

THE PRESIDENT'S DEPARTMENTAL REORGANIZATION PROGRAM

"History is a vast early warning system", Norman Cousins, 1973

"Those who ignore history are doomed to repeat it" - ???

[Dwight: I think an introductory section is needed here to tell how the decision was made, and by whom, to move from the Ash Council report to the actual effort to propose the reorganization. I think you understand how this came about better than I do. Would you like to do such an introductory section?]

On March 25, 1971, President Nixon transmitted to the Congress his plan for the reorganization of seven executive departments and several independent agencies of the Federal government. Over the previous two decades, both the size and complexity of the Federal government had increased dramatically. The number of Cabinet-level departments had increased from nine to twelve, and each was infinitely more sophisticated. The number of major independent agencies has increased from 27 to 41, including such diverse purposes as civil rights and space exploration. The number of domestic programs had increased over tenfold to approximately 1,400. President Nixon was reacting to his sense that this proliferation was seriously hampering the ability of the government to deliver on its public commitments.

In essence, the President intended to keep in place the four basic departments of State, Treasury, Justice and Defense, but the rest of the federal government domestic programs were proposed to be reorganized into four new cabinet departments designed around four major goals of government:

1. A **Department of Community Development** concerned with urban and rural communities and all activities that contribute to the progress and well being of both.
2. A **Department of Human Resources** concerned with the development and well being of people as individuals and as members of a family, including people's health, education and support.

3. A **Department of Natural Resources** concerned with our the national physical environment and the preservation and balanced use of the Nation's natural resources.

4. A **Department of Economic Affairs** concerned with fostering a healthy and developing national economy to which all sectors contribute, and which serves the economic interests of all Americans.

These proposals represented, after WW II wartime creations, the most comprehensive agenda of government reorganization ever presented by an American President. They were based on two sources:

a. Recommendations submitted to the President by the President's Advisory Council on Executive Organization chaired by Roy L. Ash, which became known as "the Ash Council". In addition, the Ash Council recommendations cited a long history of previous studies and reports recommending the need for major organizational changes.

b. As the President stated in his transmittal letter "these memoranda are basic to the proposed changes that I outlined in the State of the Union message, but they are not the only sources for my proposals. Differences will reflect conclusions I have reached as a result of my own experience in government, as well as proposals made earlier in this Administration and in previous administrations."

[Dwight: maybe we should develop a short summary of the OMB leadership that worked on these proposals, and the major effort that went into inside work and outside consultation. Too bad Alan is not with us to do this.]

President Nixon was very much aware of the adverse tides running in public opinion about the performance of the Federal government. He also lamented, both publically and privately, the piecemeal approach to organizational change. He felt that small individual organization proposals were too vulnerable to special interest defenses, and that nothing would ever happen unless a far more comprehensive approach was undertaken. He was very proud of organization changes that he had initiated: a new Domestic Council, the creation of the new Office of Management and Budget, the establishment of the Environmental Protection Agency, the separation of the old Post Office Department into the new independent Postal Service, and a fairly active attention to reorganizations within various departments and agencies. But he stated in his Message: "All of these and other changes have been important, but none has been comprehensive. And now we face a fundamental choice. We can continue to

tinker with the machinery and to make constructive changes here and there – each of the bringing some marginal improvements in the government's capabilities. Or we can step back, take a careful look, and then make a concerted and sustained effort to reorganize the executive branch according to a coherent, comprehensive view of what the Federal Government of this Nation *ought* to look like in the last third of the twentieth century."

And that is exactly what President Nixon did. He had ordered and received a comprehensive set of proposals and recommendations prepared by the Office of Management and Budget, consulting with White House people, and extensively with officials of the departments and agencies of government and many of their constituencies. The OMB studies examined every element of government – not just organization structure, but fundamental purpose, objectives, and patterns of success or failure. This effort culminated in the formal President's Departmental Reorganization Program submitted to President Nixon in late 1970,¹ and approved by the President and included in his State of the Union Message of 1971, and in a separate message to the Congress formally transmitting draft legislation creating the four new cabinet departments, in March of 1971.²

In 1971, the same as today, the public was expressing increasing concern that the Federal government had gotten too large and cumbersome, and was failing the tests of financial prudence and operational efficiency. And as today, there was a widespread feeling that somehow, the political forces running the government had failed to organize coherently, and were unable to come to grips with widespread structural and managerial ineffectiveness. There are many who argue against government organization change, arguing that it is "mere box shuffling" or that changes will be disruptive, politically unsettling, expensive or unrewarding. But is far more important to recognize the high costs of the kind of disorganization from which the government is seen to suffer. Nothing is more clear than the fact that the world is constantly changing, and thus the roles of governments are constantly in need of change. Nothing is more "expensive" than a government that is unwilling or unable to face up to this reality. The feeling then, in 1971, was that disorganization has become serious, but the politicians simply could not face up to this need to change. Almost never has organization change been proposed because it would "save money". Instead, organization change offers the new leadership a series of opportunities to become more efficient and cost effective, if they have the ability and the courage to take advantage of these opportunities.

¹ The OMB studies were published as "Papers Relating to the President's Departmental Reorganization Program", published in March, 1971, and a revised edition with the same title published in February, 1972.

² See organization charts in Attachment A.

When government agencies are created and designed by law to represent specific special interests, this limits the range of thinking and objective setting and makes these agencies captives to those special interests. The consolidation of the domestic agencies into four comprehensive, broadly based departments creates at least the opportunity to reconcile these narrow specific interests with a set of broader and more national goals.

Many small organizational units simply multiply the needs for staff and facilities – multiple budget shops, personnel offices, auditors, computer systems, differing accounting systems, and even multiple mail rooms and security guards. Consolidation into a single coherent department offers wonderful opportunities to combine and rationalize staff resources, standardize their administrative processes, eliminate redundant, overlapping or duplicative functions, and save significant money and workload.

Most agencies in the government's domestic program arena operate with substantial field office organizations, because most are heavily involved in relations with state and local governments. The reality seems to be that these many field offices seldom coordinate, and often see themselves as competitors. This in turn frustrates and confuses local governments, and forces them to spend too much of their own time and staff energy coping with Federal government disorganization. There can be a major opportunity to streamline and rationalize these multiple field office structures, making them coordinate and cooperate rather than compete, and thus substantially improve their relationships with local governments. Further, once a more rational field structure is created, it enhances the willingness of the department to delegate more operational responsibilities to these field offices.

At the time of these proposals in 1970, it was also clear that Federal funds were being dissipated because multiple organizations lacked even the remotest possibility of forming any coherent strategy for the wisest allocation of available funds; too much money was allocated according to the "squeaky wheel" philosophy. The four new departments would, for the first time, create the opportunity for the development of such a coherent program funding strategy, centered around the concept of "greatest need" and not "loudest squeak". Billions of dollars each year are poorly deployed and thus essentially misspent. Recent public opinion polls are highly critical of the Federal government because of this very point: that the government is wasteful and inefficient, and instead of demanding more tax money, the government must learn how to spend its funds more wisely.

[introductory remarks]

THE DEPARTMENT OF COMMUNITY DEVELOPMENT (DCD)

In 1971, it was clear that the traditional that urban and rural were two different worlds was increasingly recognized as unrealistic, and that the government had been responding in an incoherent manner to the evolution of national need. A more compelling concept was that people lived in all kinds of communities and a broader concept was needed to establish a major federal government goal centering around the fact that communities were evolving, and that they could and should be deliberately developed. As cities and suburbs grew and became more complex, and as farms and farming retrenched, half of the federal government had been tasked by legislation to undertake some form of community development. Major roles had been assigned to the Department of Housing and Urban Development, the Agriculture Department, the Department of Transportation, the Department of Health and Human Services, and such specialist agencies as the Small Business Administration, the Office of Economic Opportunity and various regional commissions.

The key building blocks for the new Department of Community Development were HUD, DOT, and the rural development programs of the Agriculture Department. Key concepts for this department were "interrelatedness" and "intergovernmental relations". It was important that the Federal role would be positive and supportive but not controlling. The reorganization was intended to end the federal government structure that had kept rural and urban separate and instead create a department that deliberately sought to end these disparities.

The department would be organized into four major Administrations:

1. Urban and Rural Development
2. Community Transportation
3. Housing
4. Federal insurance

In addition, the department would have a single integrated and unified field office organization. The report of these proposals put it this way: "To a much greater extent than all other Federal departments, the Department of Community Development deals with local and State government entities. Thus, in implementing its program responsibilities, the DHR has a peculiar need to "decentralize". Programs must be coordinated at the State and local levels – and the coordination and implementation of programs must be suited to the specific needs, problems and opportunities of each community." It was intended that the

Regional Directors would be very senior officials reporting directly to the Secretary of the department for both policy and operations.

THE DEPARTMENT OF HUMAN RESOURCES (DHR)

The essence of this proposed new department was a continuation and expansion of the same set of motivations that had led to the creation of the Department of Health and Human Resources in XXXXX. The internal alignment of this department was to be Administrations for:

1. Health
2. Human Development
3. Income Security

Major functions would be transferred from the Agriculture Department including the food stamp and school lunch programs, and responsibilities for child nutrition. Most of the Department of Labor was to be absorbed into the Administration for Human Development, and expanded to be less of a "labor protection" program and much more pointed toward the well being of the entire national workforce. The key word for this department was undoubtedly "comprehensiveness". What might have emerged could have been perhaps the most powerful assemblage of public authority outside of the Defense establishment, and an absolutely unprecedented opportunity to turn the institutional diffusion and confusing into unity and coherence. There were several major goals for this department: the alleviation of poverty by both economic development and social services assistance; the absorption and support for large numbers of immigrants, both legal and illegal; the attainment of universal high quality education and training in a system that was largely managed by local governments; and the sustained provision for the elderly and the disadvantaged. Inherent in this more integrated departmental concept was the concept that early preventative human resource development could have an enormous effect on subsequent consequences of ill health, poor education, or unmet needs of the elderly. Better early education adds to skill levels, earning power, and later welfare costs. Better early health care can reduce later medical problems and health care trauma and costs. The availability of unemployment compensation and work training reduces the shocks of unemployment and speeds the transition to another job. This is very strategic thinking, and it would have been encouraged and facilitated by the creation of DHR.

THE DEPARTMENT OF ECONOMIC AFFAIRS (DEA)

There has been a long and complex debate over the nature and extent of the Federal government role in the evolution of the American economy. One

school fears that the government will be meddlesome and controlling, without really understanding the complexity of the national economic system. The other school sees the role of government as essentially facilitative and supportive, but with a strong element of regulation of those economic activities that threaten to harm the general public interest.

In no arena of government has the Federal role been more complex, confusing, and often conflict ridden. These concerns were very evident in 1971, and it was felt that, however the Federal role might evolve, it seriously required organizational change to provide a single coherent institutional framework for whatever the government role proved to be.

In 1971, and up to today, the prevailing philosophy had not been to extend government control over the economy, but to choose instead the pattern of Federal support and facilitation. It appeared that the almost inevitable tide running would be an increasingly complex set of interrelationships between the government and the private sector, including facilitation, constraint, regulation and taxation. Thus, it was felt that no arena of government activity could benefit more from coherent structure and policy than that of economic affairs. Specifically, it was felt that the inherent conflicts within the government between economic stimulation on the one hand, and regulatory restraint on the other should not be allowed to continue as warfare between contesting federal organizations, but should be resolved by more rational means within a single department, and DEA emerged as the most complex of the four proposed departments.

Because the role of the proposed department would be so complex and of such extensive impact, a special alignment of strong regional directors was proposed supporting the following major Administrations:

1. Business Development
2. Farms and Agriculture
3. Social, Economic and Technical Information
4. Labor Relations and Standards
5. National Transportation
6. International Affairs.

[more]

THE DEPARTMENT OF NATURAL RESOURCES (DNR)

In 1970, when these departmental reorganizations were being developed, the world had just begun to perceive how the consequences of population

growth, technical advances and enriched lives would have on world demand for natural resources. And at that time, it was scarcely conceivable that a shortage of water might become one of the great compelling problems to be confronted. The very idea of global warming had yet to be widely enunciated.

The role of the government in natural resources had been predominantly defensive and protective of public lands, forests, sea shores, wildlife and recreational places. The Federal protective role was often exercised in response to a surging private sector interest in utilizing and developing these same natural resources, to meet the growing demands of the public. But the report proposing the new department stated: "If this Nation's future natural resources requirements are to be met through the wisest conservation and management of available resources, there is urgent need to provide that governmental organization and capability which can most effectively achieve the essential coordination and implementation of comprehensive natural resource policies and programs, as elements of a total system rather than as separate entities under diverse administration. Natural resources policies and programs involve more than just the conservation of Federally owned resources. Future planning and management must adequately recognize and provide for the most effective use and productivity of all resources, both publically and privately owned,"

In typical fashion, the elements of government that were involved were scattered all over government and most retained their defensive and somewhat passive roles. So perhaps more than in any other arena of government, the key concept for the new Department of Natural Resources (DNR) was "new approaches", centering around the extraordinarily complex arena of energy development and utilization. While the core organization of the new department would be the Interior Department, major additions would include:

1. The National Oceanic and Atmospheric Administration (NOAA) from the department of Commerce
2. The management of civil works projects from the Corps of Engineers of the Department of the Army.
3. The Forest Service and the Soil Conservation Service and other elements from the Agriculture Department.
4. Pipeline safety from the Department of Transportation
5. The Civilian power programs from the Atomic Energy Commission (later incorporated into the Department of Energy).

The new DNR would then have been grouped into five major Administrations:

- * Land and Recreation Resources

- * Water Resources
- * Energy and Mineral Resources
- * Oceanic, Atmospheric and Earth Sciences
- * Indian and Territorial Resources.

The inclusion of Indian and territorial affairs was widely challenged, including by many who felt that these responsibilities were better suited for inclusion into the Department of Human Resources. The report put it this way: "The Indian and Territorial programs are included in the Department of Natural Resources at this time because of their historical association with the natural resources functions of the Department of the Interior. Most Indians in the past have rejected proposals for transfer of the Indian program to other departments. In view of the current lack of existing capabilities in other agencies, no convincing case for transfer can be made at this time. Any such proposal would have to have the full involvement and general concurrence of the Indian and Territorial peoples. These programs are therefore proposed for inclusion in the Department of Natural Resources ---.

[It would be possible to add a section here which deals with the politicking in the White House leading to the proposals for the four Counsellors to the President, but I'm not sure whether we want to get into that issue. But I do think we need a section that deals with Chet Holifields willingness to schedule hearings on the Department of Community Development, and then how the whole thing fell apart when Nixon withdrew the Agriculture Department from the proposals. Would you be willing to do that section?]

SO HERE WE ARE, 40 YEARS LATER -----.

[I would particularly invite your insights here on the theme of "lessons learned" from the past 40 years. If the PDRP had been acted, I think our government would have been better, but not really very different. I think the political shortcomings and the special interest influence would have remained as they in fact did. I think the problems of immigration, homeland security, and financial recovery would still have occurred and been treated about as they were. It is possible that a "success" with the PDRP might have emboldened some later President, but who knows?]

The government is still disorganized. New bits and pieces have been added in the usual manner, but the process of change in society produced two major organizational crises: first in confronting the emergence of terrorism in the world which created the need for the Federal government to substantially upgrade its capacity to protect the homeland; and second, in facing up to the inability of existing government institutions to deal with a massive failure of the national financial system. The protracted and very confused struggle in both the Administration and the Congress to create the Department of Homeland Security once again revealed how relevant government capabilities were scattered all over the government, unable to respond in any coherent fashion to the emerging threats. There were huge unsavory battles between law makers and special interests and entrenched agency inertia in the creation of the department.

The financial industry crisis too revealed not only that the failure of Federal government to understand the potential threats in the banking and investment sector, but the fact that it had no coherent oversight, and that the organizations that did exist had fallen far behind the complex new forms of financing that had been created by banks and investment corporations. So when the world did change, the government, however reluctantly and poorly, was forced to accommodate, but only in response to the crises and not because they were recognized and dealt with in advance.

Politicians are still not able to summon the courage to undertake comprehensive organization change – or indeed almost any change at all. While major assessments have been made recommending improvements in government organization and management, they have for the most part been ignored. All too often, efforts to "trim" the government result in efforts to cut back the civil service workforce. But that workforce, which peaked at 6.6 million in 1968, then fell to a low of about 5 million in 1974, and after a surge to 5.3 million in the mid eighties, it has been under 5 million for the last 18 years. The current workforce of 4.2 million is a reduction of 37% from the 1968 high. It can therefore be argued that the government is managing a budget that is 400% larger with a workforce that is 16% smaller. Meanwhile, huge numbers have been added through contractors that are often far more expensive than civil servants. It is clear that government disorganization is not a function of the workforce but of the 1,000 or more public programs.

Disorganization persists. Recently, the Government Accountability Office (GAO) issued a special report on the specific concern about the overlap, duplication, redundancy and conflict in government organizations. Dozens of such serious cases were analyzed and documented – many of them were in existence 40 years ago. It remains to be seen whether anything will be done in response to this critique.

Public opinion about government has gone from bad to worse. In 1972, polls conducted by the Zogby International showed that 70% of the public expressed general confidence in the Federal government. By 2007, that number had drastically declined to 47%. Zogby emphasized that there were dozens of polls analyzing public opinion about specific programs and systems. For example, in a 2007 poll, when asked about the U. S. health care system, 94% of the public felt it needed major and comprehensive reform. Similarly, 89% of the public felt that the public education system needed major or substantial reform. In addition, the White House and the Congress struggled mightily in 2008-09 to produce a substantial reorganization and redirection of America's immigration policy, and despite a good deal of agreement at the beginning, the whole effort foundered because of the total failure of political forces to forge any kind of compromise. But surging public concern led the Obama Administration to the one successful attempt at cohesive government reform which culminated in the vast legislative initiative for health care reform.

But despite health care and homeland security, and because of the political panic over the near collapse of the whole national financial system, the public continues to heighten their expressions of concern about their own government. They see politicians as hypocritical, politics that is indecisive and even meaningless, government budgets that are out of control and "a government that has too many minor public programs that are of low value, costly, useless, or morally improper (e. g. corporate bailouts, tax escapes, special interest favoritism, low value programs, etc.)" (Zogby poll results, 2007)

Thus, the public seems to regard the political system as incapable of change, and that attempts to make the political system work better are not likely to succeed. This is fully reflected in the passive/panicky history of government organization change over the last 40 years. None of these "wrongs" are likely to be corrected any time soon.

The authors are not suggesting that the passage of the Nixon President's Departmental Reorganization Program would have solved these problems 40 years ago. But we are saying that what the paucity of action over these last 40 years portrays a lesson yet to be learned: that somehow, somewhere the political leadership of the Federal government must learn to show more courage and foresight in accommodating the government's organizations to our changing world. It might even be possible to anticipate change and bring it about in advance, rather than trying to catch up with problems after they have become crises or disasters.

[Dwight: It just occurred to me that I completely forgot to deal with the potential for a reintroduction of the President's reorganization plan authority. Maybe we should add this as a proposal or recommendation, and why it would be valuable.]