

10 THE PPB SYSTEM: PROGRESS AND POTENTIALS—REPORT

The subcommittee is of the firm opinion that PPBS represents a substantial forward step in budgetary techniques. At the same time, it is our opinion that much more work is needed in the definition of national objectives and the determination of priorities in the allocation of public funds. If the Nation had a little clearer notion of its goals and national priorities (bearing in mind that they are apt to be continuously shifting in a society like ours), it would ease the task of PPBS inasmuch as it would give rise to definable objective programs which could then be subjected to a systems approach.

This subcommittee recommends to the Joint Economic Committee that the full committee conduct an inquiry into the possibilities for a clearer definition of Federal program objectives than now exists and develop information on possible conflicts, overlaps, or lack of coordination in our present goals and on ways of setting priorities in the allocation of Federal funds.

As a general guide to improved budgeting, the subcommittee feels it appropriate to restate some of the proposals set down by the committee previously which emphasize basic economic principles. Among the recommendations made in the 1957 report of the Subcommittee on Fiscal Policy entitled "Federal Expenditure Policy for Economic Growth and Stability," and in the 1963 report of the Subcommittee on Economic Statistics entitled "The Federal Budget as an Economic Document," the following have particular relevance to this study:

(1) Economy in Government should be measured by the relative benefits and costs of each program. While quantitative evaluation of many Federal programs directed at social problems is admittedly difficult, the priority of these programs must be weighed by careful consideration of their relative costs.

(2) Federal programs aimed at supporting or improving the economic position of particular groups or industries should be constantly reevaluated in light of changing circumstances.

(3) The alternative-resource-use test also should be applied to Federal programs which involve no significant Federal expenditures. Federal enterprise activities and programs for insurance and guarantee of private loans may involve only small net budget expenditures, but exert a powerful influence on the allocation of resources.

(4) Recognizing that economic considerations may not always prevail in determining Federal expenditure programs emphasizes the need for carrying out these programs at minimum real cost.

(5) Federal expenditure policies closely geared to the Nation's economic growth objectives must provide for as rapid adjustment as possible in spending programs in response to changing demand and supply. Rigidities in Federal spending programs may limit significantly the economy's growth potential.

(6) The scope and character of Federal spending programs should reflect, wherever possible, the comparative economic advantages of the Federal, State, and local governments and of private enterprise in achieving program objectives.

(7) Federal participation in activities shared by State and local governments and private enterprise should be aimed primarily at improving the effectiveness of these activities and should avoid merely transferring responsibility for them to the Federal Government.

(8) The budgetary process should show how the various activities of the Federal Government are related to each other on a program