliament is debarred by its rules from initiating expenditure proposals and from the increase of proposals submitted by the executive and cannot in fact decrease an expenditure proposal of the executive unless such decrease is acquiesced in by the executive, base their advocacy on two assumptions: One, that the executive can more intelligently determine expenditure needs; and, two, that legislative bodies are apt to exhibit extravagance in the

voting of public money. The validity of both of these assumptions may be challenged so far as the national government operating under its present budget system is concerned. It may be, and probably is, true that an executive agency, such as the Bureau of the Budget, can better determine in the first instance the expenditure needs of the government than can a legislative agency, such as a committee on appropriations. If the choice lay between the use of one of these agencies alone, preference should probably be made of the executive agency. No such choice, however, has to be made in the national government. Here use is made of both agencies, and in practice both agencies have shown a commendable desire to keep down appropriations. Under the English system, requests for funds as they emanate from the spending services are critically examined by only a single agency, the British Treasury. Under the United States system they are subject to two similar scrutinies, that by the Bureau of the Budget and that by the House Committee on Appropriations.

There is abundant evidence that in England this situation, where the legislature has no opportunity to review executive recommendations for expenditures, is not satisfactory either to Parliament or to the British public. With a strong Chancellor of the Exchequer who is determined to keep down expenditures, the English system has worked satisfactorily. With a Chancellor of the Exchequer who is of a more yielding temperament towards his colleagues' demands and a ministry which seeks to secure political support through the making of liberal grants for pensions or other social welfare objects, there is lacking an adequate control. Thus Herbert Samuel, M. P., Chairman of the Select Committee on

National Expenditures of 1917-18, in the introduction to a recent work on the British system says: *

The truth seems to be that, as between the Government and the House, sometimes the one and sometimes the other is more inclined to economy. At certain periods, and as regards certain matters, the Government in office may be firm in resisting Parliamentary groups who press for expenditure; at other times, or in respect to other things, the House may be less disposed to be lavish than the Government. It is this last case that is not sufficiently provided for by our present machinery. If both Government and Parliament are agreed in wishing to spend there is obviously no force that can stop them except the electorate itself. If Parliament is inclined to be lax while the Government is careful, the Constitution provides its ancient safeguard; the House can vote no money unless the Crown, through its advisers asks for it. But in the remaining case, no sufficient provision is made. The interest of a Minister is engaged in some scheme involving an expense, great or small. He has the ear of the Chancellor of the Exchequer. The Cabinet is content as a rule to accept a financial proposal for which the Minister concerned has secured the assent of the head of the Treasury. An Estimate, or a Money Resolution for a Bill, is presented to Parliament in due course. If the attention of members were specially drawn to it, and its merits impartially examined, it might not command any general approval. The diffused opinion of the House may be against it. But it passes nevertheless.

The provision made for a standing committee on estimates in 1912 and the creation of the Select Committee on National Expenditures in 1917 bear evidence to the feeling in England that the system of relying wholly upon the Treasury as a means of determining expenditures is not satisfactory, and that some means should be

* E. H. Davenport, *Parliament and the Taxpayers*, p. viii-ix (London, 1918).

provided by which the legislative branch should have an opportunity to pass upon expenditures analogous to that possessed by the United States under its budget system.*

It is not intended in the foregoing to attempt to determine the relative merits of the English and the American budget systems. But so much emphasis has been laid in the past upon the superiority of the former system, under which the determination of appropriations rests with the executive branch, that it was thought desirable to point out that all of the arguments are not on one side.

In point of fact three systems for determining expenditure grants are available: One where the executive is the determining body; one where the legislature is the determining body, and one where the determination is made by the two bodies acting together. England has the first of these systems; in the United States the second system generally prevailed prior to the recent movement for budgetary reform; the third is the system under which the budget is handled by the national government. The English system is probably superior to the system that existed in the United States in the past. It may well be that the third system now possessed by the national government is superior to either of the other two; or, if this is not so, that it at least represents the best solution of the problem that is possible under our political system of separation of powers.

* That the experiment of a Standing Committee on Estimates, which while having authority to examine and report upon estimates has no power to modify them, has proven a failure, is generally recognized.

For an account of the British Budget System see W. F. Willoughby, W. W. Willoughby, and S. M. Lindsay, *The System of Financial Administration of Great Britain*, Institute for Government Research, Studies in Administration, (1917); Col. A. S. V. Durell, *The Principles and Practice of the System of Control over Parliamentary Grants*, (London, 1917); Henry Higgs, *National Economy: An Outline of Public Administration*, (London, 1917); E. H. Davenport, *Parliament and the Taxpayer*, (London, 1918); Henry Higgs, *Financial Reform*, (London, 1924); J. W. Hills, *The Finance of Government*, (London, 1925); and the reports of the Select Committee on Public Expenditures, (London, 1917-18).

CHAPTER XIII

PERMANENT APPROPRIATIONS

A full understanding of the budget system cannot be had without a knowledge of the system of what are known as permanent appropriations. In principle, the estimates of appropriations, as contained in the budget, and the general appropriation acts representing the action of Congress upon these estimates, should make provision for the entire expenditure needs of the government for the year to which they relate. This principle is rigidly adhered to in the budget, but the same is not true of the general appropriation acts. This arises from the fact that, prior to the adoption of the budget system, when the same act often combined the appropriation of money with provisions of general legislation, specified or indefinite sums were appropriated to be available annually for an indefinite period of time. Examples of such continuing appropriations are those for the payment of interest on the public debt, of something over \$7,000,000 annually to the Federal Board for Vocational Education to be expended on the matching-of-the-dollar plan by the states, for the promotion of vocational education, of \$3,000,000 annually to the Bureau of Animal Industry of the Department of Agriculture for meat inspection.¹ For purposes of information, these permanent appropriations are, as has been stated, included in the budget. They do not appear, however, in

¹ A list of these permanent appropriations, of which there are eighty or ninety, is given each year in Part I of the Budget.

the appropriation acts, since the sums called for by them have already been appropriated. The total of the general appropriation and deficiency appropriation acts does not, therefore, represent the total of appropriations available for the year to which they relate.³

³For a consideration of the desirability of repealing these permanent appropriation acts and abolishing the system of permanent appropriations, see Part V of the present work.

CHAPTER XIV

APPROPRIATIONS FOR SALARIES

It would be improper to conclude this account of the action by Congress on the budgetary proposals without reference to two collateral improvements of great importance that have been made in the methods employed by Congress in voting funds for the support of the government. The first of these has to do with the manner in which provision is made for the personnel of the administrative services.

Few problems of budgetary technique are more important or more difficult of satisfactory solution than that of the form in which estimates should be submitted and appropriations be made for the payment of personal services. This difficulty arises from the necessity of harmonizing two conflicting considerations. From the standpoint of the operating services it is desirable that the widest possible discretion shall be granted to them to determine the character, number, and compensation of the personnel needed in the performance of their work. The claim is made that unless they have such discretion is impossible for them to adjust their personnel to their varying needs and that any rigid determination in advance of the number of employees of each class and grade that may be employed by them will tie their hands and make it impossible for them to carry on this work in an efficient and economical manner. On the other hand, experience has demonstrated that no feature of

administrative discretion is more open to abuse, and has in fact been more abused, than this power freely to fix the number of employees that shall be employed in different capacities and at varying rates of compensation.

Confronted with this dilemma, Congress, in pre-budget days, chose what seemed to be the lesser of the two evils; and sought in the appropriation bills to determine in great detail the precise number of each class and grade of employees that might be engaged and the compensation that should be paid.¹ Under this system, as has been pointed out, not only were the hands of administrative officers unduly tied, but Congress itself was compelled to devote a great deal of its time to the consideration of this detail of administrative action.

The evils of this system were well recognized by Congress as well as by the administration. It was not, however, until the passage of The Classification Act of 1923² that the basis was laid for the adoption of a new system that would harmonize the conflicting considerations. That act had for its purpose to provide for a listing of all the positions required for the conduct of the work of the administrative services; the description of the duties of such positions and the requirements that must be met by incumbents of them; the determination of the proper compensation that should be attached to such positions; the use of a uniform nomenclature in the designation of these positions; and, finally, the classification of the positions so as to show their relation to each other and the normal order of promotion from one posi-

¹In exceptional cases, and especially where new services were created, Congress at times voted what were known as "lump sum" appropriations for salaries. As soon as circumstances permitted it, however, changed to the system of itemization.

²42 Stat. L., 1488.

tion to another. This great work of specifying and classifying administrative positions, adopting a standard nomenclature to designate them, and fixing the salaries attached to the several positions, has in large part been completed and the system installed.

It must be evident that this work has simplified and made more effective the task of making known through the budget personnel needs and that of Congress in providing through the appropriation acts for such needs. Formerly the title used to designate classes of employees asked for gave no precise information regarding the character of the positions to be filled. Many were either general, such as "clerk," or, where specific, the same title was often used to designate positions of widely different character and importance. Under the new system every position has its precise title, such as "junior accountant," which is standard throughout the government service. The operating services in formulating their requests for funds thus may give precise information regarding their estimated personnel needs, and the Bureau of the Budget, the Committee on Appropriations, and Congress have a real basis to go upon in acting upon those requests. Furthermore, since the salary attached to such position is now fixed by general statute, neither the estimating service, the Bureau of the Budget, nor Congress has to concern itself with this matter in the preparation and consideration of estimates. The saving of time and trouble on the part of all parties thereby effected can scarcely be calculated.

Finally, as has already been indicated, the adoption of this scientific personnel system has made it possible for Congress to abandon its practice of specifying in detail the precise number of employees of each class and com-

compensation rate that may be employed by a service and to make its appropriations for personnel in lump sum. It finds it feasible to do this since, in the budget precise and detailed information is given in the case of each service as to the number and compensation of all classes of employees employed in the last completed year and the estimated number for the year in progress and the year to be financed. With this full information, Congress can safely vote a total sum to cover the compensation of all employees, and leave discretion to the executive officer to vary the number employed in each class as shown in the estimates, provided that the total granted for salaries is not exceeded. Any abuse of this discretionary power will be at once revealed by comparing the estimates submitted with actual expenditures as reported in the next budget. It is thus difficult to overestimate the importance of the Classification Act from the standpoint of the budget. It greatly facilitates and simplifies the problem of preparing and considering the estimates; gives to these estimates a precision that was wholly lacking prior to its passage; and permits Congress to adopt the practice of voting totals for the payment of all salaries instead of rigidly prescribing the number of employees of each class that may be employed.*

*The adoption of the Classification Act had in view and has brought about many benefits other than that of facilitating and improving budgetary procedure. For a history of this important reform and detailed consideration of the provisions of the act and the manner in which it has been administered see Lewis Meriam, "The Movement for the Reclassification of Personnel in the United State", Institute for Government Research, Studies in Administration. This book is due to appear sometime in 1927.

CHAPTER XV

APPROPRIATIONS FOR PUBLIC WORKS

The second important improvement in the method of providing for the financial needs of the government, collateral to the adoption of the budget system, has to do with the change in the system of voting money for public works. No feature of the old financial system has been more strongly, and on the whole more justly, criticized than that of the manner in which Congress appropriated money for this purpose. Briefly, the system employed was as follows:

Any member of Congress had the privilege of introducing bills providing for the construction of a public building or the improvement of a harbor or waterway in his district or elsewhere. All of these bills were referred in the House to the Committee on Public Buildings or to the Committee on Rivers and Harbors, according to whether the bill called for the construction of a public building or the improvement of a waterway or harbor. On the basis of these bills, these committees would report general or consolidated bills containing their conclusions in respect to all the construction work to be authorized. Though it would be improper to say that these committees did not give consideration to the general welfare as distinguished from that of the particular neighborhood or district to be benefited, there is not the slightest doubt that they gave undue weight to the latter factor. The committees were actuated, if they were not dominated, by the desire to meet the wishes

of as many members of Congress as possible, and the latter in turn were primarily actuated by the desire to have public improvements made and public money spent in their districts rather than in having effected those improvements which were of national importance.

To make matters worse, but slight effort was made to secure or to act upon the advice of administrative officials in respect to the need for, or the desirability of, such works. This was particularly so in respect to public buildings. The Committee on Public Buildings did not hesitate to provide in its bills for the erection of costly post office buildings in small towns which were not only not asked for by the Postmaster General, but which were positively stated by that officer to be not needed and which, if erected, would entail far greater operating expense than was being paid in the form of rent for thoroughly satisfactory quarters. For example, the Postmaster General, in his annual report for 1915 said: "Many buildings are erected in cities when the cost of janitor service alone greatly exceeds the amount necessary to secure satisfactory quarters, including light and heat, under rental agreement which is not believed to be wise business policy." It is true that, in respect to proposed river and harbor improvements, the advice of the Army engineers was sought, but those officers in giving such advice considered each project upon its individual merits and primarily from the standpoint of its engineering feasibility rather than from that of its relative importance in a general scheme of river and harbor improvement. On this the Chief of Engineers of the Army has himself said:¹

¹ Address by Maj. Gen. Harry Taylor, Chief of Engineers United States Army, *Cong. Record*, June 3, 1926.

In those days, there was little system in river and harbor improvement. Projects were adopted with or without preliminary investigations. The investigations, when made, were not made systematically—each officer reported pretty much according to his own ideas as to what ought to be included in his reports. It is therefore small wonder that the term “pork barrel” was applied to the river and harbor work as carried on in those days, for the adoption of the project depended about as much upon some individual’s influence in Congress as it did upon the commercial value of the proposed improvement.

To recapitulate, this system of authorizing and appropriating for public works was one that could scarcely be worse. No attempt was made to formulate a consistent plan based upon the general needs of the government or the community. Projects were initiated by individual members and were to a large extent authorized and appropriated for to meet the wishes of such individuals, whether they were of value or not. The enactment of the bills providing for them was secured through the vicious practice of “log rolling,” and the acts themselves merited their common designation as “pork-barrel” measures. No regard was had to the general financial condition of the treasury in voting funds for their execution.

A complete revolution has been effected in this procedure, the credit for which in part belongs to the adoption of the budget system, but much more to action by Congress in other ways that will be specified. The great improvement effected by the budget system was in drawing a clear distinction between the authorization of projects and the voting of money with which to put such authorizations into effect. Prior to the passage of the Budget and Accounting Act, the Committee on Rivers and Harbors had jurisdiction over not only the authori-

zation of river and harbor projects but also the appropriation of money with which to put them into effect; and the river and harbor act was one of the important appropriation acts. The change in the rules of the House and the Senate that accompanied the adoption of the budget system provided that thereafter the jurisdiction of the Committee on Rivers and Harbors should be restricted to the authorization of projects, the power of appropriating funds passing to the Committee on Appropriations, a body which, as has been pointed out, is concerned more with the protection of the treasury than the authorizing of any particular grant of funds.⁹ As a result, appropriations for public works under the new system are considered, as they should be, as a part of the general expenditure program.

A great improvement in the system had, however, been effected prior to the adoption of the budget system. This took two forms: (1) Provision for a far more careful investigation by the Army engineers of proposed projects and the greater weight given to the results of such investigations; and (2) the adoption of the policy of making appropriations for public works in lump sums to be expended upon the discretion of administrative officers on the projects authorized, instead of appropriating for each project specifically, thus leaving to the administrative officer no discretion in respect to the distribution of the total granted among the several projects and but little discretion in respect to the order in which the projects would be taken up for prosecution.

⁹ The jurisdiction of the Committee on Public Buildings of the House had always been restricted to the authorization of projects, appropriations to put them into effect being carried in the sundry civil appropriation act.

In respect to the first of these reforms Congress made a beginning in the right direction in 1884 by making general a restricted provision of 1882 to the effect that:

No survey shall be made of any harbors or rivers until the Chief of Engineers shall have directed a preliminary examination of the same by the local engineer in charge of the district, or an engineer detailed for that purpose; and such local or detailed engineer shall report to said Chief of Engineers whether, in his opinion, said harbor or river is worthy of improvement, and shall state in such report fully and particularly the facts and reasons on which he bases such opinion, including the present and prospective demands of commerce. And it shall be the duty of the Chief of Engineers to direct the making of such survey if, in his opinion, the harbor or river proposed to be surveyed be worthy of improvement by the General Government; and he shall report to the Secretary of War the facts, and what public necessity or convenience may be subserved thereby, together with the full reports of the local engineer. Said reports of preliminary examinations and surveys shall be made to the House of Representatives, and are hereby ordered to be printed when so made.*

The adoption of the general practice of having the Army engineers make a preliminary investigation and report on all projects before they were authorized, which has continued to the present time, has led to the immediate rejection of many projects that were without merit. This system was greatly strengthened by the creation in 1902 of a Board of Engineers for Rivers and Harbors.⁴ To this Board, which is composed of seven officers detailed from the Corps of Engineers, are referred the

* 23 Stat. L., 133, 153. Preliminary examinations, surveys, or estimates of new works other than those designated by Congress have been forbidden (33 Stat. L., 1149).

⁴ 32 Stat. L., 372.

reports of the surveys and examinations of river and harbor projects made by the field engineers. It is then the duty of the Board to review such reports and report its conclusions to Congress. The following description of the entire procedure in determining the feasibility and desirability of river and harbor improvement projects, given by James R. Mann, at that time Republican floor leader in the House, is of interest as tending to dispel the popular impression that Congress still adopts these projects merely upon the urging of individual members and with little or no regard to their feasibility or value. He said: *

Here are the steps through which any river or harbor project must pass before any work is authorized to be done on it:

1. Authorization by Congress for a preliminary examination and survey. In effect, this authorizes the Chief of Engineers to direct the district engineer in whose district the proposed improvement lies to make a preliminary examination and to report to him whether there appears to be sufficient merit in the proposal to justify a thorough examination and survey.

2. The district engineer makes this preliminary examination, and his report, which deals largely with present and prospective commerce and the benefits to commerce which the proposed improvements would afford, is sent to the division engineer.

3. The division engineer, who is a senior officer, with years of experience on river and harbor work, and has supervision over several districts, examines the report of the district engineer and makes his comments on it, and any recommendations he may see fit and sends it on to Washington.

4. It is then turned over to the Board of Engineers for Rivers and Harbors, which is a body specially created

* Reproduced in *Cong. Record*, December 15, 1924.

by law to review all river and harbor projects in an impartial way and from a strictly national point of view. This board reviews the report of the district engineer and the comments of the division engineer, and reports the whole matter to the Chief of Engineers with its views and recommendations.

5. The Chief of Engineers then examines the report of the district engineer and the comments and recommendations of the division engineer and the Board of Engineers for Rivers and Harbors in order to determine whether a thorough examination and survey are justified by the present and prospective commerce and the benefits to commerce which the proposed improvement would afford. If his decision is unfavorable (5a) the Chief of Engineers so reports to Congress. Congress may let the matter drop there, and the matter is ended. If, however, they think that any facts or considerations have been overlooked or not given sufficient weight they may (5b) authorize a further examination of the proposed improvement and a subsequent report to Congress.

If in step 5 the decision of the Chief of Engineers is favorable, or if Congress has authorized further examination, as in step 5b, then—

6. The Chief of Engineers directs the district engineer, or such other officer or board as he may designate, to make a thorough examination and survey of the proposed improvement and to make recommendations as to exactly what work should be done and an estimate of how much it will cost and the rate at which the work should be prosecuted. This report also completes, as far as possible, commercial statistics and gives consideration to such subjects as the adequacy of terminal facilities, the possibility of water-power development, etc.

7. This report is transmitted through the division engineer, who again makes his comments and recommendations and forwards it to Washington.

8. The report, with the comments of the division engineer, goes to the Board of Engineers for Rivers and Harbors, which reviews the whole question and makes its report and recommendations to the Chief of Engineers.

9. The Chief of Engineers examines the report of the district engineer or other officer or board and the comments and recommendations of the division engineer and the Board of Engineers for Rivers and Harbors.

10. The Chief of Engineers sends to Congress his report and recommendations on the proposed improvement, either transmitting in full or summarizing for the benefit of Congress the views and opinions of the district engineer, and the Board of Engineers for Rivers and Harbors.

11. This report is referred to the proper committees of Congress—the Committee on Rivers and Harbors in the House of Representatives and the Committee on Commerce in the Senate.

12. Hearings are held by these committees, at which all interested parties are given an opportunity to be heard, and at which the Chief of Engineers and his assistants may be asked for further information. If the decision of the committee is favorable, then—

13. The committee includes an item for the proposed improvement in a bill which it reports to its House of the Congress with the recommendation that it pass.

14. The bill must pass both Houses of the Congress and be approved by the President. The proposed improvement then is an adopted project, and work is authorized upon it when Congress shall have provided the necessary funds.

The second improvement, that of making appropriations in lump sum instead of for individual projects is of still greater importance. This change was made in 1914 and has now become the established practice. Prior to that date, a specific appropriation was made for each authorized project. As a result, the money voted for a project could only be used for that project, and no discretion was left to the War Department in respect to whether the work should be undertaken. Under the new

system, though projects are specifically authorized and the amount that may be spent on each is fixed, the appropriation is made in the form of a single lump sum, discretion being left to the administration to exercise its discretion in determining the particular projects authorized that will be taken up for expenditure and the order in which this will be done. This means that the administration can concentrate work and the expenditure of money upon those projects which are the most worthy and urgent and place those lacking merit or having only a local value at the bottom of the list where they may never be reached. The following characterization of how this system works, made by the Chief of Engineers General Harry Taylor, in reply to a newspaper criticism of the river and harbor bill then under consideration in Congress, shows how far this system goes in the way of removing from those bills their old pork-barrel feature. In a letter to the editor of the newspaper in which the criticism appeared, he said:

The present custom is for Congress to make a lump sum appropriation for carrying on river and harbor improvements authorized by Congress, and the allotments from this lump sum appropriation to the separate projects are made by the Secretary of War upon the recommendation of the Chief of Engineers of the Army. If there are any projects in the pending authorization bill upon which work should not be carried on, it is only necessary for the President to indicate to the Secretary of War that no allotments for these projects should be made. This is a much simpler procedure than even a veto to eliminate any undesirable projects, as a mere indication from the President that such and such a project should be eliminated from the allotment list would be sufficient and there would be no possibility of such a notice being overruled.

In recommending allotments from the lump sum appropriation, the Chief of Engineers considers only the needs of commerce, and I can state with absolute, positive knowledge that in the past four years since the present system has been in vogue, no allotment has been made to any project in the United States for any "back-scratching" purposes. It is absolutely impossible for "the member from Wayback," under the system now in force, to do any trading, as you state, and neither the "Washington Navy Yard" nor "Wildcat Creek" are allotted money unless navigation interests justify it; but if navigation interests do justify it, both get such services as are necessary so long as the funds appropriated by Congress are available for allotment.*

In respect to the erection of public buildings, Congress in 1926 went a long way toward the adoption of the same policy of lump sum appropriations and vesting discretion in the administration in determining the particular projects authorized upon which the money voted should be expended that it had previously put into force in respect to river and harbor improvements. The public buildings act of May 25, 1926,¹ is the most important public buildings act even enacted by Congress. It authorized appropriations to the amount of \$165,000,000, of which \$50,000,000 was authorized for buildings in the District of Columbia and \$115,000,000 for buildings outside of that District, all of which was in addition to money previously appropriated for public buildings, but provided that not more than \$10,000,000 might be expended in any one year for buildings in the District of Columbia and not more than \$50,000,000 in any one year for buildings outside of the District. The expenditure of the appropriations already made and those that might

* Reproduced in *Cong. Record*, January 5, 1925.

¹ 44 Stat. L., 630.

afterwards be made in pursuance of the authorization of this act was vested in the Secretary of the Treasury. In the execution of existing appropriations he was authorized to disregard limitations of cost of specific buildings previously fixed and, in respect to these and new projects, the act provided (Sec. 4) that:

The Secretary of the Treasury shall submit annually and from time to time as may be required estimates to the Bureau of the Budget, in accordance with the provisions of the Budget and Accounting Act, 1921, showing in complete detail the various amounts it is proposed to expend under the authority of this Act during the fiscal year for which said estimates are submitted, which shall include a statement of the erection of the buildings proposed to be erected, together with a limit of cost for the same: *Provided*, That in submitting such estimates the Secretary of the Treasury shall allocate the amounts proposed to be expended to the different States where buildings are found by him to be necessary, in such a manner as to distribute the same fairly on the basis of area, population, and postal receipts: *Provided further*, That, unless specifically provided for in the Act making appropriation for public buildings, which provision is hereby authorized, no contract for the construction, enlarging, remodeling, or extension of any building, or for the purchase of land authorized by this Act shall be entered into until monies in the Treasury shall be made available for the payment of all obligations arising out of such contract, and unless the said Act making appropriations for public buildings shall otherwise specifically provide, as hereinafter authorized, appropriations shall be made, and expended by the Secretary of the Treasury, in accordance with the estimates submitted by the Bureau of the Budget: *Provided further*, That the Act making said appropriations may provide for any other buildings contained in the annual report of the Secretary of the Treasury hereinafter provided for: *Provided further*,

That the Secretary of the Treasury shall also, in addition to submitting estimates to the Bureau of the Budget as herein provided, make an annual report to Congress containing a statement of the location of all public buildings which he and the Postmaster General (where his department is involved) deem necessary to be constructed under the provisions of this Act together with a limit of the cost for the same: *Provided further*, That the foregoing provisos shall not apply to buildings or their modification heretofore provided for by Act of Congress; *Provided further*, That at least two buildings shall be estimated for during the period covered by this Act in each State for post offices with receipts of more than \$10,000 during the last preceding year, for which post offices no public buildings have been provided.

It is not easy to interpret the full force of all of these provisions. It is clear however, that the act makes a great advance over past practices in that it lays the basis for the elaboration of a comprehensive plan of public building erection; that, instead of leaving the whole matter of public building needs to the initiation of individual members of Congress, who are actuated by personal and local considerations, it vests primary responsibility in the Secretary of the Treasury and the Postmaster General to make known such needs; that it contemplates that the estimates for public buildings contained in the budget shall be followed; and that it vests large discretionary powers in the Secretary of the Treasury in expending money voted. Of this act, Mr. Madden, Chairman of the House Committee on Appropriations, in his annual review of financial legislation of the year said: *

The bill represents a distinct departure on the part of Congress in public buildings. It is a general authoriza-

* *Cong. Record*, July 2, 1926.

tion bill instead of a bill authorizing specific projects as heretofore has been the practice. . . . Appropriations have been made for a survey to be made jointly by the Secretary of the Treasury and the Postmaster General to determine the needs of the various localities for public quarters. Estimates will be prepared after this survey for submission to Congress through the Budget for such projects as merit consideration and the erection of buildings. The new act marks a reform in public building procedure and the paramount consideration under it must be the needs of the service based upon the business to be transacted.

It is not contended for a moment that results under this new system of authorizing and appropriating for public works have been in all respects ideal. Undoubtedly, the factor of local, as compared with general, interests is still present, and projects are still both authorized and undertaken that are of doubtful utility and money is still spent on minor projects that, from the standpoint of the general welfare, might better be spent on larger and more fundamental projects. As long as laws have to be administered by individuals, there is room for the play of personal considerations and errors in the exercise of judgment. As a system, however, it is difficult to see how further safeguards could be set up. What faulty results that are, are due to human failings rather than the procedure that has been developed for handling this important problem. That the existing system represents an enormous improvement, there can be no doubt.

PART IV

EXECUTION OF THE BUDGET¹

CHAPTER XVI

CONTROL OF EXPENDITURES

A prime characteristic of a properly developed budget system is the emphasis that is placed upon the principle of centralized control. In the formulation of the national budget, such centralized control is secured by vesting complete authority in the hands of the President to determine what estimates of expenditure shall be submitted to Congress. In action upon the budget, this principle finds as large application as circumstances will permit in vesting in a single committee on appropriations in each House of Congress exclusive jurisdiction over the consideration of the expenditure estimates of the budget and the preparation of the appropriation bills to be considered by Congress. There remains for consideration the question of the extent to which, as a matter of law or practice, provision has been made for a cen-

¹ Although the expression "Execution of the Budget" has been employed as the caption for Part IV, this term is used in a general rather than a technical sense. There is a fundamental difference between a budget and an appropriation act. The former is an information document. As such, it can hardly err on the side of presenting details. No greater mistake could be made than treating this document as an appropriation bill and enacting it into law in the form in which it is presented. The appropriation act represents the action that is taken upon the expenditure proposals contained in the budget. When the expression "Execution of the Budget" is used, what is really meant, therefore, is the execution of the action posited upon the budget, that is, the appropriation acts.

tralized control over the execution of the budget, or, to state the matter more accurately, over the expenditure of the funds that have been voted in the appropriation acts.

In considering this question, two distinctions should be made. The first is that between control as exercised by the body granting the appropriation, Congress, and that exercised by the President in meeting his responsibility of seeing that a proper conduct of administrative affairs is had. The second is the distinction between the direct control of expenditures in the sense of providing that obligations shall not be incurred or disbursements made except upon the approval of a superior authority, and the establishment of requirements having for their purpose to avoid unnecessary expenditures and insure that such expenditures as are made are made on an economical and efficient basis.

Control by Congress: General. It is a canon of administration that a body having the function of giving orders has not completely performed its duty unless it takes steps to assure itself that its orders are faithfully executed. In England and the states of Europe, operating for the most part under a responsible type of government, this requirement is more or less automatically met by the fact that the ministry representing the administrative branch holds office at the will of the legislative branch and is subject to constant criticism through the use of the interpellation and the question system. In the United States operating under the system of separation of powers, the relation between the legislature and the administrative services is that of principal and agent. The legislature is the policy-determining, fund-raising, fund-granting, and order-giving organ. The administra-

tive services are the bodies to which money and orders are given. Manifestly the situation is one where the legislature should provide itself with means to assure itself that its agents are faithfully complying with their duties.

One of the severest criticisms that can be made of our governments is their failure to meet this fundamental requirement. In the case of the national government, it was not until the passage of the Budget and Accounting Act that any adequate steps had been taken by Congress to comply with this primary obligation. Congress has always had and exercised the power through the passage of resolutions to call upon administrative officers for information and explanation of action taken by them and, through its standing committees and special committees created for the purpose, to inquire into the conduct of administrative affairs. These devices were, however, ones that worked in a fitful and intermittent manner and were adapted only to the examination into particular instances where mismanagement or illegal action was suspected. There was lacking any adequate means by which Congress could systematically and currently inform itself of the action of the administrative services with a view to ascertaining the extent to which such services were not only complying with all legal requirements but also performing their duties in an efficient and economical manner.

The General Accounting Office as an Organ of Control. There is a general agreement that the best, if not the only, means open to a legislative body to supervise and, if need be, control the operations of its administrative agents is by providing for what is known as an audit of public accounts; that is, by vesting in some officer,

usually known as auditor or comptroller, the duty of examining into all the financial operations of the government and reporting the results of such examination. Provision for an audit of receipts and expenditures has existed since the organization of the national government. This provision, until the passage of the Budget and Accounting Act, was defective in two important respects: the officers making the audit were not independent of the administration, and their duties were restricted to that of seeing merely that all legal requirements were met. As officers owing their appointment to, and subject to removal by, the President, and as subject to the superior authority in many respects of the Secretary of the Treasury in whose department their offices were located, the Comptroller of the Treasury and the six auditors, as these officials were designated, were not in a position fearlessly to question and report upon administrative acts. As officers having only the duty of passing upon the legality of financial transactions, it was no part of their duties to inquire into or report upon the advisability of action taken or the efficiency and economy with which administrative officers performed their duties. To quote Mr. Martin B. Madden, Chairman of the House Committee on Appropriations: "

The audit of government accounts in the past has amounted to little more than a verification of calculations with the interposition here and there of law construction that resulted in the disallowance of a negligible proportion of payments. It was a set up admirably designed to prevent embezzlement but lamentably weak in opportunity to prevent waste. The machinery consisted of a comptroller and six separate auditing offices, all subordinate bureaus in the Treasury Department. The

^a *The New System in Government, Saturday Evening Post, June 9, 1923.*

comptroller as the logical head of the organization had no extensive legal supervision over the auditing offices. Each of them proceeded on its way heedless of the practice of the others. Uniformity of procedure was not thought of. The audit of accounts is one government practice in which unanimity of action could have been produced with more ease than in almost any other, yet they were far apart. The auditors were presidential appointees changing office with every administration. Some of them, perhaps through fortunate chance, made exceptional auditors. The majority of them were not expertly qualified to direct the auditing of any class of accounts—governmental or private. Any corporation employing such a lax method would have hoisted its flag of bankruptcy and its board of directors would all have died of old age before they could have presented a satisfactory audited statement to the receivers.

Both of the defects of the old system that have been mentioned were corrected by the Budget and Accounting Act. That act abolished the office of the Comptroller of the Treasury and the six auditors for the departments and vested all of their duties in a General Accounting Office, at the head of which was placed a Comptroller General who, it was provided, should hold office for a term of fifteen years and could be removed only by joint resolution of Congress. These provisions had for their purpose and effect to make the General Accounting Office an agency independent of the President and directly responsible to Congress. At the same time the act placed powers and responsibilities upon the Comptroller General, which were more extensive than those of his predecessors. His duties were made to consist not merely of examining into and passing upon the legality of financial transactions, but also of determining and reporting to Congress all cases of mismanagement or inefficiency and

of recommending means by which the conduct of public affairs might be put upon a more efficient and economical basis. The act further provides that committees of Congress and especially the Committee on Appropriations may call upon the Comptroller General for assistance in handling measures coming before them. The act thus reads (Secs. 312, 313):

(a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and

effectiveness of departmental inspection of the offices and accounts of fiscal officers.

(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time.

All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment.

A reading of the foregoing provisions shows that Congress appreciated the need for means by which it might itself pass judgment upon the manner in which the administrative agencies were performing their duties, and that in the General Accounting Office it sought to provide itself with an agency that would have much the same relationship to it that the Bureau of the Budget was to have to the President.

Did the Comptroller General possess no powers other than those of examination and report, there would be doubt as to whether his office would be entitled to the designation of an organ of control. His functions, however, pass far beyond those of an auditor and are, as his title indicates, those of a comptroller. Not only may no money issue from the treasury except upon his warrant but no claims against the government can be finally settled except upon his approval. The Budget and Accounting Act, reproducing a provision of law that had conferred the same powers upon the Comptroller of the Treasury, provides (Sec. 236) that:

All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office.

This means that no payment can be made that is finally binding upon the government until it has been approved by the Comptroller General. All payments made by disbursing officers without such previous approval are made at the risk of the disbursing officer and, if subsequently disallowed by the Comptroller General, may be recovered from the disbursing officer or his bondsman. In so far as the legality of expenditures is concerned the legislative branch, through its officer, the Comptroller General, has thus a control over expenditures that is as complete as can well be desired.*

The Bureau of the Budget as an Organ of Control. Even with its enlarged powers and duties, the control over expenditures exercised by the General Accounting Office consists only in seeing that all legal requirements are met and in reporting to Congress cases of unwise expenditures, the employment of improper methods, and other failings on the part of the administrative services to perform their work in an efficient and economical manner. It does not control in any manner the exercise by administrative officers of the discretion vested in them in respect to the expenditure or non-expenditure of moneys granted to them. Its control is thus largely moral or indirect. The question of the extent to which the spending services should be directly controlled by a

* For a detailed account of the work of the Comptroller General, see W. F. Willoughby, *The Legal Status and Functions of the General Accounting Office*, Institute for Government Research, *Studies in Administration*; also *The General Accounting Office*, Institute for Government Research, *Service Monograph*, No. 46. Both of these volumes will appear shortly.

superior administrative authority in respect to the utilization of funds voted for their maintenance is quite another matter.

Under the English system appropriations are not made directly to the spending services, but represent grants to the Treasury, through which that body, within the limitations set by the appropriations, can meet the expenditure needs of the services. No money is available to the spending services until it has made requisition therefor to the Treasury and the latter has approved such requisition and ordered payment thereof. Though these requisitions are usually met, the Treasury has the right to decline to meet them. It follows from this system that the Treasury, corresponding to our Bureau of the Budget, not only has complete control over the requests for funds that shall be submitted to Parliament but also equal authority in respect to the expenditure of the funds that are granted in pursuance of such requests. Normally this power is not exercised except when the condition of the Treasury is such as to render advisable a curtailment of the expenditure program.

In the case of the United States government, the principle has always been followed that appropriations are direct grants to the spending services and constitute credit accounts with the Treasurer of the United States which these services can draw against without any further authorization. From a strictly legal standpoint, therefore, the spending services are not subject to the control of the President, acting through the Bureau of the Budget, or otherwise, except in the comparatively rare cases where the law requires the approval of the President. Actually, however, it is possible for the President to exercise a large measure of control, since ad-

ministrative officers recognize the President as their superior administrative officer and their duty to comply with his wishes when formally expressed, and the President can, if necessary, enforce compliance through his power to dismiss or order the dismissal of administrative employees.

Prior to the adoption of the budget system, the duties of the President as head of the administration were little more than nominal. Under the present system he discharges the duties of a general manager of the government business corporation. It is his direct concern and responsibility to see that a proper balance exists between income and outgo. Though the Budget and Accounting Act conferred no powers upon him to control expenditures, it is not remarkable that the President, in addition to seeking to keep down the grant of appropriations, should also seek to keep down the expenditure of the moneys that were granted when this could be done without unduly interfering with the work of the spending services. His efforts in this field have taken three directions.

Control through Requirement of a General Reserve.

The first, and probably the most important is represented by the requirement already mentioned that the spending services shall at the beginning of each year set aside a part of their appropriations as a general reserve not to be drawn upon except in emergencies or when absolutely necessary, and the allotment of the balance in such a way that assurance will be had that expenditure needs for the whole year will be met. Though the primary purpose of this requirement is to avoid as far as possible the creation of the need for supplemental and deficiency

appropriations, it has as another important result the placing of a brake upon the expenditure program of these services and the accumulation of unexpended balances available for return to the treasury when all the obligations of the year have been met.

Control over Engaging in New Activities. Secondly, the President has given orders through the Bureau of the Budget, that no service, even though authorized so to do by law, shall undertake any new activity until notice of its proposal to do so has been given to the Bureau of the Budget. Though here again, the primary purpose of the order is to prevent duplication of work, the order also represents the setting up of a control over the expenditure operations of the services, since should a proposed project not meet with the approval of the President it would undoubtedly be dropped. The importance of this order warrants its reproduction in full. It appeared as Budget Circular No. 77, under date of August 11, 1922, and reads as follows:

Instances have arisen where a department or establishment has entered upon a new activity or a new work of research or investigation which duplicates in whole or in part the work of some other department or establishment. If the heads of departments and establishments, before the initiation of such new activity or work, had knowledge of the fact that they were about to enter a field already covered to a greater or a lesser extent by the Government, they would themselves, in the interest of good business administration, avoid any such duplication. It is therefore advisable in order further to coördinate the work of the departments and establishments to establish a means whereby the heads of departments and establishments may be so informed, and to this end the following regulations are prescribed:

1. Hereafter, when any department or establishment proposes to enter upon any new activity or any new work of research or investigation, the head thereof will transmit in writing to the Bureau of the Budget the following information.

(a) The character, purpose, scope, and probable duration of the activity, research or investigation.

(b) Whether such activity, research, or investigation is required by law, and, if so, reference to the specific law or laws.

(c) The probable number of persons to be employed thereon during the current fiscal year and an estimate of their salaries.

(d) An estimate of the cost thereof for the current fiscal year and of the probable total cost.

(e) A designation of the appropriation out of which the expenditures are proposed to be made.

2. The Bureau of the Budget will advise the head of the department or establishment concerned as to what work of the same or similar nature has been or is being done by any other department or establishment.

3. The provisions of this circular will not apply to investigations conducted by or required of any department or establishment with reference to the violation of the criminal laws of the United States.

Mandatory Character of Appropriations. It must be evident that the extent to which the President, acting through the Bureau of the Budget or otherwise, can directly control expenditures, is determined in no small degree by the extent to which an appropriation is viewed as a mandatory order or a mere authorization. From a strictly legal standpoint most appropriations certainly have the latter character. There are, however, appropriations which, whether viewed as mandatory orders or not, should probably be treated as such. Such, for example, are appropriations for the payment of claims, pensions,

interest on the public debt, and the like. There are other appropriations such, for example, as those for the erection of a particular public building or the improvement of rivers and harbors, which if not put into effect would undoubtedly cause resentment on the part of Congress and action by it that would make the expenditure obligatory. Appropriations for the current expenses of the several administrative services, which constitute an important proportion of the total appropriations, are certainly not mandatory in the sense that they must be entirely expended. On the contrary there is general agreement that, if the work can be performed without using all the money granted, this should be done. If the financial condition of the treasury warranted, a failure completely to use funds granted even though it necessitated a curtailment in operations, would in most cases be deemed justifiable. It will thus be seen that the President has a wide field in which he can control expenditures by making known his wishes to the spending services. In exercising this power it is necessary, however, for him to avoid action that could be interpreted as flouting the will of Congress when that will has been clearly expressed.*

* There was some indication that when Congress voted a larger sum for the improvement of rivers and harbors than the President had recommended in his budget, the President contemplated refusing to permit the expenditure of a larger sum than had been recommended by him. It was immediately apparent that this action would be resented by Congress, and the President, if he had such an intention, did not put it into effect.

CHAPTER XVII

CONTROL OVER ADMINISTRATIVE ORGANIZATION AND PROCEDURE

In the preceding chapter consideration has been had of the extent to which, the President, acting through the Bureau of the Budget, exercises a direct control over the expenditure of appropriations. There remains for consideration the steps that he is authorized to take in order to secure a more effective utilization of the money that is expended and thus, indirectly, the amounts that he will be called upon to estimate for in future budgets.

Provisions of Budget and Accounting Act. Action in this way by the President is directly provided for by the Budget and Accounting Act. That act provides (Secs. 209, 213) that:

The Bureau, when directed by the President, shall make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes (with a view of securing greater economy and efficiency in the conduct of the public service) should be made in (1) existing organization, activities, and methods of business of such departments or establishments, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such study shall be embodied in a report or reports to the President, who may transmit to Congress such report or reports or any part thereof with his recommendations on the matters covered thereby.

Under such regulations as the President may prescribe, (1) every department and establishment shall furnish to the Bureau such information as the Bureau may from time to time require, and (2) the Director and the Assistant Director, or any employee of the Bureau when duly authorized, shall, for the purpose of securing such information, have access to, and the right to examine, any books, documents, papers, or records of any such department or establishment.

Coördination Agencies. Immediately following its creation, the Bureau of the Budget, acting under the direction of the President, entered vigorously upon the performance of this part of its functions. Its action in this field has chiefly taken the direction of the creation of a large number of so-called coördination agencies, each having to do with some particular phase of the business operations of the government. These consist of coördination boards, area coördinators, and individual coördinators.

The coördination boards have in all cases been created by executive order or by a circular issued by the Bureau of the Budget, "by direction of the President," having the force of an executive order, and their creation for the most part dates from 1921. Their work has thus constituted a distinct branch of the Bureau of the Budget's activities practically, since the creation of that Bureau. A list of these boards, all of which are still in existence and operation, follows:

- Permanent Conference on Printing
- Federal Real Estate Board
- Federal Purchasing Board
- Federal Liquidation Board
- Federal Traffic Board
- Federal Specification Board

Interdepartmental Board on Contracts and Adjustments

Interdepartmental Board on Simplified Office Procedure

Interdepartmental Patents Board

Federal Board of Hospitalization

General Supply Committee³

These boards are similar in structure. Each is composed of a representative from each of the departments and establishments particularly concerned with the activity in question and is under a chairman directly appointed by or responsible to the Chief Coördinator. The boards meet at intervals, some several times a month and some only several times a year. The full memberships of the boards only discuss problems, exchange information, and decide policies, while the administrative work is necessarily done by committees, by the chairman and his immediate assistants, or by the Office of the Chief Coördinator. The members of the boards continue as employees of the services which they represent and receive their compensation from appropriations for the support of such services. This is entirely proper, since their work on the boards is for such services. The work of the boards, while done under the supervision of the Bureau of the Budget, represents the effort on the part of the services concerned to improve and standardize business practice and procedure, and the conclusions reached thus represent primarily agreements reached

³ The General Supply Committee, provision for which is made by statute, was in existence prior to the creation of the Bureau of the Budget, and is technically a subordinate unit of the Treasury Department and thus under the general direction of the Secretary of the Treasury. For purposes of coördination it is, however, treated as one of the coördination agencies of the Bureau of Budget and is so listed in the annual reports of the Director of that Bureau.

between the services interested rather than orders imposed from above by the Bureau of the Budget. The Director of the Bureau of the Budget is the "conduit for the transmission of Executive authority in routine business matters to the coördinating agencies for transmission to all departments and establishments."⁸ In cases of appeal by the department heads from the orders of a coördinating agency, or if pressure is needed to have an order carried out, it is the Director of the Bureau of the Budget who decides the matter, subject always, of course, to instructions from the President.⁹

Area Coördinators. The work of the coördination boards has largely to do with the business operations of services at their headquarters at Washington. In order to secure coördination of governmental operations in the field, provision has been made for nine Area Coördinators, each of whom has responsibility for promoting coördination in one of the nine areas into which the country is divided for coördination purposes. These areas correspond to the nine corps areas of the Army, but since the first year of the budget system, the fifth, sixth, and seventh areas have been consolidated for purposes of coördination although they still keep their separate identity as areas. In practically all cases an Army, Navy, or Marine officer has been selected as Area Coördinator. As the Chief Coördinator and his assistants are also Army, Navy, or Marine officers, this whole work of coördination has been under the general direction of officers of these three services. The idea of Area Coördinators was modelled upon that which had been used

⁸ Dawes, *First Year of the Budget*, p. 134.

⁹ An interesting illustration of how he can back up the coördinating agencies is given in his *Address to the Second Regular Meeting of the Business Organization of the Government*, p. 15.

by the American Expeditionary Force in France, with which the first Director of the Budget had so much to do.

Office of Chief Coördinator. In order that these coördination agencies might be properly directed and their activities themselves coördinated, the President by executive order of July 27, 1921, created the office of Chief Coördinator. At the outset this officer was concerned solely with the utilization and disposal of surplus stocks and the purchase of new supplies. Very soon, however, he was given general direction over the work of all coördination agencies. This was confirmed, and his powers and duties were more specifically defined by an executive order issued November 8, 1921. The provisions of this order, which cover the whole matter of the work of coördination under the Bureau of the Budget, are of such importance that they merit reproduction in full. They read as follows:

The coördinating agencies established by the Executive are for the purpose of enabling the President, in matters of routine business, to so coördinate the activities of the different departments and establishments as will insure the most economical and efficient expenditure of monies appropriated by Congress. They provide the machinery through which, with the minimum of obstruction and delay the Executive may impose a unified plan of governmental routine business. The Director of the Bureau of the Budget shall have general supervision over the work of the coördinating agencies heretofore created by Executive Order, subject to such instructions as may hereafter be issued by the President.

The Chief Coördinator, General Supply, appointed under the provisions of Executive Order of July 27, 1921, shall exercise general supervision, subject to the Director

¹ Dawes, pp. 39, 68, 122.

of the Budget, over the coördination of the routine business activities of the governmental organization, with particular attention to methods of purchasing, liquidation of supplies, specification of materials, advertising, warehousing, employment, manufacturing, disbursing and other ordinary business activities of the Government.

The decision of the Chief Coördinator, in all matters of coördination, shall be transmitted to the heads of departments or independent establishments concerned, and shall be final, except that such heads may appeal to the Director of the Budget within four days after the receipt of notice of the coördinating order, and if not sustained by the Director of the Budget may appeal to the President of the United States within six days after the decision of the Director of the Budget. If such appeal is not taken or is not sustained the decision in question shall stand, and shall be published to those affected by the heads of the departments concerned.

The heads of departments and subordinate officials will retain all present responsibility with respect to individual business transactions, subject to such policies as may be imposed in the manner indicated above.

All persons heretofore or hereafter appointed to duty under the Chief Coördinator, either in Washington or in Corps Areas of the country, shall be regarded as so appointed or detailed by the President of the United States, and they shall not be subject to reassignment by department heads except as authorized by Executive Order. Such persons shall not be required to submit any report to any department except as may be required as to their location or assignment or for purposes of pay, the intention being to prevent any interference with their direct responsibility to the President of the United States and his agents, the Director of the Budget and the Chief Coördinator. The above does not apply to departmental representatives on the various coördinating boards, and, in case of those detailed to coördinating duty in addition to other duties, it applies only with respect to such coördinating duty.

All Bureau chiefs and employees of the executive government are directed to furnish any available information desired for purposes of coördination, or to attend any conferences on coördination, at the request of the Chief Coördinator. It shall not be necessary for any duly authorized representative of the Director of the Budget, of the Chief Coördinator or any coördinating authority established by Executive Order, to secure the approval of the head of a department or military or naval authority of a request for information for use in connection with the activities of the coördinating bodies. The duly authorized agents of the Director of the Budget, of the Chief Coördinator, or of the coördinating boards, shall have access to all books and papers of the various departments and independent establishments which contain any information pertinent to the subject under consideration for coördination.

All departments and establishments must be so organized for the transaction of matters of routine business as to facilitate their proper coöperation with the general coördinating agencies. When the existing form of organization of the routine business of the departments and establishments, or the form of reorganization suggested by the head of the department or establishment does not, in the judgment of the Director of the Bureau of the Budget, properly meet the requirements of the situation, the Director of the Bureau of the Budget shall recommend to the President the form which, in his judgment, such departmental organization should take to that end. In his final determination of the form of organization the President will then consider the recommendations of the department head or head of the independent establishment concurrently with those of the Director of the Budget.

All coördinating agencies made subject by Executive Order to the supervision of the Director of the Budget shall make quarterly reports to him of their activities for transmission to the President.

Finally, mention should be made of the creation of three individual coördinators or assistants to the Chief Coördinator in putting into effect the measures of coördination decided upon. These are, the Coördinator for Purchase, the Coördinator for Motor Transport, and the Coördinator for Traffic.

These coördination agencies have now been in operation for five years. The following account of their activities will show the direction that their efforts have taken and the results that have been accomplished.

Printing and Binding. The first of the coördinating agencies to be formed was the Permanent Conference on Printing, which was established to promote economy, standardization, and more efficient methods in the public printing and binding. A meeting, called by Circular 14, dated July 22, 1921, was held, to which came representatives of all the executive departments and establishments. As a result of this preliminary meeting the Permanent Conference was organized and held its first meeting at the Government Printing Office on August 4, 1921, when on the suggestion of the representative of the Bureau of the Budget the conference decided to investigate the following subjects: Preparation of copy for the printer, the cost of authors' corrections; the standardization of paper in grades, sizes, weights, and colors; illustrations and printing in colors; standard size, form, and binding of publications; periodicals to be discontinued after December, 1921; annual reports to be discontinued under an act of Congress; rush work; duplications of departmental and congressional printing; distribution of public documents; and mimeographing and multigraphing. Each of these subjects has been considered, espe-

cially by the permanent executive committee of ten members, and in a great many instances action has been taken.

To reduce the extra cost of rush work the conference requested the Director of the Bureau of the Budget to call the matter to the attention of the administrative services and to recommend to them that their representatives on the conference be given authority to pass on the question of the necessity for rush work, and that such orders should receive their approval before being sent to the Public Printer. This he did in Budget Circular 27, dated August 25, 1921, and in several of his addresses to the Business Organization of the Government. There has been a steady reduction in the expenditures for rush work since 1921. The Director of the Bureau has also on several occasions called the attention of the administrative services to the cost of authors' alterations. To aid them in the campaign for reducing this item, the Government Printing Office, upon the suggestion of the conference, now records separately the cost of typographical errors and authors' alterations which are changes from copy.

Attention has been given to the annual reports of the administrative services, and a special committee was appointed to investigate the duplication in the printing of annual reports in several forms, either separately or consolidated with other reports of the same department. One of the first results of this was that the War Department agreed to discontinue the publication of Part I of the report of the Chief of Engineers and also the pamphlet edition of it.

As a result of action by the conference with the assistance of the departments interested, various publications which previously varied from a uniform size have been

standardized. These include the Congressional Record; the Official Record, and the Reports of Weather, Crops, and Markets, published by the Department of Agriculture; School Life, published by the Department of the Interior; and the Monthly Summary of Foreign Commerce, Commerce Reports, Survey of Current Business, and Census Bulletins, all published by the Department of Commerce.

A survey of the methods of distributing government publications was made by a committee of the conference and recommendations to correct existing evils were made in its report.* Several departments adopted these voluntarily, and they were prescribed as regulations of the Bureau of the Budget in its Circular 75, dated August 4, 1922.

The conference coöperated with the Superintendent of Documents in an effort to reduce the accumulation of documents stored in the Government Printing Office. Each department was invited to send a representative with authority to pass on documents which the department wished to retain for official use for longer than one year. Other recommendations have been made on the subject by the conference.

The conference adopted a standard quality, weight, and size of letterheads, and restricted the use of embossed stationery. It also adopted a uniform wall calendar for all the government departments.

In some of its work the Conference has coöperated with other agencies, particularly with the Interdepartmental Board on Simplified Office Procedure, for which it attends to typographical matters on the standardized government forms. It has coöperated with the Joint

* See the Annual Report of the Director of the Bureau of the Budget, 1922, p. 67.

Committee on Printing in preparing the standards of paper and envelopes for the Government Printing Office.

All the activities of the Permanent Conference on Printing, of which the above are typical examples, are concerned with the manner of printing and in no way restrict the subject matter to be printed. Such a control was, as has been pointed out above, occasionally exercised by the Joint Committee on Printing, composed of members of the two Houses of Congress. The efforts of the Joint Committee on Printing after the World War to reduce the number of magazines and other periodicals, caused much trouble, and the date for ending their publication was postponed several times. Finally, by a Joint Resolution, approved on May 11, 1922, this problem was shifted to the Director of the Bureau of the Budget.* The resolution authorized the head of any department or establishment to use any part of his appropriation for printing for the publication of magazines or other periodicals, but subject to the approval of the Director of the Bureau of the Budget. The regulations of the Bureau governing periodicals are in its Circular 78, dated August 14, 1922. They provide among other things that periodicals shall be devoted exclusively to the work which the organization issuing it is required by law to undertake; and that they shall not contain articles which are intended solely to foster and maintain interest in a government agency, or the interest and morale of employees, or which can be construed as propaganda in favor of increased appropriations or legislation. No illustrations or photographs are to be used unless they relate solely to the public business and are necessary to a clear understanding of the subject matter. No advertisements for

* 42 Stat. L., 541.

any private individual or corporation may be included. Information showing the size, frequency of issue, size of editions, subscription price, number of paid subscriptions, method of distribution, annual cost of preparing the periodical, necessity of the publication, and other details must be submitted to the Bureau before it will approve the publication of any periodical.

Liquidation and Purchase of Supplies. The Chief Coördinator and the nine Area Coördinators were intended, at first, to devote themselves almost solely to the problem of distributing and liquidating the enormous accumulation of surplus supplies after the reduction of war activities. It will be remembered that the General Supply Committee, in addition to procuring certain kinds of supplies for the administrative services in Washington, was given the task, soon after the armistice, of transferring and selling surplus office supplies in Washington and of maintaining records of surplus supplies throughout the country. After the establishment of the Office of the Chief Coördinator the work of the General Supply Committee was merged with that of the other coördinating agencies that have been created to engage in the same kind of work, so that the General Supply Committee has become one of the coördinating boards. It submits a report on its activities annually to the Director of the Bureau of the Budget through the Chief Coördinator.

The order creating the position of the Chief Coördinator, Budget Circular 15, dated July 27, 1921, stated that his duties are to supervise and coördinate the work of the nine Area Coördinators, to bring to the attention of department heads, all matters which will be of assistance to them in contributing to economy and efficiency, to advise as to the methods of expediting the inventories

of surplus stocks in the possession of the various departments, to advise the department heads upon the policy governing the sales of commodities held surplus in more than one department so as to protect the state of the market in the government's interest, and to exercise general supervision over the purchase functions of the departments and establishments. The nine Area Coördinators under him, in addition to carrying out the instructions and policies of the Chief Coördinator, were specifically directed to locate and inspect surpluses and accumulations of government stocks in each area, regardless of whether those stocks had been reported surplus and to report on any stocks in excess of reasonable reserves or current needs to the department concerned and to the Chief Coördinator, to keep in touch with all government projects involving the procurement, transfer, or disposal of supplies, to fix the fair market prices of surpluses when supplies are transferred from one department to another, to postpone any sale of government property by any department when investigation shows that it is not to the financial interests of the general government to permit the sale, to submit recommendations to heads of departments and to the Chief Coördinator designed to result in economies in disposing of surplus supplies, and to see that the government's policies in regard to the purchase of supplies are carried out.

Budget Circular 15 provided that there should be a director of sales in each department and independent establishment having surplus property and that these officers should be subject to call by the Chief Coördinator on all matters involving sales. This soon proved an unsatisfactory means of enabling the Chief Coördinator to exercise his functions in coördinating sales, and

in its place the Federal Liquidation Board was created on August 25, 1921, by Budget Circular 26. This Board, composed of one representative from each department and establishment with surplus supplies to be sold, was "to formulate policies and plans designed to knit the sales activities of the several departments and establishments concerned in the liquidation of stocks into a Federal business association, and to bring about business methods calculated effectively to safeguard the interests of the Government, and at the same time to promote the confidence of private business interests and industrial communities doing business with the Government." The Chief Coördinator was made responsible for the efficiency of the Board, and after a full discussion by the Board, his decision was to be final.

On the same day there was also created the Federal Purchasing Board, composed of one representative from each department and establishment having authority to purchase supplies. Its duties were to formulate policies and plans and to bring about business methods calculated to safeguard the interests of the government, and to consider all questions of purchase assigned to it. But it was provided that, "while the power to purchase and to coördinate purchases is thus centralized in the Board, it shall be its policy to decentralize administrative matters and the actual execution of purchase." Articles of a "preeminently specialized nature" were to be referred back immediately to the department concerned, which would handle the purchase, while articles needed in common by all departments were to be allocated by the Board for purchase to the department best fitted to perform this function for the whole government service. The Chief Coördinator was to be responsible for the

efficiency of the Board and could decide finally as to the action to be taken or the policy to be pursued. On May 29, 1925, the position of Coördinator for Purchase was created by Budget Circular 160. This official is to act as the agent through whom the Federal Purchasing Board may effect such joint procurement arrangements as may be agreed upon.

The liquidation of the surplus supplies, which the government had following the armistice of 1918, has naturally decreased as the accumulation has been reduced, so that in his report for the fiscal year 1925 the Chief Coördinator announced that the interests of economy no longer required that surplus supplies should be disposed of in the shortest space of time but those remaining should be considered a reserve to meet the needs of all departments of the government. The primary concern of the Federal Liquidation Board has been the disposal of surplus property by sale to the public. This work has almost ended. The Board made a study of the advertising methods of the various departments, investigated the credit system of the departments so as to secure uniformity in the terms and conditions of sale and the form of security required, and determined the policies to govern the sale of the different classes of commodities, each of which was assigned by a committee of the Board. The Board has not acted as a sales agency, but as its members are the heads of the organization of the departments which make the sales, it can harmonize their activities and prevent them from competing with each other and from pursuing different methods and prescribing different conditions of sale. In each of its annual reports the Board gives statistics on the sales made by the various departments and establishments. The dis-

posal of surplus property by transfer to other departments or government agencies has been superintended by the Interdepartmental Transfer Division of the Office of the Chief Coördinator. The operations of this kind have also decreased materially.

The Federal Purchasing Board has not engaged in the purchase of supplies, but has attempted to coördinate the purchases made by the administrative services. The kind of activities it engages in can perhaps be best understood from a report on its accomplishments for its first three years, in which the Board stated that it had—

1. Decided upon and put into operation a system of clearances of purchase orders to avoid the purchase of new goods when surplus is available and accessible.

2. Gathered data which makes possible and encourages interdepartmental procurement rather than purchase from sources outside the Government. Among articles recommended to be thus procured when conditions are favorable are:

- (a) Canvas from the Atlanta Penitentiary
- (b) Rope for marine use from the Navy Department
- (c) Fuel oil from the Navy Department
- (d) Gasoline from the War Department
- (e) Acetylene gas from the Navy Department

3. Made available through comprehensive reports of subcommittees data relative to procurement by the Government of certain important classes of commodities, this data covering (1) best method of purchase, (2) best time of year to buy, (3) best fields in which to buy, (4) best packages to require and best kind of deliveries. The classes of commodities covered by these reports are:

- (a) Coal
- (b) Fuel oil
- (c) Auto tires and tubes
- (d) Forage
- (e) Provisions or subsistence
- (f) Lumber

- (g) Cordage and hemp
- (h) Canvas
- (i) Packing (steam, air, etc.)
- (j) Paints and ingredients

4. Coöperated with other agencies of the Government in solving problems relating to purchasing, as follows:

(a) With the Federal Traffic Board in preparing instructions to departments and establishments aimed to effect savings through purchases of carload lots f. o. b. factory or other point of origin with shipment on Government bills of lading over most economical route.

(b) With the Interdepartmental Board of Contracts and Adjustments with reference to the liquidated damage clause in Government supply contracts.

(c) With the General Accounting Office with reference to standard purchase form.

(d) With the Federal Specifications Board with reference to the size and shape of standard specifications, with the object of effecting economies by consolidating printing orders.

5. Agreed upon common action to be taken by all departments and establishments with reference to vendors who have been debarred from bidding in any one or more branches of service.

6. Agreed upon, and made effective through the agency of the General Supply Committee, definite quantity purchase of over 300 important items hitherto bought under running price fixing contracts, thereby effecting savings in purchase price of from 8 to 25 per cent. on many of these items, and making possible adequate inspection on many others.¹

Purchase, Lease, or Sale of Real Estate. On August 18, 1921, Budget Circular 22 provided for an official, the Surveyor General of Real Estate, who was to be designated by the Secretary of the Treasury, to assign space in buildings owned or leased by the government outside of Washington and to superintend the making of leases

¹ Director of the Bureau of the Budget, Annual Report, 1924, p. 88-89.

as the Public Buildings Commission has power to do for buildings in the District of Columbia. A Federal Real Estate Board, with the Surveyor General as chairman, was created on February 18, 1922, by Budget Circular 54. Both these circulars were rescinded on June 16, 1922, by Budget Circular 69, which provided for a Federal Real Estate Board composed of one representative from each department or independent establishment having custody or control of real estate. A Surveyor General of Real Estate, to be designated by the Director of the Bureau of the Budget, was made chairman of the Board, which was to be the instrumentality through which he would coördinate all activities connected with the procurement of real estate by purchase or lease, with the occupancy of it by any department or establishment, and with the disposal of it by lease or sale. The Board was directed to collect and compile all the necessary information as to the real estate owned or leased by the government and suggest changes for the proper and economical use of lands and buildings. All projects for the purchase, lease, sale, or disposal of real estate were to be transmitted to the Board for clearance. If the project should require action by the coördinating authority, the Surveyor General was directed to submit his recommendations to the Chief Coördinator, whose decision would be final, subject to the usual appeal. The provisions of the circular do not apply to the public lands, national parks, national forest reservations, or real estate in the District of Columbia.

The main work of the Board, as revealed by its annual reports to the Chief Coördinator, is passing upon the transactions involving real estate that are submitted to it. Its report for the fiscal year 1926 shows that during the

year June 1, 1925-May 31, 1926, 2390 requests to lease property were cleared. Sixty-three properties were cleared for sale after the Board had investigated and ascertained that they were not needed by other departments or establishments. In several instances requests to dispose of abandoned military reservations were deferred until the advantage of transferring portions of them to the Department of Agriculture had been determined. Twenty-three requests for the purchase of real estate were cleared during the year. Soon after the Board was organized it started to compile data concerning all real property owned by the United States, with the exception of the public domain and national parks. This compilation was reported to be completed in the Board's report for the fiscal year 1924.

Motor Transportation. To prevent one department of the government from being forced to hire motor transportation while the motor vehicles of another department stand idle the Bureau of the Budget provided machinery to coördinate the use of motor vehicles by the administrative services. In its Circular 35, dated September 23, 1921, the Bureau instructed the Area Coördinators to prepare a plan to supply motor transport in every city where more than one department or independent establishment operate motor vehicles, in the most economical and practical way. Each plan was to include provision for housing and repair, for the operation of all in a single pool for the city or district so that the number could be kept to a minimum, for the consideration of the motor transport problem of the city as one problem, and for a Federal Motor Transport Agent to be appointed by the Area Coördinator with full authority to carry out the plan for his city or district. The plans

were to be approved by the Chief Coördinator before being put into effect. Each department and establishment was directed to name a representative for each area in which it had motor vehicles in operation, to inform the Area Coördinator of the location, kind, and number of motor vehicles and the duties assigned to them, and to assist in the preparation of the plan. The District of Columbia was made a special area for the purposes of this circular and a Coördinator for Motor Transport was provided.

The annual reports of the Area Coördinators cite many instances of coöperation in the use of motor vehicles and in their storage and repair. The most notable example is the loan of trucks to the Post Office Department before and during the Christmas holidays by other services. The annual report of the Chief Coördinator for the fiscal year 1925 shows that 841 trucks were loaned to 137 post offices, with a resulting savings estimated at \$89,690.64. The Coördinator for Motor Transport in the District of Columbia has submitted a separate report to the Chief Coördinator each year, in which the principal features of his work are noted. That for the fiscal year 1925 told of coöperation between the administrative services in providing trucks and operating personnel, in supplying spare parts, in the repair of vehicles, and in the purchase of gasoline.

Freight and Passenger Traffic. The Federal Traffic Board was created by Budget Circular 41, dated October 10, 1921, to effect "economies and better business administration throughout the government service in the handling of passenger and freight shipments." Like the other coördinating agencies the Federal Traffic Board was composed of one representative from each of the

departments and establishments making shipments. The duties assigned to it by the circular were to make a complete study of the traffic problems confronting the various departments and establishments; to establish, in coöperation with representatives of the Interstate Commerce Commission and the carriers, uniform classifications for all commodities shipped by the government; and to draw up plans for improving and standardizing methods of making shipments and settlement of accounts. The activities of the Board were placed under the direction of its chairman, who was given the title of Coördinator for Traffic, subject to the general authority of the Chief Coördinator. Clerical assistance was to be furnished by the departments in proportion to the amount of business handled for each.

After the nature and amount of its work became apparent, the Federal Traffic Board divided its activities into five classes, each of which was assigned to a committee. The Rail Routing Committee is charged with directing the routing of all shipments that go by rail and by rail and internal waterways. The Rate, Classification, and Tariff Division is charged with the duty of handling all questions regarding rates, freight classification, and tariff files. It receives all requests for routings, studies the actual rates involved, and indicates to the rail and water divisions, the various routes available and the rates under each route. The Statistical Division is charged with the duty of recording and keeping in convenient form all statistical records relating to government traffic. The Passenger Traffic Division handles all matters relating to passenger transportation by rail. In addition there is a Planning Committee which considers all the reports and recommendations of the various committees before they are submitted to the whole Board.

Most of the attention of the Board has been occupied by shipments of freight. The Board is not only an agency to coordinate the activities of the administrative services, but also performs some of the work itself. Shipments of freight in lots of two carloads or more are routed by the Board. During the fiscal year 1925 the Board issued 4112 route orders, involving 32,187 carloads of government freight.⁹ The annual reports of the Board cite many instances where its activities of this kind have resulted in large savings. Reports are made monthly to the Board by the departments of the shipments which the departments route, and as opportunity permits, are examined by the Board. When it is found that they have not been made in the most economical way, the matter is called to the attention of the office concerned. To stop the loss resulting from improper descriptions of shipments by government services who used their own nomenclature and did not conform to the carriers' classifications so that the most favorable rate was often not secured, the Board prepares instructions regarding the proper classification of the various kinds of goods shipped by the government. As these are prepared they are distributed to the shipping agencies of the government. A plan of traffic procedure to secure uniformity and business methods in handling traffic was prepared for the departments by the Board and has been adopted by all whose traffic is of sufficient importance to warrant this action. In a number of instances where one of the departments or establishments has complained of the rates charged by a railroad the Board has held conferences with the railroad and has succeeded in securing a better rate.

⁹ *Ibid.*, 1925, p. 82.

Specifications for Materials and Services. In his speech to the second regular meeting of the Business Organization of the Government, Director Dawes exhibited two brooms, one of which was made in accordance with Navy specifications while the other complied with the Army specifications. Because of the difference in specifications the Navy Department purchased 18,000 brooms when it could have had 350,000 of the Army brooms which were part of its surplus supplies. To prevent such occurrences and to avoid the duplication of work in preparing specifications, the Federal Specifications Board was created by Budget Circular 42, dated October 10, 1921. This Board like the other coördinating agencies is composed of one representative from each of the departments and independent establishments, with the Director of the Bureau of Standards as *ex-officio* chairman. Its duty as defined by the circular is "to compile and adopt standard specifications for materials and services, and to bring specifications into harmony with the best commercial practice wherever conditions permit, bearing in mind the desirability of broadening the field of supply." The specifications prepared and adopted by the Board and approved by the Director of the Bureau of Standards, were declared to be binding, as far as applicable, upon all departments and offices of the government. In case of any disagreement on specifications or methods of procedure, the decision of the Chief Coördinator was to be final, subject to the usual appeal.

After being organized the Board selected an executive committee consisting of the representatives of the ten departments, the Panama Canal, and the General Supply Committee to conduct the routine business of the Board. The executive committee considers the need of specifica-

tions for a given article, for either technical or business reasons, and refers those decided necessary to technical committees composed of experts in the particular subject. The technical committees prepare a specification, which is submitted to all government departments and establishments for comment and criticism. After considering these criticisms, the specification is finally agreed upon and promulgated as an official government standard. The activities of the technical committees involve research work which has been done by the Bureau of Standards, the Bureau of Chemistry, the Bureau of Mines, the Forest Service, and other scientific agencies of the government. The annual report of the Board for the fiscal year 1926 shows that up to June 30, 1926, 414 specifications had been promulgated as the result of the work of the seventy technical committees that had been appointed. Some of these had been revised since first issued and others were being prepared. A complete list of the articles for which specifications have been issued is given in the annual reports of the Board for 1924, 1925, and 1926.

Hospitalization Activities. The Federal Board of Hospitalization, composed of one official designated by the President and known as Chief Coördinator of the Board, the Surgeon General of the Army, the Surgeon General of the Navy, the Surgeon General of the Public Health Service, the Superintendent of St. Elizabeth's Hospital, the president of the board of managers of the National Home for Disabled Volunteer Soldiers, the Commissioner of Indian Affairs, and the Director of the Veterans' Bureau, was created by Budget Circular 44, dated November 1, 1921. The duties assigned to the Board were to standardize requirements, to expedite the

interdepartmental use of existing facilities, to eliminate duplication in the purchase of supplies and the erection of buildings, to formulate plans designed to knit together in proper coördination the activities of the several departments, and to report to the President on them. The Chief Coördinator of the Board was made responsible for its efficiency and for developing its activities along practical lines. General Charles E. Sawyer, the personal physician of President Harding, was appointed Chief Coördinator of the Board.

On October 24, 1924, the Board was reorganized by Budget Circular 146, which rescinded Circular 44. The new Board was composed of the same personnel with the exception of the member appointed by the President, whose place as head of the Board was taken by the Director of the Veterans' Bureau. The duties of the Board were also changed. The new Board was "(a) to recommend general plans of operation designed to knit together in proper coördination the hospitalization activities of the several departments and establishments, . . . (b) to give consideration to, and make recommendations on, questions which may arise concerning the proper coördination of hospital facilities, with particular reference to (a) the use of existing facilities, (b) the construction of additional facilities, and (c) the standardization and utilization of supplies." The recommendations of the Board were to be transmitted to the Director of the Bureau of the Budget for the consideration of the President.

Annual reports of the Federal Board of Hospitalization are included in the annual reports of the Director of the Bureau of the Budget. The report for 1925 indicates a large number of recommendations submitted to the

President in addition to recommendations submitted to the individual hospital services.

Contracts and Adjustments. The lack of uniformity in the forms of contracts and in the methods of making them and the legal restrictions and other technicalities incident to a contract with any of the government services, undoubtedly hurt the government in its dealings with business concerns. To correct this situation the Interdepartmental Board of Contracts and Adjustments was created by Budget Circular 47, dated November 22, 1921. By this circular each executive department was ordered to organize a departmental board made up of one representative of each bureau having the independent right to enter into contracts on behalf of the United States. The departmental boards were to recommend policies to control in the standardization of contracts within the departments. The chairmen of these departmental boards, together with a representative from each of the independent establishments authorized by law to enter into important contracts, the Chief Coördinator, and a chairman representing the Secretary of the Treasury constituted the Interdepartmental Board of Contracts and Adjustments. The functions of the Board as defined by the circular were:

First, to standardize in general, wherever possible, the forms and methods of contract letting, to the end that a uniform policy on the part of the Government may control the making of such contracts, and with a further view to such changes in the form thereof as will tend to enlist the interest of the contractor on behalf of economy and promptness of execution and eliminate those uncertainties of construction and hazards to be assumed by the contractor which have hitherto operated to increase the cost of Government work and supplies.

Second, to recommend general policies in the settlement of outstanding obligations arising out of contracts of the United States, such as methods of determining and enforcing damages, of settling disputes as to questions of fact, and of determining the final compensation of contractors.

Third, in an advisory capacity and when requested by the head of any department or establishment or his representative upon the board—

(a) To review and revise important contracts and agreements made or about to be made on behalf of the United States.

(b) To advise officers authorized to contract and operating under contract as to the proper interpretation of contracts in process of execution.

(c) To assist in the negotiation of important contracts and agreements relating to personal services, supplies, or construction work.

The work of the Board so far has been devoted chiefly to the standardization of contracts. One group of standardized forms has been prepared for building and construction contracts which are among the most important of the contracts entered into by the government. After considering the statutory requirements, the decisions of the courts, the existing regulations and procedure in the administrative services, and the procedure used by private business and after consultation with various engineering societies and private contractors who do business with the government, the Board completed standard forms for Invitation for Bids, for Bids, for Instructions to Bidders, for Contracts for Construction Work, for Contracts for Supplies, for Bid Bonds, and for Performance Bonds.*

*The forms as tentatively adopted by the board can be found in the Annual Report of the Director of the Bureau of the Budget, 1923, pp. 150-64.

The Board has also prepared a standard form of lease, which the Bureau of the Budget by its Circular 109, dated June 1, 1923, instructed all the administrative services to use for all leases to which the government is a party. In case any department or establishment should consider it necessary to deviate from the standard lease, it was instructed to submit the proposed deviation to the Interdepartmental Board of Contracts and Adjustments, which would make a recommendation on the proposal to the Bureau of the Budget.

The Board has prepared two publications, which have been issued by the Bureau of the Budget. The first, issued in 1922, is a *Compilation of the Principal Federal Statutes Relating to Public Contracts*. The other, issued in 1925, is a *Digest of the Principal Decisions of the United States Supreme Court, United States District Courts, the Court of Claims, and the Opinions of the Attorney General Relating to Contracts*. The Board also drafted for submission to Congress, a bill to establish uniform procedure in making government contracts and to replace the provisions scattered in 225 statutes which prescribe the formalities and different methods of procedure to be followed by the various departments and establishments when making contracts. The proposed bill is designed to simplify and make uniform the contract procedure of the government while retaining the safeguards which experience has shown necessary. The passage of this bill will enormously improve the whole system of government contracting and purchasing.

Office Procedure. By Budget Circular 137, dated May 16, 1924, the Interdepartmental Board on Simplified Office Procedure was created to promote economy and efficiency in routine office procedure in all matters not

assigned to other agencies. Every department and establishment of the government was directed to organize a permanent departmental committee on simplified office procedure to investigate within the department or establishment any problems coming within the province of the Interdepartmental Board.

The following standard forms to be used by all the administrative services have been prepared by the various coördinating boards and promulgated by the President:

- No. 1. Requisition for printing and binding
- No. 2. Government lease
- No. 3. Appropriations (estimates for Bureau of the Budget)
- No. 3a. Appropriations (estimates for Bureau of the Budget)
- No. 4. Personnel journal
- No. 4a. Changes in civilian personnel
- No. 5. Completion of personnel journal
- No. 6. Personal history
- No. 7. Service record card
- No. 8. Oath of office
- No. 9. Report on shipments
- No. 10. Request for routing
- No. 11. Waiver of apportionments
- No. 12. Apportionment of appropriation
- No. 13. Abstract of official record of United States Government employees
- No. 14. Telegram blank
- No. 14a. Modified form of telegram blank
- No. 15. Request for reinstatement
- No. 16. Request for transfer
- No. 17. Report on probationary employee

Some of the other coördinating agencies participated in this work. The Board reported that it had more standard forms under consideration. It also stated that

surveys were being made to investigate the possibility of reducing the 230 different sizes and qualities of envelopes used by the administrative services, to ascertain the government employees able to translate foreign languages so that the translations done by contract can be done by regular employees, to determine the extent to which nurses are used to visit sick employees and the desirability of such service, to formulate a uniform policy for the destruction of useless papers, and to learn the number and location of all office reproducing equipment, such as mimeographs, multigraphs, and photostat machines, so that the administrative services could assist each other in this type of work.

Federal Business Associations. The work of coördinating and perfecting business operations by the Bureau of the Budget extends to the field establishments of the government in addition to the departments at Washington. Here the chief agencies made use of are the Area Coördinators and the Federal Business Associations. Of the work of the latter, the Director of the Bureau of the Budget speaks as follows: "

The profitable work performed by the Federal business associations is deserving of the highest commendation. These associations are composed entirely of Federal employees, who, at a frequent sacrifice of time and labor, hold regular meetings, which are presided over by their duly elected officers. Their sole purpose is promoting economy and efficiency in the conduct of the public business within their particular locality. They were created and exist today for no other purpose.

Among other things, these Federal business associations have been instrumental in effecting the loan of Government trucks to the Postal Service in handling

" Annual Report, 1926, p. 15.

Christmas mail; procuring office and storage space in Federal buildings and leased warehouses for agencies in need thereof, frequently recommending, after a thorough study of the situation, a reassignment of space; making telephone surveys in certain cities to ascertain whether a reduction in service may be effected; arranging for the consolidation of purchases where supplies and materials are used by more than one local establishment so that lower bids may be obtained; and arranging for the transfer of surplus supplies and materials from one service for use by another.

Miscellaneous. In addition to the various activities assigned to the coördinating agencies there is a miscellaneous group that defies classification. This includes activities which are performed by the immediate assistants of the Chief Coördinator, often aided by the Area Coördinators. Some of these are only temporary investigations, while others constitute continuing activities. A few examples will show the general nature of this work.

One of the early steps taken in the budget systems' campaign for economy was to solicit reduced rates in hotels for government employees traveling on government business. The Area Coördinators were instructed to attempt to make arrangements with the various hotels in their areas. The names of the hotels and the reductions allowed are reported to the Bureau of the Budget, which informs the administrative services by means of budget circulars. The first list, issued on May 1, 1922, contained the names of only six hotels, each of which would grant a reduction of 25 per cent from their regular rates. The latest revised list, dated January 12, 1925, with its supplement, dated March 2, 1925, contains the

names of several hundred hotels scattered throughout the country which offer varying reductions.

Another problem that has received much attention is that of communication. The government has at its disposal, extensive facilities for communication in the Army and Navy radio nets, the numerous leased telegraph and telephone lines, and the Alaska cable and telegraph lines. It was only rarely that these facilities were used by any of the administrative services except the one which immediately controlled them, and they were seldom used to capacity. After much study, numerous conferences, and the preparation of plans, an Army message center, having in addition to its own the Navy facilities, was designated to handle government dispatches in Washington. Beginning with November 10, 1924, the Army message center took over all or a part of the dispatch traffic of the following services: Department of Labor, Civil Service Commission, Department of Justice, Bureau of Internal Revenue, Coast Guard, Public Health Service, Interstate Commerce Commission, and the Bureau of Public Roads. In addition a considerable number of scattering messages have been handled for other establishments. The resulting saving was estimated by the Chief Coördinator as over \$13,000 per month. The whole question is still being studied for further development.

The coördination of all the government services maintaining patrols on the borders of the country is another problem that has been studied by the assistants of the Chief Coördinator. Some half-dozen services under four departments maintain border patrols for different purposes. At present they render little or no assistance to each other. A plan has been prepared to reorganize all

for the present Budget and Accounting Act, provided that the Bureau of the Budget should be an independent agency attached directly to the Office of the President, and that the concession of nominally attaching it to the Treasury Department was made in order to secure the prompt passage of the act.

While it is true that the Bureau has functioned as an independent agency and the operations of the budget system have not been materially interfered with as a result of the Bureau being in the Treasury Department, it is none the less desirable that this status of the Bureau should be changed. It is desirable that the responsibility of the President for the formulation of the budget should be emphasized in every possible way. Having the Bureau attached directly to his office tends to achieve this aim. At the present time the appropriations for the Bureau are carried in the appropriations for the Treasury Department. This is misleading. The expenses of the Bureau form no part of the expenses proper of conducting the Treasury Department, while they do constitute a part of the expenses of the President in discharging the duties of his office and should so appear in appropriation and expenditure statements. There is, finally, always the danger that some future Secretary of the Treasury may want to assert his authority in respect to the Bureau in a way that would give rise to trouble. The first Director of the Bureau, General Dawes, called attention to this possibility in the following way. After mentioning his harmonious relations with Secretary Mellon, he said: ¹

The Budget Bureau really should not be a Treasury bureau, since it operates directly under the President.

¹Dawes: *The First Year of the Budget*, p. 63.

. . . Some time in the future, because of this, a fool Secretary or a fool Director may get into a controversy, greatly impairing the efficiency of the bureau's work and greatly embarrassing the President if he does not happen to keep well informed of the current business of the government as has usually been the case in the past. The effectiveness of the Budget machinery depends upon its independence of departments and its complete dependence upon the President.

President Harding in his letter to the Joint Committee on the Reorganization of the Administrative Branch of the Government, suggesting the changes in existing organization that in his opinion should be made, urged that this action be taken. The Joint Committee in its report, formulated after exhaustive hearings, concurred in this recommendation and included in the bill drafted by it to put its conclusions into force a provision to that effect.²

Especially is this change desirable if the recommendations in the next succeeding chapter having for their purpose to emphasize the functions of the Bureau of the Budget as a bureau of general administration are put into effect.

² 68 Cong., H. doc. 356, June 3, 1924.

CHAPTER XIX

THE BUREAU OF THE BUDGET AS A BUREAU OF GENERAL ADMINISTRATION

It has been pointed out that the significance of the enactment of the Budget and Accounting Act went far beyond that of merely providing for a change in the technical methods of estimating the financial needs of the government. In many respects its most fundamental feature is the change that it has effected in the character of the Office of the President. Under its provisions, the President now possesses, not merely the nominal, but the actual powers and responsibilities of a general manager. The Bureau of the Budget is the central agency through which he exercises these powers and responsibilities. It happens, however, that at the time of the passage of this act there was already in existence a number of agencies having for their duties the performance of certain activities falling in the field of general administration, using that term to designate the function of exercising the general direction, supervision, and control of the administrative services that is essential if they are to work in harmony with each other, and the maximum of efficiency and economy in operation is to be secured. At the time that the Budget and Accounting Act was drafted it was thought unwise to attempt in the act to modify existing provisions of law relative to those services, as to do so would increase the number of issues raised by the bill and thus tend to divert attention from its main purpose and possibly to jeopardize its passage.

Now that the new system has been in successful operation for a period of years and the position of the Bureau of the Budget has been firmly established as the chief agency through which the President meets his responsibilities as general manager, it is believed that the time has come when consideration should be given to the desirability of abolishing certain, if not all, of these other agencies of general administration and of transferring their duties to the Bureau of the Budget.

The advantages of such action are threefold. In the first place, it will result in a concentration of responsibility for the performance of a distinct function in a single agency, instead of having it diffused among a number of independent or coördinate agencies. Such a concentration is generally recognized as one of the canons of correct administrative organization. Secondly, it will improve the general administrative system of the government by diminishing by just so many the number of separate administrative agencies. There is general agreement that there is great need for a thorough reorganization of the administrative branch of the government and that such reorganization should have as one of its main objects the reduction in the number of independent administrative services. Taking this action would represent a move in this direction and simplify to that extent the problem of administrative reorganization. Thirdly, there can be no question that such action would make possible the achievement of substantial economies by the reduction in overhead and general costs and the more effective utilization that can be had of plant and personnel where they are under a common direction and control.

The agencies, to the merging of which in the Bureau of the Budget consideration, it is believed, should be given are as follows:

1. Bureau of Efficiency
2. General Supply Committee
3. Public Buildings Commission
4. Joint Committee on Printing

Though it is the opinion of the writer that all four of these agencies should be abolished and their duties transferred to the Bureau of the Budget, the arguments in favor of taking this action are much stronger in some cases than in others. Action in respect to each thus presents a separate problem and a decision to refrain from acting in one case should not deter action in another. A brief consideration of each case follows.

Abolition of the Bureau of Efficiency and the Transfer of Its Duties to the Bureau of the Budget. The legislative history of the Bureau of Efficiency is as follows. The legislative, executive, and judicial appropriation act for 1913 directed the Civil Service Commission to establish a system of efficiency ratings for the classified service in the executive departments in the District of Columbia. An appropriation to put this direction into effect was supplied by the appropriation act for the next year, which also directed the Civil Service Commission to investigate and report to the President with its recommendations on the administrative needs of the service relating to personnel in the executive departments in the District of Columbia.¹ Accordingly, the Civil Service Commission established a Division of Efficiency and began the work.² The appropriation act for 1916 carried

¹ 37 Stat. L., 739, 750.

² Civil Service Commission, Annual Report, 1913, p. 21.

an appropriation for the Division of Efficiency, thereby giving it legislative recognition, and enlarged its duties so as to include the investigation of "duplication of statistical and other work and methods of business in the various branches of the government service."³ In 1916 Congress removed the Division of Efficiency from under the Civil Service Commission and erected it into an independent establishment under the name of Bureau of Efficiency. This action was taken by the insertion of an item in the urgency deficiency act for 1916.⁴ There is thus no general organic act defining its status and duties. For the most part, if not entirely, the duties as set forth by law are to be found in successive appropriation acts and take the form for the most part of directing it to undertake specific investigations into specified questions of administrative organization and procedure. In addition to complying with these directions, the Bureau on its own initiative or at the request of the several departments, has made numerous studies of administrative problems and submitted recommendations having in view the improvement of administrative organization and procedure.

It is unnecessary to consider the value of these investigations and recommendations by the Bureau of Efficiency. The significant fact is that the function of this service represents a complete duplication of that of the Bureau of the Budget. The latter, in the discharge of its general duties of determining the recommendations that it should make to the President in respect to the grant of funds to the administrative services is compelled to, and does in fact, make detailed inquiries into

³ 38 Stat. L., 997, 1007.

⁴ 39 Stat. L., 14, 15.

the manner in which these services are organized and conduct their business. Furthermore, the Budget and Accounting Act provides that the Bureau acting on behalf of the President shall make studies of the entire organization and business procedure of the several departments and establishments, and on the basis of such studies, recommend action having for its purpose to secure greater economy and efficiency in the dispatch of public business. The section (209) relative to this matter reads as follows:

The Bureau, when directed by the President, shall make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes (with a view of securing greater economy and efficiency in the conduct of the public service) should be made in (1) the existing organization, activities, and methods of business of such departments or establishments, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such study shall be embodied in a report or reports to the President, who may transmit to Congress such report or reports or any part thereof with his recommendations on the matters covered thereby.

The appropriation for the Bureau of Efficiency for 1927 is \$210,350, in addition to which the Bureau is provided with quarters, heat, light, etc. On the other hand, there is general agreement that the Bureau of the Budget is understaffed, particularly in respect to men in the upper grades. If the Bureau of Efficiency were abolished and but half of its appropriations were transferred to the Bureau of the Budget, that service, through the employment of additional experts in the several fields of public administration, with a compensation adequate to attract the best talent, and other help could do more

effective work than is now done by the two organizations working independently. Even were this not so, the concentration of responsibility and the simplification of the administrative organization as a whole that would result would alone justify the merging of the two services.

Mr. Byrns, who was a member of the special committee on the budget that framed the budget act, and is ranking Democratic member of the present Committee on Appropriations, has put the case for this action excellently in remarks made by him in the House of Representatives. When the item for the Bureau of Efficiency was reached in the debate on the appropriation bill for the independent establishments for 1924, he said: *

Mr. Chairman, I am frank to say to the committee that if I thought it would carry I would offer an amendment to strike out the paragraph and eliminate this entire appropriation. I say that for this reason: without discounting any good that this Bureau of Efficiency has accomplished in the past, I feel that the work performed by the Bureau is, if not duplication, a work that should be and can be done by other bureaus. This bureau was established, I think, in 1912 or 1913. At the time it was established, there was no bureau or activity of the Government which was devoting its time and attention to the question of efficiency and economy in the various departments. Since that time we have passed the Budget law. The Director of the Budget, a gentleman of very great ability, and who has a very earnest desire to serve the Government, has under his control appropriations amounting, if I mistake not, to \$190,000; and when you add to that the salaries paid to other employees in the departments who are detailed to the Bureau of the Budget, this bureau is costing the Government, if I remember correctly something like \$300,000 per year, and he has salaried officials getting five and six thousand dollars a year, one of whom

* *Cong. Record*, February 20, 1923.

is stationed in each one of the various departments, and for what purpose? For the purpose of keeping in touch with the department and ascertaining and informing the Director of the Bureau of the Budget and the President as to just what is being done, what employees can be eliminated, and when activities can be coördinated and combined so as to save the Government money and enable him, as Director of the Budget, to make recommendations of economy to the President of the United States. Under these circumstances why have a Bureau of Efficiency performing, as I say, largely the very same duties that are being performed by this very efficient Director of the Bureau of the Budget with his very large staff?

Mr. Wood, who was in charge of the bill, while opposing the abolition of the Bureau of Efficiency, endorsed Mr. Byrns' position that there was a strong argument in favor of merging the two organizations. Following Mr. Byrns' remarks he said:

There is some reason for the contention of the gentleman from Tennessee. It would be consistent to consolidate the Bureau of Efficiency with the Bureau of the Budget for the reason that the Budget Bureau, in making its estimates, must depend upon surveys made in the various departments, and the only agency to conduct these surveys except an advisory agency within that bureau is the Bureau of Efficiency. . . . Like the gentleman from Tennessee, I would like to make the Bureau of Efficiency a part and parcel of the Bureau of the Budget. But you should not destroy it because if you did you would destroy the very means whereby the Budget is saving millions of dollars to the Treasury of the United States.

Mr. Good, the author of the Budget and Accounting Act, has likewise taken the position that with the erection of the Bureau of the Budget there was no longer any

need of maintaining the Bureau of Efficiency as a separate organization. In a debate that took place on the deficiency appropriation bill for 1921, he thus said: *

As I view it, there is no place now for the Bureau of Efficiency. The Bureau of Efficiency ought to be taken over by the President and turned over to his budget staff, and whatever force he has there that he feels it is desirable to retain ought to be turned over to the Bureau of the Budget and the money spent there.

In conclusion, it should be pointed out that it is not so much a question of the two organizations duplicating each other's work as that the function or field of activities of the two are the same, and that, in view of this, increased efficiency, economy, and simplicity of organization would result from merging the Bureau of Efficiency with the Bureau of the Budget.

Transfer of the General Supply Committee from the Treasury Department to the Bureau of the Budget. Congress has enacted from time to time many provisions of law governing the matter of the purchase of supplies by the administrative departments and establishments.¹ In 1894 it created a board, afterwards known as the Board of Awards, to compare all bids for the furnishing of supplies and to recommend the acceptance or rejection of them.² This represented the first step toward the establishment of central control over the performance of this administrative duty. In 1909 by executive order, and a year later by act of Congress³ this board was supplanted by the present General Supply Committee, which

* *Cong. Record*, June 11, 1921.

¹ See especially Revised Statutes, Secs. 3709-3747.

² 28 Stat. L., 33, 34.

³ 36 Stat. L., 468, 531.

is attached to the Treasury Department and composed of one representative from each of the executive departments and four others representing the more important independent establishments. Its duty, to quote from the Congressional Directory, is "to make an annual schedule of required miscellaneous supplies for the use of each of the executive departments and other Government establishments in Washington, to standardize such supplies, eliminating all unnecessary grades and varieties, and to solicit bids based upon formulas and specifications drawn up by such experts in the service of the Government as the committee may see fit to call upon, who shall render whatever assistance it may require, provided that the articles intended to be purchased in this manner shall be those in common use by or suitable to the ordinary needs of two or more such departments or establishments." Supplies are actually ordered by the several departments, in accordance with the contracts entered into by the Committee, acting on behalf of all the departments and establishments, and are paid for from appropriations made to them for such purpose. The Committee thus acts as a central contracting rather than a central purchasing or supply agency. After the armistice in 1918 the General Supply Committee was, by executive order, given direct charge of the transfer and sale of surplus office material and supplies in the District of Columbia. In 1919 it was designated, by executive order, as the central agency for maintaining records of supplies throughout the country and for supplying information to all the governmental establishments regarding the availability of surplus supplies and equipment, and the departments were forbidden to purchase any supplies which could be obtained through the General Supply Committee.

In Part IV, dealing with the execution of the budget, account has been given of the activities of the Bureau of the Budget in coördinating and improving the work having to do with the purchase, custody, and utilization of supplies. In performing this work it has worked in close coöperation with the General Supply Committee to such an extent, indeed, that it lists the General Supply Committee as one of its coördinating agencies. The work of this Committee has nothing to do with the essential functions of the Treasury Department. The attachment of this service to the Bureau of the Budget as one of its subordinate agencies would give to that Bureau an agency of which it has need and at the same time contribute to the achievement of the end sought in all proposals for improving the organization of the government; that, namely, of having each department as far as possible embrace only those services having directly to do with the performance of its major function. As has been stated, the Committee in fact operates largely as an agency of the Bureau of the Budget. It is desirable that this situation should be made a legal one by express provision of law. Especially is this desirable if the Bureau of the Budget, as is elsewhere recommended, is taken from under the Treasury Department and made an independent agency directly attached to the Office of the President.

Abolition of the Public Buildings Commission and the Transfer of Its Duties to the Bureau of the Budget. The Public Buildings Commission was created by Section 10 of the legislative, executive, and judicial appropriation act of March 1, 1919.* This Commission is composed of two Senators appointed by the President

* 40 Stat. L., 1213, 1269.

of the Senate, two members of the House of Representatives, appointed by the Speaker of the House, the Superintendent of the Capitol Building and Grounds, the officer in charge of public buildings and grounds, and the Supervising Architect of the Treasury Department. The duties of this Commission, as set forth in the act, are to have "absolute control of and the allotment of all space in the several public buildings owned or leased by the United States in the District of Columbia, with the exception of the Executive Mansion and the office of the President, Capitol Building, Senate and House Office Buildings, the Capitol power plant, the buildings under the jurisdiction of the Regents of the Smithsonian Institution, and the Congressional Library Building, and shall from time to time assign and allot for the use of the several activities of the Government, all such space."

There can be no doubt that there was great need for the vesting in some central authority of general control over the allotment of space in the public buildings to the several administrative services. Nor is there any doubt that the Commission has rendered a great service and produced important economies in the performance of its duties. It is submitted, however, that this function of determining how available quarters can best be distributed among the several administrative services is distinctly an executive one, and as such responsibility for its performance should be vested in the Chief Executive. Though the executive branch is represented on the Commission, the representatives of Congress are in a majority, and the Commission functions as a subordinate agency of that body. Its annual report is rendered to Congress and not to the President. The latter has absolutely no voice in the exercise of this important duty of a general manager.

At the time that this Commission was created it would have been futile to have imposed this duty upon the President, since the position of the President as general manager had not been established; nor did he have any agency through which he might have met this obligation had it been imposed upon him. Since then the Budget and Accounting Act has been passed, which has given to the President direct responsibility as head of the administration and has provided him, in the Bureau of the Budget, with an agency through which he can bear his new responsibilities. Account should be taken of this new condition of affairs. Congress should be relieved of a duty that is in no way legislative, and the President be given the same authority to control this feature of business administration that he had to control other matters of administrative procedure, it being provided that this duty should be exercised through the Bureau of the Budget.

If this action is taken it is to be presumed that the Bureau will make provision for some advisory committee on which the several departments and establishments will have representation, to the end that each will have full opportunity to make known its needs and desires. As in the case of the other recommendations made in this chapter, action in this way will incidentally achieve the collateral ends of centralizing authority and responsibility and simplify the organization of the government by a reduction in the number of the independent agencies made use of in the conduct of public affairs.

Transfer of Certain Executive Powers of the Joint Committee on Printing to the Bureau of the Budget. The problem of the control of public printing with a view to securing the elimination of waste is in some

respects analogous to that of the control of quarters with a view to securing the most effective utilization of space available. The body in which this control is now vested is the Joint Committee on Printing. This Committee, which is composed of three members of the Senate and three members of the House, was created by act of August 3, 1846, but its principal duties are set forth in the printing act approved January 12, 1895.²⁸ It will be noted that this Committee differs from the regular committees of Congress in that it was created and its duties defined by legislation instead of the rules of the two houses. It thus has practically the same legal status as the other administrative agencies of the Government.

For many years after its creation this Committee had for its only function the supervision of the operation of the Government Printing Office and the performance of certain duties in respect to the printing of purely congressional documents. In 1919, however, it was authorized, by a section contained in the legislative, executive, and judicial appropriation act for 1920²⁹ "to adopt and employ such measures as, in its discretion, may be deemed necessary to remedy any neglect, delay, duplication, or waste in the public printing and binding and the distribution of Government publications." This power of remedying waste was interpreted by the Committee as giving to it the authority to control what publications should be issued by the administrative services, the size of editions, etc.³⁰ The same law also provided that all of the many periodicals which had sprung up during the war were to be discontinued unless specifically authorized by Congress, but on the approval of the Joint Committee on Printing a publication having no specific authority

²⁸ 28 Stat. L., 601.

²⁹ 40 Stat. L., 1213, 1270.

³⁰ See *Cong. Record*, Dec. 7, 1921.

from Congress could be continued until the end of the next session of Congress.

In view of the fact that the Government Printing Office is an institution for the execution of congressional printing as well as printing for the executive departments there may be some justification for Congress looking upon it as one of its subordinate agencies and consequently taking the position that it is proper to provide for the supervision of its operation by a congressional agency such as the Joint Committee on Printing. There is, however, no justification for its seeking to make use of this Committee to perform the function of administrative control in the executive field. As in the case of the Public Buildings Commission, there is no doubt that it was highly desirable that a control should have been set up over the administrative departments and establishments in respect to the issue of publications, and especially the issue of periodicals. And, in the absence of any agency of general administration in the executive branch, it is understandable that Congress should have vested this power of control in the Joint Committee on Printing. With the creation of the Bureau of the Budget, there is now in existence an executive agency peculiarly fitted to exercise this control. In its investigation of the expenditure needs of the services it is in a position to determine their requirements in respect to the publication of the data collected by them and the results of their scientific inquiries. The time has arrived, therefore, when the jurisdiction of the Joint Committee on Printing should be restricted to the operation of the Government Printing Office as a printing plant and the control now exercised by it over publications issued by the departments and establishments should be transferred to the Bureau of the Budget.

It is of interest to note that this principle has been in part recognized by Congress in the passage of the joint resolution of May 11, 1922,⁴² which vests in the Director of the Bureau of the Budget control over the issue by the departments and establishments of periodicals. This resolution reads:

That hereafter the head of any executive department, independent office, or establishment of the Government is hereby authorized, with the approval of the Director of the Bureau of the Budget, to use from the appropriations available for printing and binding such sums as may be necessary for the printing of journals, magazines, periodicals, and similar publications as he shall certify in writing to be necessary in the transaction of the public business required by law of such department, office, or establishment.

The circumstances leading up to the passage of this resolution are very interesting and have a direct bearing upon the subject under consideration. In the consideration of the legislative, executive, and judicial appropriation bill for 1921, Congress inserted a provision vesting in the Joint Committee on Printing authority over the issue of periodicals by the administrative services in mimeograph as well as printed form. This provision caused President Wilson to veto the bill "as an invasion of the province of the Executive and calculated to result in unwarranted interference in the process of good government." In his veto message the President stated very clearly the principle here contended—that the function of administrative control should be vested in an administrative agency and not in Congress. Particularly is this principle violated where there is in existence an administrative agency adapted to the performance of this function. In his message the President said in part:

⁴² 42 Stat L., 541.

If we are to have efficient and economical business administration of Government affairs, the Congress, I believe, should direct its efforts to the control of public moneys along broader lines, fixing the amounts to be expended and then holding the executive departments strictly responsible for their use. This can be accomplished by the enactment of legislation establishing an effective budget system, which I have heretofore urged. The Congress and the Executive should function within their respective spheres. . . . 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.

Relief of Director of the Bureau of Budget of Participation in the Work of the Personnel Classification Board. In the preceding pages the recommendation has been made that certain functions of general administration now vested in other agencies be transferred to the Bureau of the Budget as the central agency for general administration now possessed by the government. The principle that should govern in determining the scope of duties of an organ of general administration is that its functions should pertain exclusively to that of general direction, supervision, and control of the operating services. It is highly inadvisable that such an organ should be given operating duties. This principle has been violated in making the Director of the Bureau of the Budget or his representative one of the three members of the Personnel Classification Board whose duty it is to administer the provisions of the "Classification Act of 1923."⁴² The other two members of this Board

⁴² 42 Stat. L., 1488, 1489.

are representatives of the Civil Service Commission and the Bureau of Efficiency. At the time that the act was under consideration in Congress, a difference developed in respect to whether the administration of the act should be entrusted to the Civil Service Commission or the Bureau of Efficiency. This difference was adjusted through the adoption of the compromise plan of vesting the administration of the act in a Board on which each of these organizations, as well as the Bureau of the Budget, would be represented. Like most compromises this plan has satisfied no one and has given rise to great friction in operation. It is the opinion of practically all students of personnel administration that the administration of this act should have been vested in the Civil Service Commission as the central agency of the government in respect to the administration of personnel matters. By so doing the correct principle of concentrating responsibility for a distinct function instead of distributing it among a number of organizations would be put into execution. Both from the standpoint of relieving the Bureau of the Budget from the performance of a duty not pertaining to its primary function, and which in practice has seriously interfered with the performance of this essential duty, and from that of improving the system for administering the Classification Act, it is thus highly desirable that the Personnel Classification Board should be abolished and its duties transferred to the Civil Service Commission. Incidentally, this will diminish by one the number of independent agencies of the government, an end which, as has been repeatedly pointed out, is desirable as a feature of improving the general administrative organization of the national government.

CHAPTER XX

THE USE OF SUPPLEMENTARY BUDGETS

It has been repeatedly pointed out that one of the essential features of a correct budget system is that the legislature shall be given at one time and through the use of one document, known as the budget, a complete picture of the financial condition, operations, and needs of the government. The practice of short circuiting, as it were, certain classes of receipts or expenditures and of not having them figure in the budget, or of having two or more separate budgets is a fatal defect. Notwithstanding this, examination of the character of the activities and financial operations of most governments, and particularly that of the United States, shows that there are certain services which are of a very special character and which consequently should be handled in a special way in the budget. Reference is here had to those services, such as the Postal Service, the Panama Canal, the United States Emergency Fleet Corporation, the Alaskan Railway, etc., which, as a prime feature of their operations, are productive of revenue and which may, therefore, be given the general designation of revenue-producing enterprises.

From the standpoint of financial administration these services differ radically from the ordinary administrative services. Only to a negligible extent do the operations of the latter produce an income, and the cost of their operations has, therefore, to be met from the general fund, the increments of which are derived for the most

part from general taxation. In contrast to these services those, here designated as revenue producing, present a condition where there is a direct relationship between revenue and expenditures and the general principle followed is that of having the latter as far as possible met out of the former. It results from this that while the extension of the operations of an ordinary administrative service makes a corresponding increased charge on the general fund, no such result follows in the case of a revenue producing service since, normally, expansion in the work of such a service produces a corresponding income.

It is thus evident that the general financial resources or condition of the government are only affected to the extent to which such a service, as the result of its operations produces a surplus that can be turned over to the general fund or a deficit that has to be met from such fund. From the general budgetary standpoint all that is required, therefore, is that the general budget shall carry in the case of each revenue producing enterprise this item showing the net result of its operations. This can be secured by having a special budget for each of the enterprises, the net result of which is tied into the general budget in the manner indicated. These budgets are supplementary budgets, since they are not independent of the general budget but constitute as they were supporting documents to that budget.

There are a number of reasons why the operations of these enterprises should in each case be carefully segregated and given the independent consideration that is suggested.

In the first place these services have practically the same character as private enterprises conducted for gain.

It is in the highest degree desirable that each should have its own accounting system, its own statements of assets and liabilities, its own operating statements, etc., to the end that precise information may be available of the extent to which such service is self-supporting, is producing a net profit, or is run at a loss.

Secondly, any attempt to include the gross receipts and disbursements of these services in the general budget not only unduly swells both sides of the account and produces, from the standpoint of the taxpayer, a certain misconception regarding the cost of the government and the growth of government expenditures, but also necessitates the inclusion in the general budget of a great mass of details.

Thirdly, each of these services represents a distinct problem requiring independent consideration. If each has its own budget containing its own balance sheet, operating statements, analysis of receipts and expenditures, etc., not only can the exposition of financial condition, operations and needs be made much more elaborate, but the special considerations involved can also be given more effective consideration.

Finally, the appropriation policy of Congress in respect to such services should be quite different from its policy in respect to the ordinary administrative service. In respect to the latter, Congress not only fixes rigidly the total of the expenditures that may be made by each service, but specifies in detail the purposes or objects of such expenditure, the number of employees that may be employed in each class or at a given salary, etc. It is a question whether it is feasible or desirable that it should do this to the same extent in the case of revenue producing enterprises. To attempt to prescribe the number and

compensation of technical employees, such as ship masters, locomotive engineers, etc., would unduly tie the hands of administrators and throw upon Congress a burden of work that is beyond its competence.

All of the foregoing considerations can be met by setting up each of these revenue producing services as a subsidiary corporation, with its own board of directors, its own personnel, and its distinct accounting, reporting and budget system, the net results of the latter, however, to be tied into the general budget in the manner that has been suggested. By this device the conflicting considerations of an all-comprehensive budget and independent consideration of the financial operations and needs of these special services is secured.

It cannot be too strongly emphasized that the adoption of this device, instead of weakening, strengthens congressional control. Under it the conduct of the financial affairs of these corporations may be subjected to appropriation control that is not attempted at the present time. The only difference from the appropriation standpoint will be that appropriations for the support of the several services will read as appropriations to be met out of the revolving fund of each corporation instead of from the general fund, and that the only appropriation required from the latter fund will be when the revenues of the service are not adequate to keep such revolving fund at a proper figure. In like manner, if it is desired, the Comptroller General can be given the same responsibility in respect to the audit and settlement of the accounts of these services that he has in respect to the accounts of the other services.¹

¹ Special mention is made of this point, since at least one Secretary of the Treasury has taken the mistaken position that the creation of subsidiary corporations and the use of revolving funds removed the services to which

The attempt is not here made to enumerate all of the services of the national government for which supplementary budgets are suggested. Among those which should be so treated are, however, at least the following: The Postal Service, the Panama Canal, the Alaskan Railway, the United States Emergency Fleet Corporation and the Inland Waterways Corporation. In addition to these, there are certain other services, such as the Forest Service, the Bureau of Reclamation, and the Center Market in the District of Columbia operated by the Agriculture Department, which it may, upon examination, prove to be desirable to have handled in the same way.

they related from both the control of Congress and the Comptroller General. See Annual Report of the Secretary of the Treasury Carter Glass, for 1919, p. 126, *et seq.* For a fuller statement of the desirability of the national government making use of subsidiary corporations see the paper by the present writer "The National Government as a Holding Corporation: The Question of Subsidiary Budgets", *Political Science Quarterly*, December 1917, and reproduced as a chapter in the author's work, "The Problem of a National Budget." Institute for Government Research, Studies in Administration (1918). A more recent work on the same general subject is Harold Archer Van Dorn, *Government Owned Corporations*, (1926).

CHAPTER XXI

ELIMINATION OF THE DISTRICT OF COLUMBIA FROM THE BUDGET

Elsewhere¹ the author has pointed out that one of the important steps that should be taken for the improvement of the organization of the national government is to withdraw as far as possible from the field of local administration. In the case of the District of Columbia it is recognized that the situation is a special one, and that the present arrangement whereby Congress acts as the local legislature for the District may have justification. This arrangement, however, furnishes no justification for many administrative duties which are of a purely local concern being undertaken by national administrative agency. The principle that should be followed should be that of vesting in the local government complete responsibility for the conduct of local affairs.

As matters now stand, not only do purely national agencies, such as the War Department, have charge of local matters, but from the standpoint of financial administration, the District of Columbia is treated practically as an administrative department. Its estimates have to be submitted to the Bureau of the Budget and are there passed upon and revised precisely as are the estimates of the federal administrative agencies. This most important executive function, that of making

¹ W. F. Willoughby: *The Reorganization of the Administrative Branch of the National Government (1923)*, Institute for Government Research, Studies in Administration.

known to the fund-raising and fund-granting authority, the financial requirements of the organization administered, is performed, not by the executive organ of the District Government, but by a federal officer.

It is submitted that this is both wrong in principle and unsatisfactory in practice. Congress having set up a local government, and placed at its head the Commissioners of the District, should make it a part of the responsibilities of those officers to submit to it, an annual budget, corresponding to the federal budget, in which is set forth a full report of financial operations in the past, existing financial condition, and an estimate of future financial needs. If it is desired that certain limitations should be placed upon the Commissioners, that, for example, they should keep their estimates of expenditures within estimated current income, these can be provided for by the act governing the preparation and submission of the budget. The budget of the District of Columbia, when received by Congress, can be handled precisely as the District estimates are now handled, or, if it is desired, they can be handled by the Committee on the District of Columbia. The important consideration from the administrative standpoint is that the budget of the District of Columbia shall be a distinct budget and not a part of the federal budget, that responsibility for this budget be exclusively vested in the District Commissioners, and that the Bureau of the Budget be relieved of all responsibility for either the preparation and submission of the District budget or for its subsequent execution.

The arguments in favor of this recommendation, to recapitulate in part what has already been said, are: (1) That it will contribute to the important end of distinguishing between and separating the conduct of fed-

eral and local government; (2) that it will concentrate responsibility for the formulation of a financial and work program for the District in a single body, the Commissioners of the District of Columbia, instead of having that responsibility divided between that body and the Bureau of the Budget, one a local and the other a federal agency; (3) that it will lessen the duties and responsibilities of the Bureau of the Budget and permit it to concentrate its attention upon purely federal agencies; and (4) that it will lay the basis for a segregation of the accounts of the local government from those of the federal government so that the receipts and expenditures of the former will no longer appear, as they now do, among the receipts and expenditures of the latter. Finally, it may be said that this arrangement will undoubtedly be welcomed by the citizens of the District and tend to remove certain friction which has existed in the past.

CHAPTER XXII

IMPROVEMENT OF THE APPROPRIATION SYSTEM

Throughout this work emphasis has been placed upon the distinction between the budget and the appropriation acts which represent action upon the budget proposals. The budget is an information document and as such can scarcely enter into too great detail in reporting upon past action and in making known future needs. Though the appropriation acts should be based upon and follow the general scheme of presentation of estimates no greater mistake could be made than in making the appropriation acts conform in detail to the budget presentation. There is thus a problem of determining the character of the appropriation system of a government which, though related to, is distinct from that of determining the character of the budget.

In other chapters a description has been given of many improvements that have been made in the appropriation system of the national government as a result of the adoption of the budget system. The more important of these are: the vesting of all authority to frame appropriation bills in the hands of a single committee in each House; the adoption of the unit of organization as the primary basis for the classification of appropriations, and the adoption of lump sum appropriations for salaries and wages, and to a large extent for public works. There still remains other ways in which the appropriation sys-

tem can be greatly improved which it is the purpose of the present chapter to indicate.

Abolition of Permanent Appropriations. Logically the budget should contain a complete statement of the expenditure needs of the government for the year to be financed, and the appropriation acts a complete statement of the funds voted for that purpose. The achievement of this end is prevented by the existence at the present time of a large number of so-called permanent appropriation acts. These acts, instead of providing for the grant of specific sums for a given fiscal year, give a permanent authorization to expend covering a number of years or running indefinitely, and they may be "definite" in that they fix the amounts that may be expended each year, or "indefinite" in that they authorize the expenditure of such sums as may be necessary for the achievement of the specified purpose. The budget makes its presentation complete by including the expenditures called for by these acts of permanent legislation, being careful to indicate, however, the items that are already provided for by such acts. The annual appropriation acts, however, do not include such items, since appropriations therefor have already been made by permanent statute. The result is that the total of the appropriation acts does not represent the total of the moneys that have been voted for carrying on the operations of the government during the year. The importance of this system of permanent appropriations can be seen from the statement of such appropriations given in the budget, that document listing ninety such appropriations calling for a total expenditure, during 1926, of \$1,405,719,773.24

In the opinion of the writer, this whole system of permanent appropriations is difficult of defense, with the possible exception of a few cases where the government has assumed obligations of a permanent contractual character or adopted a permanent policy, such as reduction of debt through a sinking fund. The objections to this system are that it complicates the problem of determining and making provision for the financial needs of the government, introduces an element of uncertainty in determining the total funds voted for the support of the government or for particular purposes for a given year, and seriously impairs the power of Congress in respect to the exercise of its function of direction and control over the spending services of the government. The fact that the expenditures called for by these acts are permanently authorized means that items for them cannot be included in the annual appropriations bills and thus do not come before Congress for review when those bills are under consideration. When the appropriation act for the Department of Agriculture, for example, is under consideration, it is natural that most members of Congress and the public should believe that the total carried by that act was the total voted for the work of that department. Only the comparatively few who are familiar with the system know that this department will have a further sum of over \$12,000,000, which is provided for by permanent appropriation acts.

Even if it is admitted that there are a few cases where permanent appropriations may be justified, there can be little doubt that the great majority of existing appropriations of this character cannot be upheld and should be abolished. Why, for example, should there be a permanent appropriation of \$3,000,000 for meat inspection,

Bureau of Animal Industry? The evils of this system were recognized by the first Director of the Budget and were pointed out in his first annual report. In that report he said:³

The whole habit of making continuous appropriations to which the Government has been committed in the past is only an encouragement to a lack of scrutiny of public work by the head of the department under which it is carried on, and an encouragement to shiftlessness and carelessness on the part of subordinates more directly concerned in it. The more rigid the system under which continuous attention to the conduct of the business of government is made mandatory on the part of Congress and the business administration the more efficient will be the conduct of government.

There exists such a mass of undetermined liabilities arising out of unexpended appropriations of former years, and so much resulting uncertainty as to the true amount of expected receipts and expenditures, that it would seem that Congress should recognize the situation and immediately repeal all outstanding continuous appropriations and "revolving funds," save in those cases, if any, where the particular character of governmental activity may require a limited fund as working capital, giving, of course, proper recognition to legally enforceable obligations standing against them. Thus again the relative importance of projects may have the consideration by Congress and the Executive alone made possible by this course. By such an act there will be uncovered for reconsideration a number of practically forgotten projects which are eating up money that would not be devoted to such a purpose if the present situation had been in the mind of the appropriating power when it first acted.

That the present chairman of the Committee on Appropriations of the House is likewise convinced of the

³ Bureau of the Budget, Annual Report, 1921, pp. 13-14.

desirability of abolishing many of the permanent appropriations is well known. It is to be hoped, therefore, that he, working in coöperation with the Director of the Bureau of the Budget, the Secretary of the Treasury, and the Comptroller General, will succeed in accomplishing something in the way of improving the present swollen system of permanent appropriations.

Curtailement of Special Revenue and Expenditure Funds. Closely related to, if not constituting an essential part of, the permanent appropriation system is the practice of the national government of setting up special funds for the financing of particular services or activities. As has already been pointed out this practice is highly desirable in the case of those revenue-producing services which should in effect be treated as subsidiary corporations and financed through a supplementary budget and working capital or revolving fund. The use of special funds is also justified in the financing of supply services through the device of a revolving fund and when trust obligations have to be met. Except in these special cases, the practice of assigning particular classes of revenue to particular services or activities, which necessitates the creation of a special fund, should be avoided.

The objections to this practice are much the same as those against permanent appropriations, it introduces confusion in the statement of public income and expenditure, complicates the work of accounting, and weakens the control of Congress over expenditures by removing from that body the necessity for annually determining the grant of money that shall be made for the purpose for which the fund is set up. Except in the cases that have been mentioned the general policy should be that of having all public receipts covered into the General

Fund and all expenditures met by annual appropriations from that fund. As in the case of permanent appropriations, it is thus desirable that a careful study should be made of existing special funds with a view to the abolition of those for which an adequate justification cannot be made.

Change in Treatment of Unexpended Balances of Appropriations. Attention has been called to the fact that the totals carried by the annual appropriation acts do not represent the total of funds that are available for expenditure by the several departments or the government as a whole, due to the existence of permanent appropriations aggregating over \$1,400,000,000. Even if account is taken of this last factor, the picture is still incomplete. This arises from the fact that, under the law, the balances of annual appropriations previously made that are unexpended during the year remain available for expenditure for two years after the close of the fiscal year to which they relate in the settlement of obligations incurred during that year. The aggregate of such unexpended balances of prior appropriations constitutes a very large sum.

The reason for thus permitting appropriations to be drawn upon after the year for which they were made is closed, is evident. It is a physical impossibility for the spending services definitely to settle and pay all claims arising out of the operations of a year during that year. Contracts for the rendering of services or the furnishing of supplies are entered into shortly before the end of the year which cannot be executed until after the year is closed. Even when the contract is executed during the year differences in regard to the amounts that should be paid on account of them often arise that re-

quire time for adjustment. Two years is believed to be a reasonable time in which to adjust all such matters. At the expiration of that time any balances remaining unexpended are covered back into the General Fund and persons still having unpaid claims must thereafter seek relief through Congress authorizing their payment from other appropriations.

That provision should be made in some way for these hang-over claims, is evident. An examination of the problem, it is believed, will demonstrate that this provision can better be made by authorizing their payment out of appropriations made for subsequent years than by the device of keeping open the old appropriations for two years after the close of the year to which they relate. The objections to the existing system are: that it renders it difficult to determine the amounts that are available for expenditure by the several services during a given year; that it lessens the incentive of the spending services to settle and pay all claims before the year comes to a close; and that it entails a great addition to the burden of keeping accounts through the necessity that it gives rise to for keeping open three sets of accounts by both the spending services and the central accounting offices, one for the year in progress and one for each of the two preceding years.

In England the system here suggested is the one followed and great satisfaction is expressed with it. Thus one writer says:⁹

One very powerful check upon phenomenal extravagance is the strictness with which the accounts of each financial year are made to end with that year. The moment the 31st of March (the end of the fiscal year)

⁹A. J. Wilson, *The National Budget, National Debt, Taxes and Rates*, p. 147.

ends the balance is struck on both sides and credit is taken only for the actual money received within the twelve months, while all authority to spend, except the Consolidated Fund, immediately lapses. If an extra credit has been given and, as may often happen, has not been all spent within the financial year, the Government has no power to continue to draw upon it. Parliament must renew it before another penny can be used, and the same is the case with ordinary unexpended balances. By this rigorous proviso all concealment of debt and confusion of amount of income and expenditures are avoided. Each year tells its own tale, and each year the Government in power has anew to submit its estimates *de novo* to Parliament.

To this might be added the further arguments that, under this system, the spending services are under a powerful incentive to settle and pay claims during the year and that direct comparisons can be made between the appropriations for and the expenditures of a year.

An objection to this system might be raised that it is improper to have an obligation incurred in one year paid out of appropriations for another year. There would be some validity to this objection if the government kept its accounts on the basis of rigidly segregating its operations pertaining to a year. This, however, it does not do. Its statements of income and expenditure include all receipts and disbursements received or made during the year, regardless of the year to which such receipts and expenditures pertain. This being so, there is no reason from this viewpoint of maintaining the existing system unless it can otherwise be defended.

If the change is made, the spending services in formulating their estimates for appropriations will, of course, have to give consideration to outstanding claims that

may have to be settled during the year to which the estimates relate. This should give rise to no trouble, and a requirement that this item be separately estimated for would furnish valuable information concerning the outstanding liabilities of the government.

The change here suggested was in effect advocated by the Director of the Bureau of the Budget in his first annual report. After calling attention to the existence of permanent appropriations and the existing practice in respect to unexpended balances of appropriations, he said:^a

While the Director of the Budget presents with the estimates the information necessary to enable Congress to make its appropriations in the former way, it is urged that if it will pass the budget providing simply for the amount actually to be expended during the fiscal year, with Executive pressure now being exerted to keep the departments within the limits of this expenditure, a continuance of the method will automatically largely eliminate the indefinite cash demands currently made in the past by departments on account of unexpended balances in addition to their current appropriations. A system by which requests for appropriations are based upon the actual need of money for disbursement during the fiscal year for which the appropriation is made will thus tend to prevent hereafter the wide, indefinite, and fluctuating margin between the expenditures for any given year and the appropriations requested of Congress to cover the same period.

Financing of Supply Services. In the operation of a government it is usually found desirable to establish certain central agencies for the furnishing of supplies or services to all the operating units within a department or

^a Annual Report, 1921, p. 12.

for all the services of the government. In the national government the chief central supply services of this character are the Government Printing Office, which does, with a few negligible exceptions, the printing and binding for all the administrative services, the Bureau of Engraving and Printing, which acts as a supply service for the Treasury Department in respect to paper currency, bonds, certificates, internal revenue stamps, and the like, for the Post Office in respect to postage stamps, and possibly does other work for other departments, and the Government Fuel Yard which supplies coal for all services in Washington. Within the departments there have also been created in many cases central services for the supply of stationery and allied articles for all the bureaus in the department.

Prior to 1923 the practice was general of voting money directly to these supply services sufficient in amount not only to defray their administrative expenses but also to secure the supplies and to render the service to the bureaus. This system of appropriation was open to the serious objection that, under it, items for these supplies and services did not appear as items in estimates of the services having the benefit of such supplies or work but as items in the estimates for the supply services, and appropriations for the services did not include these items. The total of the estimates and appropriations for the several services was thus misleading as failing to include these items.

This objection can best be met by providing for the financing of these supply services through the device of the revolving fund. Under this system a single appropriation is made to the supply service sufficient to provide it with working capital, and special appropriations are

made to the bureaus to be served by it for purchasing from the supply service the supplies or services needed by them. The payments made by the operating services are credited to the revolving fund, which is thus supplied with means for making its disbursements without unduly depleting its working capital. Under this system, items for the purchase of supplies or services thus appear as part of the estimates of the services securing such supplies and services, and as part of the appropriations made for such services.

The Government Fuel Yard has been financed since its establishment in 1918 in this way. It was not until 1923, however, that the same policy was adopted in respect to the Government Printing Office and appropriations for printing and binding for the departments. That the system has given thorough satisfaction is evidenced by the testimony of the Public Printer in the hearings on the appropriation bill for his establishment for 1925. After describing the change in system that had been made, he said:

The new method of financing the Government Printing Office has been in operation two years and it has worked well. . . . I think that appropriation direct to the department is a much more businesslike way of handling it. I believe that the departments are conserving their appropriations more now since they have to make the payments out of their own funds than they did when the allotments were made under the Government Printing Office appropriation.*

* In connection with this change a further improvement in estimating and appropriating for printing and binding was made through the insertion in the appropriation act for 1923 of a provision that thereafter estimates for printing and binding should be made a separate item in the estimates of the departments. This did away with the situation where expenses for this purpose were in part met from miscellaneous or contingent appropriations.

The policy that has thus been put into effect in respect to the Government Printing Office and the Government Fuel Yard should be extended to the other central supply services, whether these services serve the whole government or only the subordinate units of a department. Especially would it seem that it should be adopted for the Bureau of Engraving and Printing. Under the existing system the true costs of operating the Post Office and particular divisions of the Treasury Department are not shown by the estimates, appropriations, and reports of expenditures of those services so long as the cost of postage stamps, bonds, and certificates figure as part of the cost of operating the Bureau of Engraving and Printing.

That this policy is one that receives the support of the Bureau of the Budget would appear from the fact that a draft for a new "Public Contract Act," as has elsewhere been pointed out, provides that the General Supply Committee shall become a central purchasing and supply, as well as a central contracting, agency and that it shall be financed through a revolving fund, appropriations for the purchase of supplies being made directly to the spending services. In addition to greatly improving the whole system of government purchasing and supply, it will greatly improve the budget system, as has been set forth above.

Restriction of Appropriations Generally Available for Departments. One of the greatest improvements following the installation of the budget system was the adoption of the unit of organization as the primary basis for the classification of estimates and appropriations. If this system is to give the best results, the estimates and appropriations not only for a department but also for

each bureau or other major subdivision of a department, should embrace all items of expense entering into the cost of maintaining and operating such department or bureau. It has just been shown that this principle was violated by the practice formerly obtaining of having the cost of supplies and services furnished by central supply services figure as part of the cost of maintaining such supply services rather than as part of the cost of operating the services served, and how this defect can be cured by the adoption of the system of financing the supply services through the use of working capital or revolving funds.

The principle of having the estimates and appropriations for the several services complete, is further departed from through the practice now obtaining of voting money to a department for use by it in meeting certain of the expenses of its subordinate units. Thus, for example, the appropriation act for the Treasury Department for the fiscal year 1927 contains an item of \$480,000 for stationery for the Department and all of its several subordinate services. Due to this, the total of the estimates and appropriations for the several services of the Treasury Department do not embrace all the costs of operating such services as their expense for stationery is provided for and met out of a general appropriation for the Department as a whole.

It is recognized that there are certain costs which pertain to the Department as a whole, and cannot be distributed among the individual services. The more important of these are those having to do with the maintenance and operation of quarters, including heating, lighting, telephone service, and the like. Whenever feasible, however, the principle should be followed of

avoiding general appropriations for the Department as a whole and making specific appropriations to the individual services. In this way only can the true cost of maintaining those services be readily determined and full control be exercised by Congress in the voting of funds.

It is true that the general appropriation gives greater flexibility in the expenditure of funds; but this consideration can be met by the device hereafter advocated, and to a certain extent employed at the present time, of permitting within certain limits of transfers between appropriation heads within a department. It would seem, therefore, that a careful study should be made of existing appropriation heads with a view to determining where it is feasible to substitute specific appropriations to the several services in place of general appropriations to the department as a whole.

Revision of Appropriation Heads. Among the changes most urgently needed in the present system of voting money is a thorough revision of appropriation heads. At no time has the attempt ever been made to work out a systematic scheme of items that shall appear in the appropriation acts. The present system of itemization has grown up absolutely at hazard. As a new need was felt, a new item was inserted in one of the appropriation bills. There was little or no attempt at standardization in respect to the language employed in designating the same appropriations in different bills. In some cases appropriations are made in broad general terms leaving a wide discretion to the administrative officer as to purposes for which the money voted may be applied, in others the grants are for highly specialized purposes, this notwithstanding the fact that there may be more reason for seeking to control the application of funds through rigid

prescription in the former than in the latter cases. This condition was graphically described by Mr. Martin B. Madden, in remarks made by him in reporting the first appropriation bill under the new budget system. He said:

Now I want to make this suggestion in regard to the work of the Appropriation Committee. It seems to me in the consideration of problems that come before us that a great deal can be accomplished by a rearrangement of the appropriation paragraphs by which sums of money are carried in the various appropriation bills. Some of these paragraphs are indefinite in their detail and carry very small sums. Some of them express the instrumentalities for carrying on a given function without any reference to the function that is to be accomplished, and others express the function without any reference to the instrumentalities for which the money is to be expended in accomplishing that function. There is practically no uniformity of expression. For example, the main appropriation for the Customs Service is carried in one paragraph, in one sum of \$11,300,000 and occupies four or five lines. The appropriations for the Bureau of Fisheries are carried in 57 paragraphs, aggregating \$1,233,100 extending over five or six pages. Many of the smaller paragraphs and smaller sums now in appropriation bills could be consolidated and merged without affecting the control of Congress over the funds. Many larger sums could be subdivided and make easier the task of inquiring into them.

This matter of appropriation heads is one of supreme importance. They represent the specifications on the part of the fund granting authority of the purposes for which the money voted may be expended. Their function is to control the administration in the expenditure of funds. If improperly made they either fail to control where con-

¹ *Cong. Record*, January 5, 1922.

trol is desirable, or unduly control where the exercise of discretion on the part of the administration is desirable in the interest of the most effective utilization of the money. They, furthermore, vitally affect the accounting system of the government. An account must be opened with each appropriation head on the books of the operating service having the expenditure of the money and on the books of the central accounting office. These so-called appropriation accounts are the most important accounts kept by the government. If the scheme of appropriation heads corresponds to the classification of expenditures devised by the several services in order that they, and their superior authorities, may secure a proper analysis of costs involved in performing their work, these accounts will, in addition to securing their primary function of an instrument of control, furnish valuable operative data. If not devised with this end in view, the operating service will be compelled to maintain an additional set of accounts that will furnish such information.

The intimate bearing of this question of appropriation heads upon the matter of devising a proper accounting system for the government is commented upon by the Comptroller General in the following way: *

Due largely to the lack of any other effective control, it has been attempted to control expenditures by increasing the number of appropriations and by making appropriations for particular objects of expenditure in a manner which has little relation to effective control through a modern accounting system. For some departments, as example the Navy Department, the appropriations are so made that it is impossible to formulate a system of accounts in conformity therewith which would satisfy anyone familiar with accounting requirements. The result

* Comptroller General, Annual Report, 1923, p. 27.

of the present method of appropriating is that the Navy Department has its appropriation system and its general accounting system, each separate and distinct, each very unsatisfactory, because of the complete lack of coordination. Every attempt which is made to tie the figures obtained from one system of accounts into the other system requires what can hardly be defined otherwise than as a forcing of balances.

In an attempt to control expenditures through detailed appropriations, Congress has set up for the Indian Service something like 2000 different appropriations. However, a considerable proportion of these are consolidated by the Treasury Department under one heading. The methods used involve a multiplicity of cash accounts and transactions by appropriations which tend only to confuse the real issues and accomplish no good purpose. It is believed possible to derive a much more effective control in a much simpler and more economical way.

The problem that is presented is thus that of subjecting the entire scheme of appropriation heads as it now exists to an intensive study with a view to : (1) Adopting as far as possible general principles in respect to itemization of appropriations, the language employed, and the limitations, if any, that should be imposed in respect to the expenditure of the money granted; (2) the consolidation of appropriations under fewer and more general heads where specification is made in unnecessary detail or the splitting up of lump-sum appropriations where, in the interest of greater definiteness and control, this can be done without placing undue limitations upon the spending authority; and (3) the adoption of appropriation heads that correspond to the subdivision of organization units, the classification of activities, or the nature of the operations of the spending services to the end that a clearer picture may be afforded of the purposes for which

the grants of money are made and that information of the most valuable character may be obtained from the appropriation accounts. A study of this kind, if it is to be productive of the best results, can only be made under conditions where the Committee on Appropriations, the Bureau of the Budget, the Comptroller General, and the spending services are represented in the work. The necessity for the participation of certain of these officers is pointed out by Mr. Madden in continuation of the remarks on the subject above reproduced. He then says:

Such a rearrangement, however, involves the accounting system of the government and should only be made after the Comptroller General, who has charge of the prescribing of the forms of accounting and the Director of the Bureau of the Budget, whose duty it is to prepare the estimates of appropriations, have made a study of the situation and evolved a comprehensive and definite plan for the form of the appropriation paragraphs and the verbiage to be carried in them, in order that they may accomplish the purpose which Congress contemplates when it makes the appropriation. Of course, the Appropriation Committee could do the work very well, but there is a long line of Comptroller's decisions on the language now employed in the bills, and if we were in a position where we could shape the accounting system, it would be possible for the Appropriation Committee to adjust them, but inasmuch as we are not able to regulate the accounting system we thought it would be wise to call the matter to your attention, so that you may realize that we are thinking about the problems that confront Congress in its work and also the problems that affect the Nation.

The situation is thus one where one of the chief officials mentioned, the Chairman of the House Committee on Appropriations, the Director of the Bureau of the Budget or the Comptroller General should take the initiative,

secure the coöperation of the other officers, and undertake this important work.

Elimination of Permanent Legislation from Appropriation Acts. In years past one of the serious defects in the appropriation system was the extent to which permanent legislation, often having no direct relation to the bill, was incorporated in appropriation acts. Under the new rules, which make subject to a point of order any attempt on the part of the Committee on Appropriations in framing appropriation bills, or on the part of members while the bill is under consideration, to incorporate any new legislation in such bills, this defect has been corrected in so far as the incorporation of extraneous matters of general legislation is concerned.

Notwithstanding this, the appropriation acts are still loaded down with a great mass of permanent legislation having for its purpose to prescribe the manner in which appropriations granted shall be expended, or to impose limitations that must be observed by those having the expenditure of the moneys granted. Thus, the appropriation act covering the appropriation for the Government Printing Office for 1927 contains the following items:

To provide the Public Printer with a working capital for the following purposes for the execution of printing, binding, lithographing, mapping, engraving, and other authorized work of the Government Printing Office for the various branches of the Government: For salaries, compensation, or wages of all necessary officers and employees additional to those herein appropriated for, including employees necessary to handle waste paper and condemned material for sale; to enable the Public Printer to comply with the provisions of law granting holidays and Executive orders granting holidays and

half holidays with pay to employees, to enable the Public Printer to comply with the provisions of law granting thirty days' annual leave to employees with pay; rents, fuel, gas, heat, electric current, gas and electric fixtures; bicycles, motor-propelled vehicles for the carriage of printing and printing supplies, and the maintenance, repair, and operation of the same, to be used only for official purposes, including purchase, exchange, operation, repair, and maintenance of motor-propelled passenger-carrying vehicles for official use of the officers of the Government Printing Office when in writing ordered by the Public Printer (not exceeding \$4000); freight, expressage, telegraph and telephone service; furniture, typewriters, and carpets; traveling expenses; stationery, postage, and advertising; directories, technical books, and books of reference (not exceeding \$500), subscriptions for which may be paid in advance; adding and numbering machines, time stamps, and other machines of similar character; machinery (not exceeding \$200,000); equipment, and for repairs to machinery, implements, and buildings, and for minor alterations to buildings; necessary equipment, maintenance, and supplies for the emergency room for the use of all employees in the Government Printing Office who may be taken suddenly ill or receive injury while on duty; other necessary contingent and miscellaneous items authorized by the Public Printer: *Provided*, That inks, glues, and other supplies manufactured by the Government Printing Office in connection with its work may be furnished to departments and other establishments of the Government upon requisition, and payment made from appropriations available therefor; for expenses authorized in writing by the Joint Committee on Printing for the inspection of printing and binding equipment, material, and supplies and Government printing plants in the District of Columbia or elsewhere (not exceeding \$1000); for salaries and expenses of preparing the semimonthly and session indexes of the *Congressional Record* under the direction of the Joint Committee on Printing (chief in-

dexter at \$3150, one cataloguer at \$2880, and two cataloguers at \$2150 each); and for all the necessary labor, paper, materials, and equipment needed in the prosecution and delivery and mailing of the work, \$2,400,000, to which shall be charged the printing and binding authorized to be done for Congress, the printing and binding for use of the Government Printing Office, and printing and binding (not exceeding \$1500), for official use of the Architect of the Capitol when authorized by the Secretary of the Senate, in all to an amount not exceeding this sum.

Printing and binding for Congress chargeable to the foregoing appropriation, when recommended to be done by the Committee on Printing of either House, shall be so recommended in a report containing an approximate estimate of the cost thereof, together with a statement from the Public Printer of estimated approximate cost of work previously ordered by Congress within the fiscal year for which this appropriation is made.

During the fiscal year 1927 any executive department or independent establishment of the Government ordering printing and binding from the Government Printing Office shall pay promptly by check to the Public Printer upon his written request, either in advance or upon the completion of the work, all or part of the estimated or actual cost thereof, as the case may be, and bills rendered by the Public Printer in accordance, herewith shall not be subject to audit or certification in advance of payment: *Provided*, That proper adjustments on the basis of the actual cost of delivered work paid for in advance shall be made monthly or quarterly and as may be agreed upon by the Public Printer and the department or establishment concerned. All sums paid to the Public Printer for work that he is authorized by law to do shall be deposited to the credit, on the books of the Treasury Department, of the appropriation made for the working capital of the Government Printing Office, for the year in which the work is done, and be subject to requisition by the Public Printer.

All amounts in the Budget for the fiscal year 1928 for printing and binding for any department or establishment, so far as the Bureau of the Budget may deem practicable, shall be incorporated in a single item for printing and binding for such department or establishment and be eliminated as a part of any estimate for any other purpose. And if any amounts for printing and binding are included as a part of any estimates for any other purposes, such amounts shall be set forth in detail in a note immediately following the general estimate for printing and binding: *Provided*, That the foregoing requirements shall not apply to work to be executed at the Bureau of Engraving and Printing.

No part of any money appropriated in this Act shall be paid to any person employed in the Government Printing Office while detailed for or performing service in any other executive branch of the public service of the United States unless such detail be authorized by law.

Payment of not to exceed the contract price of \$125,000 for three postal card presses ordered in fiscal years 1924 and 1925 shall be made upon audit and order of the Joint Committee on Printing; and such audit, order, and payment shall be conclusive and binding upon all parties concerned as to correctness of the account.

This item is reproduced and reenacted each year in the annual appropriation act. The greater part of the wording is also reproduced each year in the Budget. There are scores if not hundreds of similar cases where in addition to designating the sums voted, long instructions are given relative to the conditions that must be observed in expending the money.

This practice is objectionable from almost every point of view. The appropriation acts, instead of being confined to their proper function of voting money, are made the vehicle for the carrying of regulations of an administrative character. This not only causes great un-

necessary expense in the printing of the bills and acts, but it also means that an important part of the administrative law is scattered through many acts. Great improvement and an important saving would be accomplished if the appropriation acts were carefully studied for the purpose of eliminating from them all provisions in the form of instructions and limitations that are of a permanent character and embodying them in a special act that will be enacted once for all.

Even if this is done, there will arise numerous cases where in appropriating money Congress will desire to give certain instructions or impose certain restrictions upon its expenditure. Where this necessity arises it is suggested that such instructions and limitations, instead of being set forth where the sums voted are given, be segregated in a special section or sections at the end of the appropriation acts. The adoption of this practice will greatly improve the form of the appropriation acts and facilitate the determination of the sums granted. It will, indeed, make it possible for the grant of funds to be set forth in tabular form instead of in its present form of solid text.

Authorization of Transfers between Appropriation Heads. It has been pointed out that one of the most difficult problems confronting a legislature in voting funds for the support of the government is the determination of the extent to which it shall itemize appropriations. If it makes its grants under a relatively few general heads, it fails to make definite its wishes in respect to the expenditure of monies and throws open the door to possible abuse on the part of the spending authorities. If, on the other hand, it specifies in detail the purposes for which the money granted may be spent, it prevents the

spending officers from the exercise of the discretion that is often needed in meeting new situations and making the most effective use of the total sums voted.

This dilemma can best be met by making appropriations in reasonable detail and then authorizing transfers between appropriations under conditions that will safeguard any abuse of this power. This power of making transfers between appropriation heads is a feature of the English budget system, being there known as "virement." It has also been adopted by Congress in respect to certain appropriations. For some years the agricultural appropriation act has thus contained a section providing that:

Not to exceed ten per centum of the foregoing amounts for the miscellaneous expenses of the work of any bureau, division, or office, herein provided for, shall be available interchangeably for expenditures on the objects included within the general expenses of such bureau, division, or office, but no more than ten per centum shall be added to any one item of appropriation except in cases of extraordinary emergency, and then only upon the written order of the Secretary of Agriculture.

It is believed that this provision, with certain modifications, might well be made of general applicability. If this is done, it would probably be desirable to provide that transfers could only be made between appropriation heads for a service upon the written approval of the head of a department and between separate services upon the approval of the President who, of course, would act through the Bureau of the Budget, and that in all cases a report of all transfers made, with a statement of the reasons therefor, should be submitted to the Bureau of the Budget in connection with the estimates submitted for the next

fiscal year, and a report of the same be included in the estimates as submitted to Congress. These requirements would tend to prevent any illegitimate use of the power.

Limitation of General Debate on Appropriation Bills to Subject Matter of the Bills. One of the great advantages of having all appropriations for a department embraced in a single appropriation bill is that Congress is annually afforded the opportunity of considering at one time the entire activities of a department and its financial needs. As has been pointed out in Part III, dealing with action upon the budget, consideration of appropriation bills is had in two ways; first, general debate, during which the bill is not open to amendment; and second, debate under the five minute rule when the bill is read section by section and amendments which must be germane to the bill may be offered, debated, and acted upon. A serious defect in this system, which is otherwise thoroughly satisfactory, is that speakers participating in the general debate need not confine themselves to the subject matter of the bill. While the Department of Agriculture bill is under consideration, a speaker may thus discuss, and often does discuss, such totally irrelevant matters as the initiative, referendum, and recall in Oregon, the Monroe Doctrine, or any other matter in which he is interested.

Valid arguments can be brought forward in favor of giving to members of Congress an opportunity to discuss matters of public policy, even though such discussion does not have for its purpose the perfection of any particular legislative measure. It is extremely unfortunate, however, that this privilege should be granted in connection with the consideration of appropriation bills. If

general debate on these bills had to be confined to the subject matter of the bills, there would result a general review and consideration of the administrative and financial program of the government that would be far superior to that which now takes place. Incidentally, it would greatly facilitate the following of this discussion by the general reader or by those having need subsequently to refer to debate on appropriation bills. It ought not to be difficult to secure an amendment of the Rules of the House that would correct this defect in procedure.

CHAPTER XXIII

IMPROVEMENT OF ACCOUNTING AND REPORTING SYSTEM

As has been indicated, the perfection of a budget system is dependent in no small degree upon the putting of other features of administration upon a proper basis. In this and the next chapter it is desired to point out the more specific instances where the giving to the budget the character that it is desirable it should have is dependent upon the accomplishment of these collateral reforms; or, to state this in another way, how the accomplishment of these reforms, desirable in themselves, will have the valuable by-product of improving the budget system.

The budget is essentially an information document. It has as one of its major functions to furnish that information regarding the financial condition, operations, and needs of the government that will enable those in authority intelligently to judge past performance and frame future financial policies. Though the tables contained in Part I are statistical rather than accounting statements, the data contained in them must be taken from the accounts and financial reports. In the last analysis, therefore, the budget in presenting information is dependent upon the character of the accounting system of the government. If that system is defective and does not produce the information that it is desirable should be presented in the budget, the latter will to that extent be unable fully to perform its mission.

It is well known that the accounting system of the national government, though materially improved over what it was a few years ago, is still far from satisfactory. This is not the place to attempt any comprehensive consideration of this subject and much less to suggest in detail the changes that should be made in it. It is pertinent, however, to point out certain of the important features in respect to which the accounting system fails to supply the data urgently needed for budgetary purposes.

Probably the greatest defects in the present accounting system, from the budgetary standpoint are: the keeping of the accounts on a cash instead of an accrual basis; the failure to keep proprietary accounts; the failure to make proper fund distinctions; and the disregard of the distinctions between "revenue" and "non-revenue" receipts and between "expense" and "outlay" expenditures. The remedying of the two first named defects would require an important modification of the whole accounting system; the other could easily be remedied by a change of practice under the existing system. To illustrate what is meant by the failure to make the distinctions indicated, the receipts and expenditures of such special funds as the Reclamation Fund, the Forestry Fund, and the like are treated, or at least are reported, as receipts and expenditures of the General Fund; income received through the sale of assets, such as bonds given to the government by railroad companies for advances made to them are given the same treatment as income received in the way of taxes, and expenditures made in the way of making such advances or the purchase of other securities, such as Federal Land Bank bonds are treated exactly as if they were the same in

kind as ordinary disbursements to meet the current cost of operating the government. Under this system of bookkeeping a surplus of some millions might be shown as the results of the operations of the year when in fact the operations of the year had produced a deficit, or vice versa.

This procedure makes the figures in the budget statements misrepresent the balance between the true annual income and expenditures. The proceeds of the sale of surplus war material and of the liquidation of war loans made to foreign governments, railroads, etc., have been treated as though they were current annual income and have swollen the surpluses. In the budget for 1926, for example, it was estimated that the fiscal year 1925, then half over, would show a surplus of \$67,000,000. But an examination of the figures used in arriving at that result reveals that included among the receipts were items of \$90,000,000 resulting from the repayment of loans made to railroads during the war, and of \$10,000,000 from the sale of farm loan bonds which had been purchased during the war to keep the Federal Land Banks in operation. Both these transactions represented the liquidation of capital assets, as much as if an individual had sold some bonds, and should not have been available for use for current expenses. Yet they were included in accordance with the traditional bad accounting methods of the government. In view of these facts it would seem that instead of a surplus of \$67,000,000, there would have been a true deficit if the budget estimates had materialized.

The extent to which the failure to distinguish between "revenue" and "non-revenue" receipts and "expense" and "capital outlay" can mislead in respect to the real character of financial operations, is excellently

brought out in a recent address by Garrard B. Winston, Undersecretary of the Treasury, at the Annual Convention of the American Bankers Association.¹ The main purpose of this address, which was entitled "The United States Public Debt," was to justify the policy of the government in respect to public debt retirement and to point out that the great reduction in debt that had been made since 1919 was in large part possible through the use of assets rather than the use of current income. After pointing out that one billion of the debt reduction was made through a reduction in the cash balance of the treasury and thus represented no improvement in the net as opposed to the gross debt, he said:

Two billion dollars is a large excess of receipts over expenditures in the seven years, but before it can be stated that this is entirely too much to collect from industry today and devote to the reduction of a debt which might be paid tomorrow, consideration should be taken of the source from which the money came in order to determine whether it was entirely out of the pocket of today's taxpayers. During the war and in the period of immediate post-war adjustment, the United States made what might be called capital investments. . . . Prior to 1922 the Government had, among other things used money for war supplies, now become surplus, loans to railroads, and investment in the War Finance Corporation, and in the bonds of the Federal Land Banks. During the last five fiscal years the aggregate surplus was \$1,750,000,000 and included in this surplus was \$950,000,000 realized by the Treasury upon previous investments. Most of these assets have been turned into cash but there still remains \$400,000,000 to be received in this and succeeding fiscal years. Then the assets will be exhausted.

It is evident from this statement that the apparent large debt reduction by no means represented a corre-

¹ 52d Annual Convention, Los Angeles, October 6, 1926.

sponding improvement in the net worth of the government, at least two billion of it representing a corresponding reduction in the assets. This fact, which is one of great importance, was obscured by the fact that the reports are not so rendered as to reveal the nature of receipts and expenditures.

Again, the figures of the annual receipts and expenditures are improperly swollen by the transactions in the various trust funds the government operates. Thus, in the total of expenditures there is included the amount invested during the year for the government life insurance fund, while the premiums paid by the veterans who have taken out life insurance are included in the receipts. The overhead costs of this insurance, which the government bears, are properly included as an expense of the government, but the investment of the premiums is not truly part of the cost of the government. The operations of other trust funds, such as the District of Columbia teachers' retirement fund, the civil service retirement fund, the foreign service retirement fund, and the Indian trust funds, are also included and further confuse the picture of the annual cost of the government.

The extent to which the Bureau of the Budget was handicapped by a defective accounting system in formulating the budget was at once appreciated by the first Director of the Budget, General Charles G. Dawes. In his address at the second regular meeting of the Business Organization of the Government, after calling attention to the difficulty his bureau had in determining the facts regarding the financial condition and operations of the government, he said: *

* Addresses of the President of the United States and the Director of the Bureau of the Budget at the Second Semiannual Meeting of the Business Organization of the Government, February 3, 1922, pp. 21-22.

And let me stop right here, in the presence of the Secretary of the Treasury, to criticize the disgraceful and archaic system which characterizes government accounting. General Pershing will remember that when he and I lived in Nebraska, about the time of the panic of 1893, a great many small merchants and business men out there kept only one book of account, and that was their check book. In other words, the only accounting knowledge which they had of their business was through their cash account. Whatever cash came in was treated as income. Whatever cash went out was treated as expense. After the panic of 1893 the sheriff took charge of what was left of the assets of most of these men, and out of that hard experience those of them who went into business again adopted better accounting methods.

The Government of the United States, like these merchants, has no balance sheet. For 130 years since its establishment the Treasury Department, acting for the Government, has kept only a cash account, and publishes only a cash account. What comes in is called income. What goes out is called expense. To illustrate—when the War Finance Corporation loans money for which it takes good security, and for which it retains a bills receivable, the money is checked out of the Treasury to make the loan, and the Treasury lists it as an expense. When the Government sells real estate, which is a reduction in capital investment, it credits income. As a result of this archaic method, it takes a set of experts, at any given time, to inform the President or Congress as to what are the real expenditures of Government or the real income of Government.

Referring to the matter again in another place, he said: *

In the form in which the statement of Government expenditures is usually given, figures covering operations

* Report of the Director of the Bureau of the Budget on the Subject of Economics and Savings in Governmental Business, May 8, 1922, pp. 5-6.

in capital funds, expenditures fixed by Congress not subject to modification by Executive control, investments in trust funds, and transactions in the public debt are intermingled. As a result only an expert can make proper deductions therefrom.

He then illustrates the evils of the system by the following:

In the budget estimates made in December, 1921, the sum of \$337,679,235 was allotted under the railroad administration and transportation act. The recent favorable security market enabled the Railroad Administration to market railroad securities which it had on hand to such an extent that during the year it not only financed itself out of the proceeds of such sales, but will actually turn into the treasury about \$56,000,000. Under the present system of government accounting which calls the loan of money to the railroads an "expense" and the return of the money loaned a "receipt" these operations would have upset the estimated figures for this year to the extent of about \$393,000,000. However, the operations in other capital funds came to the rescue of the balance, for it was decided that the War Finance Corporation should loan to the farming and trade interests over \$189,000,000, which was gravely marked down as an expense instead of a loan. This, with other operations in capital funds and the public debt, helped to restore the balance so seriously upset by the operations in the capital funds of the Railroad Administration. An accounting system like this might be regarded as humorous in a small business. It is nothing short of a calamity in governmental accounting.

The Bureau of the Budget has attempted to take some account of these distinctions in the preparation of its financial statements. Thoroughly satisfactory state-

ments cannot, however, be prepared until the government has radically reformed its accounting and reporting system.*

*On this subject of the improvement of the accounting system of the National Government, see Henry P. Seidemann: *Manual of Accounting and Reporting for the Operating Services of the National Government*, Institute for Government Research, *Studies in Administration*, (1926). The Institute for Government Research has in preparation a companion volume to this work which will be published under the title of "Manual of Central Accounting for the National Government." Mention should also be made of the efforts now being made by the General Accounting Office to improve and standardize the accounting system of the operating services. It is also understood that it is giving serious consideration to the improvement of the central accounting system. There is every prospect, therefore, that steady progress will be made in this branch of public administration and that the budget will profit from such improvement.

CHAPTER XXIV

IMPROVEMENT OF THE ORGANIZATION OF THE ADMINISTRATIVE BRANCH

From the information standpoint, one of the greatest improvements resulting from the adoption of the budget system was the adoption by the Bureau of the Budget of the unit of organization as the primary basis for the classification of estimates and by the House Committee on Appropriations following the same principle of classification in the preparation of its appropriation bills. Under this system one can see at a glance the total estimates and the total appropriations for each bureau and each department and establishment of the government; something that was impossible under the old system where appropriations for the same bureau or department were carried in a number of appropriation bills. It is evident that the value of this information would be enormously increased if the several services of the government were grouped departmentally so that as far as practicable each department included only services whose activities fell within the same field and all services having activities falling within the same field were placed in the same department. Unfortunately no such condition obtains at the present time. The War Department embraces services having no direct relation to the function of national defense. The Treasury Department embraces such services as the Public Health Service and the Office of Supervising Architect which have nothing to do with the administration of financial affairs. Although the

government maintains a large number of services whose prime function is the promotion and protection of the public health, these services are scattered among the several departments. A like condition exists in respect to other departments and functions. It results from this that the totals of estimates and appropriations for the several departments do not furnish a correct picture of the totals for the performance of the major functions of such departments, nor are the totals for a given function, such as the protection and promotion of the public health, available.

It is generally recognized that one of the reforms urgently needed in the national government is a thorough rearrangement of its administrative organization and that this reform should take the direction of reducing the number of independent establishments and the regrouping of the services departmentally so as to make the departments, as far as practicable, unifunctional. If this is done the War Department will embrace only services having to do with matters of national defense, the Treasury Department only with services having to do with the administration of the national finances, and services such as those having to do with the public health will be grouped under the same department or a separate department for them will be created.

The bearing of this reform upon a budget system is evident. If effected, not only will the statements contained in the budget be far more informative than they are, but Congress in considering the budget will take up at one time all estimates for activities in a general field and make provision for them in a single appropriation bill. The improvement of the administrative organization of the government is thus doubly desirable—as a

matter in itself desirable and as contributing to the effectiveness of the system for making known and providing for the financial needs of the government.

In this connection, it would seem that the time has arrived when the Bureau of the Budget should proceed under the provisions of Section 209 of the Budget and Accounting Act, which prescribes that the Bureau, acting under the direction of the President, shall, among other things, make a detailed study of the organization of the departments and establishments for the purpose of determining what improvements can be made therein and particularly how the several services may be grouped departmentally in a more efficient and logical measure and specific activities be better distributed among the services. As has been elsewhere pointed out, at the time the budget act went into effect, there was in existence a joint committee of Congress to which had been assigned this duty of recommending changes in the organization of the administrative branch. In view of that fact the Bureau, it is understood, thought it wise not to attempt to duplicate its studies. This Committee has, however, now completed its work, submitted its report, and gone out of existence. The way is thus clear for the Bureau vigorously to exercise its responsibility in this field.¹

¹ On this problem of administrative organization see W. F. Willoughby, *The Reorganization of the Administrative Branch of the National Government*, Institute for Government Research, Studies in Administration, (1923); James A. Tobey, *The National Government and Public Health*, Institute for Government Research, Studies in Administration, (1926), and Report and Hearings of the Joint Committee on Reorganization of the Administrative Departments, (1924).

CHAPTER XXV

CONCLUSION

Though the task assigned himself has now been completed, the writer hesitates to leave the subject without something in the way of a general evaluation of the new system and statement of how it is regarded by those who are most directly concerned with its operation. He believes this all the more necessary since the numerous suggestions that he has made for the improvement of the system might give rise to the impression that the system is seriously defective. Nothing could be further from the fact. The system, as regards the fundamental principles upon which it is based, is thoroughly sound and can hardly be improved upon. The modifications suggested are in the way of perfecting rather than changing this system. In the opinion of the writer as least, it challenges comparison with that of any other country or any state in the Union, both as regards its character and the results that have been achieved under it. That the system has not only been eminently successful but has profoundly modified for good almost all branches of public administration, is the almost universal testimony of those officers of the government who are responsible for the general administration of public affairs. The two Presidents, Harding and Coolidge, who have held office under this system have been outspoken in their endorsement of it. The former declared it to be "the greatest reform in our financial history."¹ The latter said of it,

¹ Budget Message, December 4, 1922.

"It is an accomplishment in the art of self-government of the very highest importance. It means that the American Government is not a spendthrift and that it is not lacking in the force or disposition to administer its finances in a scientific way."^{*} The testimony from the legislative branch has been even more emphatic. Mr. Martin B. Madden, Chairman of the House Committee on Appropriations since the introduction of the new system, and thoroughly familiar with the old system by long service on the Appropriations Committee, and who can thus speak with great authority, holds the change to have been one of surpassing importance. Of it he has written:^{*}

This measure (the Budget and Accounting Act, 1921) marked the beginning of an epochal reform. As the years roll on and the history of the post war period is written with that clear vision which comes from a dispassionate survey of events, the outstanding achievement to my mind will be the determined and successful effort devoted to the initiation of correct financial methods in the business of the government. . . .

The prestige of Congress under the new régime is certain to be magnified. The elimination of fruitless discussion of petty details of budget estimates gives more time for the consideration of many other and larger pressing questions of national import. The presentation of a mature program of finances by the President makes possible a debate upon the larger aspects of the question of finance—those of policy. . . .

In my long experience in the House, I have seldom seen a policy upon which there was such unanimity of opinion and action as there has been on the question of public expenditures. One noticeable feature has been the forbearance and self-sacrificing of local interest in favor

^{*} Seventh Regular Meeting Business Organization of the Government, June 30, 1924.

^{*} The New System in Government, *Saturday Evening Post*, June 9, 1923.

of the common good. When one recalls the former days when appropriations were sought with avidity for local projects, and the worth of a member was often judged by the amount of the appropriations he secured for his district, it is appropriate to commend the change from local to national attitude.*

In presenting the first appropriation bill under the new system, Mr. Madden also said: †

There never was a time before when any person, no matter how expert he might be, could readily tell just what the cost of a given department was, because the appropriations were carried in five or six different bills. Now all the appropriations for a given department are carried in one bill so that when you see the total footings under a bill you will see the total cost.

And again in reviewing the budget situation a year later he said: ‡

It was the most satisfactory budget which has ever been presented to any Congress, considered both from the standpoint of the Treasury of the United States and the administration of federal activities which will function under it. In my experience as a legislator I have never seen estimates of appropriations so free from obvious padding, so carefully squared to actual needs, or so void of proposed extravagant expansion as these. . . .

The action of the House at the second session of this congress—the long session—in disposing of all of the regular annual appropriation bills by April 19, and thereby establishing a new record for expeditious passage of supply bills was five weeks earlier than the average of any previous long session for twenty years,

* The Budget to Date, *Saturday Evening Post*, November 7, 1925.

† *Cong. Record*, January 5, 1922.

‡ *Cong. Record*, March 15, 1923.

has been maintained by the House at the present short session. . . . The early consideration of the appropriation bills has made possible the consideration of a vast amount of legislative business in the last month of the session which otherwise could not have been taken up.

This opinion of Mr. Madden was fully endorsed by the Chairman of the Senate Committee on Appropriations, Senator Warren who testified to the value of the budget system as follows: *

The budget law has demonstrated its worth. It helps separate the chaff from the grain. It gives accuracy, as well as integrity to estimates, which results in less work on the part of Congress. Under the old system congressional committees were obliged to spend a large amount of time on extravagant and questionable estimates. In fact, meritorious estimates are never the cause of contention. Now that estimates mean something, the work of all is accelerated.

Mr. Frank W. Mondell, Republican Floor Leader of the House in his summing up of the work of the Sixty-seventh Congress paid tribute to the Budget System in the following words: *

The hope entertained by those who for many years labored for a budget system, of those on both sides of this chamber who efficiently served in the enactment of budget legislation has been abundantly justified by our experience under the Budget thus far.

In conclusion, one point may be emphasized. It is the fashion to criticize Congress and to refuse to accord to it the credit of viewing questions from the broad standpoint of the general welfare as opposed to the interests

* *Ibid.*, March 4, 1923.

of the individual members. The record of this body in respect to the adoption of the new budget system, the modification of its rules so as to bring them into conformity with the principles of the system, the changed procedure for the voting of funds for river and harbor improvements and the erection of public buildings, and the treatment that it has accorded to the President's budget should go far toward the correction of this erroneous impression. The success of the new system, if anything, depends more upon the attitude of Congress toward it than that of the Executive. To Congress equally with the Executive, therefore, belongs the credit of this great reform.

APPENDIX I
BUDGET AND ACCOUNTING ACT, 1921

An Act To provide a national budget system and an independent audit of Government accounts, and for other purposes.¹

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I.—DEFINITIONS

SECTION 1. This Act may be cited as the "Budget and Accounting Act, 1921."

SEC. 2. When used in this Act—

The terms "department and establishment" and "department or establishment" mean any executive department, independent commission, board, bureau, office, agency, or other establishment of the Government, including the municipal government of the District of Columbia, but do not include the Legislative Branch of the Government or the Supreme Court of the United States;

The term "the Budget" means the Budget required by section 201 to be transmitted to Congress;

The term "Bureau" means the Bureau of the Budget;

The term "Director" means the Director of the Bureau of the Budget; and

The term "Assistant Director" means the Assistant Director of the Bureau of the Budget.

TITLE II.—THE BUDGET

SEC. 201. The President shall transmit to Congress on the first day of each regular session, the Budget, which shall set forth in summary and in detail:

(a) Estimates of the expenditures and appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year; except that the estimates for such year for the Legislative Branch of the Government and the Supreme Court of the United State shall be transmitted to the President on or before October 15th of each year, and shall be included by him in the Budget without revision;

¹ 42 Stat. L., 20.

(b) His estimates of the receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;

(c) The expenditures and receipts of the Government during the last completed fiscal year;

(d) Estimates of the expenditures and receipts of the Government during the fiscal year in progress;

(e) The amount of annual, permanent, or other appropriations, including balances of appropriations for prior fiscal years, available for expenditure during the fiscal year in progress, as of November 1 of such year;

(f) Balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

(g) All essential facts regarding the bonded and other indebtedness of the Government; and

(h) Such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

SEC. 202. (a) If the estimated receipts for the ensuing fiscal year contained in the Budget, on the basis of laws existing at the time the Budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year contained in the Budget, the President in the Budget shall make recommendations to Congress for new taxes, loans, or other appropriate action to meet the estimated deficiency.

(b) If the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, he shall make such recommendations as in his opinion the public interests require.

SEC. 203. (a) The President from time to time may transmit to Congress supplemental or deficiency estimates for such appropriations or expenditures as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such estimates with a statement of the reasons therefor, including the reasons for their omission from the Budget.

(b) Whenever such supplemental or deficiency estimates reach an aggregate which, if they had been contained in the Budget,

would have required the President to make a recommendation under subdivision (a) of section 202, he shall thereupon make such recommendation.

SEC. 204. (a) Except as otherwise provided in this Act, the contents, order, and arrangement of the estimates of appropriations and the statements of expenditures and estimated expenditures contained in the Budget or transmitted under section 203, and the notes and other data submitted therewith, shall conform to the requirements of existing law.

(b) Estimates for lump-sum appropriations contained in the Budget or transmitted under section 203 shall be accompanied by statements showing, in such detail and form as may be necessary to inform Congress, the manner of expenditure of such appropriations and of the corresponding appropriations for the fiscal year in progress and the last completed fiscal year. Such statements shall be in lieu of statements of like character now required by law.

SEC. 205. The President, in addition to the Budget, shall transmit to Congress on the first Monday in December, 1921, for the service of the fiscal year ending June 30, 1923, only, an alternative budget, which shall be prepared in such form and amounts and according to such system of classification and itemization as is, in his opinion, most appropriate, with such explanatory notes and tables as may be necessary to show where the various items embraced in the Budget are contained in such alternative budget.

SEC. 206. No estimate or request for an appropriation and no request for an increase in an item of any such estimate or request, and no recommendation as to how the revenue needs of the Government should be met, shall be submitted to Congress on any committee thereof by any officer or employee of any department or establishment, unless at the request of either House of Congress.

SEC. 207. There is hereby created in the Treasury Department a Bureau to be known as the Bureau of the Budget. There shall be in the Bureau a Director and an Assistant Director, who shall be appointed by the President and receive salaries of \$10,000 and \$7500 a year, respectively. The Assistant Director shall perform such duties as the Director may designate, and during the absence or incapacity of the Director or during a vacancy in the office of Director he shall act as Director. The Bureau, under such rules and regulations as the President may prescribe, shall prepare for him the Budget, the alternative Budget, and any supplemental or deficiency estimates, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments.

SEC. 208. (a) The Director, under such rules and regulations as the President may prescribe, shall appoint and fix the compensation of attorneys and other employees and make expenditures for rent

in the District of Columbia, printing, binding, telegrams, telephone service, law books, books of reference, periodicals, stationery, furniture, office equipment, other supplies, and necessary expenses of the office, within the appropriations made therefor.

(b) No person appointed by the Director shall be paid a salary at a rate in excess of \$6000 a year, and not more than four persons so appointed shall be paid a salary at a rate in excess of \$5000 a year.

(c) All employees in the Bureau whose compensation is at a rate of \$5000 a year or less shall be appointed in accordance with the civil-service laws and regulations.

(d) The provisions of law prohibiting the transfer of employees of executive departments and independent establishments until after service of three years shall not apply during the fiscal years ending June 30, 1921, and June 30, 1922, to the transfer of employees to the Bureau.

(e) The Bureau shall not be construed to be a bureau or office created since January 1, 1916, so as to deprive employees therein of the additional compensation allowed civilian employees under the provisions of section 6 of the Legislative, Executive, and Judicial Appropriation Act for the fiscal years ending June 30, 1921, and June 30, 1922, if otherwise entitled thereto.

SEC. 209. The Bureau, when directed by the President, shall make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes (with a view of securing greater economy and efficiency in the conduct of the public service) should be made in (1) the existing organization, activities, and methods of business of such departments or establishments, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such study shall be embodied in a report or reports to the President, who may transmit to Congress such report or reports or any part thereof with his recommendations on the matters covered thereby.

SEC. 210. The Bureau shall prepare for the President a codification of all laws or parts of laws relating to the preparation and transmission to Congress of statements of receipts and expenditures of the Government and of estimates of appropriations. The President shall transmit the same to Congress on or before the first Monday in December, 1921, with a recommendation as to the changes which, in his opinion, should be made in such laws or parts of laws.

SEC. 211. The powers and duties relating to the compiling of estimates now conferred and imposed upon the Division of Book-keeping and Warrants of the office of the Secretary of the Treasury and transferred to the Bureau.

SEC. 212. The Bureau shall, at the request of any committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request.

SEC. 213. Under such regulations as the President may prescribe, (1) every department and establishment shall furnish to the Bureau such information as the Bureau may from time to time require, and (2) the Director and the Assistant Director, or any employee of the Bureau when duly authorized, shall, for the purpose of securing such information, have access to, and the right to examine, any books, documents, papers, or records of any such department or establishment.

SEC. 214. (a) The head of each department and establishment shall designate an official thereof as budget officer therefor, who, in each year under his direction and on or before a date fixed by him, shall prepare the departmental estimates.

(b) Such budget officer shall also prepare, under the direction of the head of the department or establishment, such supplemental and deficiency estimates as may be required for its work.

SEC. 215. The head of each department and establishment shall revise the departmental estimates and submit them to the Bureau on or before September 15 of each year. In case of his failure so to do, the President shall cause to be prepared such estimates and data as are necessary to enable him to include in the Budget estimates and statements in respect to the work of such department or establishment.

SEC. 216. The departmental estimates and any supplemental or deficiency estimates submitted to the Bureau by the head of any department or establishment shall be prepared and submitted in such form, manner, and detail as the President may prescribe.

SEC. 217. For expenses of the establishment and maintenance of the Bureau there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$225,000, to continue available during the fiscal year ending June 30, 1922.

TITLE III.—GENERAL ACCOUNTING OFFICE

SEC. 301. There is created an establishment of the Government to be known as the General Accounting Office, which shall be independent of the executive departments and under the control and direction of the Comptroller General of the United States. The offices of Comptroller of the Treasury and Assistant Comptroller of the Treasury are abolished, to take effect July 1, 1921. All other officers and employees of the office of the Comptroller of the Treasury shall become officers and employees in the General Accounting Office at their grades and salaries on July 1, 1921, and

all books, records, documents, papers, furniture, office equipment and other property of the office of the Comptroller of the Treasury shall become the property of the General Accounting Office. The Comptroller General is authorized to adopt a seal for the General Accounting Office.

SEC. 302. There shall be in the General Accounting Office a Comptroller General of the United States and an Assistant Comptroller General of the United States, who shall be appointed by the President with the advice and consent of the Senate, and shall receive salaries of \$10,000 and \$7500 a year, respectively. The Assistant Comptroller General shall perform such duties as may be assigned to him by the Comptroller General, and during the absence or incapacity of the Comptroller General, or during a vacancy in that office, shall act as Comptroller General.

SEC. 303. Except as hereinafter provided in this section, the Comptroller General and the Assistant Comptroller General shall hold office for fifteen years. The Comptroller General shall not be eligible for reappointment. The Comptroller General or the Assistant Comptroller General may be removed at any time by joint resolution of Congress after notice and hearing, when, in the judgment of Congress, the Comptroller General or Assistant Comptroller General has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving moral turpitude, and for no other cause and in no other manner except by impeachment. Any Comptroller General or Assistant Comptroller General removed in the manner herein provided shall be ineligible for reappointment to that office. When a Comptroller General or Assistant Comptroller General attains the age of seventy years, he shall be retired from his office.

SEC. 304. All powers and duties now conferred or imposed by law upon the Comptroller of the Treasury or the six auditors of the Treasury Department, and the duties of the Division of Book-keeping and Warrants of the Office of the Secretary of the Treasury relating to keeping the personal ledger accounts of disbursing and collecting officers, shall, so far as not inconsistent with this Act, be vested in and imposed upon the General Accounting Office and be exercised without direction from any other officer. The balances certified by the Comptroller General shall be final and conclusive upon the executive branch of the Government. The revision by the Comptroller General of settlements made by the six auditors shall be discontinued, except as to settlements made before July 1, 1921.

The administrative examination of the accounts and vouchers of the Postal Service now imposed by law upon the Auditor for the Post Office Department shall be performed on and after July 1,

1921, by a bureau in the Post Office Department to be known as the Bureau of Accounts, which is hereby established for that purpose. The Bureau of Accounts shall be under the direction of a Comptroller, who shall be appointed by the President with the advice and consent of the Senate, and shall receive a salary of \$5000 a year. The Comptroller shall perform the administrative duties now performed by the Auditor for the Post Office Department and such other duties in relation thereto as the Postmaster General may direct. The appropriation of \$5000 for the salary of the Auditor for the Post Office Department for the fiscal year 1922 is transferred and made available for the salary of the Comptroller, Bureau of Accounts, Post Office Department. The officers and employees of the Office of the Auditor for the Post Office Department engaged in the administrative examination of accounts shall become officers and employees of the Bureau of Accounts at their grades and salaries on July 1, 1921. The appropriations for salaries and for contingent and miscellaneous expenses and tabulating equipment for such office for the fiscal year 1922, and all books, records, documents, papers, furniture, office equipment, and other property shall be apportioned between, transferred to, and made available for the Bureau of Accounts and the General Accounting Office, respectively, on the basis of duties transferred.

SEC. 305. Section 236 of the Revised Statutes is amended to read as follows:

"SEC. 236. All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office."

SEC. 306. All laws relating generally to the administration of the departments and establishments shall, so far as applicable, govern the General Accounting Office. Copies of any books, records, papers, or documents, and transcripts from the books and proceedings of the General Accounting Office, when certified by the Comptroller General or the Assistant Comptroller General under its seal, shall be admitted as evidence with the same effect as the copies and transcripts referred to in sections 882 and 886 of the Revised Statutes.

SEC. 307. The Comptroller General may provide for the payment of accounts or claims adjusted and settled in the General Accounting Office, through disbursing officers of the several departments and establishments, instead of by warrant.

SEC. 308. The duties now appertaining to the Division of Public Moneys of the Office of the Secretary of the Treasury, so far as they relate to the covering of revenues and repayments into the Treasury, the issue of duplicate checks and warrants, and the

certification of outstanding liabilities for payment, shall be performed by the Division of Bookkeeping and Warrants of the Office of the Secretary of the Treasury.

SEC. 309. The Comptroller General shall prescribe the forms, systems, and procedure for administrative appropriation and fund accounting in the several departments and establishments, and for the administrative examination of fiscal officers' accounts and claims against the United States.

SEC. 310. The offices of the six auditors shall be abolished, to take effect July 1, 1921. All other officers and employees of these offices except as otherwise provided herein shall become officers and employees of the General Accounting Office at their grades and salaries on July 1, 1921. All books, records, documents, papers, furniture, office equipment, and other property of these offices, and of the Division of Bookkeeping and Warrants, so far as they relate to the work of such division transferred by section 304, shall become the property of the General Accounting Office. The General Accounting Office shall occupy temporarily the rooms now occupied by the office of the Comptroller of the Treasury and the six auditors.

SEC. 311. (a) The Comptroller General shall appoint, remove, and fix the compensation of such attorneys and other employees in the General Accounting Office as may from time to time be provided for by law.

(b) All such appointments, except to positions carrying a salary at a rate of more than \$5000 a year, shall be made in accordance with the civil-service laws and regulations.

(c) No person appointed by the Comptroller General shall be paid a salary at a rate of more than \$6000 a year, and not more than four persons shall be paid a salary at a rate of more than \$5000 a year.

(d) All officers and employees of the General Accounting Office, whether transferred thereto or appointed by the Comptroller General, shall perform such duties as may be assigned to them by him.

(e) All official acts performed by such officers or employees specially designated therefor by the Comptroller General shall have the same force and effect as though performed by the Comptroller General in person.

(f) The Comptroller General shall make such rules and regulations as may be necessary for carrying on the work of the General Accounting Office, including rules and regulations concerning the admission of attorneys to practice before such office.

SEC. 312. (a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to

the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers.

(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time.

SEC. 313. All departments and establishments shall furnish to the Comptroller General such information regarding the powers, duties, activities, organization, financial transactions, and methods of business of their respective offices as he may from time to time require of them; and the Comptroller General, or any of his assistants or employees, when duly authorized by him, shall, for the purpose of securing such information, have access to and the right to examine any books, documents, papers, or records of any such department or establishment. The authority contained in this section shall not be applicable to expenditures made under the provisions of section 291 of the Revised Statutes.

SEC. 314. The Civil Service Commission shall establish an eligible register for accountants for the General Accounting Office, and the examinations of applicants for entrance upon such register shall be based upon questions approved by the Comptroller General.

SEC. 315. (a) All appropriations for the fiscal year ending June 30, 1922, for the offices of the Comptroller of the Treasury and the six auditors, are transferred to and made available for the General Accounting Office, except as otherwise provided herein.

(b) During such fiscal year the Comptroller General, within the limit of the total appropriations available for the General Accounting Office, may make such changes in the number and compensation of officers and employees appointed by him or transferred to the General Accounting Office under this Act as may be necessary.

(c) There shall also be transferred to the General Accounting Office such portions of the appropriations for rent and contingent and miscellaneous expenses, including allotments for printing and binding, made for the Treasury Department for the fiscal year ending June 30, 1922, as are equal to the amounts expended from similar appropriations during the fiscal year ending June 30, 1921, by the Treasury Department for the offices of the Comptroller of the Treasury and the six auditors.

(d) During the fiscal year ending June 30, 1922, the appropriations and portions of appropriations referred to in this section shall be available for salaries and expenses of the General Accounting Office, including payment for rent in the District of Columbia, traveling expenses, the purchase and exchange of law books, books of reference, and for all necessary miscellaneous and contingent expenses.

SEC. 316. The General Accounting Office and the Bureau of Accounts shall not be construed to be a bureau or office created since January 1, 1916, so as to deprive employees therein of the additional compensation allowed civilian employees under the provisions of section 6 of the Legislative, Executive, and Judicial Appropriation Act for the fiscal year ending June 30, 1922, if otherwise entitled thereto.

SEC. 317. The provisions of law prohibiting the transfer of employees of executive departments and independent establishments until after service of three years shall not apply during the fiscal year ending June 30, 1922, to the transfer of employees to the General Accounting Office.

SEC. 318. This Act shall take effect upon its approval by the President: *Provided*, That sections 301 to 317, inclusive, relating to the General Accounting Office and the Bureau of Accounts, shall take effect July 1, 1921.

Approved, June 10, 1921.

APPENDIX 2

EXECUTIVE ORDERS AND BUDGET CIRCULARS

Because the budget circulars are not printed and are not easily available to the public in the mimeographed form in which they are distributed, the more important ones creating the coördinating agencies are printed below. They bear the words "by direction of the President" and apparently are the equivalent of executive orders: The executive orders of September 21 and November 8, 1921, are also included because of their obvious importance.

(A) EXECUTIVE ORDERS

[No. 3550] The Budget

By virtue of the authority vested in me by the Budget and Accounting Act, 1921, approved June 10, 1921, I hereby prescribe the following rules and regulations with regard to the preparation and submission of the Budget and the conduct of the Bureau of the Budget:

Revision of the Estimates. Pursuant to the provisions of section 207 of the Budget and Accounting Act, the Bureau of the Budget, under the supervision of the Director and subject to review and determination by the President, shall assemble, revise, reduce or increase the estimates of the departments or establishments as submitted to the Bureau. The Director of the Budget shall determine the plan as to the contents, order and arrangement of the estimates. In increasing or decreasing the estimates of the appropriations necessary for any department or establishment he shall take into consideration any proper reduction in working forces, reduction in compensation, and the elimination of unnecessary activities. Estimates, however, in respect to the principal or interest of the public debt shall be subject to revision only with the concurrence of the Secretary of the Treasury. For the purpose of assisting the President with information in the formation of business policy for the Government the estimates of appropriations and of expenditures and receipts, when assembled and revised by the Bureau, shall be transmitted by the Director to the President as soon as possible after their receipt from the departments and establishments by the Bureau, in the form of a consolidated statement of estimated revenue and expenditure, with supporting schedules.

September 21, 1921.

[No. 3578]

I hereby prescribe the following rules and regulations with regard to the preparation and submission of the Budget and the conduct of the Bureau of the Budget.

Revision of the Estimates. Pursuant to the provisions of section 207 of the Budget and Accounting Act, the Bureau of the Budget, under the supervision of the Director and subject to review and determination by the President, shall assemble, revise, reduce or increase the estimates of the departments or establishments as submitted to the Bureau. The Director of the Budget shall determine the plan as to the contents, order and arrangement of the estimates. In increasing or decreasing the estimates of the appropriations necessary for any department or establishment he shall take into consideration any proper reduction in working forces, reduction in compensation, and the elimination of unnecessary activities. Estimates, however, in respect to the principal or interest of the public debt shall be subject to revision only with the concurrence of the Secretary of the Treasury. For the purpose of assisting the President with information in the formation of business policy for the Government the estimates of appropriations and of expenditures and receipts, when assembled and revised by the Bureau, shall be transmitted by the Director to the President as soon as possible after their receipt from the departments and establishments by the Bureau, in the form of a consolidated statement of estimated revenue and expenditure, with supporting schedules.

2. Concurrently with the transmission of the estimates by the Director of the Bureau of the Budget to the President, the Secretary of the Treasury shall transmit a statement, for the information of the President, showing, from the point of view of the Treasury, the relation between the estimated appropriations and expenditures and the estimated receipts of the Government. This statement shall contain all necessary memoranda and tables together with such other comments as may be pertinent to the subject matter of the Budget, including suggestions and recommendations as to how the revenue needs of the Government may be met. The Secretary of the Treasury shall, at the same time, prepare and transmit to the President, for incorporation in the budget, the figures for the actual expenditures of the Government for the last completed fiscal year, the figures for the actual and estimated receipts for the last, the current and the ensuing fiscal years, required by sub-divisions (b), (c), and (d) of section 201 of the Budget and Accounting Act, and also the financial statements required by the provisions of sub-divisions (f), (g), and (h) of the same section. The Secretary of the Treasury shall, if the estimated receipts for the ensuing fiscal year, on the basis of laws existing at the time the budget is

transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year, make recommendations to the President for new taxes, loans, or other appropriate action to meet the estimated deficiency. If, on the other hand, the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, the Secretary, for the information of the President, shall make such recommendations and suggest such financial measures as in his opinion the public interest may require. The Director of the Budget shall make available to the Secretary of the Treasury at his request any information in the possession of the Bureau or any of its employees in respect to the receipts and expenditures of the Government and any other matters that may be pertinent to the business of the Treasury. The Secretary of the Treasury shall make available to the Director of the Budget at his request any information in the possession of the Treasury or any of its employees in respect to the receipts and expenditures of the Government and any other matters that may be pertinent to the business of the Budget.

3. The Director of the Budget, in gathering information for the use of the President, acts for the President, and his calls upon the Chiefs of Bureaus and other Administrative Officers for purposes of consultation or information take precedence over the Cabinet Head of a Department, or any head of an independent organization.

4. The Budget Officer in each department, being appointed by the Cabinet head, will present to the Director of the Budget the views of the Cabinet head upon the wisdom of conclusions drawn by the Director of the Budget, for the use of the Chief Executive and Congress; but, as in the case of Bureau Chiefs and other officers, the call of the Director of the Budget for their presence and advice takes precedence over the Cabinet head.

5. The coördinating agencies established by the Executive are for the purpose of enabling the President, in matters of routine business, to so coördinate the activities of the different departments and establishments as will insure the most economical and efficient expenditure of monies appropriated by Congress. They provide the machinery through which, with the minimum of obstruction and delay the Executive may impose a unified plan of governmental routine business. The Director of the Bureau of the Budget shall have general supervision over the work of the coördinating agencies heretofore created by Executive Order, subject to such instructions as may hereafter be issued by the President.

6. The Chief Coördinator, General Supply, appointed under the provisions of Executive Order of July 27, 1921, shall exercise general supervision, subject to the Director of the Budget, over the

coördination of the routine business activities of the governmental organization, with particular attention to methods of purchasing, liquidation of supplies, specification of materials, advertising, warehousing, employment, manufacturing, disbursing and other ordinary business activities of the Government.

7. The decision of the Chief Coördinator, in all matters of coördination, shall be transmitted to the heads of departments or independent establishments concerned and shall be final, except that such heads may appeal to the Director of the Budget within four days after the receipt of notice of the coördinating order, and if not sustained by the Director of the Budget may appeal to the President of the United States within six days after the decision of the Director of the Budget. If such appeal is not taken or is not sustained the decision in question shall stand, and shall be published to those affected by the heads of the departments concerned.

8. The heads of departments and subordinate officials will retain all present responsibility with respect to individual business transactions, subject to such policies as may be imposed in the manner indicated above.

9. All persons heretofore or hereafter appointed to duty under the Chief Coördinator, either in Washington or in the Corps Areas of the country, shall be regarded as so appointed or detailed by the President of the United States, and they shall not be subject to reassignment by department heads except as authorized by Executive Order. Such persons shall not be required to submit any report to any department except such as may be required as to their location or assignment or for purposes of pay, the intention being to prevent any interference with their direct responsibility to the President of the United States and his agents, the Director of the Budget and the Chief Coördinator. The above does not apply to departmental representatives on the various coördinating boards, and, in case of those detailed to coördinating duty in addition to other duties, it applies only with respect to such coördinating duty.

10. All Bureau chiefs and employees of the executive Government are directed to furnish any available information desired for purposes of coördination, or to attend any conference on coördination, at the request of the Chief Coördinator. It shall not be necessary for any duly authorized representative of the Director of the Budget, of the Chief Coördinator or any coördinating authority established by Executive Order, to secure the approval of the head of a department or military or naval authority of a request for information for use in connection with the activities of the coördinating bodies. The duly authorized agents of the Director of the Budget, of the Chief Coördinator, or of the coördinating boards,

shall have access to all books and papers of the various departments and independent establishments which contain any information pertinent to the subject under consideration for coördination.

11. All departments and establishments must so organized for the transaction of matters of routine business as to facilitate their proper coöperation with the general coördinating agencies. Where the existing form of the organization of the routine business of the departments and establishments, or the form of reorganization suggested by the head of the department or establishment does not, in the judgment of the Director of the Bureau of the Budget, properly meet the requirements of the situation, the Director of the Bureau of the Budget shall recommend to the President the form which, in his judgment, such departmental organization should take to that end. In his final determination of the form of organization the President will then consider the recommendations of the department head or head of the independent establishment concurrently with those of the Director of the Budget.

12. All coördinating agencies made subject by Executive Order to the supervision of the Director of the Budget shall make quarterly reports to him of their activities for transmission by him to the President.

November 8, 1921.

(B) BUDGET CIRCULARS

No. 14—July 22, 1921 [Permanent Conference on Printing]

To Heads of Departments and Independent Establishments of the Government:

At the suggestion of the Public Printer and with the approval of the President, there is about to be organized a permanent conference on printing, the purpose of which is to investigate and propose uniform standards, business-like methods, and proper economies in the public printing and binding and the distribution of Government publications.

It is proposed that the conference should be organized on the basis of one representative from each executive department and independent establishment, to be elected by the head of such department or establishment in coöperation with the budget officer thereof. This representative might well be the chief of the printing or publications division if such already exists. The direct representative of the Bureau of the Budget will be Mr. A. R. Barnes, of Chicago, a well known printer of very large experience.

The members of this permanent conference will have authority to represent fully their respective departments and establishments in all matters pertaining to the public printing and binding and the

distribution of Government publications, particularly where those subjects relate also to the Government Printing Office. Their recommendations, with the approval of the Director of the Bureau of the Budget, the Joint Congressional Committee on Printing, and the Public Printer, shall be submitted to all branches of the Government service affected thereby.

Regular meetings will be held in the conference room in the Government Printing Office, or at such other place as the Director of the Bureau of the Budget may provide from time to time. The first meeting for organization and the discussion of preliminary plans will be held on or about August 2, 1921, notice of which will be sent to you in due course.

To the end that effective coöperation may be quickly secured, will you please designate to the Director of the Bureau of the Budget your representative to such permanent conference at as early a date as is practicable.

No. 15—July 27, 1921 [Chief Coördinator; Area Coördinators]

To Heads of Departments and Independent Establishments of the Government:

In order to more effectively carry out the provisions of Executive Order of December 3, 1918, and Executive Order of August 27, 1919, dealing with the handling of surplus material, supplies and equipment, the following is ordered:

1. For convenience, the territory of the United States is divided into nine areas, corresponding to the nine Army Corps Areas, and in each area an official shall be selected who shall be known as the Coördinator for General Supplies for the several Executive Departments and independent establishments having activities in that area. Each such officer shall serve under the title Coördinator, General Supply, —— Corps Area. In each of the Areas in which the Army, Navy or Shipping Board or other department has activities of sufficient importance to warrant it, a representative of such department may be detailed to aid the Area Coördinator in administering the provisions of this Order.

2. Each official selected as Coördinator will repair to Washington, D. C., reporting upon arrival to the Director of the Bureau of the Budget for instructions.

He will confer with every executive department and independent agency or establishment having, or which may have, activities involving the disposition of surplus supplies and equipment, in the area assigned him. Upon arrival in his area he will, by means of correspondence and personal inspection, promptly locate and inspect surpluses and accumulations of Government stocks, regardless whether or not these stocks have been reported surplus, and

report thereon to any head of a department concerned, as well as to the Chief Coördinator, General Supply, Washington, D. C., referred to hereinafter, having particular reference to the existence of accumulated stocks which appear to be in excess of reasonable reserves or current needs.

He will keep in general touch with all Government projects in his area involving the procurement, transfer, or disposal of Government supplies and equipment. It shall be his duty to see that Government policies are carried out in regard to the departmental purchase of Government supplies. He shall have the power to fix the fair market price of surpluses, which price shall be the determining measure of the transfer of funds upon the books of the department incident to the interdepartmental transfer of material.

He is authorized to act in the name of the Chief Coördinator, General Supply, Washington, D. C., and postpone any sale of Government property in any department whatsoever when his investigation shows that it is not in the financial interests of the general Government to permit the sale to be held or to be continued. He will immediately report his action in these cases to the head of the department concerned and to the Chief Coördinator, General Supply, Washington, D. C.

He will, by correspondence, keep in touch in a general way with the Coördinators for General Supply in areas adjacent to his own with the view of effecting economies by the interchange of materials between Corps Areas when such a transaction would be to the financial interests of the general Government.

He will submit recommendations to the head of the department concerned and to the Chief Coördinator, at any time involving practical suggestions which he believes would result in economies to the general Government in disposing of our surplus stocks or result in better coöperation between various Government agencies.

3. There is hereby created in the Office of the General Supply Committee the Office of Chief Coördinator, General Supply, whose duty it shall be to supervise and coördinate the work of the Coördinators, General Supply, operating in each Corps Area, and to bring any matters to the attention of the department heads which, in his judgment, will be of assistance to them in contributing to economy and efficiency. The Chief Coördinator, General Supply, will instruct the Coördinators of Supply in Corps Areas to select those classes of stocks which represent substantially the bulk of the money value of all stocks, and concentrate upon these until disposed of.

It shall be the duty of the Chief Coördinator to advise as to the methods of expediting the inventories of surplus stocks in the possession of the various departments and independent establishments of the Government, upon which he shall report to the heads of departments concerned.

He shall advise the department heads upon policy governing the sales of commodities held surplus in more than one department of the Government, which policy shall aim to insure uniformity in prices received and tend to protect the state of the market in the Government's interests.

It shall be the duty of the General Supply Committee to maintain the records of the surplus property, equipment and material reported to the Chief Coördinator, receiving and answering inquiries in accordance with the provisions of the Executive Order of August 27, 1919.

4. In addition to coördinating sales of surplus property, prescribed above, the Chief Coördinator, General Supply, shall exercise general supervision over the purchase functions of the several departments and establishments.

The coördinating officer assigned to each territorial subdivision of the United States and its extra-continental possessions shall exercise within his area such like supervisory powers over the purchasing functions of the several departments and establishments as may be required of him by the Chief Coördinator at the seat of Government, in coöperation with the department heads.

In each executive department and independent establishment of the Government there shall be a Director of Purchases and a Director of Sales, who shall coördinate all activities involving purchases and sales within their respective departments and be in direct liaison with the Chief Coördinator, to whom they shall furnish copies of all their surplus property reports. These Directors of Purchases and Sales shall be subject to call by the Chief Coördinator for conference in all matters involving the coördination of sales and purchases in the various departments of the Government service.

The coördinating officers shall report to the Chief Coördinator, General Supply, Washington, D. C., to be presented by him to the department heads concerned, for their information, all cases where, in their judgment, the procurement of basic and raw materials may be made to the best advantage by a single purchase by category under approved specifications.

Acceptance or rejection of deliveries will ordinarily lie with that department or bureau for which deliveries are intended. When scientific tests are an essential part of the inspection of supplies, the Chief Coördinator may call upon the Bureau of Standards for the application of such tests.

Cost to the general Government shall be computed as cost at point of delivery.

5. All correspondence from Coördinators, General Supply, to the Washington Government shall be addressed to the Chief Coördinator, General Supply, Washington, D. C.

No. 25—August 25, 1921 [Federal Purchasing Board]

To the Heads of Departments and Establishments:

1. In order to enable the Chief Coördinator, General Supply, to perform the duties of coördinating purchases throughout the several departments and establishments as prescribed in Circular No. 15, Bureau of the Budget, dated July 27, 1921, there shall be organized in the General Supply Committee a directorate of purchase to be known as the Federal Purchasing Board.

2. The Federal Purchasing Board shall be composed of one representative from each department and establishment having authority to purchase supplies. The Chief Coördinator, General Supply, shall be Chairman of the Board.

3. Immediately upon the receipt of this circular the heads of such departments and establishments shall designate one representative to serve as a member of the Federal Purchasing Board, and shall designate such assistants to such members as may be deemed necessary. As soon as practicable after receiving notice that all of the above members of said Board have been designated, the Chief Coördinator, General Supply, shall call the initial meeting of the Board for purposes of organization.

4. The Board will have assigned to it all questions of purchase of the several departments and establishments represented on it. While the power to purchase and to coördinate purchases is thus centralized in the Board, it shall be its policy to decentralize administrative matters and the actual execution of purchase. Such articles as are of a pre-eminently specialized nature will normally be referred back immediately to the Department concerned, which will handle the purchase of the same as heretofore. Such articles as are needed in common by all departments will, as a rule, be allocated for purchase by the Board to the Department best fitted, in its opinion, to perform this particular function for the whole Government Service. The Board will endeavor to standardize requirements whenever possible in order that joint purchasing may be the rule and not the exception. In general, the Department making the purchase will also make the inspection, thus eliminating duplication.

5. It shall be the duty of the Board to formulate policies and plans designed to knit the purchasing activities of the several departments and establishments into a Federal business association, and to bring about business methods calculated effectively to safeguard the interests of the Government, and at the same time to promote the confidence of private business interests and industrial communities doing business with the Government.

6. The Chief Coördinator, General Supply, will be responsible for the efficiency of the Board, and for developing it along practical

lines. After a full discussion of any question by the Board, his decision will be final as to the action to be taken or the policy to be pursued, but any member may appeal therefrom to the head of his department or establishment. The Chief Coördinator, General Supply, may detail an assistant to sit with the Board to represent him in matters of routine.

No. 26—August 25, 1921 [Federal Liquidation Board]

To the Heads of Departments and Establishments:

1. In order to enable the Chief Coördinator, General Supply, to perform the duties of coördinating sales throughout the several departments and establishments as prescribed in Circular No. 15, Bureau of the Budget, dated July 27, 1921, there shall be organized in the General Supply Committee a directorate of sales to be known as the Federal Liquidation Board.

2. The Federal Liquidation Board shall be composed of one representative from each department and establishment having sales activities. The Chief Coördinator, General Supply, shall be the Chairman of the Board.

3. Immediately upon the receipt of this circular the heads of such departments and establishments shall designate one representative to serve as a member of the Federal Liquidation Board, and shall designate such assistants to such members as may be deemed necessary. As soon as practicable after receiving notice that all of the above members of said Board have been designated, the Chief Coördinator, General Supply, shall call the initial meeting of the Board for purposes of organization.

4. It shall be the duty of the Federal Liquidation Board to formulate policies and plans designed to knit the sales activities of the several departments and establishments concerned in the liquidation of stocks into a Federal business association, and to bring about business methods calculated effectively to safeguard the interests of the Government, and at the same time to promote the confidence of private business interests and industrial communities doing business with the Government.

5. The Chief Coördinator, General Supply, will be responsible for the efficiency of the Board, and for developing it along practical lines. After a full discussion of any question by the Board, his decision will be final as to the action to be taken or the policy to be pursued, but any member may appeal therefrom to the head of his department or establishment. The Chief Coördinator, General Supply, may detail an assistant to sit with the Board to represent him in matters of routine.

No. 35—September 23, 1921 [Federal Motor Transport Agent]

To the Heads of Departments and Establishments:

A general survey of the motor transport situation throughout the United States reveals the fact that the rule of absolute fixed assignments of motor vehicles, to Executive Departments and Independent Establishments of the Federal Government, is handicapping us in the handling of our motor transport problem from the point of view of the general Government. The motor transport of a department may be over-taxed when there are motor vehicles standing idle in another department. Civilian trucks are being hired when a Department is confronted by an emergency, when the same service could, by proper coördination, be performed within the limits of the Government itself.

In order to coördinate the use of motor transportation operated under the Executive Departments and Independent Establishments of the Federal Government, in the interests of efficiency and economy, the following is announced:

1. Where more than one Executive Department or Independent Establishment are operating motor transport vehicles in a city or populous district, the Coördinator, General Supply, whose area includes the city or district, will prepare and submit a plan for coördinating the use of this motor transport so that the interests of the general Government may be met in the most economical and practical way. The plan will be drawn to meet the special needs of the particular city or district, but the following general principles should be embodied, as far as practicable, in each plan submitted:

(a) The proper housing and grouping of the vehicles of each department, for the purpose of economical housing, maintenance and repair.

(b) The absolute limitation to the minimum of assigned vehicles and the operation of all in pools.

(c) The linking up of all pools of vehicles of the city or district, in a single pool, for the purpose of economical operation.

(d) The resting of the responsibility on a separate included Executive Department or Independent Establishment, for the efficient operation of its share of the plan.

(e) The considering of the motor transport problem of the city or district as one problem, each service contributing to its execution in the most practical way.

(f) The appointment, by the Area Coördinator, General Supply, for each city or district, of a Federal Motor Transport Agent, who shall have full authority to carry out the

purposes of the plan for his city or district and whose decision shall be final in all matters of assignment of tasks and dispatching of motor vehicles therefor, and the coördination of housing facilities and operations for maintenance and repair.

Any Executive Department or Independent Establishment having motor vehicles within the particular city or district, may appeal from the decision of the Federal Motor Transport Agent, to the Coördinator, General Supply, for the whole area.

The Federal Motor Transport Agent may be the local representative for motor transportation of one of the Executive Departments or Independent Establishments, but in his capacity as Federal Motor Transport Agent he will carry out thoroughly the approved plan of the Area Coördinator.

2. Plans covering each city or populus district will be forwarded by Area Coördinator, General Supply, to the Chief Coördinator, General Supply, Washington, D. C., who will, in addition to his other duties, carry out the provisions of this circular in coördinating all Federal Motor Transportation.

3. Upon approval of the plan by the Chief Coördinator, General Supply, it will be put into effect by the Area Coördinator, General Supply, who will, from time to time, recommend such modifications as may appear desirable in the interests of economy and efficiency.

4. The head of each Executive Department or Independent Establishment, of the Federal Government, will name a representative for each area in which the Department or Establishment has motor vehicles in operation. This representative will inform the Area Coördinator, General Supply, of the location, kind and number of all motor transportation, in his Department or Establishment, in operation in the particular area and the duties assigned, and he will also furnish such other information as may be called for by the Area Coördinator. This representative will, in conference with the Area Coördinator, assist in formulating the coördinated plan for operating of all Federal Motor Transportation in the particular city or district.

5. The District of Columbia will, for purpose of coördinating motor transportation, from a separate area. A Coördinator for Motor Transportation will be designated for this District, who will report to the Chief Coördinator, General Supply.

No. 41—October 10, 1921 [Federal Traffic Board]

To the Heads of Departments and Establishments:

1. For the purpose of effecting economies and better business administration throughout the Government service, in the handling of passenger and freight shipments, as well as shipments by express

and parcel post, to utilize in a more practical way the various carrying facilities available and to institute methods for the prompt settlement of all transportation accounts; there is hereby established, under the general supervision of the Chief Coördinator for General Supply, a Federal Traffic Board.

2. It shall be the duty of the Federal Traffic Board to make a complete study of the traffic problems confronting the various departments and independent establishments of the Government. In coöperation with representatives of the Interstate Commerce Commission, and the carriers, it will establish uniform classifications for all commodities, including raw materials as well as finished products, shipped by the Government so that shipments may be made at the lowest tariff rates. The Board will draw up plans for improving and standardizing methods of making shipments and for the settlement of accounts. These plans will be submitted to the Chief Coördinator, General Supply, who will take the necessary action in each case.

3. The activities of the Board shall be directed by its chairman under the title of Coördinator for Traffic, who shall, under the general direction of the Chief Coördinator for General Supply, select the necessary committees of the Board, direct the time and place of all meetings and the order in which the various elements of the problem shall be considered.

4. Immediately upon receipt of this Circular, the head of each department and independent establishment making shipments from time to time shall designate one representative to serve as a member of the Federal Traffic Board. Heads of departments and independent establishments concerned will report the names of such representatives to the Chief Coördinator for General Supply, who, upon receipt of this information, shall call the initial meeting for purpose of organization.

5. Heads of the various departments of the Government are requested to furnish the Coördinator for Traffic, such information and clerical assistance as he may require in the prosecution of the duties assigned to him. Such clerical force will be requested in proportion to the amount of business handled in the respective departments.

6. The classification of commodities and the instructions governing shipments and methods of settling transportation accounts that are adopted by the Board and approved by the Coördinator for Traffic, after the procedure indicated in Paragraph 2 of this circular, shall, as far as applicable and in conformity with law, be binding upon and govern all departments, bureaus, agencies and offices of the Government in all shipments made by them.

7. All questions pertaining to the classification of materials or terminal, switching, freight rates, etc., which require the application

of remedial measures, will be submitted to the Coördinator for Traffic, either for adjustment with the Classification committees representing the carrier, or for the presentation of a complaint with the Interstate Commerce Commission.

8. In the event of disagreement as to classifications, instructions governing shipments and methods of settling transportation accounts, or on methods of procedure, the case will be submitted to the Chief Coördinator for General Supply, whose decision shall be final as to the action taken, subject only to an appeal to the Head of the Department concerned.

No. 42—October 10, 1921 [Federal Specifications Board]

To the Heads of Departments and Establishments:

1. For the purpose of coördination and economy in the procurement of material and services used by the Government under specifications prepared in the various branches thereof, to avoid duplication of effort, and for the better utilization of resources and industries, there is hereby established a Federal Specifications Board.

2. It shall be the duty of the Federal Specifications Board to compile and adopt standard specifications for materials and services, and to bring specifications into harmony with the best commercial practice wherever conditions permit, bearing in mind the desirability of broadening the field of supply.

3. The Director of the Bureau of Standards, Department of Commerce, shall be *ex-officio* Chairman of the Board, and shall, subject to the approval of the Chief Coördinator for General Supply, select necessary committees, direct the time and place of meetings and the order in which subjects shall be considered.

4. Immediately upon receipt of this circular, the head of each department and establishment purchasing materials or services in accordance with specifications prepared in such department shall designate one representative to serve as a member of the Federal Specifications Board, and shall designate such assistants to such members as may be deemed necessary, notifying the Chief Coördinator for General Supply of their selection. The Chief Coördinator for General Supply shall call the initial meeting of the Board for purposes of organization.

5. The specifications that are prepared, adopted by the Board, and approved by the Director of the Bureau of Standards shall, as far as applicable, be binding upon and govern all departments, bureaus, agencies and offices of the government. In the event of disagreement on specifications, or on methods of procedure, the case will be submitted to the Chief Coördinator for General Supply, whose decision shall be final as to the action taken, subject only to appeal to the head of the department concerned.

No. 47—November 22, 1921 [Interdepartmental Board of
Contracts and Adjustments]

To the Heads of Departments and Establishments:

1. Without limiting in any manner the jurisdiction or authority of heads of executive departments and independent establishments over the subject matter of Government contracts, as the same is now defined by law, but for the purpose of standardizing contract forms, securing the adoption of uniform policies as regards construction work and uniform practices of interpretations and negotiations both preceding and following the actual execution of such contracts; there is hereby established in the Office of the Chief Coördinator, General Supply, a board to be known as the Interdepartmental Board of Contracts and Adjustments, the members and functions of which Board shall be as follows:

2. The head of each executive department, including the Department of Justice, shall organize a department board made up of one representative of each bureau having the independent right to enter into contracts on behalf of the United States. Such department board shall recommend policies to control in the standardization of contracts within such department. They shall choose from their number a chairman and any other necessary officers.

3. The chairmen of the several department boards, together with a representative designated by the head of any independent establishment now authorized by law to enter into important contracts, and the Chief Coördinator, General Supply, shall constitute the Interdepartmental Board of Contracts and Adjustments, and shall serve without additional compensation.

4. This Board shall be presided over by a Chairman who shall be the representative of the Secretary of the Treasury. The Chairman shall, upon being advised of the complete membership, call the members of the Board together for purposes of organization. The Board shall adopt such by-laws and appoint such committees and subcommittees as may be deemed advisable and necessary to accomplish the end sought.

5. The functions of this Board shall be:

First, to standardize in general, wherever possible, the forms and methods of contract letting to the end that a uniform policy on the part of the Government may control the making of such contracts, and with a further view to such changes in the form thereof as will tend to enlist the interest of the contractor on behalf of economy and with a further view to such changes in the form thereof as will tend to enlist the interest of the contractor on behalf of economy and promptness of execution, and eliminate those uncertainties of construction and hazards to be assumed by the contractor which have hitherto operated to increase the cost of Government work and supplies.

Second, to recommend general policies in the settlement of outstanding obligations arising out of contracts of the United States, such as methods of determining and enforcing damages, of settling disputes as to questions of fact, and of determining the final compensation of contractors.

Third, in an advisory capacity and when requested by the head of any department or establishment, or his representative upon the Board;

(a) To review and revise important contracts and agreements made or about to be made on behalf of the United States.

(b) To advise officers authorized to contract and operating under contract as to the proper interpretation of contracts in process of execution.

(c) To assist in the negotiation of important contracts and agreements relating to personal services, supplies, or construction work.

6. The Chairman of the Board is charged with the responsibility for the efficient working thereof and for its development along the practical lines above indicated, and in such other ways as may become apparent after full study of the situation by the Board or any committee thereof. After a full discussion of any question by the Board and full opportunity to the members to be heard thereon, the decision of the Chairman will be final as to the action to be taken or the policy to be pursued. But any member may appeal therefrom to the head of his department or establishment, who shall have final authority in the matter. The Chairman of the Board may detail an assistant to sit with the Board to represent him in matters of routine.

No. 69—June 16, 1922 [Federal Real Estate Board]

To the Heads of Departments and Establishments:

1. Circulars No. 22, August 18, 1921, and No. 54, February 18, 1922, Bureau of the Budget, are hereby rescinded and the following substituted therefor.

2. Nothing in this circular shall be construed or interpreted to change, modify or interfere with any of the jurisdiction and authority vested by law in the head of any Executive Department or Independent Establishment of the Government.

3. There shall be designated by the Director of the Budget a Surveyor General of Real Estate who shall perform his duties under the general supervision of the Chief Coördinator.

4. The Surveyor General of Real Estate shall be *ex-officio* Chairman of the Federal Real Estate Board, which is hereby

created and which shall consist of one representative from each department or independent establishment of the Government having custody or control of real estate or interests therein; such representative to be designated by the head of each department or independent establishment concerned.

5. All projects for the purchase, lease (except leases involving less than \$500 annual rental), sale or disposal of real estate shall be transmitted to the Federal Real Estate Board for clearance. Where the records show that any individual project does not fall within coordinating authority clearance will be immediately given, and if the records disclose any information which may be of value, such information will be furnished the department or independent establishment interested at the time of such clearance.

Where the records show that any individual project thus submitted falls within coordinating authority the Surveyor General of Real Estate will submit his recommendations to the Chief Coördinator, whose decision shall be final, subject only to appeal in the manner indicated in paragraph 7, Executive Order (No. 3578), dated The White House, November 8, 1921.

6. The Federal Real Estate Board shall be the instrumentality by or through which the Surveyor General of Real Estate shall coördinate all activities connected with real estate or interests therein as regards—

- (a) The procurement thereof whether for permanent or temporary use, by purchase, lease or donation.
- (b) The occupancy thereof by any Executive Department or Independent Establishment of the Government.
- (c) The disposal thereof under authority of Congress by lease, license, permit to use, sale or otherwise.
- (d) The maintenance of uniform records thereof.

7. The Federal Real Estate Board shall collect and compile all necessary information pertaining to owned or leased real estate of whatsoever character or wheresoever situated, and suggest what changes are desirable in the interest of proper and economical use of lands, buildings and portions of buildings for the benefit of the general government, upon which information the Surveyor General may base his recommendations or action. It shall also be the duty of the Board to furnish any Department or Independent Establishment, upon request, expert advice or assistance in the matter of appraisals or negotiations in connection with real estate activities.

8. In accordance with Paragraph 10, Executive Order (No. 3578) dated the White House, November 8, 1921 and upon request from the Federal Real Estate Board, any official or employee in any of the Departments or Establishments shall furnish any available data, information and statistics affecting real estate.

9. The Surveyor General of Real Estate will issue such orders and prescribe such suitable rules and regulations as may be necessary to enable him to perform the duties imposed upon him by this order which shall govern all Executive Departments and Independent Establishments of the Government which now or hereafter hold, occupy or control real estate or any interest therein in behalf of the Government. In the event of disagreement as to such orders, rules and regulations, the case will be submitted to the Chief Coördinator whose decision will be final, subject only to appeal in the manner indicated in Paragraph 7, Executive Order (No. 3578), dated The White House, November 8, 1921.

10. Nothing contained in this circular shall be interpreted to extend to matters relating to the Public Lands, the National Parks, the National Forest Reservations, or the District of Columbia.

No. 137—May 16, 1924 [Interdepartmental Board on
Simplified Office Procedure]

To the Heads of Departments and Establishments:

1. With a view to promoting economy and efficiency in routine office procedure in departments and establishments through simplicity and uniformity of practice as to matters not already allocated elsewhere by law or executive order, there is hereby created the Interdepartmental Board on Simplified Office Procedure.

2. The membership of this Board shall consist of the Chairman of the several Departmental Committees on Simplified Office Procedure hereinafter provided for, and the Chief Coördinator shall be its Chairman. The Chief Coördinator's decision as to questions coming before the Board shall be final, subject to the right of appeal contained in paragraph 7 of Executive Order No. 3578, dated November 8, 1921. The Chief Coördinator may detail a representative to preside in his absence and to act for him in routine matters.

3. Upon receipt of this Order the head of each department and establishment will cause to be organized a permanent Departmental Committee on Simplified Office Procedure, consisting of a Chairman and two or more additional members, which committee shall investigate, within the department or establishment, matters of the same general character as those above outlined for the Interdepartmental Board on Simplified Office Procedure and any other matters pertaining thereto that the head of the department or establishment may prescribe.

4. After the organization of each of the committees herein above described, the head of the department or establishment concerned will transmit the name of the Chairman of his committee to the

Chief Coördinator. The latter will call the Interdepartmental Board on Simplified Office Procedure together for purposes of organization when the names of all chairmen of committees shall have been received. The Board will adopt such rules and appoint such committees and subcommittees as may be deemed advisable to accomplish the results desired.

No. 146—October 24, 1924 [Federal Board of Hospitalization]

To the Heads of Departments and Establishments:

Circular No. 44, Bureau of the Budget, November 1, 1921, is hereby rescinded and following substituted therefor:

1. For the purpose of coördinating the separate hospitalization activities of the Medical Department of the Army, the Bureau of Medicine and Surgery of the Navy, the Public Health Service, St. Elizabeths Hospital, the National Home for Disabled Volunteer Soldiers, the Office of the Commissioner of Indian Affairs, and the United States Veterans' Bureau, there is hereby organized a Federal Board of Hospitalization.

2. The Board shall be composed of the Director of the United States Veterans' Bureau, who shall be Chairman of the Board; the Surgeon General of the Army; the Surgeon General of the Navy; the Surgeon General of the Public Health Service; the Superintendent of St. Elizabeths Hospital; the President, Board of Managers, National Home for Disabled Volunteer Soldiers, and the Commissioner of Indian Affairs.

3. It shall be the duty of the Board:

(a) To recommend general plans of operation designed to knit together in proper coördination the hospitalization activities of the several departments and establishments, with a view to increasing the usefulness and efficiency of the several organizations so as to achieve the maximum of service and economy in operation, maintenance and betterments.

(b) To give consideration to, and make recommendation on, questions which may arise concerning the proper coördination of hospital facilities, with particular reference to (a) the use of existing facilities, (b) the construction of additional facilities, and (c) the standardization of utilization of supplies.

4. The Chairman of the Federal Board of Hospitalization shall preside over the Board and be responsible for its efficiency and for developing its activities along practical lines. The Board will meet at such time and place as may be designated by the Chairman.

5. The recommendations of the Board will be transmitted by the Chairman to the Director of the Bureau of the Budget for the consideration of the President.

No. 160—May 29, 1925 [Coördinator for Purchase]

1. The provisions of Circular No. 25, Bureau of the Budget, dated August 25, 1921, establishing the Federal Purchasing Board, are hereby amplified so as to provide for a Coördinator for Purchase.

2. The Coördinator for Purchase shall be the agent through whom the Federal Purchasing Board, acting for, and in behalf, of the separate purchasing agencies of the Government, may effect such joint procurement arrangements as may be agreed upon. He shall perform such additional duties in connection with the clearance and distribution of procurement of information and operations incident thereto as may be delegated to him by the Chief Coördinator under the provisions of the order establishing the Board.

3. Mr. James A. Egleston, the United States Fleet Corporation, is hereby designated as Coördinator for Purchase.

No. 181—April 7, 1926 [Apportionments of Appropriations]

To the Heads of Departments and Establishments:

Bureau of the Budget Circular No. 161, dated June 13, 1925, is hereby rescinded and the following substituted therefor:

1. You are requested to furnish the Bureau of the Budget, as soon as possible after the passage of your annual appropriation act and prior to June 30 of each year, a statement showing (1) the appropriations made available for your department or establishment for the following fiscal year in annual and other appropriation acts; (2) the apportionments of these appropriations made in accordance with the provisions of the Anti-Deficiency Law (Act of February 27, 1906, 34 Stat., 49, as amended); and (3) the amount of the General Reserve set up under each appropriation. It is desired that no apportionment period longer than three months be used in making apportionments.

2. This statement will be made on Standard Form No. 12 (Budget Circular No. 175). It will include Annual Appropriations, Supplemental Appropriations, Permanent and Indefinite Appropriations, and all increments to appropriations made available from appropriations for prior years, from appropriations for succeeding years, and from transfers from other departments and establishments. It will exclude appropriations or parts of appropriations transferred to the Retirement Fund and to other departments and establishments for expenditures. When any change in the amount of an appropriation is made after the original statement is submitted, a new statement will be furnished on Standard Form No. 12 showing the revised amount of appropriation and of apportionments thereunder.

3. General Reserves should be provided (1) to meet emergencies that cannot be anticipated at the time the apportionment is made, and (2) to effect savings in the appropriation where such savings can be made without detriment to the service in question.

4. Not later than the 15th of each month following the end of a quarter each department and establishment will furnish the Bureau of the Budget with a statement showing for each apportionment—

(a) The amount of obligation authorized under it by the head of the agency charged with the administrative control of the funds of the apportionment.

(b) The amount actually obligated under the corresponding apportionment for the quarter ending three months before.

When the "actual obligation" is available it should be reported under (a) instead of the "authorized obligation," but the report will not be delayed for this purpose.

5. A waiver modifying an apportionment, required by the Anti-Deficiency Law, should be made on Standard Form No. 11 (Budget Circular No. 175), and a copy sent to the Bureau of the Budget at the time of issue.

No. 188—June 29, 1926 [Two Per Cent Personnel Club]

To the Heads of Departments and Establishments:

A sum not less than 2 per cent of the total amount expended for the salaries of the entire Executive Civil Service of the Government, except temporary employees of the field service, from appropriations available for salaries during the fiscal year 1927, will be reserved to be covered into the surplus fund of the Treasury.

The necessary reduction in personnel to accomplish this saving will be made by omitting such new appointments to fill current vacancies as will result in an actual saving equal to 2 per cent of the amount expended for salaries in each department and establishment from appropriations available for such expenditure during the fiscal year 1927. No employee will be discharged, demoted, or reduced in salary for the sole purpose of effecting this saving.

Each department and independent establishment will so arrange its personal services for the fiscal year 1927 as will carry this into effect, with respect to (a) permanent and temporary employees in the District of Columbia, and (b) permanent employees in the field.

Report will be made by the head of each department and establishment at the end of each quarter of the fiscal year showing the progress made in carrying out these instructions with respect to each of the above mentioned groups.

APPENDIX 3

RULES OF THE HOUSE OF REPRESENTATIVES REGARDING PROCEDURE ON APPROPRIATION BILLS

1. There shall be elected by the House, at the commencement of each Congress, the following standing committees, viz.:

* * * *

On appropriations to consist of thirty-five members.

2. All proposed legislation shall be referred to the committees named in the preceding rule, as follows, viz., subjects relating—

* * * *

To appropriation of the revenue for the support of the Government—to the Committee on Appropriations.

3. No bill or joint resolution carrying appropriations shall be reported by any committee not having jurisdiction to report appropriations, nor shall an amendment proposing an appropriation be in order during the consideration of a bill or joint resolution reported by a committee not having that jurisdiction. A question of order on an appropriation in any such bill, joint resolution or amendment thereto may be raised at any time.

4. No amendment of the Senate to a general appropriation bill which would be in violation of the provisions of Clause 2 of Rule XXI (the rule just given) if said amendment had originated in the House, nor any amendment of the Senate providing for an appropriation upon any bill other than a general appropriation bill, shall be agreed to by the managers on the part of the House unless specific authority to agree to such amendment shall be first given by the House by a separate vote on every such amendment.

5. No appropriation shall be reported in any general appropriation bill, or be in order as an amendment thereto, for any expenditure not previously authorized by law, unless in continuation of appropriations for such public works and objects as are already in progress. Nor shall any provision in any such bill or amendment thereto changing existing law be in order, except such as being germane to the subject matter of the bill shall retrench expenditures by the reduction of the number and salary of the officers of the United States, by the reduction of the compensation of any person paid out of the Treasury of the United States, or by the reduction of amounts of money covered by the bill: Provided,

That it shall be in order further to amend such bill upon the report of the committee or any joint commission authorized by law or the House members of any such commission having jurisdiction of the subject matter of such amendment which amendment being germane to the subject matter of the bill shall retrench expenditures.

6. The following named committees shall have leave to report at any time on matters herein stated, namely . . . the Committee on Appropriations the general appropriation bills.

7. All motions or propositions involving a tax or charge upon the people; all proceedings touching appropriations of money, or bills making appropriations of money or property, or requiring such appropriation to be made, or authorizing payments out of appropriations already made, or releasing any liability to the United States for money or property, or referring any claim to the Court of Claims, shall be first considered in a Committee of the Whole, and a point of order under this rule shall be good at any time before the consideration of a bill has commenced.

8. At any time after the reading of the journal it shall be in order, by direction of the appropriate committee, to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the purpose of considering bills raising revenue or general appropriation bills.

9. In Committee of the Whole House business on their calendars may be taken up in regular order, or in such order as the committee may determine, unless the bill to be considered was determined by the House at the time of going into Committee, but bills for raising revenue, general appropriation bills and bills for the improvement of rivers and harbors shall have precedence.

APPENDIX 4

RULES OF THE SENATE REGARDING PROCEDURE ON APPROPRIATION BILLS

1. The following standing committees shall be appointed at the commencement of each Congress with leave to report by bill or otherwise.

* * * *

Committee on Appropriations of eighteen Senators.

2. All general appropriation bills shall be referred to the Committee on Appropriations and no amendments shall be received to any general appropriation bill the effect of which will be to increase an appropriation already contained in the bill, or to add a new item of appropriation, unless it be made to carry out the provisions of some existing law, or treaty stipulation, or Act, or resolution previously passed by the Senate during that session; or unless the same be moved by direction of a standing or select committee of the Senate, or proposed in pursuance of an estimate submitted in accordance with law.

The Committee on Appropriations shall not report an appropriation bill containing amendments proposing new or general legislation, and if an appropriation bill is reported to the Senate containing amendments proposing new or general legislation, a point of order may be made against the bill, and if the point is sustained, the bill shall be recommitted to the Committee on Appropriations: Provided, however,

That three members of the Committee on Agriculture and Forestry, to be selected by said committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the bill making appropriations for the Department of Agriculture is being considered by the Committee on Appropriations, and at least one member of the Committee on Agriculture and Forestry shall be a member of the conference committee appointed to confer with the House upon said agricultural appropriation bill;

That three members of the Committee on Post Offices and Post Roads, to be selected by said Committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the bill making appropriations for the Post Office Department is being considered by the Committee on Appropriations,

and at least one member of the Committee on Post Offices and Post Roads shall be a member of any conference Committee appointed to confer with the House upon said Post Office appropriation bill ;

That three members of the Committee on Military Affairs, to be selected by said committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the bill making appropriations for the Department of War is being considered by the Committee on Appropriations, and at least one member of the Committee on Military Affairs shall be a member of any conference committee, appointed to confer with the House upon said bill making appropriations for the Department of War ;

That three members of the Committee on Naval Affairs, to be selected by said committee shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the bill making appropriations for the Department of the Navy is being considered by the Committee on Appropriations, and at least one member of the Committee on Naval Affairs shall be a member of any conference committee appointed to confer with the House upon said bill making appropriations for the Department of the Navy ;

That three members of the Committee on the District of Columbia, to be selected by said committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the bill making appropriations for the District of Columbia is being considered by the Committee on Appropriations, and at least one member of the Committee on the District of Columbia shall be a member of the conference committee appointed to confer with the House upon said District of Columbia appropriation bill ;

That three members of the Committee on Commerce, to be selected by said committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the items pertaining to rivers and harbors are being considered by the Committee on Appropriations in the bill making appropriations for the Department of War, and at least one member of the Committee on Commerce shall be a member of any conference committee appointed to confer with the House upon items pertaining to rivers and harbors contained in the bill making appropriations for the Department of War ;

And that three members of the Committee on Foreign Relations, to be selected by said committee, shall be *ex officio* members of the Committee on Appropriations, to serve on said committee when the items pertaining to the Diplomatic and Consular Service are being considered by the Committee on Appropriations in the bill making appropriations for the Departments of State and Justice, and at least one member of the Committee on Foreign

Relations shall be a member of any conference committee appointed to confer with the House when the items pertaining to the Diplomatic and Consular Service are being considered in the bill making appropriations for the Departments of State and Justice.

All amendments to general appropriation bills moved by direction of a standing or select committee of the Senate, proposing to increase an appropriation already contained in the bill, or to add new items of appropriations shall, at least one day before they are considered, be referred to the Committee on Appropriations, and when actually proposed to the bill, no amendment proposing to increase the amount stated in such amendment shall be received; in like manner, amendments proposing new items of appropriation to river and harbor bills shall, before being considered, be referred to the Committee on Commerce; also amendments to bills establishing post-roads, or proposing new post-roads shall, before being considered, be referred to the Committee on Post Offices and Post Roads.

No amendment which proposes general legislation shall be received to any general appropriation bill, nor shall any amendment not germane or relevant to the subject matter contained in the bill be received; nor shall any amendment to any item or clause of such bill be received which does not directly relate thereto; and all questions of relevancy of amendments under this rule, when raised, shall be submitted to the Senate and be decided without debate; and any amendment to a general appropriation bill may be laid on the table without prejudice to the bill.

No amendment, the object of which is to provide for a private claim shall be received to any general appropriation bill, unless it be to carry out the provisions of an existing law or a treaty stipulation which shall be cited on the face of the amendment.

3. Immediately after the consideration of cases not objected to upon the calendar is completed, is not later than two o'clock, if there shall be no special orders for that time, the Calendar of General Orders shall be taken up and proceeded with in its order, beginning with the first subject on the Calendar next after the last subject disposed of in proceeding with the Calendar; and in such case the following motions shall be in order at any time as privileged motions, save as against a motion to adjourn, or to proceed to the consideration of executive business, or questions of privilege, to wit:

First. A motion to proceed to the consideration of an appropriation or revenue bill.

* * * *

Each of the foregoing motions shall be decided without debate and shall have precedence in the order above named, and may be submitted as in the nature and with the rights of questions of order.

APPENDIX 5

OUTLINE OF ORGANIZATION OF THE BUREAU OF THE BUDGET, JANUARY 1, 1927

<i>Organisation Units:</i>		<i>Annual Salary Rate</i>
<i>Classes of Employees</i>	<i>Number</i>	
1. General Administration		
Director	1	\$10,000
Assistant Director	1	7,500
Executive Assistant	1	5,400
Secretary to the Director and Assistant		
Director	1	2,300
Assistant to the Director	1	6,000
Counsel	1	5,400
Clerk Stenographer	1	1,740
Assistant Director	4	5,400
Investigator	1	5,200
	3	4,200
	6	4,000
	1	3,800
Senior Investigator	1	3,400
	1	3,300
2. Office of the Chief Clerk		
1. Chief Clerk	1	3,000
Assistant Chief Clerk	1	1,980
Senior Stenographer	1	1,500
Messenger	3	1,260
2. Files Section		
Clerk Stenographer	1	1,680
3. Division of Estimates		
Chief of Division	1	5,400
Assistant Chief	1	3,400
Principal Clerk	1	2,400
	1	2,300
Clerk	1	1,680
Clerk Stenographer	1	1,680

APPENDIX 6

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