

# THE CASE FOR EXECUTIVE REORGANIZATION



REFORM  
RENEWAL

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RENEWAL FOR THE 70's



THE DOMESTIC COUNCIL  
EXECUTIVE OFFICE OF THE PRESIDENT  
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These materials were prepared to provide you with some back-ground information concerning the reorganization proposals the President announced in his State of the Union Message. More ex-tensive information is available in the Memoranda for the President prepared by the Ash Council which is now available from the Govern-ment Printing Office, Order No. PR 37.8:EX 3/N 31.

FEBRUARY 22, 1971

## **THE CASE FOR EXECUTIVE REORGANIZATION**

Many Americans suffer from a gnawing sense of frustration that Government has become too big, too complex, and too remote. The Federal Government in Washington, D.C. is perceived by some as a labyrinthine tangle of bureaus, agencies, programs and special projects where red tape is the currency of the day. Government seems to be at once too cumbersome and too fragmented to deal with today's problems.

Sharing many of these concerns that Government has not been responsive to our country's needs, President Nixon has proposed reform of the Federal Government. In his historic State of the Union Message on January 22, 1971, he observed:

Based on a long and intensive study with the aid of the best advice obtainable, I have concluded that a sweeping reorganization of the executive branch is needed if the Government is to keep up with the times and with the needs of the people.

### **AN HISTORIC PERSPECTIVE:**

Although President Nixon's reorganization proposal is bold in concept, it is based upon studies and recommendations dating as far back as 1937. In that year the Brownlow Commission recommended the establishment of a Department of Natural Resources to consolidate our natural resource programs into a single department. The First and Second Hoover Commissions not only recommended a

variety of improvements to increase Government efficiency, but also sparked the most recent extensive public debate on Government organization—and that was about 20 years ago.

Look at what has happened to the Federal Government in the intervening 20 years: The number of Cabinet Departments has increased from nine to 12 and major independent agencies from 27 to 41. The Federal budget has grown from \$42 billion to over \$225 billion. Yet, many of our present difficulties are not the result of budget growth alone. The focus of Government concern has also expanded greatly to encompass many new social and economic complexities. The number of Federal domestic programs has expanded 10-fold in this period to over 1,400. Each of these programs was a response to a specific need, but the haphazard way they were developed has made real progress difficult. While most programs have had sound objectives, very little attention has been given to the challenge of orchestrating them to achieve harmonious results. Present defects, then, are not so much in **what** Government set out to accomplish, but in **how** Government was organized to accomplish it.

This is not to say that the organizational problems generated by a growing and changing Federal Government have gone unnoticed for the past two decades. Task forces on organization have been established by each President since President Truman. Although they have not occasioned extensive public debate, many of their recommendations are consistent with those of President Nixon: The Rockefeller Committee, which reported to President Eisenhower throughout his two terms in office, considered a broad range of executive reforms and recommended structural changes which resulted in the Department of Health, Education, and Welfare and in the reorganization of the Council of Economic Advisers. The Price Task Force, appointed by President Kennedy, focused on domestic department structure and recommended the creation of a Department of Housing and Community Development, a Department of Economic Development, and a Department of Natural Resources. The Heine-man Task Force, appointed by President Johnson, was concerned

with a broad range of domestic delivery systems. It recommended the creation of a Department of Natural Resources and Development, a Department of Social Services, and a Department of Economic Affairs. Finally, The Ash Council, appointed by President Nixon, has considered several aspects of reform of the executive branch. Some of its earlier recommendations have already been put into practice, including the creation of a new Environmental Protection Agency to focus directly on natural environment concerns, the restructuring of the old Bureau of the Budget into a new Office of Management and Budget which can better manage and evaluate Government pro-grams, and the creation of the Domestic Council to consider domestic policy issues on a systematic basis. Now the Ash Council has gone further and has suggested the creation of four new Cabinet Depart-ments: Economic Growth and Productivity, Human Resources, Com-munity Development, and Natural Resources.

The search for the best Government structure to fit the expand-ing needs of the Nation is neither new nor partisan. The 1968 Dem-ocratic Party platform included a call for reform:

The executive branch of the Federal Government is the largest and most complicated enterprise in the world, with pro-grams distributed among 150 separate departments, agencies, bureaus and boards. This massive operation contributes to and often results in duplication, administrative confusion, and delay.

We will seek to streamline this machinery by improving coordination and management of Federal programs.

Never before, however, has a President so clearly and compre-hensively embraced a massive restructuring of the executive branch as has President Nixon. In his State of the Union Message, President Nixon clearly committed his administration to reform and renewal for the seventies:

The time has come to match our structure to our pur-poses—to look with a fresh eye, to organize the Government by conscious, comprehensive design to meet the needs of a new era.



## **THE NEED FOR EXECUTIVE REORGANIZATION:**

Today our structures do not match our purposes. Hence, Government's performance does not match its promises. Let us examine some of the present structural weaknesses which have occasioned previous task force recommendations and convinced President Nixon of the need for extensive reorganization:

The effective pursuit of national goals is seriously impeded by ambiguity and inconsistency in the definition of agency missions. Jurisdictional rivalry between agencies is inherent in the present department structure of the executive branch. While some departments are organized around functions such as health or transportation, others are based on a concern for the interests of special groups such as farmers, laborers, or businessmen. The result: a great deal of overlap, confusion, and duplication of effort.

Both the exercise of executive leadership in setting policy and the decentralization of authority to Federal field offices are made difficult by the existing departmental structure. Perhaps the most serious impediment to effective management of social and economic programs is the difficulty of establishing accountability for performance. When many people are independently responsible for various parts of a solution, it is difficult to hold any of them accountable if the problems are not being solved.

While we badly need comprehensive responses to social and economic problems, the present organizational structure encourages a fragmentation of effort. Problems are often defined to fit within the limits of organizational authority. Structure often controls policy—resulting in a piecemeal approach to solutions by separate departments and agencies. Conversely, departmental and White House administrative resources must too often be expended on interagency coordination in an attempt to achieve a unified effort.

One serious byproduct of the present Federal structure is the difficulty it presents for Governors and mayors. Since programs with

similar purposes are scattered among various agencies and departments, there must be a never ending quest to be sure resources are not overlooked. Moreover, in dealing with the Federal Government, State and local leaders must touch a wide variety of bases at various levels and often endure long delays while applications and requests are referred to Washington for decision.

Reorganization holds out the promise of greater efficiency—freeing money for new programs and for reducing pressures for higher taxes and greater borrowing. It also makes possible an evaluation of programs focused on results rather than merely on process.

#### **THE RATIONALE FOR REORGANIZATION:**

Earlier attempts to reform the structure and procedure of Government have suffered from an unwillingness to attack the system in its entirety. Instead, we have minor corrections which have not produced significant changes in Government effectiveness. President Nixon's proposal has the advantage of being both dramatic and comprehensive. Its enactment will produce great opportunities for real reform in process and resource allocation. Basic to the President's recommendations are certain applied organizational principles. These principles provide the rationale for comprehensive reorganization:

Whenever possible, the executive branch should be organized around major purposes of Government—both at the inter- and intra-departmental levels. This will allow for clearer lines of authority and responsibility. The proposed departments discussed in the following section will reflect these broad purposes of Government.

Each department's mission should be defined broadly enough to allow the department to set policy and resolve conflicts concerning a wide range of issues. This will minimize the need for interagency

coordination and reduce the number of issues which surface at the Presidential level for resolution.

Similar and interdependent programs should be brought together whenever possible so that there is a single organizational location for a given social or economic objective. Officials who are addressing common problems should work together in a single chain of command. This will bring together in one place the relevant information, resources, and authority needed to set intelligent priorities in a given area.

The number of agency heads directly accountable to the President should be reduced in order to increase meaningful contact between the President and the major line officials of his administration.

#### **THE PROPOSALS FOR EXECUTIVE REORGANIZATION:**

President Nixon has proposed the creation of four new Departments to replace the existing Departments of Agriculture, Commerce, Health, Education, and Welfare, Housing and Urban Development, Interior, Labor and Transportation. The President bases his proposals on recommendations from the Ash Council, from his own Domestic Council, and from previous Presidential task forces on organization. Specific details are still being reviewed and legislation will be submitted to Congress by early April.

Each new department will be organized around a major purpose:

#### **THE DEPARTMENT OF NATURAL RESOURCES**

Federal natural resource programs are found in a scattered array of agencies, each established over the years for a specific purpose.

For example: Federal water resources development programs are located in three different Departments: Agriculture, Interior, and Army; the Nation's nonmilitary public lands are administered by four agencies in two departments; Federal recreation areas are administered by five different agencies in three departments with only limited coordination. In short, natural resource programs with broad common purposes have not been grouped together, and a coordinated natural resource management policy has been virtually impossible to achieve.

President Nixon has concluded that it is important to the Nation to group organizations with common purposes to achieve coordinated natural resource policy and management, and that the preferred route to achieve these ends is to create a Department of Natural Resources. It will consist of four components: Land and Recreation, Water Resources, Energy and Mineral Resources, and Marine Resources and Technology.

On the basis of fiscal year 1970 estimated expenditures, the Department of Natural Resources will have a budget of \$3.11 billion and will employ 93,000 people.

### **Land and Recreation**

This component will manage and develop programs covering all nonmilitary Federal lands—some 760 million acres, of which 90 percent are in the West.

Consolidation of management responsibility for public lands will provide the maximum benefits to the public from this rich national asset. Wildlife refuges and public domain grazing lands obviously differ and should be managed to meet specific needs. But by-and-large, there is a commonality of management functions shared by the Federal land agencies in such things as fire protection, recreation facility development, forestry, grazing, wildlife management, and visitor services. The principle of multi-purpose management for Federal lands suggests that both resource development and other purposes can most effectively be met by a single depart-

ment responsible for managing interrelated Federal activities in the broader public interest.

### **Water Resources**

Critical to the realization of an integrated national policy for water resource use and management are the water planning and project evaluation functions. Under the President's proposal, the Secretary will be responsible for evaluating water resource projects for their economic and other benefits, and for making decisions as to which projects should be recommended for implementation. Federal agencies with interests in water resource development will participate in an advisory group working with the Secretary.

### **Energy and Mineral Resources**

Federal energy policy will be completely integrated and will be formulated with all energy activities in mind. Responsibility will be clarified for the support of the promising ideas of private industry and others. Where development of an idea is so long term and costly that no one company or even group of companies can recapture its investments, a unified Federal effort which considers all parties in interest is desirable. Broader scope and greater balance would be given to nationally supported research and development work in the energy field. Most importantly, an energy organization will help to assure more economic and effective use of our total energy resources.

### **Marine Resources and Technology**

This component will provide leadership in planning, evaluating, and coordinating the Federal role in marine resource exploration and development, complementing and encouraging academic and private efforts in the field. It will consist of the entire National Oceanic and Atmospheric Agency established last year.

## **THE DEPARTMENT OF HUMAN RESOURCES**

The core of the proposed Department of Human Resources will be the Department of Health, Education, and Welfare. The new Department will be structured to assist individuals and families in their personal development and well-being.

To achieve these objectives, it is necessary to bring into the Department those programs, such as manpower training and unemployment insurance, which are essential parts of the strategy for assistance in the development of individuals and families. By bringing together most of the programs whose primary purposes are individual well-being, the Department will be able to deal effectively with the range of options which bear on its mission.

The President has proposed that the Department of Human Resources be structured to deal with policy and programs in four areas. These are: Health Services, Income Maintenance and Security, Education and Manpower, and Social and Rehabilitation Services.

On the basis of fiscal year 1970 budget authority, this Department will have a budget in excess of \$69 billion; excluding trust funds the budget authority will be \$17.5 billion.

### **Health Services**

The Health Service component will consolidate domestic programs which have health care as a primary purpose. The organization of health activities in the Federal Government has undergone several revisions in recent years reflecting changes in scope and emphasis. In addition to realignments in the Public Health Service, experimental programs in health services delivery have been developed by the Office of Economic Opportunity. Their inclusion in this component will take advantage of the experience of these programs and help make the total health care system more effective.

### **Income Maintenance and Security**

This component will include Federal programs for income maintenance. This combination of programs in a single organizational entity will make possible the development of a variety of income strategies which will also be located in the Department.

### **Education and Manpower**

This component will include most of the Federal education and manpower training grant programs. Grouping education with manpower development programs is based on the close relationship of these functions in achieving the national goals of full employment and an educated citizenry. Experience of the last decade has verified dramatically the need for basic, remedial and vocational education in manpower development, and the inherent operating difficulties in having responsibility for these functions in two different departments.

### **Social and Rehabilitation Services**

This component will provide resources to Federal, State, and local institutions to help families and individuals overcome problems which prevent their normal functioning in society. This component will include programs and services assisting youths, juveniles, the family and the aging. These programs are presently located in the Departments of Labor, Health, Education, and Welfare; and the Office of Economic Opportunity.

## **THE DEPARTMENT OF ECONOMIC DEVELOPMENT**

The time is long since past when the Federal Government can continue a piecemeal approach to its critical role in keeping the American economy productive, growing and competitive. A continuing and vigorous effort to promote economic growth is a matter

of highest national purpose and warrants recognition as the primary mission of a Cabinet Department. Consequently, President Nixon has proposed the formation of a Department of Economic Development whose mission will be to stimulate balanced and sustained economic growth.

In fulfillment of its mandate, the new Department will accommodate all economic interests to achieve efficient and harmonious development of the economy, domestically and internationally. It will absorb two of the Federal departments dominated by clientele-oriented objectives—the Departments of Commerce and Labor, and much of two others: the Departments of Agriculture and Transportation. It will provide leadership with primary rather than partial responsibility for the appropriate governmental contributions to the healthy development of the economy. In doing so, it will provide a single focus to relate and hopefully to integrate, the views of all sectors of the economy; functions which must be performed continuously if the Nation is to enjoy balanced and sustained economic growth. A Cabinet officer with this mandate will be able to forestall, reconcile or resolve many business-labor-consumer problems that now can be resolved only in the Executive Office of the President.

The proposed Department of Economic Development will include seven main components: Food and Commodities, Domestic and International Commerce, Labor Relations and Standards, Statistical Information, Science and Technology, Economic Development, and Transportation.

On the basis of fiscal year 1970 estimated budget authority, this Department will have a budget in excess of \$8.5 billion, approximately \$5.2 billion of which is accounted for by the Commodity Credit Corporation.

### **Food and Commodities**

The principal feature of American agricultural policy has been income maintenance through the price support and cropland reduction programs of the Commodity Credit Corporation. These programs have significantly influenced the rate of rural migration and the size



and productivity of farm units. Yet instability of the farm economy remains one of our most difficult problems.

President Nixon has decided that this problem should be solved within the broad framework of policies affecting the whole of the economy. In addition, he feels that agricultural policy has an important role to play in attaining overall economic growth policy objectives and should therefore be formulated in this context.

### **Domestic and International Commerce**

Maintenance of a strong position in the world economy will provide the United States with opportunities for economic growth. It is clearly in the public interest that a better integrated effort be made in this field. The Federal Government has numerous pro-grams which provide both domestic and international assistance to expand the economic potential of business and agriculture. Most of these programs are currently located in the Departments of Commerce, Agriculture, Treasury, State, and the U.S. Tariff Commission.

### **Labor Relations and Standards**

Since 1913, when the Department of Commerce and Labor was separated into two departments, the relative strength of labor has greatly increased through the use of administrative procedures and union activities. This position has been formalized by new legislation, court decisions and widespread union recognition. The interests of labor can no longer be seen as separate from those of the country as a whole. Thus, the President has recommended placing Government's labor programs and services in a department oriented toward broad economic purposes.

### **Statistical Information**

This component will serve as a single focal point for economic statistical information and, as such, will improve the collection, analysis and dissemination of data. It will also serve to integrate related data series in some areas where the absence of integration now confuses economic analysis.

### **Science and Technology**

This component will include most of the research and development activities of the Departments of Agriculture and Commerce: the Patent Office, the National Technical Information Service, the National Bureau of Standards, the Agricultural Research Service and the Extension Service. These activities focus on technological advancement and the development of new products and processes.

### **Economic Development**

This component will include the programs and services of the Small Business Administration, the Economic Development Administration, and the Office of Minority Business Enterprise, as well as the investment and the technical assistance activities of the Appalachian Regional Commission and Title V Regional Commissions.

Bringing together these programs will allow coordinated planning for delivery of economic assistance to depressed areas. It will also join, for the first time, the policy and operating functions for minority business enterprise activities.

### **Transportation**

The importance of transportation in economic development has been demonstrated throughout our Nation's history. Combining those areas of the present Department of Transportation which affect the Nation's economy with other components of this Department will help assure proper coordination and planning of our Nation's growth.

## **THE DEPARTMENT OF COMMUNITY DEVELOPMENT**

The Department of Community Development will be an evolution from the more narrowly focused Department of Housing and Urban Development. This new Department will have a broadened mandate

to assist in the development of sound physical and social settings for the Nation's rural, suburban, and urban communities. The creation of this Department will merge programs of the Department of Housing and Urban Development, with the urban and rural community development programs of the Office of Economic Opportunity, the rural community development programs of the Department of Agriculture, and many public facilities construction programs of the Department of Health, Education, and Welfare.

The emphasis of this Department will be to provide leadership and assistance to the planning and priority setting roles of State and local governments. The proposed Department of Community Development will have four major Components: Community Development, Housing, Metropolitan Development and Renewal, and Transportation.

On the basis of fiscal year 1970 budget authority, this Department will have a budget of \$5.8 billion.

### **Community Development**

The Community Development component will consolidate programs designed to stimulate neighborhood organization and economic development. Placement of the Community Action and the Model Cities programs in the Community Development component will enable coordinated Federal effort for community organization in urban locales.

Greater emphasis for assisting community development in rural areas will result from adding to the Community Development component the following: the rural economic opportunity loan program, together with some elements of the Extension Service (for example the 4-H clubs and homemaker services) and the Rural Community Development Service. In conjunction with the rural Community Action Agencies, these programs will help improve living conditions of the rural poor. The component will be the base for new Federal programs directed at rural community development.

## **Housing**

All housing programs from the Department of Housing and Urban Development and the housing activities of the Farmers Home Administration in the Department of Agriculture will be merged into this component. The combination of these programs will permit establishment of national minimum standards for federally assisted and federally subsidized housing. Disparity between urban and rural housing starts can be adjusted within the framework of a national goal for housing by shifting Federal assistance and inducements to different regions of the country. Merging programs for housing production, management and finance will help to eliminate problems of duplication and interagency coordination.

## **Metropolitan Development and Renewal**

The proposed regrouping of functions for metropolitan development and renewal would serve as the focal point for the Department's concern with the physical development of communities, the creation of new towns, and the rehabilitation of deteriorating neighborhoods. Through the processes of urban renewal and regional planning, this component will provide most of the Federal programs available to local chief executives for community planning and facility construction. Such a complement of programs will also recognize the imperative of having local governmental officials determine their needs and priorities.

## **Transportation**

Some present components of the Department of Transportation, such as the Urban Mass Transit Authority, clearly fit within the broad purpose of the Department of Community Development. Other areas, such as planning for the location of airports and intra-city highways, have such a profound affect upon a community that they are included within this Department. This structure will provide for comprehensive planning for community development.

