INTRODUCTION

While efficiency in the management of the Government's business is always a worthwhile objective, it becomes increasingly urgent at a time when Government expenditures are rising rapidly. Between fiscal 1965 and fiscal 1968, the national income accounts budget—the budget viewed by economists as the most relevant for gaging economic impact—has increased by over $50 billion, about one-half of which can be attributed to Vietnam. Today the Federal Government is spending about $165 billion in an economy of $790 billion. The increases at State and local levels have been equally large. From March 1964 to March 1967, there was a 30-percent rise in State and local tax revenues and a proportional advance in the rate of expenditures. Faced with this situation, it is of the utmost importance that our policymakers be armed with the best possible tools for evaluating the effectiveness of our public programs and expenditures.

To this end, the Subcommittee on Economy in Government of the Joint Economic Committee undertook an initial study of the planning-programing-budgeting system (PPBS) in an effort to promote a better understanding of its present application and future potentials. PPBS is the latest in a historical series of programs designed to promote greater efficiency and economy in Government through developing more rational approaches to decisionmaking. The principal objective of PPBS is to improve the basis for major program decisions. Program objectives are identified and alternative methods of meeting those objectives are subjected to systematic analysis comparing costs and benefits. Cost and benefit data reflect future as well as current implications of program decisions. The budget is the financial expression of the underlying program plan and translates program decisions into appropriation requests.

PPBS focuses on the output of programs whereas traditional budgetary approaches tend more or less inevitably to emphasize expenditure inputs. It assesses as fully as possible the total costs and benefits, both current and future, of various alternatives. It endeavors to determine rates of return for programs, as well as the rate of return that may have to be foregone when one program is chosen over another.

PPBS is a refinement of existing procedures rather than a completely new approach. Among its advantages is that of focusing attention on programs rather than on agencies. Through evaluating program costs, PPBS can put both old and new programs to a test of their worth.

Although this study is the first the Joint Economic Committee has undertaken of the planning-programing-budgeting system as such, many of the integral components of PPBS have been reviewed in detail in earlier committee studies. In 1957 the Subcommittee on Fiscal Policy, under the chairmanship of Representative Wilbur Mills, conducted extensive hearings and prepared a compendium of papers on "Federal Expenditure Policy for Economic Growth and Stability," considering among other topics the use of cost-benefit analyses and discount rates in the evaluation of Federal programs.