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# HOW CAN WE INCREASE CONFIDENCE IN THE MANAGEMENT OF FEDERAL PROGRAMS?

Given the mood of disillusion that prevails in this country, some of you may be curious as to why anyone would come out from Washington at such a time to talk about increasing public confidence in the management of Federal programs. The reason I selected this subject is because there is this disillusion.

From the many comments by the press and others in recent months one could conclude that

--there is no person or thing you can trust in Washington, especially your own telephone;

--Federal civil servants are wandering about Washington like blind camels; and

--the parlor game "musical chairs" has become Washington's most popular entertainment.

Talk such as this is not helpful. While it is true that the American public tends to be somewhat schizophrenic, suffering from extremes of optimism and pessimism, we are nevertheless a society that has demonstrated time and time again its vigor and its ability to rise successfully to past challenges once the directions were clear as to actions which needed to be taken. I should like to refer today to three areas where changes are under consideration which I consider important challenges and where your support is needed. These are:

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--improvements in the way the Congress reviews the budget;

--closely related is the need for better evaluation as to whether programs once started are effective and are serving their purpose; and, thirdly,

--ways in which we can improve the financing of election campaigns.

INCREASED CONFIDENCE IN THE CONTROL OF FEDERAL SPENDING

Our meeting today coincides almost exactly with the anniversary of the succession to the presidency of Lyndon Johnson who, in November 1963, faced a difficult decision on tax and expenditure policy at a time when the Federal budget for the first time threatened to exceed $100 billion. President Kennedy and Vice President Johnson had both favored a tax reduction as a stimulus to the economy. The Council of Economic Advisors, while supporting this effort, nevertheless had urged a sizable increase in Federal spending. In a meeting which ran past midnight the day of President Kennedy's funeral, President Johnson made the decision to cut back the budget and to press for a reduction in taxes. His budget, submitted in January, was $97.9 billion. It was his judgment that the political shock effect of a $100 billion budget would be so great that the Congress would refuse to enact a tax-reduction.

Where do we stand today?

Budget outlays for the fiscal year which ended last June 30 were $246.6 billion--two and one-half times President

Johnson's first budget. Expected expenditures for 1974 will be in the order of $270 billion. Why is this of concern?

--In the past three years, we have accumulated new deficits totaling more than $60 billion contrasted with $58 billion in the entire prior 10-year period.

--In the 13 years, 1961 through 1973, we had a budget surplus in only one year--and that was a small one.

--The Congress has before it currently a bill which would increase the Federal debt limit to $465 billion.

--When State and local expenditures are added to those of the Federal Government, the total represents over one-third of the Nation's Gross National Product.

--In recent years the governmental sector of the American economy has been growing twice as fast as the private sector.

Startling and sobering as these facts may be, they do not tell the whole story. More important is the fact that nearly three-fourths of the current budget is fixed by legislative mandate or earlier decisions for such programs as Medicare, urban renewal, farm subsidies, and the completion of defense contracts.

It appears that these same conditions will obtain for the future. The Office of Management and Budget has estimated that, if economic conditions are good and we achieve an unemployment rate of 4 percent, present tax laws should generate about $70 billion in new Federal revenues in the next four years. Yet all except $5 billion of the amount, according to this estimate, will be required to pay for the growth in the cost of existing programs plus the new ones which the President has recommended to the Congress.

Conversely, if economic conditions are less favorable, the revenue growth will be lower and expenditures for programs such as unemployment compensation and public assistance will be higher.

An illustration of the extent to which expenditures become "fixed"--or as some people prefer to call it "uncontrollable"--is reflected in the Federal expenditures for programs which support the income of individuals, such as veterans' compensation, military retirement, railroad retirement, and Social Security. These programs, which totaled less than $4 billion in 1950, grew to nearly $17 billion in 1960, to nearly $50 billion by 1970, and this year are estimated at about $82 billion. If one were to add other income support programs, such as public assistance, housing subsidies, student loans, and farm price supports, the increase since 1950 is more than tenfold and represents about 40 percent of the total budget. These programs are not only politically sensitive and hard to modify but become highly important in consumer income and, hence, have an increasingly important effect on the economy.

This situation is the result of the most dramatic growth in non-defense spending programs in the past 10 years which we have experienced in recent history. These programs generated in both the executive and legislative branch flow to a large extent from the growing pressures of a society which is becoming increasingly urban, increasingly complex, and increasingly dependent upon government to provide the stimulus for employment and economic growth. It is also the result of a political system and a political environment in which the executive and the legislative branches of the Federal Government have been vying for political advantage by supporting more and larger programs without facing up to the reality that such programs can only be financed through new taxes or new borrowing. I say this in part to demonstrate the fact that it is impossible to control or substantially influence the budget in the time framework of a single year. The President and the Congress in acting on the Budget each year are largely at the mercy of decisions made in prior years. Between 70 and 80 percent of the outlays this year will result from decisions made last year, the year before, and the years before that.

That is why it is necessary for the President and the Congress to give greater attention to the long-term effects of fiscal and program decisions. That is why Congress is moving belatedly to set up new machinery to review the Budget as a whole, to establish national priorities among different parts of the Budget, and to look at the longer-range implications of spending decisions.

A President's Budget is not "holy writ." It is made up of compromises and always has been. It is a political document, an economic plan, and a national security plan. Assumptions a

President uses to justify his revenue projections may be off the mark depending upon the political year he is in, or whose economic advice he listens to. But his Budget does have a rationality that all of the appropriation and authorization bills at the end of the year, singly or added together, presently do not have.

Can the present congressional actions add up to a rational picture? Should they?

There are 13 appropriation subcommittees, each with a high degree of independence. Each is constituent-conscious and not about to have another committee or the Congress as a whole tamper with its work.

Significantly the power of the Appropriation Committees has eroded to the point where it now reviews only 45 percent of the Budget. The remainder is controlled by the legislative Committees or by mandatory provisions of law.

This situation may change, for the better. In legislation enacted in the last session that increased the debt limitation temporarily, the Congress also established a Joint Study Committee on Budget Control.

Its report came in April.

The Committee was chaired jointly by the ranking majority members of the Appropriations and Ways and Means Committees-- Representatives James Whitten of Mississippi and Al Ullman of Oregon. They were able to obtain the unanimous support of all the Committee's 32 members.

Here are the principal conclusions. There should be:

--A legislative budget committee in each body of Congress, supported by a joint professional staff. It would have jurisdiction over all forms of Federal spending.

--Overall ceilings for expenditures as well as all authority to obligate for future expenditures.

--A recommendation to and action by Congress, as a whole, as to debt and tax policy in the light of an expected budget surplus or deficit.

--Ceilings to cover not only appropriations measures, but also "back door" spending through the legislative committees.

--Ceilings allocated to individual committees and subcommittees.

--Analyses made of existing and proposed legislation to project long-range costs, three to five years.

After months of hard work in both the House and the Senate, committees have completed drafting measures to carry out the essential features of the report issued last April. While they differ in certain respects, the fundamental concepts of the report of the Joint Study Committee have been retained in both.

In addition--a recommendation not included in the report--both would have the fiscal year begin October 1, thus making it possible to complete action on appropriations before the beginning of the fiscal year rather than having the Government operate, as it must today in many areas, on costly and disruptive continuing resolutions carrying over spending authority from the previous year.

This proposal represents the most hopeful sign of fundamental fiscal reform in more than 50 years. It is legislation which is vital if we are to have confidence that the Congress is acting in a rational and responsible way--in deciding not only what the total budget should be but also the priorities within the total.

I am surprised that the proposal has not had more public support than it appears to have received to date. It is legislation which deserves your active support.

INCREASED CONFIDENCE IN THE EFFECTIVENESS AND MANAGEMENT OF GOVERNMENTAL PROGRAMS

Important as getting better control of the budget total and priorities within the total may be--we should not lose sight of the importance of getting our money's worth from old and established programs. All too frequently, in any organization, the tendency is to look at the increases--the add-ons--rather than whether economies can be achieved by making present programs work better, by making them less costly, or by eliminating them entirely.

It has been said that there is nothing more wasteful than doing something efficiently which should not be done at all. The Senate budget reform bill proposes to limit budget authority for new major programs to three years. Existing programs would expire at the end of the fifth year after enactment of the budget reform bill. Thus Congress would have to enact new legislation to approve their extension. The objective of course is to provide for reevaluation of the need for programs and closer congressional oversight of the effectiveness of these programs.

The General Accounting Office, which the Comptroller General heads, plays an important part in this process and would play an even more important part should the budget reform legislation be enacted. Starting in 1921, the GAO was primarily concerned with assuring the Congress as to the legality and fiscal integrity of Federal expenditures. Later on, the GAO became increasingly involved in ways in which Federal programs could be carried out more economically and more efficiently. Still more recently--encouraged by the Congress through legislation which directed GAO to make studies of costs of programs in relation to their benefits--it has become deeply concerned with basic questions of whether the programs are working as they should, whether they need modification to make them work better, and whether they should be expanded, cut back, or discontinued.

From where we sit, it appears that both the executive and legislative branches of our Government have been more concerned with starting new programs than with making certain that those we already have are working satisfactorily or could be improved.

This point is illustrated by a story of an elderly lady who was taking her first airplane ride. She was sitting next to a minister. The air became very turbulent. She was quite frightened and said to the minister: "You are a man of God. Can't you do something about this?" He said, "Sorry, lady. I am in sales. I am not in management."

Too often those in government are concerned too much with sales rather than good management.

I want to emphasize that our purpose in GAO is not solely to reduce the cost of managing programs; we are equally concerned with developing recommendations to make them work better. We have been reviewing programs to provide better consumer protection, to provide better housing, for improvement in safety, conservation of scarce energy and raw materials, and so on.

GAO has a professional staff of more than 3,300 with backgrounds in many fields--engineering, economics, accounting, industrial management, business administration, systems analysis, law, and many others. Increasingly we call upon outside experts as consultants and we have drawn heavily on the experience of private industry and nonprofit organizations.

Perhaps I can best illustrate how we do our job by citing a few examples illustrative of more than 1,000 studies which we have under way at any given time either at the request of Congress or at our own initiative covering a wide range of Federal activities.

In the field of housing, we have issued over 100 reports in the last 3 years, including reports on model cities, low-rent public housing, urban renewal and mortgage insurance. Here in Detroit our regional office has played a major part in several of these studies. I shall mention just two.

The first was a nation-wide evaluation of the homeownship subsidized mortgage insurance program in which we were concerned with finding ways to improve the effectiveness of the program and reduce its costs.

What did we find nationally?

- --Houses with significant defects affecting the safety and health of the occupants were insured under the program.
- --Mortgage defaults were a major problem which could result in additional costs of $532 million to the taxpayer.
- --Over $1 <u>billion</u> could be saved if this program were financed through Government borrowing rather than through private lenders.

What did we find in Detroit?

- --Overall, the insuring programs--both subsidized and nonsubsidized--for low- and moderate-income families <u>are failing</u>.
- --Efforts to counsel homebuyers had begun, but the pace needed to be quickened.
- --Efforts to curb high speculator profits needed to be improved.
- --As in the nation-wide review, substandard houses were being insured because significant defects were overlooked by HUD appraisers and HUD management was not adequately monitoring the appraisers' work.

Here are some examples of the defects overlooked:

--Roofs in very poor condition. Many had rotted roof boards and required removal of two or three layers of shingles.

--Electrical systems needed extensive work or complete replacement.

--Plumbing generally in poor condition. Many drain pipes were rotted and leaking and faucets had practically no pressure.

--Porches and steps badly rotted and had to be completely rebuilt.

What has happened since our evaluations?

--In January 1973, HUD announced a moratorium on its subsidized programs until it completed a comprehensive study of the Federal housing policy.

--In September 1973, the President outlined a new housing policy which emphasized a shift from subsidizing the construction of new housing to providing direct cash assistance to families needing decent housing. GAO is currently assessing HUD's early experiments on this new approach.

Let's take another example:

The Code Enforcement Program of the Federal Government is obviously important. It is designed to stimulate communities in combating housing deterioration by adopting local code enforcement. Detroit was one of 29 communities included in our review of this program. What did we find?

--Housing deterioration and decay have not been arrested because communities have not enforced housing codes effectively.

--The objectives of the program--preventing the spread of blight and preserving good neighborhoods--could have been better accomplished if HUD had approved projects only in neighborhoods where housing was basically sound and could have been restored by enforcing codes.

--Much of the spending for public improvements (paving streets, repairing sidewalks, etc.) was questionable because the improvements had little impact on achieving the program's primary goals.

What has happened since our evaluation?

--In January 1973, HUD announced termination of the program rather than attempting to take corrective action.

--In April 1973, the President submitted a proposed bill, entitled "The Better Communities Act," to the Congress which would provide $2.3 billion of shared revenues to cities, urban counties and states for community development activities. The Code Enforcement Program is one of the several HUD programs to be carried out through this proposed Act.

In citing these illustrations my purpose is to underscore the need for continuing evaluation of the effectiveness of all programs and to make sure that they are modified when they do not serve the objectives for which they were designed.

I could cite many other illustrations of reports of our Office. In recent months, for example, we reported on the following matters:

--How improved market analysis can increase United States exports.

--Effectiveness of Narcotic Addiction Treatment and Rehabilitation Programs in 6 metropolitan areas.

--Four studies focusing on the operations of AMTRAK.

--A series of reports recommending improvements in the operation of the Postal Service, including Detroit only last month.

--A major study, at the request of the Congress, on ways to reduce the cost of construction, operation and maintenance of hospitals as one way of lowering the cost of medical care.

--Ways to reduce the cost of food distribution to the needy.

--Ways to reduce the costs of awarding negotiated contracts by the Defense Department.

--Use of revenue sharing funds by State Governments.

We report on these matters and others like them to the Congress and to the public month after month, year in and year out. As you can readily see, some reports get down to the nitty-gritty problems in Government management. Some are more important and more complex and more interesting than others, but they have one thing in common. They all require the effort of capable and objective people. Importantly, all affect you directly as taxpayers. Many of you are adversely affected when Federal programs do not work as they should.

## INCREASING CONFIDENCE IN CAMPAIGN FINANCING

You may wonder why I have included the topic of campaign financing along with the two subjects which I have just discussed. To me the answer is an obvious one: Few things have done more to reduce confidence in the administration of Federal programs and in the credibility of Government than the problems associated with the 1972 national campaign. I mention it also because the General Accounting Office has responsibility for the administration of two major laws dealing with this subject.

The Federal Election Campaign Act which became effective April 7 of last year had as its primary objective the disclosure of campaign contributions and campaign expenditures in excess of $100. This law was a quantum jump forward from the old Corrupt Practices Act which President Johnson once described as "more loophole than law." The law placed on GAO the responsibility for administering the provisions relating to Presidential campaigns. Officers of the Senate and the House have had similar responsibility with respect to candidates for the two Houses of the Congress.

There have been many problems associated with the administration of this legislation. Not the least of these problems was the tremendous pressure to contribute <u>prior</u> to April 7 in order to avoid public disclosure of contributions and expenditures. GAO has been limited also by the fact that it has had no subpoena power to obtain information and no way to make certain that violators are brought into the courts of justice. For these we have had to rely on the Department of Justice. Even so, on balance, we would agree with most people that the law was a major milestone in campaign financing reform even though most would also agree that it does not go far enough. Witness to this is the large number of bills introduced in the present Congress, the new and stronger bill already passed by the Senate, and the current hearings by the Ervin Committee on the subject as a part of the Watergate investigation.

Probably less well known is the fact that the GAO has responsibility for administering a law enacted in 1971 providing for a new method for financing presidential campaign beginning in 1976. This is the so-called "dollar check-off" legislation under which each taxpayer is authorized to designate one dollar of his tax to be placed in a trust fund for use--on a formula basis--by political parties supporting the Presidential candidates in 1976. Only about three percent of the taxpayers took advantage of the new law last April, allocating only $4 million out of a potential $119 million. There are several reasons for believing that this privilege will be taken advantage of to a much greater degree in next year's tax returns; it is better known and the income tax form has been improved, for example. However, no one can do more than speculate on this at the present.

While there is no doubt that many improvements can be made in the present disclosure legislation and the Senate-passed bill would represent a substantial improvement, there is nevertheless growing sentiment favoring a movement in the direction of public financing of political campaigns. No one would or could maintain that public financing is a cure-all or a panacea for our problems in this area. Most would agree, however, that public financing would:

--tend to make challengers and incumbents more nearly equal,

--relieve the candidate of what Senator Humphrey once described as "the most demeaning, disgusting, depressing, and disenchanting chore connected with the pursuit of public office,"

--help focus both candidate and public attention on issues rather than money raising,

--remove the contributor from pressure--real or imagined--to contribute in exchange for favorable governmental treatment. In the present climate the contributor, particularly the business firm or the trade association, may be placed in a highly unfavorable light irrespective of the motives for the contribution.

There was a most significant column in The New York Times last week written by Charles W. Colson, recently of the White House staff, who resigned because of the Watergate affair. I should like to quote briefly from his article.

> Perhaps some of us who have been in the eye of the Watergate storm can be forgiven if we look for a silver lining--if we suggest that out of the public turmoil and personal agony, there has emerged an historic opportunity for long-overdue political reform.
>
> ***Whatever may ultimately be determined about the guilt or innocence or moral worth of individuals, cannot we all agree that the time has come to take private money and private gain out of politics?
>
> ***I have these suggestions: (1) Public financing of political campaigns: No half-way measure like that now pending in Congress will suffice. Those who seek to corrupt will find loopholes in any purely regulatory statute Congress can draw. What is needed is a complete substitution of public for private financing. I know--and have made--

> many of the arguments against public financing. The most frequently heard is that it is unconstitutional. The answer to that is simple: amend the Constitution if need be.

Or let me quote a man more close at home here in Detroit, Henry Ford, Chairman of the Board of the Ford Motor Company, who last month said:

> The time has come to establish public financing of election campaigns for Federal office on a direct, systematic and substantial basis. Such a program would impose no great drain on the treasury. . . I am afraid that nothing short of a significant degree of public financing will get at the root of the problem.

To go back a bit further, President Eisenhower, under whom I served for eight years, said that:

> We have put a dollar sign on public service, and today many capable men who would like to run for office simply can't afford to do so. Many believe that politics in our country is already a game exclusively for the affluent. This is not strictly true; yet, the fact that we may be approaching that state of affairs is a sad reflection on our election system.

Significantly, on November 13, nine Senators, all of whom had supported individual public financing bills, got together on a proposal which has received widespread attention. The bill was introduced by Senator Kennedy on behalf of five Democrats and four Republicans. The senior Republican involved is Senator Scott, the Minority Leader in the Senate. It has come to be known as the Kennedy-Scott bill. I do not have time to give you the details of the proposal in this brief statement. Suffice it to say that it builds on the dollar "checkoff" system by providing that two dollars of each taxpayer liability automatically goes into the fund unless the taxpayer decides otherwise. Public funds would be mandatory, not optional as at present on political parties. It would extend to the primaries and not just the general election for President. And it would cover the general election expenses for candidates for the Congress.

Equally important, the concept of the bill is to make the fund available only for matching of small contributions of $100 or less and only when these small contributions add up to a total of $100 thousand. While amounts above $100 would not be matched, private contributions of $3,000 would be allowed.

The proposal incorporates many features which should have widespread acceptance in both parties and by the American public generally.

All of you must have been impressed, as I was, with the fact that the Gallup Poll for September 29 indicated that 65 percent of the American people favor public financing of political campaigns. Surely, we can all agree that confidence in governmental affairs should increase as the base of financial support for those elected to public office is broadened and as suspicions are removed from candidates--as well as contributors--as to their motives in the support of the ever increasing cost of political campaigns.

Roscoe Drummond put it succinctly in the Christian Science Monitor recently when he said: "Just as Government itself is financed by public funds, so the elections which produce the Government should be financed by public funds."

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