L60-59
C. 1

Property of the Library
INDUSTRIAL COLLEGE OF THE
ARMED FORCES

THE FEDERAL BUDGET

Mr. Raoul Archambault, Jr.

NOTICE

This lecture has not been edited by the speaker. It has been reproduced directly from the reporter's notes for the students and faculty for reference and study purposes.

No direct quotations are to be made either in written reports or in oral presentations based on this unedited copy.

Reviewed by: Colonel Thomas C. Keach, USAF

Date: 17 November 1959

INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D. C.

1959-1960

THE FEDERAL BUDGET

27 October 1959

CONTENTS

Page

INTRODUCTION--Major General Evan M. Houseman, USA, Deputy Commandant, Industrial College of the Armed Forces..... 1

SPEAKER--Mr. Raoul Archambault, Jr., Assistant Director, Bureau of the Budget..... 1

GENERAL DISCUSSION..... 29

NOTICE

This lecture has not been edited by the speaker. It has been reproduced directly from the reporter's notes for the students and faculty for reference and study purposes.

No direct quotations are to be made either in written reports or in oral presentations based on this unedited copy.

Reviewed by Colonel Thomas C. Keach, USAF, 5 November 1959.

Reporter: Ralph W. Bennett

Publication No. L60-59

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

THE FEDERAL BUDGET

27 October 1959

GENERAL HOUSEMAN: Ladies and Gentlemen: Yesterday we were given information on the scope and the magnitude of the defense budget. This morning we are going to consider the overall national budget.

You have been issued a biographical sketch on our lecturer this morning. It can be seen that he has had a broad experience in the Government, both at the local and at the national scene.

We are most happy this morning to have with us Mr. Raoul Archambault, Assistant Director, Bureau of the Budget. Mr. Archambault.

MR. ARCHAMBAULT: Thank you, General Houseman.

General Mundy and Gentlemen: The Director of the Bureau of the Budget, Maurice H. Stans, was unable to be with you today, because he is in Africa. (Slide showing hunter and dead elephant).

Cutting through the jungles of darkest Africa, sloshing around in mud up to your Bermuda shorts, and listening to the point of view of the natives, provide a good training ground for the President's top budget officer. He's the only Presidential appointee in this Administration who dares to shoot an elephant.

There are some who wish the whole Bureau of the Budget was in Africa, although there is considerable disagreement as to whether or not that would be far enough away.

Our discussion this morning will, of necessity, be a serious one, because nothing funny ever happens in the Bureau of the Budget. If it did, we probably wouldn't laugh. We are the Government's conscience, and no man's conscience is popular or humorous. (Slide 2)

We will cram much into these next 40 minutes. We will talk briefly about the history of the Bureau, its organization, budget procedures, some ingredients in budget making, and take a quick look at the 1960 budget.

A little over 36 years ago there was no integrated budget--none for the entire Government. Until that time, the departments and agencies sent their requests for appropriations to the Congress as part of what was known as the Treasury's Book of Estimates, without regard to what any other department or agency was requesting, and without any regard to the total amount being requested by all agencies together.

Indeed, the Secretary of the Treasury, who transmitted these estimates to the Congress, had no responsibility whatever except to receive, index, print, and transmit them--an odorous business which occupied just one Treasury employee. (Slide 3)

There are many, of course, who would have us return to this former practice.

At the close of World War I, after more than a decade of civic agitation for budgetary reform, Congress finally took up the problem. A congressional report (Slide 4) of a House Committee, created in 1919 to study the merits of a new budget system, said, and I quote:

"The estimates are a patchwork and not a structure. As a result, a great deal of the time of the committees of Congress is taken up in exploding the visionary schemes of bureau chiefs for which no Administration would be willing to stand responsible."

The report made clear the necessity for a review of department and agency estimates on a level above that of the departments, and recognized that a real budget system would need to be anchored in the President's power, since only the President, in the Executive Branch, was in a position to make final decisions beyond challenge by the departments.

In contrast with our 1960 budget (Slide 5), the first Federal budget, which was prepared under the Budget and Accounting Act of 1921, was submitted for the fiscal year 1923 in the amount of $3 1/2 billion. This figure included all the costs of the Army, Navy, and their air forces; veterans' costs; all of the other costs of the Government; and a reduction in the national debt. You will note that 3 1/2 billion dollars today would scarcely cover half of the Agriculture program, or half the expenditures for veterans, or only about a third of the interest on the national debt.

At that time, the budget activities were conducted in the Treasury Department. It was not until 1939 that the Bureau of the Budget was transferred to the Executive Office of the President and became part of his staff operation, now housed in the old Executive Office Building.

It takes many years to develop the appropriate characteristics

(Slide 6) of a good budget officer. Today the staff of the Bureau consists of people with many years of Government service and a considerable knowledge of the agencies and an expertness in the programs for which they are responsible.

How is the Bureau organized for its task? The Director, assisted by a Deputy Director and three general Assistant Directors, heads a professional staff of over 400 career civil servants.

The Bureau's functions (Slide 7) are divided among five offices and five divisions. (This slide was typed by a girl with a small typewriter.) The offices--Accounting, Budget Review, Legislative Reference, Management and Organization, and Statistical Standards--give specialized attention to large functional areas of work, mostly common to all agencies, such as the improvement of financial management throughout the executive branch.

Each of the divisions shown in the bottom row of the slide--Commerce and Finance, International, Labor and Welfare, Military, and Resources and Civil Works--is assigned a segment of the Government's program, represented by a number of agencies with broadly related responsibilities. This gives the Bureau the advantage of two different ways of viewing the Federal budget process--the approach of functional specialization across the board, and program review agency by agency. (Slide 8)

Each Federal budget submitted to the Congress by the President is the culmination of more than a year of hard work--long months of

preparation, review and revision, lengthy hearings and probings and discussions and decision making. Many thousands of pages of program justifications, and supporting detail and analysis and all manner of description are developed.

The Budget of the United States contains 1,027 pages of fine print and weighs six pounds. To many, it is about as enticing as a big dictionary or a metropolitan telephone directory.

But today's voluminous Federal budget is no mere statement of accounts, and not merely a matter of arithmetic. It is neither dry nor repulsive. It is, in fact, a fascinating document, containing a wealth of judgment, reflection, and imagination.

It is the most significant statement of your Government's policy. (Slide 9) Nowhere in a single document of the Government are there presented as many important issues as in the budget. How should the budget dollar be divided? What kinds of defense programs do we need, and how can we best carry them out? What should the Government do to promote adequate housing in the Nation? What welfare programs should the Government support? What should we do for our veterans, our aged, and the poor? How shall we develop and protect our natural resources? Should taxes be increased, or decreased? What shall we do about our massive national debt?

We could run down an enormous list of questions to which the President's proposed answers can be found in the budget. In it we get in one package the President's proposals for all the vast activities of

the Federal Government--a master plan for the Government's contribution to meeting the Nation's needs, military and civil.

The job of building a budget is a rational undertaking. We must measure the work to be done, establish priorities, and consider the share of resources that we can apply to each task at a given time. (Slide 10)

The cornerstone to our construction of a budget is contained in a series of basic assumptions similar to those on the slide. These are not the only assumptions that need to be made, but they are a good sampling of the broad requirements.

For example, in a particular year, or at a particular point in time in relation to our progress and planning, it might be appropriate to assume--

1. Continuing improvement in the economy.

2. That there will be no need for anti-recession measures.

3. That there will be general wage-price stability.

4. That there will be no substantial tax increase or decrease.

5. That there will be no major change in international conditions, and

6. That trust funds, like the highway fund, for example, will support themselves.

Events of the day may demand that we consider a major factor like the continuance or ending of the steel strike, because this too can have a significant impact on budget making. (Slide 11)

Each year in March, the staff of the Bureau of the Budget, in

cooperation with the Treasury Department, the National Security Council, the Council of Economic Advisers, and other parts of the Executive Office of the President, develop similar assumptions about domestic, economic, and international conditions which will govern the preparation of the budget.

The general budgetary outlook is discussed in April or early May with the President and the Cabinet. Larger agencies then consider their requirements and submit preliminary estimates to the Bureau of the Budget covering broad program areas.

Attention is specifically drawn to those items which are subject to control through the budget process, as distinguished from those for which expenditures are mandatory under existing law (such as interest on the public debt, and veterans' pensions). Although estimates at this stage are very rough, the information provides a basis for further discussions with the Cabinet and with heads of agencies to arrive at policies to guide the further development of their plans within the framework of the total budget situation.

Consideration is given to whether or not suggested programs should be reduced to a level which can be financed from revenues of the year; or whether they should be recommended and financed by increasing tax rates, or by taking other steps to provide additional revenues, or by deficit financing.

Even when anticipated revenues and estimated expenditures are balanced for a year, the suggested programs must still be weighed

against the desirability of reducing tax rates, thus decreasing available revenues, or of providing for a budget surplus which would reduce the national debt.

In late May and early June, the preliminary estimates of each agency are reviewed in the Bureau of the Budget by examiners who continuously follow the individual programs. The examiners' recommendations are considered by the Director in the light of the budget situation for the entire Government.

The Director then recommends to the President planning figures for each major agency. After the President makes his decisions, the Director meets again with each agency head to discuss the effect of the decisions on the agency's programs. The precise procedure (Slide 12) sometimes varies for certain agencies. With the Defense portion of the Budget, the procedure is different. We will treat that separately in a moment. (Slide 13)

Although detailed schedules are based on amounts specifically requested for the budget year under existing legislation, the agencies also submit information covering additional requirements which are foreseeable at this time.

This stage of the process continues from late September until early December. As agency estimates are received in the Bureau of the Budget, they are sent to the examiners assigned to the particular programs. The budget examiner now comes out (Slide 14) for his major effort at this point. All the knowledge the examiners possess about

the agency--whether based on long-run analysis, field investigations, special studies, or conferences held with agency officials--is brought to bear on the estimates at this time.

The examiners (Slide 15) give considerable attention to the basis for the individual estimates--the volume of work on hand and forecast, the method by which the agency proposes to accomplish its objectives, and the estimates of requirements in terms of numbers of employees needed.

Past performance is reviewed, the accuracy of factual information is checked, and the future implications of the program are considered. The examiners identify matters of major importance and the issues to be brought up with agency representatives at hearings. For small agencies, hearings usually last only a few hours, but for a large department they may run into weeks.

At the completion of the hearings, the examiners prepare their recommendations for the Director's review. (Slide 16). This review focuses attention principally on items of major importance involving Presidential policy; it also provides a test check on other aspects of recommendations made by the examiners. Assumptions which were made earlier regarding the economic outlook and the international situation are brought up to date for this review.

As parts of the review by the Bureau are completed, analyses are prepared for the President setting forth the Director's recommendations and identifying the pertinent issues.

As soon as the President makes his decisions, each agency is notified of its budget allowance (Slide 17) by letter from the Director. This news is traditionally received with great rejoicing and dancing in the streets.

Agencies next revise their estimates to bring them in line with the President's decisions for inclusion in the printed budget document. (Slide 18)

Within fifteen days after Congress convenes in January, the budget, accompanied by a budget message, is then transmitted by the President to the Congress.

Congressional review of the budget takes many months. The budget for the fiscal year 1960, which began last July 1, 1959, for example, was considered by Congress for eight months--from January 26, the date of the first hearing by the House Appropriations Committee, through September 15, the date on which both Houses agreed to the last of the regular appropriation bills.

Now let's turn for a moment to the Defense portion of the budget.

The best review of the Bureau's role in the formulation of the military budget is contained in the hearings of this past June before the Preparedness Investigating Subcommittee of the Armed Services Committee of the Senate.

Here are selected excerpts from actual testimony on Capitol Hill. (Slide 19). Senator Johnson, the Chairman, opens the hearings.

"SENATOR JOHNSON: Now one basic question which seems to

come up each year is this: Are the Nation's military requirements decided on the basis of true need or simply on a dollar limitation? We hear Member after Member of Congress state that they are under the impression that the Budget Bureau dictates this dollar straitjacket to the Joint Chiefs of Staff. The question I want to put to you directly is this: Do you set a ceiling limitation on them and tell them that these military requirements are going to be met up to a certain point within a certain dollar limitation, or do you allow them to tell you what they think the security requirements are in the national interest?

"MR. STANS. Senator, I would like to answer your question by saying, no, we do not set a ceiling. Then I would like to elaborate on it.

"SENATOR JOHNSON: All right.

"MR. STANS: The Bureau of the Budget does not make war plans. It does not in any way plan or propose war strategy or anything of that type. Those are matters determined by the Joint Chiefs of Staff, the National Security Council, and the President. We do not set a dollar limitation on the programs of the Department of Defense in any sense.

"SENATOR JOHNSON: Who does?

"MR. STANS: But we do feel, if I may continue, that our responsibility is to see that the money that is spent on defense is spent effectively and efficiently. That is the basic purpose of the review function of the Bureau of the Budget--to ask questions, and to challenge programs.

"SENATOR JOHNSON: Military witnesses often imply that they

are limited by the Bureau of the Budget's arbitrary decisions. I realize we must have proper budget control, but what is the true picture?

"MR. STANS: I think the true picture, Senator, is exactly as I described it. We do not make decisions. The President makes the decisions. He makes the decisions either on specifics or on principles of one kind and another, which we apply and observe in our consideration of the budgets.

"SENATOR JOHNSON: General Taylor testified before this committee that $210 million of procurement funds had been requested in the 1959 budget and the Congress approved it, and that it was subsequently deleted in order that the Army expenditures would be held within certain prescribed levels.

"MR. STANS: I will say before you categorically that if any funds have been withheld, it is by decision of the Secretary of Defense or the President and not by the Bureau of the Budget.

Senator Saltonstall comes in: "Now, if your decision is different from that of the Secretary of Defense and you go to the President, do you know how he goes about making his decisions?

"MR. STANS: I would like to answer that first by saying that the word 'decision' in relation to our activities isn't quite right. We don't decide. We recommend or we question or we challenge. But we don't make a decision which has to in effect become the basis of an appeal. We make a recommendation to the President, and he has various ways of dealing with it. He may call in the Secretary of Defense

for a joint discussion, at which I may be present, or members of my staff. He may refer it to his staff to get further factual information. He may discuss it privately with the Secretary of Defense. There are a number of ways he has for resolving these matters.

"SENATOR SALTONSTALL: ; Would it be fair to say that your part in making up the Defense budget really is subservient to the Secretary of Defense? The general conclusion here in the Congress, Mr. Stans, is that the Bureau of the Budget really has the final say.

"MR. STANS: No, I wouldn't say that we are subservient to the Secretary of Defense or that we have the final say. It isn't either one. It is an entirely different set of circumstances. We are staff for the President. We help the President to determine the level of the defense budget by asking questions, by procuring information, and by making recommendations to the Secretary of Defense and to the President. We are not subservient to the Secretary of Defense in any sense. We deal with him at complete arm's length.

"MR. WEISL: What, to be specific, are some of the questions that you raised on items in the 1960 budget?

"MR. STANS: In the overall first, our questions were of this general character: Can we deactivate any more marginal and nonessential installations and activities? Can we reduce the number of construction projects that are proposed? Can we reduce the level of research and development by any process of decisions as to whether or not to go ahead on certain projects? Can we reduce training programs in any

way? Can we reduce the number of flying and steaming hours and still have an effective service at less cost?

"In the area of procurement and development, our general areas of approach were these: Can we eliminate any weapons systems on the ground of duplication with other weapons systems? Or on the ground that they have only marginal capacity beyond the capabilities we already have or are in the process of acquiring? Can we eliminate weapons or any items which are designed to meet contingent situations which have small chances of occurring? Can we reduce in any way the number of organizational units that are involved in existing program objectives?

"Those were the generally broad questions that we asked.

"(continuing) So that the situation will be perfectly clear, let me emphasize that there is a significant difference in several respects between the way in which we handle the budget of the Department of Defense and the budgets of the civilian agencies. The differences are these: In the first place, the review of the defense budget is a joint review between the Bureau and the Office of the Secretary of Defense. In the case of the civilian agencies, we make our independent review after the agency has completed its budget request.

"The second difference is that--

"SENATOR JOHNSON: Let me be sure I understand the first one. In effect the other agencies make up their budgets and then you have the hearings review. But you participate so far as Defense is concerned

with the Secretary of Defense in jointly reviewing the Defense Department's budget?

"MR. STANS: In jointly reviewing the submissions of the three military services. That is correct.

"SENATOR JOHNSON: You participate in the decision of the Defense Department as to how much they are going to ask?

"MR. STANS: No. The decisions are not made at that point. This is a fact-finding review.

"SENATOR JOHNSON: What is the difference between a fact-finding review and a procedure?

"MR. STANS: The fact-finding review is made by the Secretary's own (Slide 20) staff and by our staff people, on the basis of which they make recommendations to the Secretary of Defense as a basis for his decisions on the various items in the programs.

"SENATOR JOHNSON: And then he comes over to you and says, 'Here is how much we want for the Army, Navy, and Air Force?'

"MR. STANS: That is substantially correct.

"SENATOR JOHNSON: And then your people say, 'Well, we are going to (Slide 21) cut this out, cut this out, and cut this out'? Is that right?

"MR. STANS: No, Senator, that isn't quite right. We don't do any cutting.

"SENATOR JOHNSON: You don't eliminate any requests that they make for any items?

"MR. STANS: We don't eliminate requests in the true sense of that word.

"SENATOR JOHNSON: Is that true of the other departments too, in that you don't eliminate any?

"MR. STANS: No. We operate differently with the other departments.

"SENATOR JOHNSON: You do eliminate there?

"MR. STANS: We do make eliminations and review them with agencies, with the understanding that if they are not satisfied with them, they can appeal to the President. But in the case of Defense, we do not make eliminations or determine a budget figure. We make suggestions as to modifications of programs and levels of programs.

"SENATOR JOBNSON: Is that tantamount to decision and elimination by suggestion?

"MR. STANS: I am trying to make it clear, Senator, that that is not tantamount to decision.

"SENATOR JOHNSON: Do they ever refuse to follow your suggestions?

"MR. STANS: A great many times.

"SENATOR JOHNSON: And what happens then? (Slide 22)

"MR. STANS: In the case of Defense, then we have the option of reviewing it again with the Secretary or taking it to the President, and we do both.

"SENATOR JOHNSON: Does the President resolve this and

finally make a decision where you and Defense differ?

"MR. STANS: Yes.

"SENATOR JOHNSON: Do you have any instances of that?

"MR. STANS: There were some in connection with the last budget.

"SENATOR JOHNSON: In substantial amounts?

"MR. STANS: Yes.

"SENATOR JOHNSON: Force or equipment? Give me an illustration. The size of the Army?

"MR. STANS: No. An aircraft carrier. (Slide 23)

"SENATOR JOHNSON: All right. The carrier. And what happened there?

"MR. STANS: We suggested to the President that the carrier may have a lower priority than a number of other programs, but the Navy felt that it was a very important adjunct to their forces.

"SENATOR JOHNSON: Both of you went to the President?

"MR. STANS: We went to the President.

"SENATOR JOHNSON: And the President said what?

"MR. STANS: The President left it in the budget.

"SENATOR JOHNSON: He sided with the Defense Department?

"MR. STANS: That is correct."

That is all from that hearing.

Now, gentlemen, no matter what the nature of a particular program may be, there are always those who feel the amounts budgeted are not high enough. (Slide 24)

Depending upon what your particular interests may be, in your eyes, your particular program, quite understandably, appears to be the most urgent goal of public policy. If you are a medical man, nothing appears as critical as the health needs of the Nation. If you are a scientist, there is no field of endeavor in which more remains to be done. If you are a political economist interested in international affairs, there is little that will match the importance and wisdom of helping the backward nations of the world through all-out economic and cultural assistance. If you are an educator, more educational facilities and better-paid teachers are paramount. If you are a military man, all of these are secondary to the military effort. And so on.

All of these legitimate and competing demands have to be weighed and fitted into a balanced governmental effort which the taxpayers are able and willing to support. (Slide 25)

We, as Americans, demand a great deal. We want roads and bridges, schools and parks, hospitals and pensions. We want subsidized transportation and farm price supports. We want health research and scientific development. We want fast postal service, a school lunch program, and we want personal and national security.

It is not a question of whether these programs are good or bad. It is simply a question of degree--a question of how much, how fast--a question of priorities, of orderliness and timeliness. It is a question of our ability to pay and under what circumstances. (Slide 26)

Let's look at some of the ingredients that make up a budget.

And by ingredients I mean hardware or specific functions, I mean programs or facilities--all with a price tag. We can cover but a few, and we'll have to move very rapidly.

The estimated construction cost of the first nuclear attack aircraft carrier is $435 million. (Slide 27)

The unit cost of a NIKE HERCULES site, fully equipped with missiles, is approximately $20 million. This includes construction costs, and procurement of missiles and ground support equipment. (Slide 28)

The unit cost of an ATLAS missile is estimated to be $1.6 million. (Slide 29)

The estimated unit cost of a full BOMARC squadron as planned by the Air Force is about $65 million, including construction and procurement costs. (Slide 30)

The unit fly-away cost of the B-52-H, the model the Air Force is buying in FY 1960, is estimated to be $9 million. The unit cost including initial spare parts would amount to about $11 million. (Slide 31)

The average cumulative fly-away cost of the B-58, including the 1960 buy, is over $20 million. (Slide 32)

The Nautilus has a price tag of $58,859,000. (Slide 33)

The Seawolf cost $60,591,000. (Slide 34)

A ballistic missile submarine has a price tag of $100,000,000. (Slide 35)

Now, the medical services maintained by the Federal Government

are increasing in number, variety, and magnitude. These services have come into being at different times during the past 150 years to serve different beneficiaries, e.g., veterans, members of the Armed Forces and their dependents, merchant seamen, Federal prisoners, etc.

The Federal Government has potential responsibilities for all or part of the medical care of 32 million Americans. About one-eighth of all hospital beds in the country are operated by Federal agencies, and gross obligations for Federal hospital and medical care programs constitute approximately 2 percent of the total Federal budget. (Slide 36)

The agencies of the Federal Government operate 565 hospitals, with 194, 693 operating beds and an average daily patient load of 168, 000.

This is the 1, 000-bed Veterans Administration Hospital in Brooklyn, New York. Total cost to the Government $20, 131, 541.

The Federal agencies have continuing programs for the improvement of the physical facilities in which the care is rendered, including new construction, replacements, major alterations, improvements, and repairs. In 1960 it is estimated that $102 million will be obligated for construction or planning of new hospitals and related facilities, replacement of existing hospitals, and modernization projects. (Slide 37)

This is the Air Force Hospital at Elmendorf Air Base In Alaska--400 beds and a price tag of $10 million.

To provide the required hospital and medical care for legal beneficiaries, either in Federal hospitals and clinics or through contractual

arrangements, and to provide and maintain modern, (Slide 38) efficient medical facilities, the Federal Government is incurring annually approximately $1.8 billion in gross obligations.

In May of this year, this 500-bed Army hospital was completed at Fort Benning, Georgia, at a cost of $7 million. (Slide 39)

The next three slides give you a quick look at the background information which may be useful in providing a better understanding of the effect of agricultural price support programs on the Federal budget.

Current reviews indicate that the Commodity Credit Corporation investment in loans and inventories will reach $9.6 billion by June 30, 1960.

This buildup in investment has occurred despite the fact that since July 1, 1953, the Commodity Credit Corporation has disposed of about $16 billion in acquired commodities.

Wheat alone will account for nearly 35 percent of the total investment by June 30, 1960; and wheat and feed grains together will account for nearly 78 percent. These investments result from expenditures which are mandatory under present legislation. (Slide 40)

An advance projection of Commodity Credit Corporation investment in price support loans and inventories with programs continued under present legislation indicates the total will rise to nearly $12 billion by June 30, 1963, from the total of $9.6 billion expected to be reached by June 30, 1960. (Slide 41)

Increased quantities of commodities in the Commodity Credit Corporation inventories are reflected in larger outlays for storage, transportation, and interest. Storage and transportation costs alone in the fiscal year 1960 will amount to $857 million, or $2 1/3 million (Slide 42) per day. The largest single item is wheat, for which storage costs in 1960 will total over $300 million. Until inventories can be reduced, the Government will continue to be confronted with these large annual outlays.

(Slide 43) In 1956, Congress enacted a Federal road-building program calling for a 41,000-mile network of highways across the country. The Federal share of this massive project is 90 percent of the total cost of $40 billion, or $37 billion.

(Slide 44) An extra one-cent-a-gallon Federal tax boost has been enacted to help meet the costs. The one-cent tax increase for 22 months provides $960 million in additional revenue.

The Highway Trust Fund is not part of the regular budget. However, any failure to maintain the road program on a pay-as-you-go basis will, of course, have a substantial impact on budget receipts and expenditures.

(Slide 45) Road construction of this nature is a costly undertaking. The highways shown on the slides average $1 million a mile, and in congested areas where land acquisition costs are high can run to $13 million a mile. A cloverleaf intersection will run from $200,000 to one-half million dollars.

(Slide 46) Even with the recent postal rate increases, the four-cent stamp, etc., the Post Office Department is running in the red by $570 million. Let's glance at some of the items that assure delivery of the mail.

When it is completed in Providence, Rhode Island, this will be the most modern, mechanized post office in the world. This slide is difficult to decipher, but you're looking through the roof of the building. Privately constructed, this will rent at $1.4 million a year, and we'll spend $739,000 a year for maintenance.

(Slide 47) We have 1500 of these little mailsters now, at $900 apiece. The program calls for 10,000 of them.

(Slide 48) This is a prefab, do-it-yourself post office, experimental models costing from $25,000 to $35,000.

(Slide 49) New stamp-vending machines such as these cost $300 apiece.

(Slide 50) A new console-type mail sorter costs $150,000. The first ten of these are currently operating in Detroit.

(Slide 51) Water resources expenditures of the Corps of Engineers and the Bureau of Reclamation will exceed $1 billion this fiscal year--an all-time high. To complete the nearly 300 projects now under way will require an estimated $5 billion over the next few years.

This slide shows an artist's conception of what the Bureau of Reclamation's Glen Canyon dam will look like when it is completed. This unit, which is about one-quarter completed, is located on the

Colorado River on the border of Arizona and Utah. It is the key project for the vast water resources development of the Upper Colorado River basin, and will require $322 million of Federal funds.

(Slide 52) This slide shows the recently completed McNary Lock and Dam on the Columbia River in Oregon. It was constructed by the Corps of Engineers at a cost of $286 million, including the cost of the hydroelectric power units installed. Operation and maintenance run over a million dollars a year.

(Slide 53) This is another Corps project--the Jim Woodruff Lock and Dam, located in Georgia and Florida. It is now nearly completed, at a cost of $46 million.

(Slide 54) This is a view of one of the 95 Federal hydroelectric power plants. This powerhouse, which is part of the McNary project shown a moment ago, contains 14 units, with a total capacity of 980,000 kilowatts. It cost $137 million.

(Slide 55) All of these efforts have contributed to the steady growth of our Federal budget. You will note that over the relatively short span of 30 years we have gone from roughly $4 billion in expenditures to $78.9 billion. The 1960 figures on this slide have been revised upward.

(Slide 56) A modern example of that rapid growth is the space program, rising from a relatively modest figure in 1958 to the inevitable billion dollar category in the very near future. This is exclusive of military missiles.

The rate of progress in this particular program, as well as in the many we touched upon earlier, is the subject of considerable debate. Choosing up sides is outside of our province this morning.

(Slide 57) Gentlemen, you may debate the philosophy that governs these major issues, you may argue the wisdom of certain policies, you may even dispute the figures; but you can't deny that you're paying for every dime of it. Any way you look at it, the maintenance of your Government takes a hefty slice of your income.

The Commerce Clearing House comes up with some interesting figures. They studied an average 29-year-old taxpayer with a wife and two children, a low-priced car, and a mortgaged home. He has an annual income of $5, 183.71. He uses a pack of cigarettes a day, has six beers a week, uses a fifth of liquor a month. He has a telephone, some household appliances, trades his car every five years, and drives it about 9,400 miles a year.

(Slide 58) This fellow, from 29 to retirement at 65, will have to round up $47,221.18 in taxes. In round figures, this $47,000 breaks down roughly this way:

Federal income tax	$20,870
Social security	7,200
Real property	7,700
Personal property	720
Auto taxes	3,100
Cigarette taxes	1,400

Liquor taxes	$1,339
Sales taxes	3,100
Telephone	324
Luxury items	166
Home appliances	35

And all these figures do not include any State income tax.

This tax bill amounts to a little more than one-fourth of his lifetime income.

Well, where are we now? (Slide 59) After a $12.5 billion deficit in 1959, we now expect a $100 million surplus at the close of fiscal 1960--admittedly paper thin and, of course, subject to the influences and assumptions mentioned earlier.

We are now well into fiscal 1960, and we will spend $78.9 billion.

(Slide 60) Here is what the $78.9 billion will buy. These are the major items.

$45.7 billion for national security. This includes atomic energy, stockpiling, and military assistance. This is 60 percent of the whole budget.

$9.1 billion for interest on our debt, which stands at $290.4 billion at the moment; and the President has no choice but to provide for it in the budget.

Another large item is $5.1 billion for benefits and services to veterans.

Up to this point, three-fourths of the Government's income--

about $60 billion--is pledged to future security and paying for past wars.

The other $18 billion of expected outlays in the budget for the coming year are:

$6.1 billion for agriculture services and price supports, including purchase and storage of farm products;

$4.4 billion for health, welfare, education, and labor programs;

$2.9 billion for services to business and to communities, including aids to housing, civil aviation, the merchant marine, small business, and civilian outer space programs;

$2 billion for foreign affairs, including economic assistance to our free world allies;

$1.8 billion in conservation and development of our natural resources; and finally,

$1.7 billion for general administration of the Federal Government, together with the expenses of the Congress and the courts.

Why do I point out these particular items of Federal expense? For several reasons:

I wanted to remind you of the great variety and magnitude of your commitments.

I wanted to make certain that your awareness was not restricted to your special responsibilities.

I wanted to emphasize the obvious competition that exists among major programs for the money available.

And I wanted to demonstrate the difficulties of establishing equitable priorities and a balanced program.

By simply appreciating the enormity and complexity of these problems, you can contribute much to their ultimate solution.

(Slide 60) The role of the Bureau of the Budget is too often regarded as a negative one, when in fact it is simply an inquisitive one.

There are many cases of reductions in the budget which are agreed upon between the Bureau of the Budget and a department, but the reduction is reported to agency staff as something they must do because it is required by the Bureau of the Budget. We are the natural out for any person who tends to hide behind a decision that can be attributed to someone else.

However, this is not to deny that in fulfilling our responsibilities we have insisted on things not being done that others claim need to be done, or (Slide 62) to question and challenge the wisdom, soundness, and necessity under prevailing assumptions and financial circumstances. But, rather than putting forth a frequent "No," the practice is to aggressively probe the "why" of the matter.

(Slide 63) I would not want to imply in any way that the Bureau of the Budget is not a powerful force and an important force in the executive branch of the Government. If it is not that, if it is not an effective organization, then I think we would deserve to be criticized. I think the fact is that because the Bureau derives its authority from

the President and acts in the name of the President, it has a considerable amount of influence and force in any recommendations it makes and any questions that it asks. So if the Bureau is powerful, it is only a reflection of the power that exists in the President.

(Slide 64) So you can see by now that the Bureau of the Budget is just a good neighbor--friendly, folksy, considerate, sympathetic, understanding, and humane in its daily use of the blow torch on your south end. These qualities are particularly true of the Director, Maurice Stans (Slide 65), whose open door policy is well known. You are invited to come in, sit down, and discuss your problems.

Thank you, gentlemen.

COL. LACKAS: Mr. Archambault is ready for questions.

QUESTION: Mr. Archambault, last year we had a deficit of 12.5 billion. This year you estimate a .1 billion surplus. What were you estimating at this time last year for FY 59--a surplus or a deficit?

MR. ARCHAMBAULT: I'm not sure I get the question, but let me answer it anyway. It won't make much difference.

As you know, the budget comes out and it indicates that such-and-such will be the outcome. I think the outcome of this was that a deficit of 13 billion dollars was predicted in all of our speeches and in the mid-year review that follows the budget after the Congress gets through with its scrutiny. I think you would be amazed at the accuracy of the predictions ans forecasts that are made six months, eight months, in advance of the final outcome.

Of course, they took a conservative view of the recovery from the last recession; and even with that conservative view, which turned out to be quite conservative in the ultimate outcome of Government income, they almost hit it on the button.

QUESTION: I imagine that Senator Johnson was slightly confused at the end of that testimony. But from what I have heard, this is generally the picture in the Congress. That is, this tremendous document, covering the area that it does, generally leaves the average Congressman somewhat confused. Are there any projects under way, any approaches, where we can make this thing a little simpler and possibly reduce this eight months period that is involved here?

MR. ARCHAMBAULT: Well, here is one of the great deficiencies in our legislative process. There is no single place in the Congress where a total view is taken of the Federal Government's fiscal problem. We have made a number of offers to go up and present, either to the entire Congress or to selective committees, most of which are meeting as subcommittees on a piece of the total problem--and the Appropriations Committee never does get an overall opportunity to look at the problem in toto. And one of the most frustrating parts of the process on the Hill is the fact that, having put it together as one piece, with all the mosaics fitting in here and there, we go up and testify before subcommittees that are only looking at minute parts of it, usually quite unconcerned about the total picture, the total impact of what they may do or the results of their decisions in relation to other program activities

or whether there is duplication or anything else. And, while there are congressional members--Senator Byrd, Senator Bridges, and others--who have made overtures for developing some kind of a better procedure, I trust from a practical point of view and short of what we are doing today in terms of the Director going up with his charts and slides and giving those members of the Senate Appropriations Committee who show up a broad picture of it initially--and sometimes his audience is two or three people--as a practical matter I don't foresee it in the immediate future. That's just the system. Of course, it's serving us well.

QUESTION: The item veto is something that has been talked about a lot recently. The Bureau of the Budget, I understand, exercises the item veto, since they have the apportionment process. Now, what is your opinion about that? Do you think the item veto should be exercised in the apportionment, or do you think the Congress should pass a law saying that you shouldn't have an item veto?

MR. ARCHAMBAULT: I can't accept your first assumption--that the Bureau of the Budget exercises that veto. In fact, I thought that part of my speech was a little too long. I kind of labored on that subject a little bit.

Through the apportionment process the Bureau does get another crack at the expenditure of funds, and it may be in the nature of an item veto. But as a practical matter, before there are eliminations, there is a meeting of minds between the Director and the head of the agency concerned; and the funds may simply be placed in reserve for future

availability, depending upon the progress in a particular program. The thing isn't as arbitrary as it might appear or as its reputation is.

QUESTION: What do you think our objective should be as far as reducing the national debt? In listening to some of these economists talk, I was firmly convinced that the national debt was evil all the way through. Now I understand that it does serve some useful purposes, but maybe it's too high. Just how far do you think we should try to go in reducing it?

MR. ARCHAMBAULT: Well, this is a point on which I say, I'm glad you asked that. I don't want to pretend to discuss that, because I frankly don't know anything about it. Let me simply state the policy that currently prevails. I don't know enough about the background and the left and right views concerning economic theories as to how much of a national debt the country can handle, or what its rate of reduction ought to be.

The national policy today is to not participate in or not support legislation that, for example, would require us to reduce the debt by a fixed amount each year. Some Members of Congress want us to include in the budget an amount of money, like we do, $9.1 billion, for interest on the debt--there are those who want us to put in a specific amount, maybe a billion or two billion dollars, to reduce the debt on an annual basis. There are others who think we ought to tackle it on a much more substantial basis, selecting maybe 10 percent per year for a decade or something of the sort.

The Administration opposes any straitjacket approach to the reduction of the debt. However, as a matter of policy, it wants to aim at its reduction, perhaps in the category of a billion dollars a year as an appropriate starter.

Now, at other sessions I have been asked how long it would be before the country would go into bankruptcy; how large the national debt can get before it becomes totally unmanageable and begins to affect our whole fiscal system, has an adverse effect upon inflation, and so forth. I don't know, and I don't know that there is a clear-cut answer. I trust that you will save further pursuit of that question through the distinguished economists that approach this platform.

QUESTION: There has been some recent criticism about the fact that the mechanism which controls budget levels establishes control initially on obligations or new obligational authority on the program that is presented to Congress, and subsequently on expenditures when the program is executed. Is there any plan afoot to bring these two controls into a single control?

MR. ARCHAMBAULT: No, because you are dealing with two different kinds of alley cats there. Recognizing first the basic principle that a new obligational authority that is appropriated for, say, fiscal 1960 may have within it commitments that will lay the ground work for a tremendous subsequent impact upon the budget, particularly in long-lead-time items, actual expendures are--for example, let me illustrate with the great debate over who reduced whose budget

in the last Congress.

The allegation is that the budget was reduced by 1.8 billion dollars. This will be a mixture of actual programs that will be felt today versus a reduction in new obligation authority for long-lead-time items, partic- in the mutual security field and under the Defense Production Act, where the reductions even at the rate of 1.8 billion dollars will not be felt in the 1960 expenditures, because they just won't be spent that quick.

But there has to be a dual control, because actually you are dealing with two different breeds of cats here. The most effective one for our purposes is the day-to-day apportionment or the quarterly apportionment and the hold on expenditures. Congress gets a more substantial crack at your new obligational authority, which is where control is more difficult, because, take, for example, the 87 new public works projects that were launched, with new obligational authority of a very minor amount, mostly for planning money; but we have committed ourselves there for the next five years at something like 752 million dollars of new obligational authority in the future to complete these projects once they are launched, with a very small figure initially. We will get a crack at this new obligational authority that has been authorized to the tune of 752 million dollars by the quarterly control of expenditures. I don't think they are so different, as they serve a very different purpose. I doubt that you would bring them together.

QUESTION: We have heard a proposal, or a request perhaps,

by the Defense Department to put their budget together on a horizontal rather than a vertical sort of basis. Do you know anything about that proposal? If so, do you think that would help to explain perhaps some of these interesting subjects in the whole Defense budget?

MR. ARCHAMBAULT: You should have hit that gentleman who was over here yesterday. Let's get another one, Colonel.

QUESTION: We understand that the mutual security programs are now being included in the overall major Defense side of appropriations. Could you give us the reason for how this comes about?

MR. ARCHAMBAULT: It's just a case--in fact, in looking over the history of our budget, there is a variety of groupings; and I don't think the reason is as technical as you might suspect.

There have been efforts to keep our programs grouped in those areas that are generally related. I think, rather than having a substantial technical reason, that yuu might think would come out of an office that is alleged to be an office of accounting and so forth, the format is more the personal wishes of the Director, as to just how he lays out the budget, what he feels tells a more graphic story, what he feels groups types of items. You will notice that particular chart which had its origin with the Director on types of expenses. He likes to group all expenses having to do with what he calls our national security, including mutual security, he likes to put the 9.1 billion interest on our debt, which others would keep out, he likes to put that in a category of a security item, either past or future, because the debt is largely war-

induced. He likes to throw in veterans into a category of figures because of that obvious relationship to our defense effort. And it's simply a matter of how you like to print the book, just the way it is, and the design of the cover, and what color it might be in a particular year.

QUESTION: Over a period of time the budget has become larger and larger; and as it is, the process of budget making has become more and more complex. A number of recommendations have been made for simplification of this budget process, one of which is for a biennial instead of an annual budget. Will you tell us the position of the Bureau on the proposed biennial budget, and could you discuss some of the advantages and disadvantages?

MR. ARCHAMBAULT: Our inclination would be to separate them. In fact, we talked in terms of a two to four, perhaps a maximum of a five year, planning period. There is no doubt that soon--how soon I wouldn't venture to predict--but soon the process is going to have to be stretched out. Because of the tremendous burden of time and burden of effort required by everybody to put together a budget on an annual basis, two years would probably be an excellent starter. A further stretch might be inevitable in the future.

Our desire is to take about a two-year chunk on the first go-around and see what difference it would make, how much it would lessen the burden, to what extent this would be acceptable in the Congress, and so forth.

Now, there is considerable discussion of this, but mostly on an academic basis. There is no practical effort today to do anything about it.

With reference to the size of the budget and its tremendous volume, there are very practical reasons for this too. Every Member of Congress has a particular type of inquiry that he makes to the Bureau of the Budget concerning a breakdown in this area, a breakdown with reference to water resources, a further breakdown on the trust funds, more specifics and line items and other things, ~~and the~~ In a Mutual Security Program, they may want all the countries listed. And you will note in the back of the budget are all the special analyses. We originally had only A, B, and C. I think they now run up to J and it may be higher. All of these have had their impetus from a request for detailed information.

Now, the breakdown I gave you in specific programs here, concerning highways, concerning hospital programs--that language that I was using actually came out of the budget. Few people realize that you can flip to a certain section of the budget and get an excellent run-down on a total effort by the Federal Government in a specific area.

This year, as always, to cut down the sheer volume, we tried to eliminate some of them, and we ran into a request to get them back in there. Some gentlemen reproduce them and send them around to the appropriate people, or the people are proud of the fact that they instituted them in the first place, and they're just going to stay there.

Now, the budget will grow in volume, I presume, as programs become more technical. The space program, for example, is now an 800 million

dollar program. But this is probably the last time that anybody will stand on this platform and talk about in terms of millions of dollars. It will be billions of dollars in the very near future. It will have many side activities, many things that need a further breakdown, an explanation, and a couple more pages will slip in. It's now up 1027, which is why we put out that Federal Budget Brief, plus the Midyear Review, covers of which I showed you on the slide.

But other than for purposes of academic discussion I doubt that a shift in the budget procedure, other than some mutually agreeable items between the agencies, in the Executive Office of the President, and in the Congress, I don't foresee any changes in the very near future. These things are hard to come by.

QUESTION: My question is in two parts. The first deals with a cost-based budget. Do you think the Congress will ever accept budgets on a cost budget? Secondly, do you think that the Congress will ever go along with the Hoover Commission's recommendation of actually making appropriations on an accrued-expenditure basis?

MR. ARCHAMBAULT: Look at what happened in this last session of Congress. I think it was restricted to seven agencies. It may have been more. But a selected number of agencies were asked to submit the kinds of budgets that you are talking about and the Congress rejected them. There may have been some exceptions, but to my knowledge we didn't get anywhere with them.

We're going back in now--I think the number has been increased to

twelve--on an attitude of persistency, that the objective is sound, that according to those who understand the intricacies of accountcy and that sort of business, plus the recommendations of the Hoover Commission, they are on solid ground. And they do have the sympathetic support of Senator Byrd and others who take a special interest in the budgetary aspects of the Federal Government.

However, we are not meeting with any great success; and I suppose, like so many other recommendations of the Hoover Commission, after a period of years, with some persistent selling, some good salesmanship, the thing might happen. At the moment we don't foresee any sudden change. The distinguished gentlemen have become used to certain submissions in a particular way and the moment you start tampering with that, no matter how sound your reasons may be technically, it's just not going to happen. Of course you never know the situation after 1960.

QUESTION: I'm not sure who the surgeon is, but I have seen inflationary projections disallowed--

MR. ARCHAMBAULT: Inflationary projections?

QUESTION (continued): Yes. In other words, in the area of maintenance there is a certain allowance made in the M & O area of the budget for inflationary trends. Then it's spelled out in the budget submission. Also in procurement. We buy a radar this year and there's a projected price used in the budget submission that is 7 or 8 percent greater and it's disallowed on the basis that we don't permit inflationary prices. Do you think that's wise in view of the history we have had?

MR. ARCHAMBAULT: Well, the way this appears in the budget--and again I'm not familiar with the technical reasons behind it--but you may be stepping out of line with whatever the Administration policy is on fixing the years. Maybe they're using a '58 dollar or an earlier year dollar, depending on what the basis is for their computations.

You will notice some of the charts in the budget have an asterisk and a footnote indicating the dollar value upon which these computations were based. On the other hand, you may be running afoul of a policy memo that may have come out that said you will not compute these in your costs; and by an indirect way to force an agency to reduce its budget, you may force them to absorb a pay raise, to absorb inflationary costs, and so forth. And rather than there being a conflict in the technical reasons for the rejection, I think you will find it simply in a practical decision to make them absorb that particular cost. Now, admittedly, it has the same effect as a budget cut, but that usually is the objective.

QUESTION: As you flashed by many of your excellent examples of the cost of things, the thought occurred to me that since 1930 the nation has acquired some very valuable assets. I wondered if perhaps you have a comparison of the total value of national assets in 1930 as compared to the total value of national assets in 1960, realizing that there are some white elephants, but that would be usable against the national debt, and, of course, this high cost of living.

MR. ARCHAMBAULT: Well, that's like trying to put together a Federal Government balance sheet. While we have been toying with this

effort, you can realize the tremendous problems that are implicit in such a gigantic project, particularly to get an inventory of what your current assets are, let alone comparing them with years past.

In running through the slides here, certainly I realize that you detected that many of the slides that depicted major efforts of the Federal Government were in a large sense investments. These were not 20 million dollar items that have to be one-shot deals and then crossed off the board. Some of them represented very substantial investments. Some of them represented investments which over a period of 50 years we will get our money back on, particularly in some of the water resource projects, depending upon under what law they were constructed. In some cases we will get interest back and in other cases, by virtue of water rates, we will recoup the cost of the project over a period of 50 years or longer.

We have attempted--and there are in current regulations--the requirement that every department and agency submit annually an inventory of its assets. This is abused more than it is followed. The reports are not adequate today to compile what Senator Murray wanted--in the nature of a total inventory of national assets, for the very purposes that you discussed--to compare it, to see just what our investment has been, so that we could portray in the budget--say we are spending 78.9 billion dollars. What do you measure that against? Is that an exhorbitant figure? Could it be 150 billion? Could it be 200 billion? Against what do you measure it? What portion of it are capital improvements? What portion are major investments that add to the assets and the strength of

the country, as distinguished from many things that can't be characterized or put in that same category. You can't put veterans' pensions, for example, which is a very costly item, as an investment item. You can't put a number of other programs. Yet many of the major costs, the hospital program, while much of it is in the nature of a service, many of the facilities are a significant investment around the world.

However, we are a long way from having an accurate inventory of this country's assets; and you will find that in whatever efforts have been made to date there is a great discounting of the accuracy. In the preface they usually make great excuses about the impossibility of putting a value on this particular thing or that particular thing. You could get into two projects. You could get a Government balance sheet, or you could resort to capital budgeting, where you could actually display the Government's investments. But this won't be done in a hurry.

Now, there are those in the Bureau who, largely because of a personal interest in it, are working on it, largely on their own. But as a Government effort currently we are not devoting any time to it.

QUESTION: Why does the Bureau of the Budget feel it's necessary to conduct a joint review of the Department of Defense budget with the Defense Department rather than letting it prepare its own budget, as all the other agencies of the Government do?

MR. ARCHAMBAULT: Only because of its sheer magnitude. When the total budget was 3 1/2 billion dollars and the Bureau of the Budget consisted of 40 people, the process was a relatively easy one. You could

handle today with a relatively small crew a 4 1/2 billion dollar budget of one of the agencies. However, its magnitude is such and the time necessary to run through it that it seemed most practical to us to make it a joint effort, so as not to go through the same thing twice. You would occupy so much time of so many people on a duplicate effort that we now actually have staffs that sit in the Pentagon with your people. In fact, the Bureau has people there on a permanent basis working daily with the Office of the Secretary of Defense, participating jointly in the hearings. It's just a practical time saver.

I don't remember what your alternatives are. I guess they would be to do what we do with the other departments and agencies.

QUESTION: Of course, one immediate alternative would be to simply tell the Department of Defense to prepare their budget two months earlier than they now have to prepare it.

MR. ARCHAMBAULT: Well, you will find in these budget seasons that the seasons actually overlap. We already have a continuous process going on. I doubt very much, if you were to take a poll over there, which is not the practice in the Pentagon, that the people who do the pick and shovel part of that effort and have to subject themselves to the scrutiny of a budget hearing would just as soon get it over with in one shot.

It's just a practical thing. We can see no gain in spreading it out and getting an independent crack, because you realize, as I said, we don't make decisions.

QUESTION: Sir, I have a question on the staffing of your suggestions. I am convinced by your 45 minutes prepared work that you don't make decisions. However, we do suspect that you people do have friends in high places and that your suggestions are certainly often taken, even though a few are overturned. Do you have engineers, scientists, doctors, and other skilled people of those types in your staff? Or do you maintain objectivity by not having such people in your staff?

MR. ARCHAMBAULT: You were leading me down and I almost didn't recover from that last one.

Well, let me put it this way: It's not as difficult as you might think. Fortunately, we have technical experts who could answer questions of an economic character. We have the Accounting Office, who are skilled people in that field. In fact, the Director of the Bureau of the Budget is an accountant by profession, as well as a very distinguished gentleman. And I would say that we run the gamut of a variety of skills. But, as we say in their Civil Service Commission job descriptions, they are primarily generalists.

Now, let's look at what this gentleman has to do. He's not on his own as an economist, as an accountant, as a scientist. There are engineers there. They are not superimposing their personal judgments due to their own background and skill, although 99 percent of them have the capacity to do that.

There are a set of rules put out that are very clear. For example, there may be for a given fiscal year a decision that there will be no new

starts in construction. You don't have to be an expert engineer to apply that rule to a budget. You just say there will be no new starts. There may be a rule that there will be a 2 percent reduction in personnel across the board. There will be a variety of other broad and basic rules or principles that the Budget Bureau knows, and the agency concerned knows; and there's a check-out against these various items.

I would think that, except for the opportunity to challenge, we have people whom I wouldn't characterize as dedicated specialists, but they are certainly skilled in a particular field, to make them competent enough to ask specific questions in the engineering field and understand the answer without necessarily having to pass judgment on it, because their report consists of: "I probed this area and this area and this area; and while I felt that this appeared to be a gap or a weak spot, this is the answer I got and this is what the agency wants to do." The budget man will say: "My own recommendation would be that they do it this way or that way. However, the Secretary of such an agency feels otherwise." And it is with this identity of the issues and the two different points of view--one from the specialist who prepared the program and the other from the man challenging it--that is the basis for the decision that ultimately comes out of it.

I don't think these people second-guess program people. And I think you gentlemen would be very surprised to hear the procedure that is followed in the Director's review, which I hinted about a little bit. I guess that was the fellow with the horns behind the table. But the

Director's review process is a very excellent session where the people who have been fighting with the agencies over particular elements of the budget turn around and take your side and present it on behalf of the agency and in my judgment do a remarkable job. In fact, sometimes you wonder who they are working for. In fact, that's their job. They run the obstacle course first; then they turn around and, after having probed it and fought with it and mulled it over, they come in and say: "This is what this agency wants and these are the reasons why." And, of course, they in turn have to answer the questions from the Director and his assistants, who say: "Why did you do this? Why did you approve that?" It's a two-fold process that takes place, but the performance by your own budget examiner is a rather remarkable one.

QUESTION: Our fiscal year seems to be a source of some of our trouble. For example, NOA comes out two to three months into the fiscal year and creates some havoc in the Defense Department. The Treasury seems to borrow money because the receipts come late in the year. Would a change in our fiscal year possibly help us, perhaps matching it with the calendar year?

MR. ARCHAMBAULT: I can't answer that question. I'm not sure I get enough of the problem here to appreciate what we are after. Maybe we'd better let it go at that. I would probably confuse you more, and I think I share some that you already have.

COL. LACKAS: Mr. Archambault, I would like to express, on behalf of the Commandant and the students here, our gratefulness to you

for coming over here and giving us this most profitable morning. I doubt that many of us have had a more profitable experience than we have had this morning. Thank you.

- - - - -