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THE PLANNING-PROGRAMING-BUDGETING SYSTEM IS THE MEANS FOR MORE EFFICIENT GOVERNMENT DECISIONS

From its birth nearly a decade ago, the evolution of the planning-programing-budgeting system has been followed with great interest by the Joint Economic Committee. Within the past year, the Subcommittee on Economy in Government has held hearings on this new Federal budgeting system,¹ the form of the Federal budget as proposed by the President's Commission on Budget Concepts,² and the report of the Comptroller General on inconsistent discounting and interest rate procedures in the agencies.³ The most recent series of hearings on consistent interest rate policy for discounting analysis⁴ is an outgrowth of these preceding committee inquiries. These investigations have demonstrated that the process of precisely defining objectives, searching for alternative means of satisfying them, and then doing analysis to determine the preferred program or combination of programs for gaining these objectives is an essential step in insuring an efficient and effective Federal Government. While benefit-cost analysis and cost-effectiveness analysis play somewhat different roles in the decisionmaking process, in that only the former is of direct assistance in deciding whether or not to achieve a specific objective, accurate application of both techniques is necessary for public decisions which are economically efficient.

Following the subcommittee's early inquiries, which were summarized in its report entitled *The Planning-Programing-Budgeting System: Progress and Potentials*,⁵ its attention became focused on the interest rate question. In January of this year, the Comptroller General reported to the subcommittee that the interest rates applied by agencies in discounting their proposed investment alternatives range from a minimum of 0 percent to a maximum of 20 percent.⁶ The committee was informed that the discount rate employed in analyzing most long-lived capital investments was below that considered justifiable by most professional economists. Moreover, the Comptroller General reported that there exists no consensus among agencies on the appropriate interest rate concept for discounting the future streams of benefits and costs of public investments.

¹ "The Planning-Programing-Budgeting System: Progress and Potentials," hearings before the Subcommittee on Economy in Government of the Joint Economic Committee, 1967, and "The Planning-Programing-Budgeting System: Progress and Potentials," report of the Subcommittee on Economy in Government of the Joint Economic Committee, 1967.

² "Review of Report of the President's Commission on Budget Concepts," hearings before the Subcommittee on Economy in Government of the Joint Economic Committee, 1967.

³ "Interest Rate Guidelines for Federal Decisionmaking," hearings before the Subcommittee on Economy in Government of the Joint Economic Committee, 1968.

⁴ "Economic Analysis of Public Investment Decisions: Interest Rate Policy and Discounting Analysis," hearings before the Subcommittee on Economy in Government of the Joint Economic Committee, 1968.

⁵ "The Planning-Programing-Budgeting System * * *," op. cit.

⁶ "Interest Rate Guidelines * * *," pp. 3-7.