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it hard to understand why we did not have instantly available whatever forces were required to protect the Pueblo from seizure and, once she had been seized, to seize her right back again.

But anyone who stops to think for a moment should realize that even the most powerful nation in the world cannot be expected to be able to exert whatever force may be required to meet any situation anywhere in the world and to do it instantly.

The reason is obvious if you simply add up the force that would have been required to protect the Pueblo from any possible harm.

To protect her from boarding by a party from a patrol boat, she would need the protection of a destroyer—say, 260 men.

But what about the threat from a submarine? Add three more destroyers—another 780 men.

What about a possible air attack? Add an aircraft carrier—at least another 2,700 men.

Even an armada like that—five warships, perhaps 80 planes and some 3,740 men—still couldn't afford absolute protection to the Pueblo from all conceivable threats.

As the collision the other day between a U.S. destroyer and a Soviet ship in the Sea of Japan demonstrated, the very fact that a number of ships are gathered together can itself lead to new and unexpected complications. In any military move, someone has to make a judgment, weighing the importance of the mission against the risks and the costs of reducing the risks. It is essentially the same kind of decision a person makes when he decides whether the chances of rain are great enough to outweigh the inconvenience of carrying an umbrella.

In the case of intelligence-gathering ships like the Pueblo, the United States and the Soviet Union have been operating without any great difficulty since at least as long ago as 1953. The chance that the Pueblo would get into trouble seemed, from all past experience, extremely remote.

Once it occurred, the Pueblo incident might seem on the surface to reveal the powerlessness of the United States under certain circumstances. But it has also demonstrated the ability of the United States to keep its commitment to protect the independence of South Korea.

On the ground in South Korea at the time of the incident were more than 50,000 U.S. soldiers in two divisions. With the South Korean army, there is virtually no question that they could at least hold off any attack from the North until help could arrive, if they could not, in fact, repel an attack.

Within hours of the incident, the United States had moved the carrier Enterprise into the Sea of Japan. By itself, this move probably tipped the air superiority balance in favor of the United States and South Korea. Additional land-based planes began to arrive a short time later.

Defense officials were deeply disturbed by published reports that they would have no choice but to use nuclear weapons to deal with a new outbreak of hostilities in Korea. Clearly, their ability to react to trouble there now is vastly greater than it was in 1950—and the use of nuclear weapons was avoided then under more difficult circumstances.

It may very well be, as some argue, that the United States has made more commitments than it can fulfill. Certainly, this would be true if we were forced to try to meet all our commitments at once. It is also true that we have not yet reached our goal of a truly flexible response to all possible contingencies—a goal that will probably always remain elusive.

But the Pueblo crisis has certainly not demonstrated that, because of the war in Vietnam, we are not able to react quickly to meet other emergencies. The speed of our reaction, even though it was not instantaneous, tends much more to prove just the opposite.

## PPBS: PROMISE AND PROBLEMS

Mr. MONDALE. Mr. President, on February 6, 1967, I introduced the Full Opportunity and Social Accounting Act. That legislation was developed from a concern that we know too little about and frequently respond far too late to a wide variety of social problems plaguing our Nation. S. 843 would attempt to improve our social knowledge and heighten our ability to respond intelligently and rationally to unmet social needs before they confront us starkly in riots and other social disorders.

The Full Opportunity Act would declare full social opportunity a national goal, and would establish a Council of Social Advisers to the President, an annual social report, and a joint congressional committee to review that report. These mechanisms, I believe, would assure early movement toward achieving the goal of full social opportunity for all our citizens.

From time to time during the past year, I have called the attention of the Senate to discussions of sophisticated efforts now underway in the executive branch which are designed to lend greater rationality to the process by which our limited national resources are allocated to competing social needs. I have, in particular, sought to highlight the activities of the Social Indicators' panel in the Department of Health, Education, and Welfare and that group's attempt to operationalize the programming-planning-budgeting system adopted by President Johnson in 1965.

Recently, William Gorham, Assistant Secretary for Planning and Evaluation in HEW, discussed this effort in some detail. I found Secretary Gorham's remarks on this occasion most illuminating both with respect to the promise such efforts hold for providing decisionmakers with better and more appropriate data upon which to make policy judgments, and with respect to the limitations which characterize that effort. I believe Mr. Gorham's remarks on this occasion focus attention on the need for improving our social knowledge if we are to meet the challenges now confronting our society. I also believe Mr. Gorham's remarks underscore the necessity of establishing at an early date an agency which can act as a governmentwide coordinator of existing social knowledge and a stimulus to the production of additional social information as needed.

Mr. President, I ask unanimous consent that Secretary Gorham's lecture, entitled "Sharpening the Knife That Cuts the Public Pie—II," be printed in the RECORD.

There being no objection, the lecture was ordered to be printed in the RECORD, as follows:

### SHARPENING THE KNIFE THAT CUTS THE PUBLIC PIE—II

(By William Gorham, Assistant Secretary for Planning and Evaluation, HEW Forum, Lecture No. 2, December 20, 1967)

I have a very rich acquaintance. Like the rest of us, he has problems. But unlike the rest of us, he doesn't have great difficulty in deciding how to spend his money. He buys pretty much what his heart desires, when he desires it, and if it's for sale. And when he finishes buying, he always has lots of

money left over. Most other people in the world want very much more than they can buy and they must make hard, sometimes tortured, choices—choices between food and drink, and theater, theater and books, books and education, education and homes, home and furniture. Also, choices between now and later, spending and saving—finally, choices between themselves and their spouses, they and their children, one child and another child, and so forth.

I won't have to persuade you, especially not this month, that governments are like most of us. They have limited resources relative to their collective appetite for public goods and services. And like most of us, governments must make difficult choices about how to allocate collective resources. To make the choices every government has machinery or institutions. Periodically our Government has tried to improve that machinery.

It is in that optimistic tradition that a little over two years ago President Johnson became persuaded that the Federal Government could do a better job in developing the Executive budget and legislative program. He mandated and directed the civilian agencies to develop a planning-programming-budgeting system (PPBS) along the lines of the one instituted in the Defense Department under Robert McNamara. Secretary Gardner invited me to join him in making the best of that mandate. Today I would like to tell you of my story of PPBS in HEW.

It's a moving target so unless you're an historian I wouldn't take notes. The principal features of the system are: a long-term (five year) Plan and a method of linking the Plan to the annual budget and legislative program. Now neither of these features was born two or even seven years ago. Planning is not new, and legislation and budgeting get older every year. What's new is putting them all together and forging links between them which make each relevant to the others. In other words, it's the "S" in PPBS which is new and different.

Also different is the analytical spirit of the thing which finds its way into the choices made in the Plan. Its features are (1) open, explicit, and deliberate attention to the ends or objectives of Government action; and (2) systematic comparison (analysis) of the costs and benefits of alternative ways to these ends.

Let me underline the purpose of PPB, PPB is for making better budgets and making better legislative programs. The premise of PPB is that annual budgets and legislation will be better if they are made in the context of a carefully conceived, though tentative, plan.

If it succeeds it will be perceptible only over the long haul. It's worth spending a minute to amplify this important point. In theory, a shift in program priorities could be translated into a drastic alteration in the budget and, if necessary, in the laws of the land. In fact, the laws of the land normally change slowly and each year's budget looks a great deal like the last year's—except a little larger.

There are several reasons for this stability. First, most of the principal actors have been in the play for several seasons and an amalgam of their priorities is already reflected in the legislation and in the budgets. In a country with as strong an anti-government bias as the United States, most major Federal programs come into existence only after a hard fight on the part of the proponents of a particular program to muster support from many different interests. For example, a generation of bitter debate preceded passage of a substantial program of Federal aid to elementary and secondary education in 1965. It probably passed the Congress only because it attracted the support of three different constituencies—those whose concern was for the poor, those who saw the Act as a first step toward wider Federal aid to education, and those who wanted to establish a precedent for

Federal aid to church schools. Such delicate alliances stand behind a number of major laws. Hence it is not surprising that once the fight has been won for a particular program, the Executive Branch is reluctant to try to change the program substantially or to substitute a new one and risk losing the support of some of the parties to the original hard-won compromise.

Second, once a program is in operation, it tends to attract the vocal constituency of beneficiaries. Attempts to reduce or eliminate a program bring loud cries of anguish. In the 1967 budget proposals, the present Administration called for reduction in impacted area aid—the program which provides financial assistance to local school districts serving a large number of children of Federal employees. Not a single congressman could be found to introduce the Administration's bill. This was true in spite of the fact that many congressmen admitted the "rationality" of the Administration's recommendation, privately.

Because it is so difficult to cut the "base," opportunities for major new programs or for substantially reshuffling of funds are not great unless the over-all budget increases substantially.

It's fair to ask at this point, if there's so little room for change, why bother? Why go through an elaborate and difficult process of assessing priorities and evaluating programs if the likely outcome is a pale legislative program and a budget which looks very much like last year's?

It will seem worth the bother only from the perspective of the long view. That view reveals opportunity and promise. First, there are vintage years, years when the opportunity for progress is extraordinary. For example, during an 8-month period in 1965, the Administration proposed, and the Congress adopted, at least 30 major pieces of legislation establishing new programs or significantly expanding existing programs for this Department. That frenetic period touched every major segment of the population: the young, with education acts and juvenile delinquency program; the old, with Medicare and the Older Americans Act; the unemployed and the under-employed, with expanding vocational training and retraining programs; the poor, with health and welfare and anti-poverty programs as well as with the education programs; and the general population, with air and water pollution control and health research.

Nineteen sixty-five was unusual by any previous or subsequent standard. However, it is not beyond reason to expect that when the Viet Nam war comes to an end, very considerable resources will become available, perhaps suddenly, for domestic programs.

A second reason why it's worth trying to improve the basis for our legislative and budget decisions is what John Maynard Keynes described as the miracle of compound interest. For example, an 8-year Administration which exercises discretion over the increments of a budget growing by as little as 5 percent each year will have shaped about  $\frac{1}{2}$  of Federal expenditures by the end of its second term. Eight percent yields  $\frac{1}{2}$ .

Finally, beyond adding new programs or cutting back existing ones, there are other avenues for expressing priorities. It is often possible to re-orient and re-direct existing efforts. For example, the recent riots in major cities have led to an Administration-wide re-examination of existing programs to determine the extent to which more resources can be focused in the central cities.

In short, I think PPB is going to make a difference, but don't hold your breath.

Let me turn now to how this year's Five-Year Plan was developed, then to the plan format (the program structure), and finally to the prospects of improving the choices embodied in the plan.

#### DEVELOPING A PLAN IN 1967

The procedure involved several steps. First, very early in the calendar year a list of significant issues which would have to be addressed in formulating a Fiscal Year 1969 budget and legislative program was developed and discussed widely in the Department and with the Bureau of the Budget. We decided which of these issues seemed a promising object of analysis, and initiated studies of many of them.

The second step was the development of a set of tentative Departmental objectives for 1973. The Secretary asked each of the operating agencies to formulate their objectives for 1973 in program and financial terms. The sky was not the limit: each agency was given two ceilings for 1973—a "low" which implied continued budget stringency and a "high" which implied somewhat greater availability of funds. He asked each of them to answer the question: How would you allocate these sums in 1973 among existing programs or new programs which could be developed between now and then?

Because there were funding ceilings, difficult choices had to be made among many competing objectives and within single objectives among alternative programs. The 1973 allocations which the agencies sent back to the Secretary reflected considerable thought and effort.

The agency 1973 allocation proposals together with the results of the studies begun last winter were reviewed by the Secretary and his staff and a tentative set of Departmental objectives for 1973 was formulated. These Departmental objectives, reflecting the Secretary's judgment about priorities for 1973, were delivered to the operating agencies with an initial FY 1969 budget ceiling to serve as guidance for formulating their first FY 1969 budget submissions and FY 1969-73 program and financial plan.

With minor editing these submissions became the Department's first Five-Year Plan. The Secretary sent them to the Bureau of the Budget together with memoranda (one for each major program area—health, education, income maintenance and social services) describing the basis of the choices made. These program memoranda provide a comprehensive statement of what the Department is proposing to do and why. They also tell why some courses of action are not recommended.

Subsequent to that submission (in early October) more stringent 1969 ceilings were imposed. Insofar as possible these subsequent changes have been made consistent with the priorities and choices of the Plan.

The Five-Year Plan is tentative, always subject to change, and indeed, probably always changing in some details or in some major ways. As new needs are perceived, as new information or analysis becomes available, as ideas mature and develop, as the political prospects of good old ideas improve—the Plan will change. The next change will occur when the President's budget and legislative program are firm. At this time the early years 67-69 will be revised. The later years 1970 to, now, 1974 will be redone in the spring when the whole cycle will be repeated.

I'd like to turn now to the development of the Plan itself. I will first discuss the framework for planning (the program structure), and then the prospects for improving the choices within the Plan.

#### THE PROGRAM STRUCTURE

Responsibility for programs affecting the same broad goal is lodged with several different agencies. Health programs in particular are administered all over the Department: in the Public Health Service, in Social Rehabilitation Service, the Office of Education, the Food and Drug Administration, and the Social Security Administration. While this dispersion of responsibility is not necessarily bad

for administration it requires tidying up for planning.

The structure of the Plan, the program structure, as we call it, violates organizational lines because our organizations violate functional lines. The Plan is organized by the broad objectives of the Department—health, education, income maintenance and social services. Taken together, these categories are sufficiently broad to encompass (at least) all of the existing programs of HEW.

Within each major category, there are sub-categories and within those, sub-sub categories, all arranged in a reasonable hierarchy of objectives on down to the specific operating programs of the Department. This structure forms the basic building blocks of the Department's Plan. But they aren't the only dimensions of the Plan. Another, which we found very useful this year, is "target population," the group in the Nation the program is designed to reach. All existing or prospective programs are coded by who benefits from them: the aged, children, the poor, poor school-age children, the urban physically handicapped, and so forth. There are other dimensions of less significance.

We have found that the use of several dimensions makes it easier to understand the relationships of programs to each other and to over-all purposes or objectives. They also tend to prevent the functional or objective categories from becoming a hindrance to the development of programs which tend to cross them.

At the operating program level a "cross-walk" is provided which permits the translation of a program plan into appropriation categories. This capability makes it possible to draw the specific budget implications of the Five-Year Plan.

A last and very important point about the formal structure: we are attempting to develop for each operating program an information system which will provide "outputs," that is, quantitative statements of what the programs are accomplishing. For example, for Adult Basic Education we would like to know the number of adults made literate as a result of the funds devoted to that program. Good output measures are available for only a handful of programs. Extending and improving our understanding of the effects of our programs is the most challenging item on the PPB agenda in coming years.

#### PLANNING IS MAKING CHOICES

Now we turn to the essence of planning and budgeting which is making choices among programs. The Plan is nothing more than a bundle of choices—choices among programs and funding levels among the major areas of health, education, income maintenance and social services and a much larger number of individual choices within each of these major areas. For example, choices among individual disease control programs, cancer versus tuberculosis; pre-school versus elementary versus secondary and compensatory education; choices among the alternative roads of providing income transfers to low-income families; public assistance versus negative income tax versus social security, and so forth.

In my judgment we can't hope that systematic analysis will ever provide a great deal of assistance in making choices across major program areas. The big problem is incommensurability of these broadly different programs. We don't have and are unlikely to find a common denominator. We therefore don't know how to compare the value even for the same group of people of being healthier versus being wealthier or being better educated.

On the other hand, the big decisions—decisions about whether to put more into health or education or welfare *can* be made more comprehensible by identifying for the decisionmakers the outputs or the results of spending money in each of these areas.

It seems to me the value of knowing the trading terms is very great. Decisionmakers who know how many college graduates are being traded for how many families being lifted out of poverty or how many cervical cancer cases averted for alternative expenditure of funds, are in a much better position to make informed choices.

Now information on the specific impact of the HEW programs is going to be difficult to obtain. For one thing, in many programs it isn't possible to *define* an output, much less measure it. A great deal of research which aims generally at increasing understanding of physical, biochemical and psychological phenomenon is one such area. Another obstacle stems from the fact that HEW funds typically supplement those of other providers of the services in question. Any change in the Federal share may occasion an increase or decrease in the share of the other providers of the service—the States, municipalities, or the private sector. An increase in a Federal program can result in marginal impact greater or less than the direct effects of that increase. For example, a limited Federal program to detect and treat cervical cancer may persuade many physicians and clinics to recommend that their patients receive annual examinations at their own expense, and voluntary organizations may cooperate by financing substantial screening programs of their own. (Indeed, many programs are designed with precisely this sort of outcome in mind.) Conversely (and much more difficult to trace), a new Federal program may allow States or local communities to defer increases in spending that they would otherwise have undertaken. (And, who knows, the funds released might be turned to other, and more pressing, needs of that community.) These are not all the problems, but they should be sufficient to convince you that developing reliable output information will be more difficult than shaking apples from a tree.

At this point of the PPB's development, it provides an orderly framework of incomplete information. It requires inputs and outputs and it has therefore set in motion a chain of events that we hope and expect will lead to better information. When the boxes are filled, the system will help those who must make choices across programs by providing a clearer view of the implications of adding resources to each.

#### CHOICES WITHIN PROGRAM AREAS

Within the large categories, the contribution of quantitative analysis can be much greater. Objectives can be specified more easily (like saving life, reducing poverty, increasing earning power, raising academic achievement). Analysis of alternative programs that move toward these objectives is possible. When the objective is quite narrow, analysis can be very helpful in choosing among alternative approaches. For example, within a broader health goal, a more limited objective might be to decrease infant mortality. Infant mortality is measurable and routinely reported and there is little conceptual difficulty in evaluating alternative programs in terms of their relative effectiveness in reducing the rate of infant deaths. The preferred program or programs would be those which reduced infant mortality to some specified level by some given time for minimum cost; or the program which for some fixed level of resources minimized infant mortality.

One of the Department's first analyses last year sought the most effective program for reducing the very high infant mortality rates in low-income areas. While estimating the cost and effectiveness of alternative programs was a little more art than science, the estimates were quite good enough to provide a much improved basis for program choice.

The analytical task gets harder and the

results less conclusive as the objective becomes more comprehensive. In another analyses conducted last year, a number of HEW programs aimed at increasing self-sufficiency among physically and "educationally" handicapped persons were studied and compared.

The programs analyzed were:

1. *Vocational Rehabilitation*—grants to States to assist them in setting up programs designed to rehabilitate handicapped individuals.

2. *Adult Basic Education*—a program for individuals over eighteen whose inability to read and write the English language constitutes an impairment of their ability to get and retain a job commensurate with their real ability.

3. *Work Experience and Training Program*—a program of work experience and training designed for persons who are unable to support themselves or their families.

4. *Vocational Education*—grants to States to support vocational high school and post-high school programs to prepare students for employment and to motivate students to stay in school who might otherwise drop out of academic or general curricula.

All of these programs have multiple objectives, but their principal objective is increasing the capacity of the individuals involved to support themselves. The programs were compared on the basis of their relative effectiveness in meeting this common objective. Estimates were made of the benefit to be expected from the program measured by the increase in the expected future earnings of the participants.

In the end, with baling wire and tape for each of the programs, a benefit/cost ratio was calculated (which was nothing more than the discounted future earnings over the cost of the program). The benefit/cost ratio for the programs ranged from barely over 1/1 to over 12/1, which is to say that for certain of these programs, future monetary benefits equaled costs, while for others, future monetary benefits could be expected which were twelve times the cost of the program.

An analysis such as this—of relative efficiency—is not the end of the road. For almost all HEW programs choices made exclusively on such a basis would be crazy. For one thing, different programs frequently benefit different people or even different groups. The question of *who* benefits is absolutely central to a decision-maker concerned with social programs. Unless alternative programs generally affect the same individuals, "efficiency" considerations must be tempered or sometimes overshadowed by distributional implications. Let me illustrate this from the analysis just described. The vocational rehabilitation program is directed to people with palpable physical and mental handicaps; the work-experience and training program is directed to another group—those who are unable to make it because of social and educational handicaps. If one were to be guided exclusively by efficiency criteria (benefit/cost ratios), the more "productive" vocational rehabilitation (VR) program would grow, while the work-experience program would shrink.<sup>1</sup> The socially handicapped would not get to first base while the physically handicapped were, so to speak, scoring run after run.

A related difficulty is encountered in comparing programs that affect different generations. If future benefits are discounted, programs which have benefits that do not emerge for many years, such as most children's programs, will tend to look unattractive relative to programs with more immediate pay-offs. At this time, we do not have

<sup>1</sup> Eventually of course, as the VR program increased its relative advantage would decrease and disappear and it would be efficient to add to the work-experience and training program.

an adequate basis for comparing programs aimed at different generations.

A final difficulty worth commenting on: all of the programs considered in the study have objectives which go beyond increasing income earning capacity. The Adult Basic Education program, for example, in providing literacy training, enables the graduates to be more effective parents, voters, and in general, more effective members of society. While these other objectives may not have been paramount in the eyes of the legislators who enacted the program and annually provide it with funds—there may be more important outcomes of the programs than they had in mind. Can they be ignored? In any case, there are frequently multiple objectives and criteria for their measurement (if they are measurable) are different and non-addable. There is nothing to do about this except to recognize it and illuminate as well as possible the multiple benefits (and costs) of programs. These aren't the only pitfalls. Taken altogether they say "use with caution."

Thoughtful studies will help to illuminate a large number of the choices that must be made in planning and budgeting. Analyses of alternatives will be most helpful within broad areas of social action rather than among them. The reliance that can be placed on quantitative studies tends to be directly related to the narrowness and the uniqueness of the objective: the narrower the objective, the more relevant the analysis; the grander the objective, the less helpful.

Certainly one major function of such studies will be to raise the level of the dialogue between proponents of different solutions to the problems we confront. They will practically never be sufficient unto themselves to provide an unvarnished basis of choice.

#### CONCLUDING OBSERVATIONS

To sum, PPBS is designed to improve the efficiency with which public resources devoted to public purposes are used. It's young and really too early to report on confidently, but it's promising. It is a framework for planning—a way of organizing information and analysis systematically so that the consequences of particular choices can be seen as clearly as possible. Its emergent features are:

1. Open, explicit, and deliberate attention to the ends of governmental action;
2. A comprehensive display of information about the functioning of actual government programs so that it is possible to see easily what portion of Federal resources is being allocated to particular purposes, what is being accomplished by the programs, and how much they cost;
3. Systematic comparisons of the costs and, when possible, the benefits of the alternative ways to attain the ends of government action; and
4. Explicit guidance to budget formulation and legislative development based upon a long-term plan.

These four activities are interrelated and build on each other.

In the end, if PPB succeeds, it will not displace traditional political processes, but help them function more effectively. It can do this by, first, focusing the attention of the political leaders of the country on the choices before them; second, by clarifying the implications of alternative courses of action; third, by improving the quality of the debate among those with diverse views about this or that end or this or that program; and, finally, by further ventilating the basis of the choices made among ends and among programs.

#### THE ENEMY'S MASSIVE GAMBLE IN VIETNAM

Mr. McGEE. Mr. President, the hand-wringing in which many are indulging