6. We looked for the universes within which our programs could be most effective. The Job Corps technique of intensive training in a residential program is hoped to be successful for a wide variety of youths. Relative to cheaper alternatives, however, we believe its differential effectiveness is likely to be highest for hard core, hard-to-reach youth who simply cannot be reached any other way. And we recommend Job Corps concentration on these. For easier youths, cheaper programs are are likely to be more cost-effective. Similarly Community Action can be a useful technique almost anywhere. But it is more likely to be more useful where the poor live among the poor urban slums and rural depressed areas. In these environments where facilities, surroundings, and neighbors are all likely to be poor, the expenditure of Community Action dollars is likely to be most effective, because there is far more to be done—we are not working at a sparse margin. Because these dollars are limited, we recommend they be confined primarily to such areas of "concentrated" poverty even though they would not be ineffective elsewhere.

7. My last example describes a technique for getting the total budget down to a prescribed level. We used it not necessarily because it was the best technique but because in the short time available to us it seemed the only technique. In retrospect, it may be the best anyhow. Rather than trying to add up programs to reach a certain specified budget level, we started out with what we called an unconstrained budget—unconstrained by fund availability. That is, we estimated how large our programs could be, subjected only to constraints other than dollars, constraints such as the number of doctors available for medical programs. This added up to a sum higher than there was any likelihood of our obtaining. We then cut programs back by priority, cutting out the least cost effective first. We started with programs universes which included all the 34 million poor, then in order to get our budgets down we cut back for example to the hard-core universe of greatest need I have described for Job Corps and the universe of concentrated poverty which is in greatest need of Community Action, for example. We have not considered the general applicability of this sort of method compared to other modes of budget analysis for other programs but it did work well for us.

Let me conclude with two points. First, what I have been talking about is planning analysis and should be carefully distinguished from operations. For example, in talking about concentrated poverty, we defined this poverty to be that which existed in the lowest 25 percent of urban census tracts and the lowest 40 percent of rural counties. This was based on the greatest-need rationale described above, but what we were aiming at was a definition which would enable us statistically to measure the slums and rural depressed areas. For operational purposes, it is necessary to look directly for areas describable as slum or depressed areas, rather than arbitrarily decide on the particular tracts and counties we used for statistical purposes. Census tracts and counties are arbitarary definitions, and the only data currently available for these definitions are from the 1960 Census and are now six years old. The rationale of concentrated poverty by which we arrived at these definitions was not arbitrary, but it is the rationale rather than the superannuated statistics which must be used to apply programs to these areas. For statistical and budgeting purposes, the Law of Large Numbers implies that we are likely to be okay but the Law of Large Numbers cannot be applied to detailed local operations. More generally, planning does not control operations and one problem we have not yet solved is how to control operations to meet the plan.

Finally let me mention evaluation. The plan I have described is based on theory. For better or for worse, OEO very rapidly built up spending commitments for over one billion dollars which preceded the conclusion of the planning processes described. The planning, however, preceded the first results of the programs so that we planned and allocated on the basis of how these programs *ought* to have worked. This year it is different. We are beginning to get evaluative results on how our programs are working. What we can do now and are beginning to do is much closer to true cost-effectiveness analysis—matching actual effectiveness against actual costs. My skepticism about the over-use of such analysis still applies. Decisions should still be made only on the basis of big quantitative differences and the right questions should be asked whether or not the answer is quantifiable. Now, however, the quantities we are working with are real numbers and not hypotheses, which is a very substantial change. As I have said at the outset, our results are testable. They are being tested, and next year, I may speak with less confidence.