

MESSAGE ON ECONOMY AND EFFICIENCY

President Taft Reviews the Report of Special Commission, Commends Findings and Urges Continuance.

Shows a Prospective Saving in Government Expenditures of Upward of \$5,000,000, With Investigation Only Begun—Waste in Single Item of Distributing Public Documents Amounts to \$250,000 Annually—Saving in Order to Spend More Wisely.

Following are the recommendations of the president in relation to the report made to him by the commission on economy and efficiency:

To the Senate and House of Representatives:

I submit for the information of the congress this report of progress made in the inquiry into the efficiency and economy of the methods of transacting public business.

Efficiency and economy in the government service have been demanded with increasing insistence for a generation. Real economy is the result of efficient organization. By perfecting the organization the same benefits may be obtained at less expense. A reduction in the total of the annual appropriations is not in itself a proof of economy, since it is often accompanied by a decrease in efficiency. The needs of the nation may demand a large increase of expenditure, yet to keep the total appropriations within the expected revenue is necessary to the maintenance of public credit.

Upon the president must rest a large share of the responsibility for the demands made upon the treasury for the current administration of the executive branch of the government. Upon the congress must rest responsibility for those grants of public funds which are made for other purposes.

Reason for the Inquiry.

Recognizing my share of responsibility for efficient and economical administration, I have endeavored during the past two years, with the assistance of heads of departments, to secure the best results. As one of the means to this end I requested a grant from congress to make my efforts more effective.

An appropriation of \$100,000 was made June 25, 1910, "to enable the president to inquire into the methods of transacting the public business of the executive departments and other government establishments and to recommend to congress such legislation as may be necessary to carry into effect changes found to be desirable that cannot be accomplished by executive action alone." I have been given this fund to enable me to take action and to make specific recommendations with respect to the details of transacting the business of an organization whose activities are almost as varied as those of the entire business world. The operations of the government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to nearly \$1,000,000,000 annually. Including the personnel of the military and naval establishments, more than 400,000 persons are required to do the work imposed by law upon the executive branch of the government.

Magnitude of the Task.

This vast organization has never been studied in detail as one piece of administrative mechanism. Never have the foundations been laid for a thorough consideration of the relations of all of its parts. No comprehensive effort has been made to list its multifarious activities or to group them in such a way as to present a clear picture of what the government is doing. Never has a complete description been given of the agencies through which these activities are performed. At no time has the attempt been made to study all of these activities and agencies with a view to the assignment of each activity to the agency best fitted for its performance, to the avoidance of duplication of plant and work, to the integration of all administrative agencies of the government, so far as may be practicable, into a unified organization for the most effective and economical dispatch of public business.

First Complete Investigation.

Notwithstanding that voluminous reports are compiled annually and presented to the congress, no satisfactory statement has ever been published of the financial transactions of the government as a whole. Provision is made for due accountability for all moneys coming into the hands of officers of the government, whether as collectors of revenue or disbursing agents, and for insuring that authorizations for expenditures as made by law shall not be exceeded. But no general system has ever been devised for reporting and presenting information regarding the character of the expenditures made in such a way as to reveal the actual costs entailed in the operation of individual services and in the performance of particular undertakings nor in such a way as to

make possible the exercise of intelligent judgment regarding the discretion displayed in making expenditure and concerning the value of the results obtained when contrasted with the sacrifices required.

I am convinced that results which are really worth while cannot be secured, or at least can be secured only in small part, through the prosecution at irregular intervals of special inquiries bearing on particular services or features of administration. The benefits thus obtained must be but temporary. The problem of good administration is not one that can be solved at one time. It is a continuously present one.

Plan of the Work.

In accordance with my instructions the commission on economy and efficiency, which I organized to aid me in the inquiry, has directed its efforts primarily to the formulation of concrete recommendations looking to the betterment of the fundamental conditions under which governmental operations must be carried on. With a basis thus laid it has proceeded to the prosecution of detailed studies of individual services and classes of work and of particular practices and methods, pushing these studies as far and covering as many points and services as the resources and time at its disposal have permitted.

In approaching its task it has divided the work into five fields of inquiry having to do respectively with organization, personnel, business methods, accounting and reporting and the budget.

Organization.

I have stated that the congress, the president and the administrative officers are attempting to discharge the duties with which they are intrusted without full information as to the agencies through which the work of the government is being performed. To provide more complete information on this point the commission has submitted to me a report on the organization of the government as it existed July 1, 1911. This report, which is transmitted herewith, shows in great detail, by means of outlines, not only the departments, commissions, bureaus and offices through which the government performs its varied activities, but also the sections, shops, field stations, etc., constituting the subordinate divisions through which the work is actually done. It shows for the services at Washington each such final unit as a laboratory, library, shop and administrative subdivision and for the services outside of Washington each station and point at which any activity of the government is carried on.

Specific Economies Demonstrated.

With this outline as a basis the commission has entered upon the preparation of three series of reports. The first series deals with the manner in which the services of the government should be grouped in departments. The second and third series of reports deal, respectively, with the organization and activities of particular services and the form of organization for the performance of particular business operations.

One of the reports of the second series is upon the revenue cutter service, which costs the government over \$2,500,000 each year. In the opinion of the commission its varied activities can be performed with equal or greater advantage by other services. The commission therefore recommends that it be abolished. It is estimated that by so doing a saving of not less than \$1,000,000 a year can be made. Another report illustrating the second series recommends that the light-house and life saving services be administered by a single bureau instead of, as at present, by two bureaus located in different departments. These services have much in common. Geographically they are similarly located; administratively they have many of the same problems. It is estimated that consolidation would result in a saving of not less than \$100,000 annually.

In a third report the commission has recommended the abolition of the returns office of the department of the interior. This action, in its opinion, will cause no loss in service to the public and will result in a direct saving of not less than \$25,000 a year, in addition to a large indirect economy in the reduction of work to be performed in the several offices.

In another report the commission has recommended the consolidation of the six auditing offices of the treasury and the inclusion in the auditing system of the seven naval officers who now audit customs accounts at the principal ports. The changes recommended will improve in many ways the auditing of public accounts and will result in an immediate saving of at least \$135,000 annually.

A third series of reports is being prepared on those branches of the organization which are technical in character and which exist for the service of the government as a whole—branches which have to do with such matters as public printing, heating, lighting, the making of repairs, the providing of transportation and the compilation of statistics where mechanical equipment is essential.

Abolition of Local Offices.

Perhaps the part of the organization in which the greatest economy in public expenditure is possible is to be found in the numerous local offices of the government. In some instances the establishment and the discontinuance of these local offices are matters of administrative discretion. In other instances they are established by permanent law in such a manner that their discontinuance is beyond the power of the president or that of any executive officer. In a number of services these laws were passed nearly a century ago. Changes in economic conditions have

taken place which have had the effect of rendering certain offices not only useless, but even worse than useless in that their very existence needlessly swells expenditures and complicates the administrative system.

The responsibility for the maintenance of these conditions must naturally be divided between the congress and the executive. But that the executive has performed his duty when he has called the attention of congress to the matter must also be admitted. Realizing my responsibility in the premises, I have directed the commission to prepare a report setting forth the positions in the local services of the government which may be discontinued with advantage, the saving which would result from such action and the changes in law which are necessary to carry into effect changes in organization found to be desirable. On the coming in of the report such offices as may be found useless and can be abolished will be so treated by executive order.

Personnel.

In my recent message to the congress I urged consideration of the necessity of placing in the classified service all of the local officers under the departments of the treasury, the interior, postoffice and commerce and labor.

As yet little if any attempt has been made by law to secure, either for the higher administrative positions in the service at Washington or for local offices, the qualifications which the incumbents of these positions must have if the business of the government is to be conducted in the most efficient and economical manner. Furthermore, in the case of many of the local officers the law positively provides that the term of office shall be of four years' duration.

Extension of Merit System.

The next step which must be taken is to require of heads of bureaus in the departments at Washington and of most of the local officers under the departments qualifications of capacity similar to those now required of certain heads of bureaus and of local officers. The extension of the merit system to these officers and a needed readjustment of salaries will have important effects in securing greater economy and efficiency.

In the first place, the possession by the incumbents of these positions of the requisite qualifications must in itself promote efficiency.

In the second place, the removal of local officers from the realm of political patronage in many cases would reduce the payroll of the field services. At the present time the incumbents of many of these positions leave the actual performance of many of their duties to deputies and assistants. The government often pays two persons for doing work that could easily be done by one. "What is the loss to the government cannot be stated, but that it is very large cannot be denied when it is remembered how numerous are the local officers in the postal, customs, internal revenue, public lands and other field services of the government.

In the third place, so long as local officers are within the sphere of political patronage it is difficult to consider the question of the establishment or discontinuance of local offices apart from the effect upon local political situations.

Finally the view that these various offices are to be filled as a result of political considerations has for its consequence the necessity that the president and members of congress devote to matters of patronage time which they should devote to questions of policy and administration.

Dangers of Fixed Term System.

The greatest economy and efficiency and the benefits which may accrue from the president's devoting his time to the work which is most worth while may be assured only by treating all the distinctly administrative officers in the departments at Washington and in the field in the same way as inferior officers have been treated. The time has come when all these officers should be placed in the classified service. The time has also come when those provisions of law which give to these officers a fixed term of years should be repealed. So long as a fixed term is provided by law the question of reappointment of an officer, no matter how efficiently he may have performed his duties, will inevitably be raised periodically. So long as appointments to these offices must be confirmed by the senate and so long as appointments to them must be made every four years just so long will it be impossible to provide a force of employees with a reasonably permanent tenure who are qualified by reason of education and training to do the best work.

Superannuation.

I shall submit in the near future for the consideration of the congress a plan for the retirement of aged employees in the civil service which will safeguard the interests of the government and at the same time make reasonable provision for the needs of those who have given the best part of their lives to the service of the state.

In every case where technical processes have been studied it has been demonstrated beyond question that large economies may be effected. The subjects first approached were those which lie close to each administrator—viz. office practices. An illustration of the possibilities within this field may be found in the results of the inquiry into the methods of handling and filing correspondence. Every office in the government has reported its methods to the commission. These reports brought to light the fact that present methods were quite the reverse of uniform. Some offices follow the practice of briefing all correspondence; some do

not. Some have flat files; others fold all papers before filing. Some use press copies; others retain only carbon copies.

Cost of Handling and Filing Correspondence.

The reports also show not only a very wide range in the methods of doing this comparatively simple part of the government business, but an extraordinary range in cost. For the handling of incoming mail the averages of cost by departments vary from \$5.84 to \$31.40 per 1,000. For the handling of outgoing mail the averages by departments vary from \$5.94 to \$69.89 per 1,000. This does not include the cost of preparation, but is confined merely to the physical side of the work. The variation between individual offices is many times greater than that shown for averages by departments.

It has been found that differences of average cost by departments closely follow differences in method and that the greatest cost is found in the department where the method is most involved. Another fact is of interest—viz. that in the two departments above referred to, which show the lowest averages, orders have been issued which will lead to large saving without impairing efficiency. It cannot be said that the saving ultimately will be when the attention of officers in all of the departments has been focused on present methods with a view to changing them in such manner as to reduce cost to the lowest point compatible with efficient service. It, however, must be a considerable percentage of nearly \$5,000,000, the total estimated cost of handling this part of the government business at Washington.

Need For Labor Saving Office Devices.

The use of labor saving office devices in the service has been made the subject of special inquiry. An impression prevails that the government is not making use of mechanical devices for economizing labor to the same extent as are efficiently managed private enterprises. A study has been made of the extent to which devices of this character are now being employed in the several branches of the government and the opportunities that exist for their more general use. In order to secure information as to the various kinds of labor saving devices that are in existence and as to their adaptability to government work, an exhibition of labor saving office appliances was held in Washington from July 6 to 15, 1911. One hundred and ten manufacturers and dealers participated, and more than 10,000 officers and employees visited the exhibition. There is no doubt that the exhibition served the purpose of bringing to the attention of officers devices which can be employed by them with advantage. The holding of this exhibition was, however, but a step preparatory to the contemplated investigation.

Unnecessary Cost of Copy Work.

The efforts of the commission resulted also in the adoption by several bureaus or departments of improved methods of doing copying. The amount of copy work heretofore done by hand each year in the many offices is estimated to aggregate several hundred thousand dollars. The commission exhibited at its offices appliances that were thought to be especially adapted to this kind of government work. Following these demonstrations methods of copying were introduced which have brought about a saving of over 75 per cent in offices where used for six months. This change in one small cross section of office practice will more than offset the whole cost of my inquiry.

Waste in Distribution of Public Documents.

Going outside the office, one of the business processes which has been investigated is the distribution of departmental documents. This is a subject with which both the congress and administration heads are familiar. The prevailing practice in handling departmental publications is to have them manufactured at the government printing office. Each job when completed is delivered to the department. Here the books or pamphlets are wrapped and addressed. They are then sent to the postoffice. There they are assorted and prepared for shipment through the mails. From the postoffice they are sent to the railroad station, which is only a few steps from the government printing office, whence they started. The results of this laborious and circuitous method is to make the use of the best mechanical equipment impracticable and to waste each year not less than a quarter of a million dollars of government funds in useless handling, to say nothing of the indirect loss due to lack of proper co-ordination.

Wasteful Use of Properties and Equipment.

The use of equipment is a matter which also has been investigated. Up to the present time this investigation has been in the main confined to the subject of electric lighting. The government pays over \$800,000 per year for electric current. It has made large capital outlays for wiring and fixtures. With the increasing demands in many buildings the present equipment is taxed to its limit, and if the present methods are continued much of this wiring must be done over. In many places employees are working at a great physical disadvantage, due to inadequate and improper lighting and thereby with reduced efficiency. In every place where the inquiry has been conducted it appears that there is large waste; that without the cost of rewiring, simply by giving proper attention to location of lights and the use of proper lamps and reflectors, the light efficiency at points where needed may be much increased and the cost of current reduced from 30 to 60 per cent. Other inquiries into the use which is being made of properties and

equipment are contemplated which promise even larger results.

Unnecessary Cost of Insurance.

It is the policy of the government not to insure public property against fire and other losses. Question has been raised whether the government might not apply the same principle to other forms of risk, including insurance of the fidelity of officials and employees. A report is now in preparation on the subject which will show opportunities for large savings. I believe that the present expense for insuring the faithful execution of contracts, which, though paid by the contractor, is more than covered in the added price to the government, can be largely reduced without taking away any element of security.

The importance of establishing and maintaining standard specifications is found not only in the possibility of very materially reducing the direct cost of government trading, but also in insuring to the service materials, supplies and equipment which are better adapted to its purposes. One of the results of indefiniteness of specifications is to impose contract conditions which make it extra hazardous for persons to enter into contractual relations. This not only deprives the government of the advantage of broad competition, but causes it to pay an added margin in price to vendors, who must carry the risk.

Excessive Cost of Travel.

The annual cost of travel to the government was found to be about \$12,000,000. It was also found that the government employees were traveling in practically every way that was open to the public. It was further found that, although the government was the largest user of transportation, it was buying railroad tickets on a less favorable basis than would be possible if the subject of traveling expenditures were systematically handled from the point of view of the government as a whole. The form of ticket most often used between such points as New York, Philadelphia and Washington was the single trip first class ticket. In two departments definite tests have been made in the use of mileage books, and in each practically the same result has been reported—viz. an average saving of a little over one-half of 1 cent per mile.

One of the results or byproducts of this inquiry into travel expenses was the recommendation that the jurat or affidavit which is now required by order of the comptroller be discontinued. The jurat does not add to the value of the return, involves persons traveling in much annoyance and trouble in going before an officer competent to administer oaths, while every disciplinary result is obtained through certification under the law prescribing a penalty for the falsification of accounts. A discontinuance of the jurat in all cases would result in a direct saving of about \$60,000 per annum.

Other Expenditures to Be Investigated.

Before economy in government trading can be adequately covered such subjects as the following must be systematically inquired into—viz. Subsistence and support of persons; subsistence and care for animals and the storage and care of vehicles; telephone, telegraph and commercial messenger service; printing, engraving, lithographing and binding; advertising and the publication of notices; heat, light, power and electricity purchased; repairs by contract and open market order; building and other materials; drafting, scientific and stationery supplies; fuel; mechanics', engineering and electricians' supplies; cleaning and toilet supplies; wearing apparel and hand sewing supplies; forage and other supplies for animals; provisions; explosives and pyrotechnic supplies; heat, light, power and electrical equipment; live stock; furniture and furnishings; educational and scientific equipment. From what has been already ascertained concerning certain of these different objects of government expenditure it is evident that large savings will result from such an examination.

Reports at Present Required by Congress.

The commission has made a study of the present requirements of law relating to reports which are in whole or in part financial in character from the various departments and establishments. There are more than ninety acts of congress which annually require reports of this character. These requirements of the law result in nearly 200 printed reports relating to financial matters, which must be submitted annually to the congress by the various departments and establishments. Studies of these reports and comparisons of the classification of expenditures as set forth therein have been made by the commission to the end that, so far as practicable, uniformity of classification of objects of expenditure may be recommended and identical terminology adopted.

In due time I shall transmit to the congress such recommendations for changes in the present laws relating to these annual reports as appear to be pertinent and necessary.

No National Budget.

The United States is the only great nation whose government is operated without a budget. This fact seems to be more striking when it is considered that budgets and budget procedures are the outgrowth of democratic doctrines and have had an important part in the development of modern constitutional rights. The American commonwealth has suffered much from irresponsibility on the part of its governing agencies. The constitutional purpose of a budget is to make government responsive to public opinion and responsible for its acts.

A budget should be the means for getting before the legislative branch, before the press and before the people.

pie a definite annual program of business to be financed. It should be the nature of a prospectus both of revenues and expenditures. It should comprehend every relation of the government to the people, whether with reference to the raising of revenues, the rendering of service.

In many foreign countries the annual budget program is discussed with special reference to the revenue to be raised, the thought being that the raising of revenue bears more direct relation to welfare than does government expenditure. Around questions of source of revenue political parties have been organized, and on such questions voters in the United States have taken sides since the first revenue law was proposed.

Citizens' Interest in Expenditures.

In political controversy it has been assumed generally that the individual citizen has little interest in what the government spends. In my opinion this has been a serious mistake, one which is becoming more serious every year. Now that population has become more dense, that large cities have developed, that people are required to live in congested centers, that the national resources frequently are the subject of private ownership and private control and that transportation and other public service facilities are held and operated by large corporations, what the government does with nearly \$1,000,000,000 each year is of much concern to the average citizen in the manner of obtaining this amount of money for public use. In the present inquiry special attention has been given to the expenditure side.

We want economy and efficiency. We want saving and saving for a purpose. We want to save money to enable the government to go into some of the beneficial projects which we are deterred from taking up now because we cannot increase our expenditure. Projects affecting the public health, new public works and other beneficial activities of government can be furthered if we are able to get a dollar's value for every dollar of the government's money which we expend.

Continuance of the Commission.

I ask the continuance of this commission on economy and efficiency because of the excellent beginning which has been made toward the reorganization of the machinery of this government on business principles. I ask because its work is entirely nonpartisan in character and ought to apply to every citizen who wishes to give effectiveness to popular government in which we feel a just pride. The work further commends itself for the reason that the cost of organization and work has been carefully considered at every point. Three months were taken in consideration of plan before the inquiry was begun; six months were then spent in preliminary investigations before the commission was organized. Before March 3, 1911, when I asked for a continuation of the original appropriation for the current year, only \$12,000 had been spent. It is a matter of public record that the three largest insurance companies in New York when under legislative investigation spent more than \$500,000 for expert services to assist the administration to put the business of a modern basis, but the economies of the first year were more than tenfold the cost. I am informed that New York, Chicago, Boston, St. Louis, Cincinnati, Milwaukee and other cities are prosecuting inquiries the cost of which is largely disproportionate to the cost incurred by the federal government. Furthermore, these inquiries have the vigorous support and direct cooperation of citizen agencies which alone are spending not less than \$200,000 per annum.

I sincerely hope that congress will not in its anxiety to reduce expenditures economize by cutting off an appropriation which is likely to offer greater opportunity for real economy in the future than any other estimate for.

As has been said, the changes which have already been made are resulting in economies greater than the cost of the inquiry. Reports in my hands with recommendations, estimate approximately \$2,000,000 of possible annual economies. Other subjects under investigation indicate much larger results. These represent only a few of the many services which should be subjected to a like painstaking inquiry. It is done it is beyond question that many millions of savings may be realized. Over and above the economy and increased efficiency which may be said to result from the work of the commission as such is an indirect result that cannot well be measured. I refer to the influence which a vigorous, thoroughgoing executive inquiry has on each of the administrative units.

In this relation it may be said that the expenditure for the inquiry during the present fiscal year is at the rate of \$130,000. The mass of information which must be collected, digested and summarized pertaining to each subject of inquiry is enormous. From the results obtained it is evident that every dollar which is spent in the prosecution of the inquiry in the future will result in manifold savings. Every economy which has been or will be effected through changes in organization or method will inure to the benefit of the government and of the people in increasing measure through the years which follow. It is clearly the part of wisdom to provide for the coming year means at least equal to those available during the current year, and in my opinion the appropriation should be increased to \$200,000, and an additional amount of \$50,000 should be provided for the publication of those results, which will be of continuing value to officers of the government and to the people.

WILLIAM H. TAFT.
The White House, Jan 17 1912