

TWO FINAL REPORTS
of the
PRESIDENT'S TASK FORCE ON
GOVERNMENT ORGANIZATION

September 15, 1967

1. GOVERNMENT ORGANIZATION FOR
ECONOMIC POLICY FORMULATION AND ADMINISTRATION

AND

2. A RECOMMENDATION FOR
THE FUTURE ORGANIZATION OF THE EXECUTIVE BRANCH

THE PRESIDENT'S TASK FORCE
ON GOVERNMENT ORGANIZATION

September 15, 1967

The President
The White House
Washington, D. C.

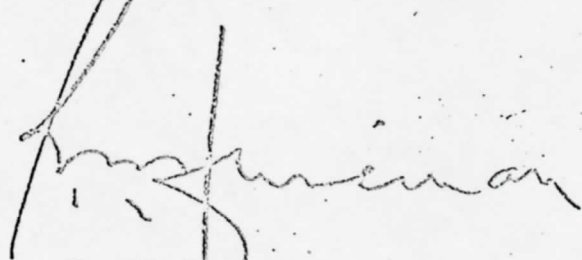
Dear Mr. President:

I have the honor to transmit herewith two final reports of your Task Force on Government Organization:

- Government Organization for Economic Policy Formulation and Administration;
- A Recommendation for the Future Organization of the Executive Branch

The submission of these reports completes our exploration of organization issues in domestic affairs. A subcommittee of the Task Force is completing its review of organizational issues in foreign affairs and will be reporting to you shortly.

Respectfully yours,



Ben W. Heineman
Chairman

Attachments

A FINAL REPORT
OF THE PRESIDENT'S TASK FORCE
ON GOVERNMENT ORGANIZATION

September 15, 1967

GOVERNMENT ORGANIZATION FOR
ECONOMIC POLICY FORMULATION AND ADMINISTRATION

CONCLUSIONS

We have reviewed the organization of the government for the formulation and coordination of national economic policies designed to achieve the objectives of the Employment Act of 1946 "...maximum employment, production, and purchasing power."

Inter-agency mechanisms for coordination of Administration fiscal policy--The Troika--and for regular consultation between the Administration and the Federal Reserve Board--The Quadriad--are working well. While we find little to recommend the historic organizational independence of the Federal Reserve Board, effective consultative relationships between key policy-makers in the Kennedy and Johnson Administrations and the Chairman of the FRB have produced a sustained dialogue and more coordinated fiscal and monetary policies in the 1960's than can normally be anticipated from our independent institutions.

We continue to feel that the major organizational problem in the area of economic affairs is the existence of several special-interest executive departments, each holding a stake in only part of the national economy, and none now capable of serving as a neutral, Presidential instrument of program or policy on broad-gauged economic issues or problems that affect "their" interest or clientele.

As President Johnson has recognized, the President and the public interest would be served better by a Department of the Economy, conducting the government's major policies and programs that affect private industry and labor, especially (and initially, at least) those activities now administered separately by the Departments of Commerce and Labor.

SUMMARY OF RECOMMENDATIONS

In the light of these general conclusions, we advance the following recommendations which are discussed in greater detail below:

- (1) Keep alive the President's proposal for merging the Departments of Commerce and Labor into a new Department of Economic Affairs.
- (2) As a second-best step to merger of Labor and Commerce, lay the groundwork for merger by providing the Department of Commerce
 - a. With a fresh charter from the President that upgrades its responsibility for broad-gauged, national economic welfare and de-emphasizes its services to the Business Community.
 - b. With new functional responsibilities
 - for long-range detailed economic planning,
 - for creating a unified bank of national economic, social and demographic information to facilitate analysis.
 - c. With analytic staff capability to support its new responsibilities, outlined above, and to improve its performance of existing responsibilities for
 - regional economic planning and development.
 - balance of payments support, through trade promotion and selective investment controls.
 - d. With top appointees at the Secretary-Under Secretary-Assistant Secretary level who visibly symbolize the effort to redefine the mission of the Department.

- (3) Until Labor and Commerce are merged, provide a small, strong staff with an Executive Director in the Executive Office of the President to support the formulation and administration of price-wage stabilization policy. The Executive Secretary for price-wage policy would serve an inter-departmental committee, chaired by the CEA, and would relate loosely but continuously to the Chairman of the CEA for policy guidance.
- (4) Retain the Troika (CEA, BOB, and Treasury) for the periodic analysis of the economy, and for the formulation of recommendations to the President on needed changes in the Administration's fiscal policy and resist proposals to expand the Troika into a National Economic Council, through the addition of such departments as Commerce, Labor, and Agriculture. If and when the President's proposal to merge Labor and Commerce is achieved, the consolidated "Department of Economic Affairs" should be included as an equal with the members of the present Troika in a new Quadriad of Economic Advisers.
- (5) If and when political considerations permit structural organizational change, we join the 1961 Commission on Money and Credit in believing that it would be desirable to reduce somewhat the present autonomy of the Federal Reserve Board from the Chief Executive by amending the Banking Act of 1935:
- a. To make the term of the Chairman and Vice Chairman of the FRB coterminous with that of the President,
 - b. To reduce the size of the Board and the length of the terms of its members,
 - c. To consolidate policy-making responsibility in the Federal Reserve Board through abolition of the Open Market Committee.

DISCUSSION OF RECOMMENDATIONS

1. Keep Alive the President's Proposal to Merge Labor and Commerce.

The President's proposal for merger of Labor and Commerce recognized, rightly we think, that future strength could be forged from present weakness, and that a new Department of the Economy would not merely lead to improved program performance, but would also produce improved Presidential direction and policy coherence among a range of currently dispersed government activities and programs with economic implications. A merged Department of Economic Affairs would also have the independence from special interests and the analytic capacity to participate productively in the Administration's highest councils for economic policy development and administration--the existing Troika and Quadriad groupings.

As suggested above, and as outlined in greater detail in our memorandum of January 31, 1967 (attached), we endorse the proposed merger of the Departments of Labor and Commerce as the most important organizational change to make in the area of economic affairs, and we urge the President to keep the proposal alive until political considerations permit its realization.

2. A Rebuilt, Redirected Commerce: The Next Step Short of Merger

We recommend that systematic efforts be undertaken to change the charter and thereby to redirect and strengthen the Department of Commerce. These efforts should look toward and encourage the political conditions which would permit the merger of Labor and Commerce, and the consolidation of other major programs with economic implications under one Cabinet Member.

We recommend that the President modify the charter of the Department of Commerce to emphasize its responsibility for a broader-gauge concern with economic welfare as well as the promotion of domestic and foreign commerce. The Department must have responsibilities that force it to divest itself from close relationships with, and a posture of responsiveness to, the business community. Although we have not examined this matter in detail, we suspect that the Department is more dependent on private industry and business than business is on the Department. We doubt that the private sector will offer more than token protest as the Department of Commerce becomes a more neutral member of the Administration.

We believe that Commerce can be reoriented and rebuilt if the Administration assigns two major responsibilities to it.

A. Leadership in longer-range economic planning.

While the Commerce Department administers the programs of the Economic Development and Public Works Act of 1965, it now controls through administration only a small portion of the Federal expenditures which influence economic development. As a secondary effect, Federal expenditures for health, education, housing, agriculture and transportation produce far more economic development than the Commerce Department programs. Nevertheless, we believe that the Commerce Department can carve out a leadership role in the government in the area of long-range economic planning and analysis, developing a sophisticated understanding of inter-sectoral economic relationships and regional developments, and identifying areas of the economy--regional and sectoral--that are deteriorating or declining as the result of fundamental structural deficiencies.

We believe the government now devotes insufficient effort to medium and long-range economic planning. While continuing to rely primarily upon signals in the private sector to guide private consumer and investor behavior, however, we believe the Federal government can and should have a much clearer picture than it does today of the future implications of today's public and private decisions and of current economic, political and social trends.

Accordingly, we recommend more systematic experimentation by higher-caliber staff with analytic economic models for the future, positing 3, 5, and 10-year portraits of the economy on the basis of alternate combinations of assumptions about the level and composition of the national budget, the rate of real economic growth and productivity, balance of payments prospects, and the tax structure, and the projection of apparent industrial, occupational and demographic trends. The government should analyze the various models and the guidance they provide to current public policy choices for such questions as:

- The expected production and adequacy of such public or quasi-public services as transportation, housing, health, education, food;
- The utilization of scarce natural resources: land, water, fuels, minerals, timber;
- The composition of national output--public vs. private; services vs. goods; durable vs. non-durable goods; industrial locational decisions vs. residential patterns.

Confronted by such comprehensive alternative portraits of the future, however crude the present state of economic forecasting, Presidents will have a clearer idea than presently of the future costs and benefits of current public investment decisions at the Federal, State and local levels, and of the relative power of the public economic levers that are available to shape the future.

Some observers have urged the Council of Economic Advisers to assume responsibility for long-range planning and analysis. As a small and flexible Presidential staff, the Council has become the center of excellence within the government for analysis of current economic policy issues, and is reluctant to expand and to take on new duties. The proximity of the Council to the President has tended to eliminate time for longer-term studies in favor of the production of more immediately relevant analysis.

We doubt that the CEA can assume responsibility for detailed long-range economic planning and continue to support the President's leadership on issues of current economic policy. And we believe the President will continue to need an independent staff capability for economic policy in the Council of Economic Advisers even if the Department of Economic Affairs develops as we recommend.

Accordingly, we recommend that the President direct the Secretary of Commerce to expand the meager staff resources currently available to the Assistant Secretary for Economic Affairs, and to inaugurate a series of studies of the future American economy, building upon pilot studies already underway in the office of Business Economics and the Economic Development Administration. While we do not believe the Council of Economic Advisers should itself undertake the task of long-range planning, we urge the President to direct the Council to consult informally with, and assist, the Secretary of Commerce to commence high-quality work in this area.

We believe it would be preferable, if feasible, to develop staff capacity to conduct economic planning studies within the government. To attract the necessary talent to this endeavor, however, it may well be necessary to support the development of a staff of analysts of sufficient size in a non-governmental setting--in an institute for public policy research and analysis such as RAND or Brookings.

We are convinced that more effort should be expended on such studies. We urge the President to support the development of capability to perform this work, whether exclusively in-government or simultaneously within the government and within the private non-profit research sector.

The lead role of Commerce for economic planning and development would also be enhanced by the transfer of responsibilities presently lodged in the Office of Emergency Planning to the Department of Commerce for stabilization planning for national defense emergencies, economic resource utilization and disaster relief. We recommend this consolidation as part of the gradual dismantling of OEP.

B. Rationalizing the Nation's Statistics

Economic data are collected by 21 bureaus of the Federal Government. As the Kayser Committee on the Storage of and Access to Government Statistics pointed out, "the Federal Statistical System is decentralized in respect to all its basic functions: collection, storage, analysis, tabulation, and publication." The authority and capacity of the Office of Statistical Standards in BOB to improve, develop and coordinate the dispersed systems of data collection and storage have not proved adequate.

We believe it would be desirable to move immediately to create a National Statistical Data Center, as recommended by the Kayser Committee, and to locate the Center in Commerce.

When the National Data Center has been established in Commerce, and when an inter-departmental board chaired by BOB has been created to oversee and review the policies of the Data Center, we recommend high-level review of a proposal to transfer all responsibilities for government-wide coordination and unification of statistical data, including responsibilities under the Federal Reports Act, from the Director of BOB to the Secretary of Commerce. With larger operating authority in this area and complementary responsibilities for economic planning, the Secretary of Commerce should be charged with responsibility for formulating plans to reconcile data series--such as incompatibilities between the National Income Accounts Data of OEE and the Industrial Production Index of the Federal Reserve Board. We suggest that the President direct the Secretary of Commerce to publish an annual report on the availability and uses of various government data series, and on progress toward integration and more accessible storage of series for wider use within the government and by the interested public.

At this stage in the development of a new Department of Commerce, we recommend the transfer of the data collection activities of the Bureau of Labor Statistics into Commerce, hopefully as part of a broader consolidation of the Departments of Commerce and Labor.

C. A Change in Name to Reflect a Change in Role.

As Commerce begins to derive authority from superior knowledge and analysis, from the provision of neutral services to the entire public, and a changed image as the result of a policy of appointing "neutral," independent persons to the key positions in the Department, we recommend that the President initiate action to change the name of the Department to the Department of Economic Affairs. At, or even before, that time it may also be possible to surface again the broader plan for merger of Labor, parts of Agriculture and Interior, and the balance of OEF with Commerce to form a more comprehensive Department of Economic Affairs.

3. A More Formal Organizational Structure to Support Price-Wage Policies

Since the Berlin crisis of 1961, and the initial promulgation of price-wage guidelines in the 1962 Economic Report, there has been rudimentary administrative machinery in the staff of the President's Council of Economic Advisers to track, analyze, and report price changes and to administer the Administration's price guidelines through dialog with private industry.

The pressure on prices and wages that became acute in late 1965 and that again threatens to disrupt economic progress exposed the inadequacy of machinery improvised in less turbulent economic years. It also imposed administrative and political/negotiation burdens on the Council of Economic Advisers which do not square easily with its traditions and mandate. These burdens have been increasingly difficult for the Council to bear, in part because the basic policy has not been supported enthusiastically and consistently by some departments of the executive branch.

Because price-wage stabilization issues promise inevitably to occupy a larger portion of the Administration's economic agenda as we learn more about operating the economy at or near the full employment level, better organizational machinery is needed. We also need more comprehensive knowledge of prices and wages and of their determinants, and we probably need a policy on prices, wages, and productivity, approved by the Congress, which reinforces the stabilizing effects of changes in fiscal and monetary policy.

To assist him in the development of policy in this area, the President requires strong, responsive assistance:

- a. To identify trouble sectors in the private economy and relevant upcoming operational decisions in the government;
- b. To formulate an Administration strategy to deal with these areas, to provide the strategy with as much support as possible in key sectors of government and among the leadership of industry and labor, and to develop means for monitoring developments--in the private sector and in government departments--and, when necessary, providing early warning and recommendations for government intervention to the President;
- c. To accumulate systematically the sensitive, refined price and wage information on which policy can be based and longer-term administrative support built.

A merged Department of Labor and Commerce would provide the optimal institutional setting for the development of sensitive, refined information on these subjects, and for administering emergent government policy in an even-handed fashion vis-a-vis Business and Labor.

In the absence of this organizational alternative, we recommend the establishment of a small, strong staff in the Executive Offices, headed by an Executive Director. The Price-Wage staff would relate loosely, but continuously, on matters of policy to the Chairman of the CEA, who would chair an inter-departmental committee on price-wage policy which the new staff would formally serve.

At some point in the future, as Commerce is transformed into a multi-purpose department, we urge the Administration to consider the transfer of that portion of price-wage stabilization policy which requires dialogue and negotiation with private industry and commerce from the Executive Office to the Department. And, as indicated above, we believe that responsibility for policy in this area should become a major function of a merged Department of Economic Affairs.

4. The Troika and Coordinated Fiscal Analysis and Policy Development.

We have reviewed the procedures developed by the Troika (EOB, CEA, Treasury) for the periodic analysis of the economy, and for the coordinated formulation of forecasts and recommendations to the President on needed alterations in national tax and expenditure policy. While techniques of analysis and forecasting can presumably be improved as we learn more about the economy, we believe the inter-agency organizational procedures that have been evolved at three levels (staff, alternates, principals) to cross-check and narrow agency differences, and to promote concerted recommendations to the President are working smoothly and effectively, and we recommend retention and further development of this machinery.

We have examined the proposal to broaden the Troika into a National Economic Council, composed of several Executive Departments, especially Commerce and Labor. We believe the gains in representation would be more than offset by the losses in clarity of analysis, and by the delay occasioned by the need for more extensive and complicated bargaining. In their present state, neither Labor nor Commerce has the staff capacity to contribute to the rigor of Troika analysis. Presumably, policy postures grounded primarily in interest-group sentiment can be received informally.

We believe it would be a mistake to substitute a larger, inevitably more woolly-headed National Economic Council for the Troika. Rather we would support gradual extension of the informal consultative arrangements between the Troika and key executive departments which began in the autumn of 1966.

When a Department of Economic Affairs is established, however, it should join EOB, CEA, and Treasury, and broaden the present Troika into a Quadriad of Presidential Economic Advisers.

5. Government Organization and Coordinated Fiscal-Monetary Policies.

As requested by the President, we have inquired into the relations between the Administration and the FRB. While we do not substantively endorse or favor the degree of organizational independence of the Central Bank from the Executive that has existed in the United States since 1935, we also do not think that FRB independence poses important current or foreseeable problems. And we do not believe that it is at all imperative to incur the costs that would be required to make structural reforms in this area at this time.

We are impressed by the advances in communication and consultation that have been developed between the Administration and the Chairman of the FRB in the 1960's. In the light of the poor relations and lack of communication that prevailed for most of the post-war era until 1960, the informal but effective consultative forums of recent years represent major progress and undoubtedly have contributed to the remarkable economic record of the decade.

If it were feasible to make structural changes with less cost, we believe that it would be desirable to reduce somewhat the independence of the Federal Reserve Board from the Executive. The Fed's organizational independence is increasingly dated with the growth of the role of government in the economy and conflicts with the responsibility of the President for leadership in economic affairs, mandated by the Employment Act of 1946.

We would associate ourselves with the moderate recommendations for reform advanced by the esteemed Wilde Commission on Money and Credit in 1961. These recommendations would:

- a. Make the term of the Chairman and Vice Chairman coterminous with that of the President, through amendment of the Banking Act of 1935;
- b. Reduce the size of the Board from 7 to 5 and the terms of its members from 14 to 10 years.
- c. Vest all monetary policy responsibilities in the Federal Reserve Board and abolish the Open Market Committee.

We would underscore especially our belief in the substantive desirability and feasibility of making the term of the Chairman of the FRB coterminous with that of the President. This proposal has been, and continues to be, supported by Mr. William McChesney Martin and requires a simple amendment to the Banking Act of 1935.

If implemented, these three recommendations would retain the Board as a force for sound money but make it more responsive to the Chief Executive on matters of broad policy. And while we would not counsel subordination of monetary policy to the debt-management requirements of the Treasury, we do believe the American Presidency can be trusted to reconcile the inevitable choices between growth, employment, and purchasing power. As the durability of Fed independence suggests,

and as a comparison of the post-war record of the U. S. with other advanced countries on the related issues of unemployment and price stability strongly indicates, advocates of sound money are well represented in Congress and in the Nation,

In the last analysis, we believe that an effective voice for the stable money point of view can best be assured if the makers of monetary policy participate in the total process of economic policy formulation as actively and continuously as possible. And the Administration's policy proposals will benefit from a clearer confrontation and Presidential reconciliation of the full range of economic policy goals.

Ben W. Heineman
Ben W. Heineman, Chairman

McGeorge Bundy
McGeorge Bundy

Richard C. Lee
Richard Lee

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BEN W. HEINEMAN
CHAIRMAN AND PRESIDENT

January 31, 1967

The President
The White House
Washington, D. C.

Dear Mr. President:

As you know, your Task Force on Government Organization has been looking into federal problems of organization and coordination and desirable patterns of government reorganization for several months. While our investigation is not complete, we enthusiastically endorse your decision to recommend the merger of the Departments of Labor and Commerce to the Congress.

Your proposal is thoroughly in line with our own search for complementary programs and activities whose purposes might well be realized more effectively if united under one focus of Executive leadership. Without necessarily associating each member of the Task Force with each other, I have summarized below several reasons which commended the major proposal to the group:

- (1) The merger of Labor and Commerce would absorb two of the few remaining federal executive departments frequently charged with domination by clientele-oriented objectives. While this charge and the perceptions underlying it have frequently been inaccurate and unfair, a successor department with the combined functions and responsibilities of its predecessors will undoubtedly be a more vital and potent contributor to the councils of government. A new Secretary, with major, rather than partial government responsibility for the healthy development of the private sector should be able to reconcile and resolve many Business-Labor-Consumer problems that now reach your desk, while also serving as a more neutral, and therefore credible interpreter of the diverse needs of the productive elements of the private sector.

The President

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- (2) Merger will provide the President with one Cabinet assistant in the field of Labor-Management Relations, who, on the basis of his objective competence and fairness, will have to retain the confidence of Business and Labor. This should assure neutral, objective development of policy in an area where the role of the federal government is necessarily and appropriately restricted to problems which touch the national interest.
- (3) For the first time, almost all federal programs designed to upgrade the skills of our work force will be brought together with federal programs designed to facilitate job creation and expansion by private enterprise.
 - (a) This new, close relationship is full of promise for improved patterns of cooperation between local businesses, labor unions, adult and vocational educational institutions, and the public employment service. It should facilitate fresh approaches to on-the-job training, union apprenticeship programs, and realistic vocational school training programs geared to the needs of local private enterprise.
 - (b) It will also relate and hopefully integrate federal programs designed to support economic development and job creation in depressed areas and regions, such as the Economic Development Act and the Federal-State Regional Economic Development Commissions with programs of manpower development and training.
- (4) Merger would bring together several of the most respected and important government statistical agencies. This should facilitate consistent policies for the collection, analysis, storage and dissemination of statistical data, improve the information upon which government economic

The President

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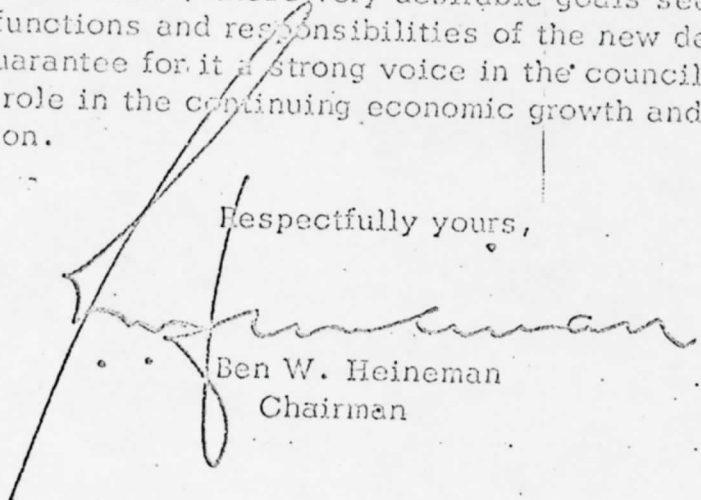
January 31, 1967

and social policies are based, and provide more useful statistical services to the private sector, including non-profit research agencies.

- (5) A combined department should and undoubtedly will serve as a source of objective information on trends in productivity, prices, and wages, as a vital participant in government policy formulation on these matters, and as an effective participant in the continuing government dialogue with the private sector concerning appropriate restraint in price-wage actions.

While we are sure that there are other objectives which commend the merger of Commerce and Labor, these very desirable goals seem paramount to us. The functions and responsibilities of the new department seem certain to guarantee for it a strong voice in the councils of government and a vital role in the continuing economic growth and development of our nation.

Respectfully yours,



Ben W. Heineman
Chairman

The President's Task Force on Government Organization

Ben W. Heineman, Chairman
Chairman and President
Chicago and North Western Railway Company

McGeorge Bundy
President
The Ford Foundation

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Harry Ransom
Chancellor
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Honorable Charles L. Schultze
Director
Bureau of the Budget

September 15, 1967

A FINAL REPORT
OF THE PRESIDENT'S TASK FORCE
ON GOVERNMENT ORGANIZATION

A RECOMMENDATION FOR THE FUTURE
ORGANIZATION OF THE EXECUTIVE BRANCH

Introduction

As we complete our work we remain genuinely concerned about the longer-range administrative viability of the organization of American government, from the Presidency down. As the Nation simultaneously becomes more national, more urban, and more wealthy, as affluence spurs greater demands for public services and makes feasible higher social standards and goals, our complex system of checks and balances will be under increasing strain.

Our suggestions for changes in government organization and management, outlined in our preceding three reports on the Great Society, Economic and Foreign Affairs, have been advanced with the goal of increasing the managerial influence of the Chief Executive. Our objective has been to make the machinery of government more responsive to leadership provided and decisions made by the President and by subordinates who approximate his perspective.

Recognizing that government organization reflects a continuing compromise between the dictates of a pluralistic political process and the requirements of orderly management and administration, we have advanced ideas in these other three papers that are broadly feasible and, in our judgment, necessary if the President wishes to direct and control the executive branch.

Summary of Conclusions and Recommendation

In this brief paper we have unanimously advanced one basic organizational recommendation for implementation over a longer period of time. We urge resistance by Presidents to the perpetual political pressures to create more executive departments and independent agencies. Unchecked, these pressures to widen the President's span of control will eliminate the possibility of meaningful direction from, and contact between, the President and the major line officials of his Administration.

To make the President's administrative job manageable, and to improve the coordination of related Federal programs, we believe that the future line organization of the executive branch should be shaped over time to provide a small number (4 - 6) of line deputies (Secretaries) to manage the full range of executive departments and agencies short of the President.

Our basic recommendation for the needed future shape of executive branch organization is grounded in three conclusions about the Presidency and policy leadership and program management:

1) For the foreseeable future, the leadership and management burdens of the Presidency will be at least as heavy and complex as they are today. These burdens are the result of major historical developments which will continue to challenge us --

-- the evolution of America's role and responsibility as a world power and a nuclear super-power;

-- the nationalizing of domestic problems as the result of urbanization and the communications revolution;

-- the demands of an affluent society for public services.

- 2) The complex, substantive goals of many public programs exceed the government's current organizational and managerial capacity, often by a margin large enough to frustrate measureable realization of the socio-economic program objectives of the government.
- 3) The Presidency, while constitutionally indivisible, is not now supported by the line organization required to support its obligations for leadership in policy development or administration.

The Recommendation Discussed

The 1960's have reaffirmed the Nation's expectation that the President will not merely propose but also deliver--deliver new or better laws and deliver the substance of programs. As Neustadt has written, "...the very factors that contribute to the President's unique opportunities--and routinized responsibilities--as an initiator, make him essential also as protector, energizer, implementer of initiatives once taken. His special place in government requires of him, indeed thrusts upon him, a unique responsibility--and opportunity to oversee and assure execution."

As we noted in our report on the Great Society programs, however, Presidential authority to carry through the measures he proposes is fragmented and circumscribed. The executive branch does not belong exclusively to him: its command and subordination structure is pluralistic in character; its unwieldy size too vast for personal surveillance.

We firmly believe that organizational reform to steepen and "presidentialize" the pyramid of top executives who support the President as Chief Executive is indispensable to give the President a fighting chance to perform his management tasks. Reforms of this nature will increase the President's freedom to select men who approximate his perspective as his chief Line Deputies, and free him from the necessity of choosing between, or ignoring, line subordinates who are forced by their responsibilities to assume a narrow perspective and to reflect the interests of parochial political interests in their advice to the President.

One illustration of the kind of organizational consolidation we have in mind is suggested below: 1/

A Department of Social Services--The present HEW, VA, OEO, EEOC and Manpower Programs;

A Department of National Resources and Development-- The present HUD, Transportation, Agriculture, and the Land, Water & Mineral Resources Functions of Interior and the Army Corps of Engineers;

A Department of Economic Affairs--Treasury, Commerce, the balance of Labor, OEP, GSA, and economic regulation programs in Agriculture and Interior;

A Department of Science and Environmental Preservation-- composed of NASA, AEC, NSF, ESSA and environmental science programs now located in HEW, Interior, and Commerce.

A Department of Foreign Affairs--composed of State, AID, ACDA, and USIA.

A Department of National Security Affairs--composed of Defense and the intelligence collection activities of CIA.

The groupings above do not constitute a fixed and final proposal. Some or all of HUD's programs might well be combined with the social service programs, in one super-department focused on the city. Similarly, there are many possible program exchanges between the Department of National Resources and Development, whose mission would require reconciliation of the need to exploit and simultaneously to conserve the resources of the Nation, and the Department of Economic Affairs, where economic planning, regulatory, and program activities are brought together under one executive official. And we believe that the executive branch of the future should include all the activities of our current independent regulatory commissions that are not quasi-judicial in character.

Instead of reducing the power of the Presidency, as critics often assert, we believe that the arrangement we recommend would enlarge meaningful Presidential authority and influence. Confronted by sharp conflicts between forces and constituencies within their broad jurisdictions, Presidential deputies and super-Secretaries, even with legal authority to take action themselves, would inevitably seek policy direction and guidance from the President. The same host of political and bureaucratic pressures and counterpressures that are active under

1/ The Justice Department would probably remain independent under any proposal. We also would keep intelligence interpretation and estimation operations independent of officials with operating responsibilities, and program or policy commitments.

present institutional arrangements would continue to curb tendencies toward arbitrary or excessively authoritarian management and decision-making by deputies acting in the President's name. Moreover, even between consolidated super-departments of the type sketched above, there would be areas of program overlap and policy conflict, requiring staff work at the Presidential level and hard-choice decisions by the President.

Reform of the line organization of the Executive Branch would also enable the President to reserve more of his time for deeper engagement than is now possible with major questions and strategic choices clearly of Presidential stature and importance. It would free him from personal engagement in, or worry about, all but the most important program or jurisdictional conflicts between agencies. And if line deputies are chosen for technical managerial competence as well as for other relevant qualities, and provided with the requisite staff support, we believe that the government's administrative performance, both in policy formulation and in operations, will improve dramatically over current norms.

The consolidation of existing departments and agencies into broader organizational groupings would, by itself, improve the field coordination of related domestic programs by reducing the number of regional officials with ties to independent organizations in Washington. To improve program management in the field dramatically, however, organizational consolidation in Washington must also be supplemented by the development of strong regional line executives for each of these super-departmental groups.

As we urged in our earlier report on HEW, the operating responsibilities of these regional executives should parallel the full range of functions commanded by the corresponding Presidential deputy in Washington. Lines of operating authority and responsibility should run directly between the Presidential deputy in Washington and his general regional executive subordinates, and not between the functional representatives of specialized bureaus, as is now so frequently the pattern.

Our view of Presidential management directly challenges the classic view that members of the Cabinet, operating programs in the line, are inherent adversaries of the President. Perhaps this has historically been true most of the time in Presidential-Cabinet relations. But historically, the job of most Cabinet members has been legally and Presidentially defined to emphasize the representation or protection or conciliation of special interests and narrow functions.

We do not believe that either the Nation or the President can afford, today or in the future, to waste the President's major line deputies in the running of interference or expands for narrow groups. We believe that Presidential line subordinates who must reconcile competing special program interests will be far more useful and much more responsive to, and representative of, Presidential perspectives

and objectives than the scores of parochial department and agency heads who now share the line responsibilities of the executive branch, short of the President.

In sum, if executive branch organization can be shaped over time as we recommend through the creation of broad organizations genuinely capable of serving as Presidential outposts when commanded by first-rate men, the Presidency will be manageable for the incumbent, and the executive branch of the government will be Presidentially-managed, perhaps for the first time in the modern era.

Ben W. Heineman
Ben W. Heineman, Chairman

McGeorge Bundy
McGeorge Bundy

William Capron
William Capron

Hale Champion
Hale Champion

Kermit Gordon
Kermit Gordon

Herbert Kaufman
Herbert Kaufman

Richard C. Lee
Richard Lee

Bayless Manning
Bayless Manning

Robert S. McNamara
Robert S. McNamara

Harry Ransom
Harry Ransom

Charles L. Schultze
Charles L. Schultze