

The Treasury, Washington.

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# OUR UNGUARDED TREASURY

## Haphazard Financial System Which Has Necessitated the New Budget System for Federal Government

By *WILLIAM C. REDFIELD*,  
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CURRENT discussion respecting a national budget is interesting both for what is said and for what is left unsaid. It has been treated by distinguished members of Congress and of the Executive, including in both cases those now serving and those who have ceased to serve. All agree that there is extravagance. Its extent, its cause, the responsibility for it—on these men differ. The Congressional partakers in the debate find extravagance original with the executive departments. There is, they allege, no adequate check upon them, their estimates are not properly supervised, there is no executive examination of them, they represent the overzealous ambitions of services and they come before Congress expressing rather the desires of eager officers than the actual necessities of the Government. A distinguished member of a former Administration substantially concurs in this view. Congress gets before it, so these advocates allege, estimates of which the only thing certain is that they are too large. Again it is agreed that the case is aggravated by the fact that there are numerous appropriating committees, some having a peculiar care of the needs of one service or department. There is no unified Congressional action. The result is financial chaos, so far as expenditures are concerned, with extravagance.

A former Speaker and present member of the Appropriations Committee lucidly points out how the present lack of system grew up, but even he omits, as others do, certain important factors, some of them so important as to be at times controlling.

There is much truth in the statements briefly summarized above, but they are not the whole truth—far from it. Collectively they are one of those half truths which give a false impression. I am a strong believer in the budget. I believe, also, in a method of appropri-

tions which would treat all services in the same spirit. That by itself would be a distinct advance. But I hope for this advance for some other reasons than have been suggested. It seems to me possible that with the budget and the

centralized authority some important Government services which have long been financially starved may get the due portion of the public funds.

It is significant that in the discussion thus far one group of men have had

nothing to say, and yet they are the men who know the most of the subject. These are the chiefs of services. Knowledge of the detailed workings of Government services is not widespread in Washington. Very few members of Congress are closely informed upon the subject. Many of them have no time to learn details. There are, I believe, relatively few in either House who could name offhand the services which constitute any two great executive departments. Of their detailed operations they have ordinarily but little knowledge. There are exceptions, of course. There are men in both houses who have thorough knowledge of some services. There are some men who have a general knowledge of many. These are few.

This is natural, nay, inevitable. The legislator has his own duties. Speaking from my own experience, one's district requires a reasonable and proper attention. This takes time. The legislative business of the House and the necessary attendance upon committees require more time. He is a rare member who, when these two things are done, has energy or time to enter upon a thorough study of the Government departments. No one is present upon the floor of either House to speak for them. Speeches are not uncommon in both houses respecting department work in which statements are made which, to say the least, are remote from the facts. I have known addresses pertaining directly to certain departmental work in which there was hardly an accurate statement. On special committees, where particular subjects are inquired into, there are well-informed men. There are not many of them. Congress has too much to do for that, and the Government work is too vast.

Nevertheless, Congressional opinion is always vocal. Men safely speak with assumed authority in the absence of

those who know. When one cannot be called in question for his words, and no one is present to give the facts, criticism is easy and safe. The chiefs of services, not merely the heads of departments, but the men who operate the services, who originate the estimates and do the spending, these men are not heard outside committee rooms. If, however, these men would speak publicly with frankness, and could safely do so, if they were to tell their actual experiences, the tale would be different from that which now is heard. They would show waste from the cutting down of appropriations, and losses by the reduction of estimates; they could tell how for lack of reasonable expenditure in small amounts the services of valuable men were lost, and of the effort to keep public work moving in the absence of sufficient means.

The Congressional definition of economy would be amusing if it were not sad. It is the absence of expenditure. On Sept. 28, 1919, the Chairman of the House Committee on Appropriations is quoted as saying, "In the last twenty years only two appropriation estimates offered by the executive departments were not cut down either in the House or Senate. A saving of more than \$500,000,000 has resulted." How does he know that it was all saving? To state as a broad principle, everywhere applicable, that to reduce estimates is to save money is absurd. I have known more than one case where serious loss was caused through cutting an estimate.

Congressional statements as to economy have as a basis the difference between totals. Expenditures of one Congress so many millions—expenditures of another Congress so many fewer millions—result an economy equal to the difference. The papers print this (one wonders if the editors do it with their tongues in their cheeks) and it goes out to the country. Does the country swallow it? Lincoln said: "You can fool some of the people all of the time and all of the people some of the time, but you cannot fool all of the people all of the time." Does this futile fooling really "go down"? Does any one seriously believe that the Congress or the party which spends less than another therefore saves so much? How about the things left undone? Who knows what they are and what the cost of neglecting them is? Many cases could be cited from Government experience to show the absurdity of the usual Congressional viewpoint. Important work has been interrupted and done in separate installments at a

greatly enhanced cost because an estimate has been cut down. Repairs to vessels, buildings, wharves, and other equipment have been stopped, costly depreciation has taken place because estimates were cut down. Government work is carried on in many places at unnecessary expense to the taxpayers because estimates are cut down. The services of valuable officers have been lost, many human lives have been lost and much property has been destroyed because estimates have been cut down.

So far as appears from debates the Congressional mind wholly fails to see what every business man of intelligence knows, that wise expenditure is the truest economy; that the real question is not what sum is spent but what is secured for the expenditure. This, and this only, is the test of economy. To judge of the economical use of money by the difference between totals is suitable perhaps to the mind of a child, but is not the thinking of adult intelligence familiar with financial matters. If revenues do not exist or cannot be had, money cannot be spent, but do not call mere absence of expenditure economy. It often is costly waste. No sane factory manager would let an organization run down merely to save direct outlay, if he had the money. Should he do so he would be "fired" when the Board of Directors got at him. There are departmental estimates which can truly be called expenses. There are others which are as truly investments. To judge them by the same standard is hardly sane.

Some Government services, strange as it may seem, are so productive as to far more than pay their cost. To class these, as is done, as if there were no difference between them and those which represent outlay without direct return, is hardly reasonable. True, every Government service should be worth its cost and in that sense pay a return, but there are some that do both, that give a full return in work and a second return in money or wealth as well. To save \$15,000 and in so doing to stop the development of millions of pounds of new food, to save \$25,000 and in so doing to cease the salvage of many millions in value of wasted materials, to save \$90,000 and stop productive work bringing wealth to the country and powerful support to many large industries, these are instances of alleged economies resulting from cutting down department estimates.

There is truth in the statement that

some estimates are extravagant, that some bureau chiefs ask more than they actually require, and every one practically familiar with the details of administration in Washington knows that the practice, though reprehensible, arises because Congress encourages it. There are service chiefs who know from hard experience that Congressional committees do not take their statements at par and that their estimates are habitually and often ignorantly cut down. They have felt the result of this in crippling their work. They naturally argue that since their estimates are to be cut down anyhow they would better make them sufficiently large to secure enough, when reduced, to carry their work along as it should be done. I know that some argue this way. I have had the argument urged upon me as a basis for my own action. Nevertheless, I do not believe that any large proportion of the bureau chiefs in Washington act upon this theory. They usually deal fairly with Congress and submit estimates for what they really believe they ought to have. They rarely or never get it, and frequently leave something undone that ought to be done because they do not get it. They are enthusiastic men, earnest in their work. Each thinks his work of vital importance. They are sometimes right, sometimes wrong, but as between them and the committees of Congress it would be ridiculous to say that errors were not mutual.

It is the simple truth that the normal condition of some Government services is poverty as compared with the work they are called upon to do. Congress not infrequently imposes additional du-

An amusing example of needless expense continued after attention has been repeatedly called to it exists in connection with the Coast and Geodetic Survey. The building which this service occupies lies directly across the street from the House Office Building. A steam supply main from the Capitol power plant passes directly through the basement of the building of the Survey to the House Office Building. The Survey, however is not permitted to use steam from this pipe, but is required to operate its own separate boilers, purchase coal, hire firemen and other help for operating an independent heating plant in the very basement through which an ample supply of Government steam passes to another building.

So, also, a local electric plant is working in the basement of the House Office Building, across the street, but the Coast Survey is obliged to purchase current from a commercial company and to employ a force of dynamo tenders throughout a twenty-four-hour day. In this case, where the law requires a service to operate a light plant and a heating plant where both light and heat are available from a central power plant maintained by the Government, the chief of the service estimates that \$4,000 per annum is wasted. The change of a few words in the law would correct it. This has been asked, but has not been done.

Looking at the subject of Government expenditures from the standpoint of one trained in industry, I conclude that practically any change in the present system would be for the better. A brief experience in Congress and a longer one in the executive tells me that while there is undoubtedly waste in so great an organization as the executive departments of our Government jointly compose, the waste is often due to the requirements of Congress, that the cutting down of estimates is frequently a costly process, and that less suspicion and more confidence in public matters given to men who in every private relation are trustworthy and who are experts would be profitable. I have been directly told by members of appropriations committees that they did not trust their executive officers and have repeatedly seen estimates cut down without any regard whatever to the condition of the work concerned or to the enforcement of the law for which the funds were intended. There is need for financial reform in Washington.

I venture to hope the coming of a budget, in which the actual needs of every service might be weighed and receive mature consideration, would lead to confidence on the part of executive officers in the purpose of Congress to treat their services with regard for their actual needs and on the part of Congress to confidence in the fairness and expert knowledge of the service chiefs. In practical administration the most unfortunate thing in Washington is the gulf that separates Congress and the executive. I do not refer to the gulf of party differences, for the gulf exists irrespective of parties. I refer to the absence of knowledge on the part of Congress of the executive services, to the absence of means for conveying that knowledge to Congress except through the very indirect and confused course of committees, and to the lack of confidence that exists in Congress in the trustworthiness of the chiefs of services when their statements as to their financial needs are made.

One phase of the Congressional outlook is illuminating on this subject of mutual confidence. Practically it is a mistake to have much of an unexpended balance of an appropriation at the end of a fiscal year. There has to be some such balance, but beware of having too much! Because when at the next session one goes before the Appropriations Committee, the first question is apt to be "What was your unexpended balance last year?" If there was a considerable sum returned to the Treasury, the thought of the committee is not to commend you for having saved money to



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ties upon them without providing means for carrying out the work.

Furthermore, sometimes the protests of an executive department against a certain expenditure as unnecessary and unwise are overruled by Congress, which has insisted upon the executive disbursing public moneys in cases where the necessity of the expenditure is more than doubtful. For example the publication called the Official Register, issued every second year, has cost since 1913 over \$38,000. Another edition now pending will bring the total outlay in excess of \$50,000 for printing and binding alone. There is, in addition, the cost of compiling the information, estimated as over \$4,000 for the last single issue. On account of an increase in the Government personnel of over 100,000 names, it is estimated the next issue will cost for compiling at least \$6,000 and that it will mean a total outlay of about \$18,000. It has been repeatedly pointed out that this is a needless outlay, that the publication is necessarily antiquated before it is printed and that it is unreliable if not useless for its intended purpose, while inexpensive effective substitutes already exist. Nevertheless the outlay is continued.



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J. W. Byrns  
of Tennessee,  
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Minority  
Leader of  
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Representative James W. Good of Iowa, Republican, Chairman of the House Committee on Appropriations and of the Special Budget Committee.

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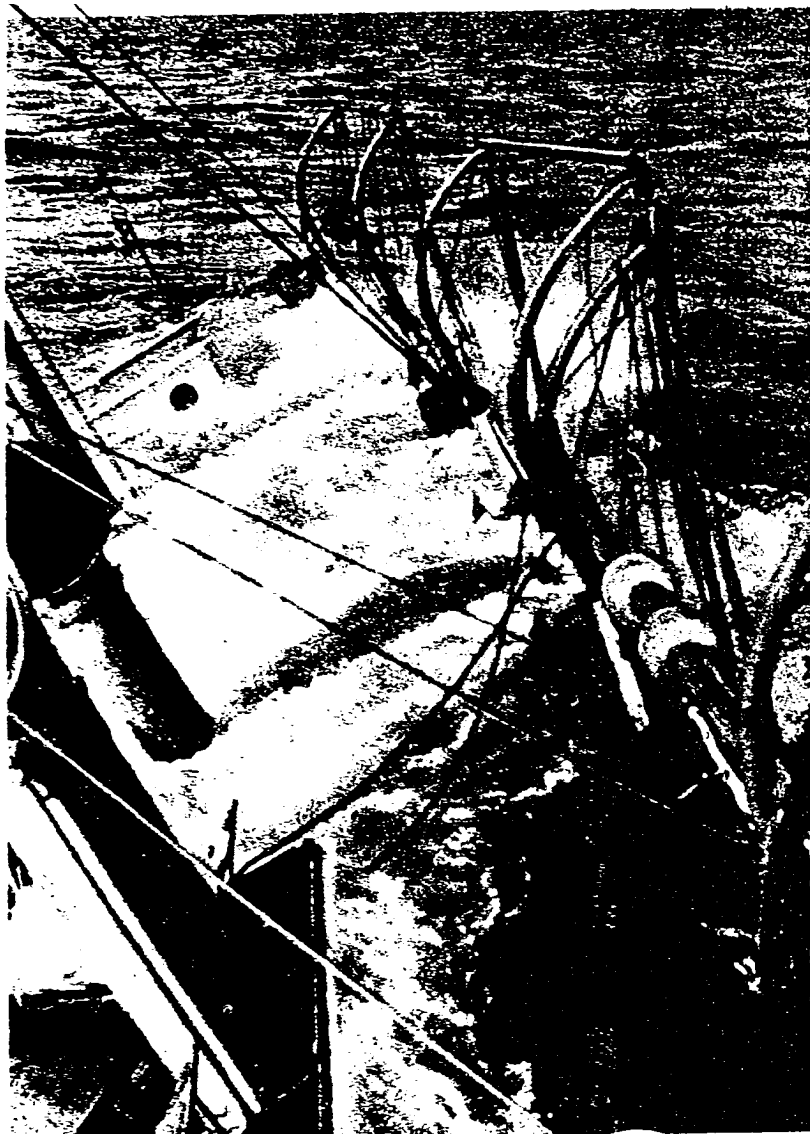
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the Government, but rather to rebuke you for having been extravagant in making the estimate of the previous year. This absurd condition is perfectly well known, and is the incentive to definite action looking toward avoiding unexpended balances so far as practicable. Therefore, toward the close of each fiscal year, services cast about to see what is actually needed for which the balance of the appropriation can be properly spent, and this expenditure is then made with the thought in mind that there should not be any considerable sum to return to the Treasury, lest one be

the above phrase states the substantial truth.

A year ago I had the privilege of seeing a Canadian Minister put his appropriation through the House of Commons in Ottawa. To me the process, while very thorough, seemed simple, clear, and practical. If we should so amend our practice as to permit a Cabinet Minister to appear in the House of Representatives on matters concerning his department, the results would be striking. Congress believes he would be on the defensive. I think the reverse would often be true. There would be fewer speeches if men were present who knew and could state the facts, and the speeches that



The Tahoma, a Revenue Cutter, After Being Wrecked on an Uncharted Submerged Rock Off the Atlantic Coast. She Cost \$224,737. There Was No Appropriation for a Survey.

mulcted when next he goes before the Appropriations Committee.

Not long ago the matter of the existing relation between Congress and the executive was stated thus by a colleague: "Congress feels that it has authority without accepting responsibility, and that the executive has responsibility, but without authority." Generalizations are never scientific statements of fact, but

were made would be more accurate. Knowledge would take the place of surmise, and truth the place of suspicion. Some slight readjustment would be required in executive details, but nothing which a month would not complete. Our legislative procedure would be simplified, and there would be very few after a year's experience who would suggest a return to our present inadequate methods.