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82D CONGRESS }  
2d Session }

SENATE

SENATE ACTION ON HOOVER  
COMMISSION REPORTS

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REPORT  
OF THE  
COMMITTEE ON  
GOVERNMENT OPERATIONS



Printed for the use of the Committee on Government Operations

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OCTOBER 15, 1952.—Ordered to be printed

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Mr. McCLELLAN, from the Committee on Government Operations,  
submitted the following

R E P O R T

The Committee on Government Operations,<sup>1</sup> to whom the reports of the Commission on Organization of the Executive Branch of the Government were referred, instructed its staff to prepare for the information of the Senate a summary of actions taken by the Eighty-first and Eighty-second Congresses on the recommendations of the so-called Hoover Commission. The staff was also directed to submit a brief analysis of the problems involved in those areas where legislative action deviated from specific recommendations. This summation is set forth under the appropriate titles of the separate Hoover Commission reports. It supplements more than 20 special reports dealing with various aspects of the reorganization program released by the committee. The three basic progress reports in this group are as follows:

1. Progress on Hoover Commission Recommendations—Senate Report 1158, Eighty-first Congress, first session, dated October 12, 1949.
2. Action on Hoover Commission Reports—Senate Report 2581, Eighty-first Congress, second session, dated October 12, 1950. (Out of print.)
3. Reorganization of the Federal Government—Senate Document 91, Eighty-second Congress, dated January 21, 1952.

In this analysis the staff has attempted to set forth specific facts relating to each report and to appraise those recommendations which have not been implemented, with an explanation of the reasons for lack of action on the part of the Congress or by officials of the executive branch. Although some of these comments may appear to be critical of certain of the Hoover Commission proposals, the report has as its primary purpose the presentation of a factual outline of the many con-

<sup>1</sup> Name changed from Committee on Expenditures in the Executive Departments on March 3, 1952.

flicting aspects of some of these recommendations and the tremendous problems involved in carrying out the proposed reorganizations. Instructions to the staff were to the effect that wherever recommendations of the Hoover Commission were not strictly reorganization proposals but involved basic changes in substantive legislative policy, they should be so classified.

Even the most ardent supporters of the Hoover reports must realize that when the Commission was created by the Congress it was given only the authority to recommend to the Congress legislative actions which would achieve the objectives the Commission thought were desirable, in the interest of economy, efficiency, and better management. Since the Hoover Commission, in effect, supplemented the work of the standing committees of the Congress, its reports, when submitted with recommendations, were subject to the same close scrutiny and analysis as are legislative proposals emanating from any of its jurisdictional committees. At most, its reports were intended to serve only as a guide or blueprint, and were never considered at any time to constitute a mandate to the Congress.

The Congress has the constitutional duty of approving, rejecting or amending legislation reported to it by its committees. In many cases it completely revises, or even rejects, basic programs advanced by jurisdictional committees when a majority of either the House or the Senate so determines. The Congress is likewise required to exercise its full responsibility, as representatives of the people, with respect to any suggested legislation emanating from the Hoover Commission or any other such study group. The responsibilities of the Congress in this respect are in no way different from those applying to bills or resolutions reported to it by its own committees.

Many communications have been addressed to individual Members of Congress and to the various committees handling legislation dealing with the recommendations of the Hoover Commission, insisting that "the Hoover Commission reports be enacted into law." This committee has assumed that those who have expressed an interest in the effectuation of these recommendations had, as their primary objective, the improvement of the administration of the executive branch of the Government and the achievement of economies in its operation. This, in fact, was the purpose for which the Hoover Commission was established. Some of these demands for immediate enactment of the Hoover Commission reports have apparently come from people who have been led to believe that the Commission's proposals were sacrosanct, but who have little conception of the necessary technical legislative processes which must be followed before the recommendations can be fully appraised and acted upon. It is obvious that they do not have a full understanding of the importance of including necessary safeguards to protect the public interest.

Some of the problems involved are set forth in this report in order to present to such advocates of governmental efficiency a true and impartial picture of the tremendous amount of work involved before final action could be taken on many of these proposals. This report cannot possibly include all the various aspects that must be considered by the committees of the Congress and the Congress itself as to the effect which approval of these recommendations would have on existing programs. However, all potential conflicts which might arise must be fully examined in relation, not only to the operation of present

statutory controls, but also as to their possible adverse effect on Federal policies affecting various segments of our population or areas of our country. Only then may action be taken to enact the recommendations into law.

Practically every major recommendation of the Commission has met with some opposition. The committees of the Congress have a continuing obligation to see that all of these views are brought forth in committee and fully evaluated before any final action is recommended to the Congress. This normally includes extensive hearings and a number of executive sessions before an important reorganization bill can be reported. Experience has demonstrated that it is not practicable to act on the reports without going through normal legislative procedures, and affording the proponents as well as the opponents a full hearing on the vital issues involved. To do otherwise would mean that the Congress has abandoned its legislative responsibilities.

These differences as to desirable reorganizations were in evidence even during the discussions of the Hoover Commission. In many instances dissenting views were filed regarding specific recommendations, and, in some cases, the final report by the Commission on controversial subjects was supported by only a bare majority. In its report on the Interior Department there were three widely divergent points of view set forth by 6 of the 12 Commissioners. Three advocated the creation of a Department of Natural Resources, and three submitted dissenting views on other phases of the report. Moreover, in this and other reports, a majority of the Commission rejected some of the recommendations of its task forces of specialists in the assigned fields. In Interior the task forces recommended the establishment of a Department of Works, which the Commission rejected, and then all of its members submitted diametrically opposite views to the Congress as specific recommendations.

This record alone served to alert the Congress to the necessity of fully and carefully evaluating all of these recommendations. A second factor, paramount even to this consideration, is that final decisions requiring changes in basic Federal programs should have the advantage of the long experience and thorough knowledge developed through the years by members of committees under whose jurisdiction the original programs originated, and by whom proposals must be approved before being submitted to the Congress for action.

It should be borne in mind that the Hoover Commission and its task forces devoted less than 2 years to a study and appraisal of all Federal activities, involving some 65 separate Federal agencies, each of which is responsible for one or more major programs. They could not, therefore, have at their disposal the background information acquired by Members of Congress in the development of Federal policies on which these respective programs were based. The basic program legislation relative to Federal functions had been initiated, implemented, perfected, and extended through studies of actual operating conditions by members of these committees of the Congress. It would be utterly impossible for a temporary study group to have had the full benefit of this historical development of all programs involved, or to comprehend as fully their relation to other Federal activities. Therefore, where the Commission's recommendations would have revised basic statutes approved by Congress, it was incumbent upon the appropriate committees to evaluate thoroughly the effect that pro-

posed changes in the structure or functions of such agencies would have on the operation of other authorized programs, and the impact they might have on over-all Federal policies. In some cases, what might have appeared to be a desirable and economical step involved other considerations which, on examination and practical analysis by legislators and administrators who had specialized in these fields, revealed that the anticipated benefits were entirely illusory, and that implementation of such a program would effect no economics or improvement in its administration. In fact, it was demonstrated in some cases that the proposal might seriously weaken or undermine other programs established by the Congress for the benefit of the American people.

Proponents of the Hoover Commission reports in the Senate realized that there were certain basic problems involved in the recommendations of the Commission which must be carefully considered. This is evidenced by the fact that practically every sponsor and cosponsor of the legislation introduced in the Senate during the Eighty-second Congress, designed to carry into effect those recommendations that had not been approved by the Eighty-first Congress, reserved final decisions. In most cases the sponsors stated that their purpose in proposing the bills was primarily to insure adequate consideration by the Congress. They made general reservations regarding their right to amend drastically, or even to later oppose, some of the proposals they were then sponsoring, should the appropriate committees find that they were not in the public interest. There were 35 individual Senators who participated in sponsoring the 21 Hoover Commission bills and resolutions introduced in the Eighty-second Congress. These bills contained legislative proposals covering all the Commission's recommendations not previously approved, whether they had been rejected by the Congress or not. Most of these bills had numerous cosponsors, with some Senators joining in sponsoring a number of the bills. In practically every instance the same reservation as to final action was made covering all the bills introduced—that, if found inconsistent with sound legislative policy or good government, the Members would exercise their right to vote their convictions when all the facts were available.

Another aspect of the Hoover Commission reports, which has caused considerable confusion in the public mind because of its wide dissemination, involves the extravagant claims of tremendous monetary savings which would result from the full implementation of these reports. These estimates have varied from an ultraconservative figure of a few million to as much as ten billions of dollars in annual savings. This committee has been unable to find any sound basis for the unsubstantiated estimates of savings claimed by some of the proponents. Even if all the Hoover Commission's recommendations had been found to be of practical application, these estimates are not based on facts, and are grossly unfair to the Congress. The American people have every right to expect the proponents of these reforms to be completely fair and reliable in their estimates. At the same time they have an equal right to expect their representatives in Congress to act with sound judgment regardless of the pressure brought to bear upon them by those who do not have full information as to their impact on the national welfare.

In order to insure that this important issue would be presented objectively, this committee requested the Bureau of the Budget to submit an estimate as to the potential savings that might be expected to result from the various aspects of the reorganization program recommended by the Hoover Commission. Specifically requested was an estimate of savings resulting from the activation of reorganization plans submitted to the Congress under the provisions of the Reorganization Act of 1949, which was reported from this committee on the recommendation of the President of the United States and of the Chairman of the Hoover Commission, and approved by the Congress as a basic method of expediting action on various of the Hoover Commission recommendations. The committee also specifically requested a detailed estimate of savings that would follow the enactment of all the recommendations of the Hoover Commission.

In his response to this request, the Director of the Bureau of the Budget stated that he had "no choice but to advise you, with regard to the fourth item in your request that it is impossible to furnish the committee with 'a detailed estimate relative to the estimated savings that would follow the enactment of the remaining recommendations of the Hoover Commission.'" The Director did, however, include in his letter indicated savings which he described as illustrative as to the type of administrative accomplishments made in recent years, some of which might be attributed to reorganizations proposed by the Hoover Commission. The majority of them were stated to have been accomplished under the President's management program. Those items specifically identified as to which savings could be directly attributed totaled approximately \$33,473,000.<sup>2</sup>

The Citizens Committee for the Hoover Report then issued a release reasserting its oft-repeated, but always varying, claim to the effect that "\$4 billion per year in eventual economies will accrue to American taxpayers as a direct result of the work of the bipartisan Hoover Commission." This estimate was based on the premise that a total of 70 percent of the Hoover Commission's recommendations had been approved and enacted into law. The Citizens Committee then stated that, although eventual annual economies would aggregate \$4 billion, "preliminary surveys showed that identifiable economies of \$1,244,600,000 are now being realized," attributing \$800 million of such savings to the economies effected in the National Military Establishment. The Citizens Committee failed to specify the basis for such estimates, and submitted no facts to substantiate its claims that savings of \$800 million in the military and more than \$400 million in other reorganizations were related to specific Hoover Commission recommendations. Nor did the Citizens Committee offer any support for its claim that eventual annual savings would aggregate \$4 billion.

Many of the reforms proposed by the Hoover Commission have been pending before the Congress in various forms for a number of years. The Hoover Commission studies served to focus public attention upon the many deficiencies in the operations of the Federal programs which the Congress had been unable to correct because of the lack of any general or united support. The tremendous growth of government, and the need for improvements throughout its entire structure, was emphasized, and necessary reorganizations have taken

<sup>2</sup> A copy of this report from the Director of the Bureau of the Budget, with a chronology of estimates of Hoover Commission savings, is included in Appendix A of this report.

place which would not have been possible otherwise. Finally, the specific remedies proposed for the improvement of government compelled the Congress to meet the challenge. In the 3 years since the submission of the reports, a legislative program for reorganization of the Federal Government has been approved which has helped to bring about very worth-while progress. Had it not been for these reports many desirable reorganizations, effected during the past 3 years, would still be a group of indefinite and disconnected proposals before the committees, and constituting unfinished business on the legislative calendars of the Congress.

The Hoover Commission reports indicate the value of independent bipartisan commissions in developing facts and submitting recommendations to the Congress for appropriate action, based on studies of national problems by qualified and public-spirited citizens of the Nation. In fact, the Hoover Commission itself recognized the value of such independent studies and recommended that similar fact-finding commissions be created in the fields of overseas activities and intergovernmental relations, which in their view were of such wide magnitude and importance as to warrant studies by special commissions. In this way public attention is focused on the deficiencies of existing programs and the Congress provided with the essential facts on which to initiate legislation to effect desirable improvements in these fields.

Although this report sets out many instances where differences of opinion have developed as to the effect of proposed reorganizations on basic programs, it also points up many areas where other differences have been resolved. The fact that Congress has, up to the present time, failed to take action on a particular proposal does not necessarily mean that these recommendations will not be given continuing consideration in the future. The Congress has constantly studied the numerous reports dealing with Federal reorganizations which have been submitted by various study groups over the past 40 years, taking action, from time to time, where supplemental studies established the soundness of recommendations for certain reorganizations. None of these reports were as comprehensive and extensive as those submitted by the Hoover Commission, however, and there can be little doubt that the Hoover reports will provide a solid foundation for other reorganization measures which will be continually studied and resubmitted at various intervals. Whenever they present proper and feasible solutions to existing problems, appropriate action will be taken to implement the remaining recommendations in line with basic legislative policies as then determined. This does not mean that the Congress will accept literally all recommendations of the Hoover Commission. It does indicate, however, that studies will be continued in an effort to solve the problems developed by the Commission in a manner the Congress considers to be in the best interest of all the people.

This report, prepared by the staff, is herewith submitted for the information of the Senate. It illustrates clearly the tremendous interest manifested by the Congress and the vast amount of time and study devoted to the consideration of the Hoover Commission's recommendations. The report covers action on nearly 100 separate bills and resolutions filed in the House and Senate out of more than 400 such legislative proposals introduced during the Eighty-first and

Eighty-second Congresses, many of which were identical or differed slightly from others. The report also covers action on 41 reorganization plans submitted to the Congress by the President, under authority granted to him by the Reorganization Act of 1949, 30 of which were permitted to go into effect. Of the 11 remaining reorganization plans, 2 were duplicate plans originally rejected, though later approved with modifications to meet Senate objections, and 8 were disapproved by the Senate and 1 by the House. All of the nine disapproved plans involved serious questions of policy which directly affected the jurisdiction of the legislative branch, and were not considered to be proposals for structural reorganizations or administrative reforms based specifically on Hoover Commission recommendations.<sup>3</sup>

<sup>3</sup> See appendix B for details of action on reorganization plans.

### SUMMATION

In summing up the legislative and administrative actions which have been taken to implement the recommendations of the Hoover Commission, it was found necessary to make arbitrary determinations relative to many of them that are very broad and indefinite or too general in their application. In some instances, legislative actions proposed to effect reorganizations recommended by the Commission incorporated one or more of its proposals, some of which were duplicated in more than one of the reports. In other instances pointed up in the analyses of the reports that follow, the adoption of certain specific proposals might have resulted in a serious adverse impact on legislative programs formulated to serve the public interest. Such a result would have far outweighed any advantages that might have accrued from the reorganizations proposed, and their approval by the Congress would have defeated other primary objectives of the Commission.

Since it was incumbent on the Congress to give adequate consideration to policy determinations and to the effect which legislative actions might have on existing programs formulated in the public interest, each of the legislative proposals advanced by the Commission has been thoroughly analyzed from that approach, and, in many instances, rejected under normal legislative procedures. For the purpose of this report, these types of recommendations, which have been given careful Senate consideration, have been classified as having been fully acted upon, although they failed of approval. The simplest solution, in evaluating reorganization accomplishments as a result of the Hoover Commission reports, would have been to exclude entirely from all calculations any recommendations which invaded the policy field. This formula, however, would have heavily penalized the record achieved both by the legislative and executive branches of the Government as a result of the studies made by the Hoover Commission.

A number of the analyses contain comments which may be construed to question the authority of the Hoover Commission to enter into matters of policy primarily within the jurisdiction of the legislative branch rather than the executive branch. The Commission recognized the difficulty of separating policy from reorganization in many of its reports, and stated in its concluding report that it had "not been concerned with matters of substantive policy" as a matter of principle. This summation is based on the premise that the recommendations of the Hoover Commission were presented merely as suggestions to the Congress relative to desirable actions, looking toward improvement in the structure and organization of the executive branch and the administration of Federal programs. The Congress, as has been emphasized in the Chairman's introductory comments, has the continuing obligation of fully analyzing these recommendations. It must, however, exercise its constitutional authority of determining substantive policy and, after a full analysis of the recommendations,

of legislating in a manner which it considers to be in the public interest. It is, therefore, clear that the final decision as to whether recommendations of the Hoover Commission are to be accepted or rejected as legislative policy rests upon the Congress. Once direct or indirect action has been taken, the proposals are disposed of in one form or another, although they may be reconsidered in the future by the Congress. For the purposes of this report, action has been taken, and some disposition has been made of those recommendations.

Comments of members of the Hoover Commission on reports which dealt primarily with legislative policy serve to bear out this premise. An illustration is found in the dissenting views of Vice Chairman Dean Acheson relative to the proposal to integrate the Indians. He stated that—

The Commission goes beyond these recommendations for reorganization and improved efficiency and outlines objectives and purposes. \* \* \* These recommendations seem to me beyond our jurisdiction. If they are said to fall within it because they abolish functions of the executive branch, it is equally true that they change substantive legislative policy established by the legislative branch. We have neither the right nor the duty to enter this field. On occasion, common sense may tell us not to draw too fine a line.

Vice Chairman Acheson and Commissioner Forrestal further dissented in regard to recommendations in the report on Federal-State relations, as follows:

This report seems to us to exceed the jurisdiction of a Commission created to make recommendations regarding the organization of the executive branch. Both the report and the recommendations contained in it have little to do with the organization or even the functions of the executive machinery of the Federal Government. They are concerned chiefly with taxation, grants-in-aid, and other matters primarily in the realm of legislative policy. As a consequence, we are unable to join in this report or to express any view as to the merits of the conclusions of the majority of the Commission.

In a strong dissent filed by Commissioners McClellan and Manasco, with reference to the proposed transfer of the civil functions of the Corps of Engineers to the Department of the Interior, a somewhat similar view was expressed, which need not be confined to this particular recommendation but which may be applied to many other similar recommendations, as follows:

We are strongly in favor of effective reorganization in the executive branch of the Government, but we cannot agree to or silently acquiesce in plans and proposals that concentrate in one agency unprecedented powers that could well be used to promote unsound policies and greater inefficiency than we can hope to correct by any reorganization now being attempted.

Moreover, minority protests were undoubtedly paralleled by an unknown number of instances wherein the minority disagreed with the majority on proposed policy changes but, despite well-founded doubts, refrained from submitting further dissenting views. This was due primarily to a desire to avoid weakening the effect on the public of the Hoover Commission recommendations generally, because of too many differences and protests, as borne out by the reservations of Commissioners McClellan and Manasco to a proposal in the report on budgeting and accounting. After pointing out specific objections to the majority report, these Commissioners stated:

We have been reluctant to present minority views, preferring to be in the position of supporting and facilitating action on the Commission's recommendations. But when the Commission goes afield of its jurisdiction and makes recommendations and attempts changes in an agency of the Congress, we are compelled to

dissent. The majority contends that there is no inherent conflict, but the adoption of its recommendations would require legislation transferring the function of prescribing administrative appropriation and fund accounting systems from the General Accounting Office to the Treasury Department. We do not believe the Congress will consent to the stripping of its agency of effective authority over accounting systems. A similar proposal was a major factor in bringing about the defeat of the entire reorganization program in 1937. This renewed effort to have the Congress shirk its constitutional duty and relinquish its authority over public expenditures to the executive branch of the Government by transferring general accounting functions from its own agency to an office in the executive branch may again adversely affect the entire reorganization program.

In the summaries which follow, the staff has classified as positive action legislative consideration of Hoover Commission proposals, even though the specific recommendations of the Commission may not have been approved. These determinations were based on the premise that Congress has carried out its responsibilities and exercised its judgment regarding basic policy determinations, and has acted in what it considers to be the best public interest.

*Report No. 1—General management of the executive branch.*—Legislation dealing with many of the recommendations in this report was considered by the Congress, from the standpoint of activating all recommendations dealing with improvement of administrative procedures, on the general premise set forth in this report, and under specific duplicating recommendations contained in reports applying to specific agencies. Appraisal of all actions taken indicates that this report has been fully implemented to the extent that the Congress determined it was in accord with the public interest. In arriving at this conclusion, it is necessary to disregard conflicting recommendations, such as the specific organization proposed for the Executive Office of the President contrary to the general recommendation, also included in the report on general management, that heads of agencies should have authority to organize and control agency activities. Many of the recommendations were repeated in other reports, some of which have been applied to all but a few agencies. Where these specific recommendations have not been activated, comments are made on the deviations in the reports on the respective agency. To avoid duplication, they have been considered to have been carried into effect as far as this report is concerned.

*Report No. 2—Personnel management.*—The recommendations in this report have been considered by various committees of Congress in all their aspects, and, where consistent with legislative policy or considered not to be disruptive of other phases of established policies governing the rules and regulations of the classified civil service, have been acted upon in various degrees. While many of the specific recommendations of the Hoover Commission have not been implemented, as proposed, the substantive committees of the Congress have given them appropriate consideration and, in some instances, initiated steps designed to develop further facts before final action can be taken to conform to the objectives set forth. The intent and purport of this report, therefore, has been either fully activated or is in process of study for future consideration and action by the Congress.

*Report No. 3—Office of General Services.*—This report has been fully activated by legislative action, except for the proposal to transfer to the Administrator of General Services administrative control over certain independent agencies in the District of Columbia. The

legislative committees determined that these agencies should have an independent status at the time they were created, and the Congress has confirmed this view. Furthermore, it was found that the functions of these agencies are unrelated to the operations of the General Services Administration, and the proposed transfers would not accomplish any of the general objectives set forth by the Commission.

*Report No. 4—Post Office Department.*—Three recommendations in this report have not been fully implemented as they relate to (1) air-mail transportation subsidies, (2) appointment of postmasters by the Postmaster General, and (3) the decentralization of postal services to 15 regional and district offices. The first of these was approved by the Senate, but the House took no action on the Senate bill. The second was rejected by the Senate as not being in the public interest, and the third was found to be impractical of administration. A further slight deviation, considered here as full activation since the specific proposal was not consistent with other recommendations, was the authorization for the appointment of a Deputy Postmaster General responsible directly to the Postmaster General, instead of creating an independent office of Director of Posts. Under the formula upon which this evaluation is based, complete action has been taken on all the recommendations of the Commission in this report.

*Report No. 5—Foreign Affairs.*—Complete and extensive actions have been initiated and consummated by the Congress and the Department of State in carrying out the recommendations contained in this report, providing primarily for the reorganization of the Department of State. In line with the Hoover Commission's findings, the Congress, after carefully evaluating its findings and recommendations, took action on the premise established by the Commission in this report—that the recommendations were intended to serve only as guideposts for the future. The only recommendation in this report which has not been fully carried into effect relates to the amalgamation of departmental and Foreign Service personnel. This recommendation has been given extended study and is now in process of full implementation.

*Report No. 6—Department of Agriculture.*—The Senate Committee on Government Operations has given extended consideration to the recommendations in this report, and has proposed legislation to implement them. A number of administrative actions have been taken by the Secretary of Agriculture to carry out internal reorganizations of the Department, within his statutory authority, but no direct and final legislative action has been taken to effectuate those recommendations which are beyond the authority of the Secretary. Considerable progress has been made, however, in the drafting of appropriate legislation for consideration by the next Congress as set forth in the detailed analysis of this report. It is therefore difficult to evaluate the action of the Congress upon this report, and the staff has arbitrarily arrived at an estimate that only 25 percent of the recommendations have received full legislative consideration. In view of the tremendous amount of study that has gone into proposed legislation for reorganizations within the Department, this percentage does not accurately reflect either the amount of work done or the extent of the progress made toward implementation of the report.

*Report No. 7—Budgeting and Accounting.*—This report has been fully activated by the Congress, with the exception of two recommen-

dations—the creation of an Accountant General in the Department of the Treasury, and providing for a complete survey of the appropriation structure. The first of these recommendations was repeated verbatim in Report No. 11 on the Department of the Treasury. As has been set forth in complete detail in the analysis of this report, this proposal is perhaps the most direct invasion of legislative prerogatives of any that is contained in the Hoover Commission reports. The recommendation nevertheless has been fully reviewed on the basis presented by the Commission, and rejected as being contrary to legislative policies established in the public interest. The second relates entirely to the improvement of the fiscal structure of the legislative branch. Since these proposals are not reorganizations in the sense envisioned by the Congress when the Hoover Commission was established, the report may be considered to be completely implemented.

*Report No. 8—National Security Organization.*—Except for slight variations necessary to conform to legislative policy determinations and to meet administrative problems outlined by the Secretary of Defense, all the recommendations of the Commission in this report have been fully activated. The proposals for improvement in and better integration of procurement, cataloging, and warehousing programs, although fully acted upon by the Congress, requires further administrative implementation.

*Report No. 9—Veterans' Affairs.*—Except for certain administrative changes made by the Administrator, under authority already vested in him, action on this report was deferred pending submission and analysis of a management survey of the Veterans' Administration authorized by the President. This survey will supersede the Hoover Commission's report, which will have been given consideration by the management firm in connection with its study of the Veterans' Administration, and will be ready for consideration and action in the next Congress. The scope of the activities of the Veterans' Administration is so broad and so clearly tied in with other recommendations contained in the reports on medical activities and on the Department of the Interior, that the Congress postponed any attempt to enact legislation in this field until it was supplied with essential information developed by the more extensive management survey.

*Report No. 10—Department of Commerce.*—Some of the recommendations in this report involve highly controversial issues and are in conflict with existing legislative policy through the proposal of entirely different basic programs. The recommendations affecting the internal management and administration of the Department have been approved, as have certain transfers. The proposed transfers and changes in inter-departmental operations still require further study and action on the part of appropriate jurisdictional committees. These recommendations would, if approved as proposed, have changed basic legislative policies dealing with extensive operations of the Department which have been given repeated consideration by the appropriate committees of the Congress. Although many of them still await final decisions on the part of the jurisdictional committees, consideration has been given to them, and action taken, whether favorable or unfavorable.

*Report No. 11—Department of the Treasury.*—The Congress has approved legislation which would bring about major changes and strengthen the administrative programs in the Department of the

Treasury in line with the recommendations of the Hoover Commission. This action constitutes 100 percent action under the prescribed formula. All of the five transfers proposed by the Commission to and from the Department have been rejected as being not in the public interest. These transfers would have changed the basic functions of the Coast Guard, the Bureau of Narcotics, the Reconstruction Finance Corporation, the Export-Import Bank, and the Federal Deposit Insurance Corporation in a manner contrary to policy determinations of the Congress. Also, the duplicating proposal to establish an Accountant General in the Department of the Treasury, and the recommendation relative to the appointment of collectors of customs by the Secretary were also rejected by the Congress on policy grounds. The basic problems set forth in this report were recognized by the Hoover Commission, which stated that it was not setting "a hard and fast rule of organization" for the Department.

*Report No. 12—Regulatory Commissions.*—All of the recommendations in this report have received close and detailed study by the Congress. Some of the recommendations rejected by the Senate in the Eighty-first Congress were reconsidered in general legislative proposals introduced in the Eighty-second Congress for the purpose of effectuating recommendations which had previously been rejected. Therefore, each of the recommendations contained in this report has been given careful consideration under two separate approaches, and the Senate has completed action on all of them. The reorganization plans rejected were in conflict with recent policy determinations made by the Congress. Their disapproval, after careful consideration, must be considered as legislative action. The only remaining actions, which affected more than one agency, involved approximately 10 percent of the recommendations, and were contained in a bill passed by the Senate. However, since the Senate bill was not approved by the House, these proposals must be considered to have failed of favorable consideration by the Congress. On this basis, the remaining 90 percent of the recommendations in this report, having received detailed consideration, may be considered to have been acted upon.

*Report No. 13—Department of Labor.*—All the recommendations in this report have been carried into effect, insofar as they are not in conflict with programs which had been established in the public interest, and which were consistent with circumstances that have developed since the submission of the Hoover report. The recommendations relating to general management, and many of the proposed transfers recommended with a view to strengthening the Department, have been fully effectuated. The proposed transfer of the functions of the Selective Service System to the Department, although having considerable merit when that agency performed merely routine, record-keeping functions, and of the Federal Maritime Board relating to the determination of minimum wages on privately-owned vessels, were found to be inadvisable under present conditions.

*Report No. 14—Department of the Interior.*—This highly controversial report, on which the Commission divided, has been considered by committees of the Congress. Proposed implementing legislation was held to affect adversely programs vital to the national security, and decisions were reached to the effect that approval would be against the best interests of the Nation. Therefore, although the Congress approved recommendations designed to improve internal

administration of the Department, repeated in the report on general management, and certain of the recommended transfers were accomplished either by reorganization plan or by direct legislative action, other major recommendations in this report have been completely rejected by the Congress. These sections of the report have been under study by the Congress over an extended period of years, and will require further analysis and appraisal before final determinations can be made. In view of the fact that those recommendations on which no final action has been taken involve vital legislative policy problems and determinations, it is the view of the staff that the report on the Department of the Interior has been carried out to the extent acceptable to the Congress.

*Report No. 15—Social Security, Education, and Indian Affairs.*—The recommendations in this report were considered by the Congress under several separate proposals dealing with various aspects of the many problems involved. Some of the recommendations overlap into other areas covered by the Hoover Commission in its reports on medical activities and the Department of the Interior. Proposals set forth in this report have been repeatedly rejected by the Congress. These were submitted prior to the creation of the Hoover Commission, at which time action was withheld until other determinations in the areas of health, security, and related problems could be resolved. The recommendations in this report did not overcome the previous objections of the Congress, and a full reevaluation of the proposals has carried out the full purport and intent of this report.

*Report No. 16—Medical Activities.*—The recommendations in this report involve legislative policy of a highly controversial nature. The entire subject matter was considered by the Congress and, although no direct legislative action was taken on the major sections of the report and important aspects were rejected, further consideration is assured. A substitute measure for the implementation of the proposals and objectives of the Commission has been tentatively approved in committee, and will provide the basis for further study with a view to adopting appropriate safeguards to assure that medical programs will continue to be administered in the public interest by the various agencies. Although these proposals have received extended study by the Congress, positive legislative action has not resulted.

*Report No. 17—Federal Business Enterprises.*—Full implementation of the broad coverage of this report would have required the Congress to revise practically all Federal policies and programs in the banking, insurance, housing, and other areas dealing with vast industries and resources. Many of the recommendations were repeated in other reports of the Commission and, although a number of actions have been taken which conform directly or indirectly to some of the premises set forth, their full activation by legislative processes is very difficult and, in many instances, impractical without revising many of the basic legislative policies established by the Congress. To fully evaluate all actions taken in conformity with the recommendations in this report would require a detailed appraisal of all legislation affecting the various agencies whose programs were involved. Therefore, the only assumption as regards implementation would appear to be that the purpose of this report, of stimulating legislative action as opportunities permit looking toward the elimination of deficiencies that have developed in the operations of these programs, has been accomplished.

*Report No. 18, Part 1—Overseas Administration.*—The recommendation of the Commission in this report, to create a Commission on Overseas Administration, was approved by the Senate in both the Eighty-first and Eighty-second Congresses. The House of Representatives failed to act in the Eighty-first Congress, and the implementing legislation was recalled from the House on the motion of one Senator and restored to the Senate Calendar under "Motions to Reconsider" in the Eighty-second Congress. It will be necessary to reevaluate this recommendation in the new Congress, in the light of present conditions, and to resubmit the proposal to create a commission, or, in lieu thereof, to pass legislation integrating all overseas activities as may be determined by the normal legislative processes.

*Report No. 18, Part 2—Federal-State Relations.*—The recommendations in this report were in the nature of suggestions to the Congress relative to solutions to major problems involved in Federal-State relations, including the creation of a continuing Commission on Federal-State Relations designed to accomplish the objectives set forth. The Committee on Government Operations reported bills in both the Eighty-first and Eighty-second Congresses to create such a commission on a temporary, bipartisan basis, subject to further determination of the Congress as to its continuation. The bill, reported favorably in the Eighty-first Congress, failed of passage due to the objection of a single Senator. A similar bill passed the Eighty-second Congress, but was recalled on the motion of a Senator and placed on the Senate Calendar under "Motions to Reconsider." This, like the proposal outlined under part 1 of this report, will require initiation of new legislation in the Eighty-third Congress.

*Report No. 18, Part 3—Federal Research.*—The two recommendations in this report have been fully implemented by the creation of a National Science Foundation, and the establishment in the Department of Commerce of a clearing house for the collection, dissemination, and exchange of technological, scientific, and engineering information useful to business and industry, and the transmission of information of military value to the Department of Defense.

*Concluding report.*—This report sums up basic proposals of the Hoover Commission reports. It contains certain recommendations for transfers which, because of provisions in the basic statutes or because the agencies affected were later abolished, made action unnecessary. It repeats recommendations which are contained in its basic reports, for numerous congressional studies and surveys of national problems in various areas of Federal operations, which have been covered in detail in comments on other reports.

#### CONCLUSIONS

This summary indicates that, except for approximately 10 percent of the recommendations contained in the report on regulatory commissions, 25 percent of the report on the Department of Agriculture, 20 percent on veterans' affairs, and no appreciable implementing action on the reports on medical activities, overseas administration, and Federal-State relations, all the Hoover Commission's recommendations, when found not to directly oppose established legislative policies, have received the full consideration of the Congress, with some resultant legislative action whether favorable or unfavorable. In

each of the reports cited, however, committees of the Congress have held hearings, executive sessions and, in some instances, drawn up revised bills. In others the Senate has taken positive action. A fair appraisal of legislative progress must, therefore, give some weight to the elimination of the need for further extensive hearings, and in the preparation of implementing bills to bring about immediate committee action in the new Congress. When consideration is given to these facts, an evaluation of legislative accomplishment is considerably increased.

The Hoover Commission made a total of 281 specific recommendations in all of its reports. Excluding duplications, and omitting interim actions of the committees of Congress as set forth in the preceding paragraph, it is estimated that 90 percent of all of the recommendations have been fully considered and have received direct action by the Congress or its committees, and legislative determinations applied thereto. The remaining 10 percent, or 28 recommendations, which will require further action by the Congress, if adequate consideration is to be given to them, are as follows: 16 recommendations affecting the Department of Agriculture, 4 relating to the Veterans' Administration, 5 in the report on medical activities, and single recommendations in each of the reports on budgeting and accounting, overseas activities, and Federal-State relations. The Senate has already taken positive action on the latter three (S. 913, S. 1166, and S. 1146, 82d Cong.), but reconsideration will be necessary in the new Congress since the House did not act. All of these 28 recommendations, although they do not come within the scope of direct action set forth in the premise outlined in this summation, have been considered and, in some instances, tentatively approved by committees of Congress, except as to veterans' affairs which has been deferred pending an analysis of the management survey now in progress.

#### REPORT NO. 1—GENERAL MANAGEMENT OF THE EXECUTIVE BRANCH

This report consists of 27 recommendations dealing with the "essentials of effective organization of the executive branch" of the Government. Among these, 11 applied directly to the powers of the President, and were intended to strengthen the Executive Office of the President.

One of the latter recommendations specifically stated that "The President should have authority to determine the organization of the Executive Office." Despite that recommendation, the Commission made 10 other recommendations which were contradictory to this premise. These conflicting recommendations involved the establishment within the Executive Office of an Office of Personnel, a Staff Secretary in the White House Office, expansion of the Bureau of the Budget, and the replacement of the Council of Economic Advisers by an Office of Economic Advisor. The remainder dealt with internal policies and regulations governing the activities and operations of the Executive Office. The recommendations in this group were also at variance with the general conclusion of all the Hoover Commission reports—that the heads of Federal agencies should be vested with full control over the organization and operations of their agencies. Action by the Congress on these specific proposals would have, therefore, failed to grant to the President this same general authority and jurisdiction over the affairs of the Executive Office as was recommended for other agencies.

Four recommendations in this report were carried out by legislative action in the Eighty-first Congress. These provided for (1) transfer of the National Security Council and the National Security Resources Board to the Executive Office (Reorganization Plan No. 4 of 1949); (2) expansion of the responsibility of the Public Buildings Administration in providing space for Federal agencies (Public Laws 152 and 754, and amendments thereto, and Reorganization Plan No. 18 of 1950); (3) consolidation and decentralization of accounting, budgeting, and personnel services (Public Laws 216, 359, 429, 656, 712, and 784); and (4) clarification of the line of authority of the President and permitting him to delegate certain functions (Public Law 673).

The remaining 12 recommendations dealt with general reorganization proposals which were acted upon by the Congress. They conform to duplicate recommendations with respect to specific departments or agencies in the reports dealing with those agencies. Among these were recommendations (1) that agencies should be grouped into major-purpose departments (bureaus grouped as nearly as possible by major purposes), and (2) that the heads of all departments should be provided with adequate staff assistance, and vested with full responsibility under the President for administrative supervision and control over internal procedures as well as to effect reorganizations within the various agencies. Practically every agency of the Government was affected by these general recommendations, and numerous actions have been taken, both administrative and legislative, to carry them into effect by various methods. Some have been fully effectuated, while others were rejected partially or wholly by the Congress under reorganization plans submitted by the President, or by disapproval of bills introduced for the purpose of carrying into effect these programs as they related to specific departments and agencies. In most instances, rejection by the Congress was based primarily on the fact that implementation of certain of these recommendations would have been contrary to established legislative policy. The major agencies coming within this latter category were the Department of Agriculture, the Federal Security Agency, the Federal Communications Commission, the Interstate Commerce Commission, and the National Labor Relations Board.

Legislation was approved by the Congress carrying into effect general management recommendations as they applied to the Departments of Defense and State, and to the General Services Administration. These acts also incorporated recommendations which were duplicated in the reports applying specifically to these agencies. In addition, the President submitted, and the Congress approved, reorganization plans incorporating recommendations covered in this report, affecting the Post Office Department (No. 3 of 1949), the Civil Service Commission (No. 5 of 1949), the United States Maritime Commission (No. 6 of 1949), the Department of Justice (No. 2 of 1950), the Department of the Interior (No. 3 of 1950), Department of Commerce (No. 5 of 1950), the Department of Labor (No. 6 of 1950), the Department of the Treasury (No. 26 of 1950), the Federal Trade Commission (No. 8 of 1950), the Federal Power Commission (No. 9 of 1950), the Securities and Exchange Commission (No. 10 of 1950), the Civil Aeronautics Board (No. 13 of 1950), the Reconstruction Finance Corporation (No. 1 of 1951), and the Bureau of Internal Revenue (No. 1 of 1952). Except as to the Department of Justice,

on which no separate report was filed, actions taken on these plans applied to specific recommendations repeated in the reports on the respective Departments, and in the report on regulatory commissions.

Reorganization Plan No. 4 of 1950, and a bill, S. 1149, introduced in the Eighty-second Congress, would have carried out all of the recommendations of the Hoover Commission in its report on the Department of Agriculture. If approved by the Congress, they would have vested all of the functions of the Department in the Secretary. Both proposals were contrary, however, to determinations by the Congress over a period of many years. Since the creation of the Department, the Congress has established certain statutory agencies within it, with authority to carry on specific programs more or less independent of other programs which, in the opinion of the legislative body, might have conflicted with the intent of the Congress or the proper administration of these functions. The committee, therefore, instructed its staff to draft appropriate legislation to implement those recommendations of the Hoover Commission which would tend to promote better program coordination and bring about increased economy and efficiency within the Department of Agriculture without in any way destroying the functional structure established by statute. After full consideration of the revised committee bill, it was the opinion of the committee that the proposed legislation indirectly involved major problems of policy of such magnitude that it would be inadvisable to recommend final action to the Congress until the jurisdictional committees of the House and Senate had had full opportunity to evaluate the effects of the proposed bill on the national agricultural program. The bill was, therefore, submitted to these committees for consideration with a request for advice as to appropriate changes designed to make it conform to legislative policy.<sup>4</sup>

In considering reorganization of the Federal Security Agency, and the vesting of functions of that Agency in the Administrator, as recommended by the Hoover Commission, a number of proposals were taken up in the Congress. This committee gave consideration to two separate reorganization plans (No. 1 of 1949 and No. 27 of 1950), which would have raised the status of the Federal Security Agency to a Cabinet department and vested all of its functions in the Secretary.<sup>5</sup> Consideration was also given to a bill (S. 1140, 82d Cong.) providing for the consolidation of Federal medical activities into a Department of Health. All the proposals developing these recommendations were rejected, either by this or other committees, or by the Senate, because the effect of these measures would have been contrary to established legislative policy, and because their approval might result in greater emphasis being placed on substantive policy than on organization and administration. The committee also found that the enactment of the proposals relating to medical activities would have completely disrupted existing legislative programs designed primarily to promote medical research under public-health programs, as well as those providing for military and veterans' hospitalization. These services were gradually established over a period of many years by the Congress, after the organizational structure recommended by the Hoover Commission, as it related to the hospitalization of veterans, had been tried with unsatisfactory results. Based on this experience,

<sup>4</sup> See Rept. No. 6, Department of Agriculture, for full details.

<sup>5</sup> See Rept. No. 15 on social security, education, and Indian affairs.

the committee concluded that, while undoubtedly certain economies could eventually be effected through the enactment of this legislation, its over-all effect would prove detrimental to the public interest. The committee was not inclined to recommend legislation which might disrupt progress made (a) in the development of Federal medical research programs; (b) in providing adequate medical and hospitalization facilities and services to the veterans; or (c) seriously interfere with the defense program by impairing the basic principles underlying specialized military medical programs devised to meet exacting conditions and emergency requirements.<sup>6</sup>

Similarly, those reorganization plans and related bills which dealt with certain of the regulatory agencies—ICC, FCC, and NLRB—were rejected by the Congress because their provisions would have nullified the legislative determinations of the Congress in establishing these quasi-judicial agencies on an independent basis. They were established by and made responsible to the legislative branch rather than to the executive. Had the plans affecting the ICC (Plan No. 7 of 1950, S. Rept. No. 1567, 81st Cong.) and the FCC (Plan No. 11 of 1950, S. Rept. No. 1564, 81st Cong.) been permitted to take effect, the Chairman, who is appointed by the President with the consent of the Senate, would have been vested with all the administrative functions under the jurisdiction of such agencies. Through his control over the administration, records, and personnel of the agencies, the Chairman would be able to put into effect programs to control regulatory functions in alignment with executive or political policies, contrary to the intent of the Congress and possibly detrimental to the public interest.

In the case of the National Labor Relations Board, the President submitted a reorganization plan (Plan No. 12 of 1950) which, according to its proponents, would have conformed to the Hoover Commission's recommendations for improved management of that agency. This plan, in the opinion of both this committee and the Senate, was contrary to policy determination previously made by the Congress under which important functions of the NLRB were vested in its General Counsel for well-considered and specific reasons. Actually, instead of reorganizing the NLRB in the sense intended by the Hoover Commission, the plan would have effected a change in that agency's entire method of operation. Furthermore, it might have afforded the President political control over its operations by means of the indirect control exercised by him through the appointment of the Chairman (S. Rept. No. 1516, 81st Cong.).

The Senate therefore rejected reorganization plans affecting these agencies on the basis that they were neither reorganizations, nor within the scope of the authority granted to the Hoover Commission. It was the view of the committee, that, if changes in the methods of operation of these regulatory commissions were desirable, they should be accomplished under the normal legislative procedures and not be put into effect through a temporary medium (the Reorganization Act of 1949) in the name of governmental reorganization.<sup>7</sup>

Another general recommendation of the Hoover Commission in this report suggested the establishment of a standard nomenclature. This program was not new, having been initiated by this committee prior

<sup>6</sup> See Rept. No. 16 on medical activities, for further details.

<sup>7</sup> See Rept. No. 12 on regulatory commissions.

to the establishment of the Hoover Commission (S. Rept. No. 243, 80th Cong.). Since then, the committee has continued to exert every effort to improve the uniformity of organizational terminology for all agencies of the Government. It was, therefore, considered that this recommendation was fully activated and largely implemented, to all practical purposes, even before it was included in the Hoover report.<sup>8</sup>

The Hoover Commission also recommended the reduction of 65 departments and nonregulatory agencies by two-thirds, through consolidation, the issuance of general regulations providing for the pooling of certain administrative services, for strengthening and standardizing field reports, and the improvement of field inspection and relations with State and local officials. All of these recommendations have been carefully considered, as set forth in the appraisal of actions taken on each of the Hoover Commission reports. Some have been implemented fully; others only partially where appropriate. It appears clear, however, that implementation of these general proposals must be considered as a continuing process, always open to reappraisal and reexamination, with a view to effecting further improvements as conditions require.

In order to insure that a complete review of the actions taken on recommendations contained in this report on general management would be undertaken by the Congress, and further actions necessary to accomplish their implementation would be fully appraised and considered, a bill was drafted by the Citizens Committee for the Hoover Report and introduced in the Eighty-second Congress (S. 1134). After a complete appraisal of actions already taken, this committee concluded that the substance of the report had been fully implemented, insofar as it was in accord with legislative policy. This decision reflected the assumption that the conflicting recommendations in the report relative to the internal organization of the Executive Office of the President should be left to the determination of the President of the United States.<sup>9</sup> This general conclusion does not mean that each Commission recommendation has been fully implemented as to specific text, since some of them would require separate actions relating to each executive agency. On the other hand, all recommendations have been fully evaluated and analyzed and, where objectives of the Hoover Commission could be clearly attained without doing violence to legislative policy, appropriate actions have been taken. It should be noted that 13 of the 27 recommendations in this report are duplicated in the various reports of the Commission as set forth in the separate analyses of each which follow.

#### REPORT No. 2—PERSONNEL MANAGEMENT

All bills relating to the implementation of the 29 recommendations contained in this report, or dealing with various aspects of the program set forth therein, were referred to the Committee on Post Office and Civil Service. This committee has given careful and detailed consideration to each of the recommendations and direct or indirect action has been taken in practically every area.

This report involves numerous controversial issues which have been the subject of debate in Congress over a period of many years. Should

<sup>8</sup> See reports and charts on organization of Federal executive departments and agencies, released annually by this committee as of January 1, 1947, through January 1, 1952.

<sup>9</sup> See S. Doc. No. 91, 82d Cong., pp. 3-4.

the recommendations be adopted, they would establish rigid personnel policies applicable to every Federal agency without regard to its specialized requirements and methods of recruitment, promotions, reinstatements, transfers, etc. The Congress was fully aware of the many problems involved in these areas of Federal activity long before the Hoover Commission recommendations were submitted. The very nature of the many different problems required special consideration of every aspect of any program to be implemented by the Congress.

Virtually every recommendation made by the Commission relative to personnel management dealt directly with established legislative policy. Numerous hearings have been held on various phases of the proposals contained in the report, and the resulting action, in some instances, was in direct accord with the Hoover Commission's recommendations. In others, slight variations were made, based on facts developed at the hearings, and as a result of intimate knowledge of the operations of the programs on the part of the members of the committee, who have dealt with these matters for many years. Where the application of some recommendations was not found to be practical, in view of the peculiar problems involved in connection with Federal operations under the civil-service system, partial implementation was approved. In the latter cases, this does not mean that the Congress has irrevocably rejected the recommendations, but merely that it has deferred final action pending further study and a complete evaluation of their effect and impact on the perplexing problems involved at various levels of activity.

In carrying out their responsibilities, the agencies affected and the jurisdictional committees made detailed analyses of each Hoover Commission recommendation. In many instances legislative or administrative action has resulted in new procedures which can be tied into some specific recommendation of the Commission, even though it varies from the exact language of that recommendation. It is estimated that, from a standpoint of realization of the improvement of the Federal career service and economies resulting therefrom which were the primary objectives of the Hoover Commission recommendations, actions have been taken to date which may finally result in full accomplishment. Those that have not been fully activated involve substantive policies which have been given full consideration, but which will require further study and policy determinations on the part of the legislative branch before final action is taken.

Some of the more important actions based on recommendations of the Hoover Commission, have brought about (1) complete reorganization of the operations of the Civil Service Commission vesting administrative functions in the Chairman while reserving to the full Commission control over deliberative, regulatory, and appellate functions (Reorganization Plan No. 5 of 1949); (2) increased compensation of the President and Vice President (Public Law No. 2, 81st Cong.); (3) increased salaries of high officials in the Federal Government (Executive Pay Raise Act, Public Law 359, 81st Cong., and Public Law 201, 82d Cong.); (4) complete revision of the Civil Service Classification and Pay Act (Public Law 429, Classification Act of 1949); (5) additional professional and scientific positions at increased rates of pay (Public Law 167 and Public Law 472, 81st Cong.); (6) a uniform system of salary increases for the postal service (Public Law 500, 81st Cong., and Public Law 204, 82d Cong.); (7) rules and regulations

for suspension and discharge of Federal personnel (Public Law 733, 81st Cong.); and (8) establishment by the agencies of performance rating plans for the evaluation of work performed, including a system for rating such evaluations (Public Law 873, 81st Cong.). In addition, a number of amendments incorporating certain aspects of Hoover Commission recommendations in this report have been included in bills passed by the Congress during both the Eighty-first and Eighty-second Congresses. This type of legislative action can be carried on continuously as general legislation is considered in the future.

A number of bills were introduced in the Senate which sought to tighten up civil-service rules and regulations, so as to provide for a so-called blue ribbon civil service. These proposals would have required the appointment of all Federal officials under the policy level, such as collectors of internal revenue, postmasters, and collectors of customs, from eligible lists compiled under civil-service rules and regulations, by the heads of the respective agencies rather than by the President with Senate confirmation. The submission of reorganization plans covering certain aspects of these proposals caused the jurisdictional committees to withhold action on these general bills.

It should also be noted that numerous administrative actions have been taken, where legislative authority already exists, carrying into effect either the letter or the intent of many Hoover Commission recommendations. These include improved recruitment and examination of agency employees, through the decentralization of these functions to agency committees and boards of special examiners; revisions of job classification, recruitment, and examination; a completely revised promotion program; and the development of operating standards for agency personnel offices, rules affecting veterans' preference, reduction-in-force, etc.

The Hoover Commission's work on personnel management has been most helpful in pin-pointing many of the problems which have confronted the Congress in its efforts to improve the career service and to bring about more economy and efficiency in personnel operations in all agencies of the Federal Government. Although certain of its recommendations have not been fully adopted, most of the fundamental objectives sought to be accomplished by the Commission have been attained. The problems relating to personnel management must, of their very nature, constitute a continuing project before the appropriate committees of the Congress in carrying out their legislative responsibilities. The Senate and House Committees on Post Office and Civil Service are currently conducting extensive investigations and studies into possible improvement of the civil service so as ultimately to work out solutions to many remaining personnel problems confronting the Government. As implementing legislation develops, the Commission's recommendations will be reappraised and previous actions reviewed, with a view toward perfecting existing laws and improving the rules and regulations of the career service.

#### REPORT NO. 3—OFFICE OF GENERAL SERVICES—SUPPLY ACTIVITIES

The Hoover Commission report on General Services submitted 23 specific recommendations for the centralization and improvement of procurement and supply and the records and buildings management

activities of the Government. With but two exceptions, all of these recommendations have been placed in effect by appropriate action of the Congress.

The Commission specifically urged the establishment of an Office of General Services as an independent agency responsible to the President for the procurement and supply of personal property and nonpersonal services. To be included within the new agency were certain related functions, such as contracting, inspection, storage, issue, specifications, property identification and classification, and utilization of property throughout the Government. Actually this proposal had previously been given extended consideration in the Congress prior to the creation of the Hoover Commission. In 1943, the House passed, and the Senate Committee on Expenditures in the Executive Departments favorably reported a bill (H. R. 2795) designed to accomplish this reform. Final action on the bill was delayed, however, because of the urgent need for legislation covering the disposal of war surplus during and following World War II. Meanwhile, the Congress did adopt the Surplus Property Act of 1944, as an emergency measure designed to govern the disposal of surplus property for a period of 3 years after the date of cessation of hostilities.

On March 5, 1948, the President submitted a formal request to the Congress, together with a draft of a bill, to establish a central office for control of the procurement, supply, and general services functions carried on throughout the Government. This message was referred to this committee, and beginning on March 31, 1948, hearings were held for a period of 4 days, during which time numerous witnesses testified and urged the enactment of the proposed administration bill. On May 26, 1948, a committee bill (S. 2754) was reported favorably to the Senate (S. Rept. 1413, 80th Cong.), which was designed to bring together in one agency centralized responsibility for property and buildings management, Government procurement and utilization of goods and services. The bill also included provisions governing the disposal of surpluses, and for the creation of a uniform cataloging and inventory control program. This proposed legislation would have consolidated the functions of the Public Buildings Administration, the War Assets Administration, and the Bureau of Federal Supply, Department of the Treasury, under the then existing Federal Works Agency. All such functions would have been vested in the head of FWA with authority to redelegate to other agencies when such functions could thereby be more efficiently and economically administered. The provisions of this committee bill were very similar to the Hoover Commission's recommendations. The report of the Commission went further, however, and recommended the abolition of the Federal Works Agency and the creation of an Office of General Services, which would establish a records management program and perform certain other functions not included in the original bill.

After the filing of the Hoover Commission reports, a new administration bill (S. 990), and a bill incorporating all the Commission's recommendations (S. 991), were introduced in the Senate by Senator McClellan. This committee, acting on the basis of its previous studies, the recommendations of the Hoover Commission, and the administration proposals, drafted two completely revised committee bills (S. 1809 and S. 2020). These measures culminated in the approval by the Congress of the Federal Property and Administrative Services Act of

1949 (Public Law 152, 81st Cong.) creating the General Services Administration. The preparation and perfection of the language of this act and a supplemental Records Management Act (Public Law 754, 81st Cong.), required months of detailed study and consideration in executive session.

Even after the basic laws became fully effective, it was necessary that continuing studies be made in order to repeal or amend existing statutes which were in conflict with the basic authority vested in the General Services Administration. A survey of such acts was made by the GSA, under a directive from the Congress, resulting in the repeal or amendment of 234 specific provisions of law (Public Laws 209 and 247, 82d Cong.), which were found to be in conflict with the provisions of the Federal Property and Administrative Services or the Records Management Acts. To conclude the tremendous task involved in the perfecting legislation, it should be pointed out that the agencies affected, the staff of this committee, and the committee itself, had to consider each of these 234 amendments individually and to fully appraise the effect their repeal or amendment would have upon existing laws, in order to insure that such repealers did not affect basic legislative policies established by the Congress.

In considering this legislation, it developed that the committee would have to resolve the purposes and intent of two conflicting Hoover Commission recommendations. The first of these proposed the creation of an "Office of General Services," which did not conform to the recommendation in its report on General Management relative to the standardization of nomenclature. The second recommended that certain independent agencies established by the Congress in the District of Columbia should be placed under the jurisdiction of the new agency.

The committee rejected the specific recommendation of the Hoover Commission to create an "Office of General Services," inasmuch as the nomenclature program originally conceived by this committee and adopted by the Commission, required that an "office" should be merely a subordinate administrative component of a department or independent agency, and that an independent component such as proposed, or one performing major services under the control of another agency, should be designated as an "administration," "commission," "corporation," etc. It, therefore, would have been entirely inconsistent with the program of nomenclature designations to have carried out this specific recommendation of the Hoover Commission. The committee and the Congress approved, instead, the creation of the General Services Administration.

As to the second legislative deviation from the Hoover Commission's recommendations, the committee could find no justification for requiring the officials of the government of the District of Columbia, or of the Smithsonian Institution to consult the Administrator of General Services regarding their activities, as recommended by the Commission. Nor could any advantages or savings be obtained from requiring the National Capital Park and Planning Commission, the National Capital Housing Authority, and the Commission of Fine Arts, to report to the Administrator of General Services, as recommended, instead of continuing their present direct reports to the President of the United States. The purpose of this recommendation was to reduce the number of Government officials who are required to report

to the President of the United States, by directing them to report instead through the General Services Administrator. The committee held, however, that, since the Congress had established these agencies to perform specific, independent functions which had no relation whatever to the housekeeping or service functions vested in the General Services Administrator, and since the proposed action would neither effect any economy nor promote greater efficiency, approval should not be recommended to the Senate.

This decision was based in part on a record which showed that these agencies had successfully carried out their functions under the basic statutes with little or no requirements for administrative control by the Chief Executive, and the fact that there were no appreciable functions performed by the President in relation to the activities of these agencies which could or should be delegated. The primary Presidential function involved was the appointment of policy-making officials, subject to confirmation by the Senate, which should not be changed even if such functions could be redelegated.

During the Eighty-second Congress, a new bill (S. 1136), designed to carry out all Commission recommendations which had not been included in previous measures, was drafted by the Citizens Committee for the Hoover Reports, introduced in the Senate, and referred to this committee. As introduced, S. 1136 would have placed in the Administrator of General Services, responsibility for coordination of certain miscellaneous activities of the government of the District of Columbia, the Smithsonian Institute, the National Capital Park and Planning Commission, and the Commission of Fine Arts. The Subcommittee on Reorganization directed the staff to redraft the bill in an effort to overcome objections raised to certain of its provisions. The bill was revised so as to permit the President, at his discretion, to delegate any functions that may be vested in him in relation to the operations of these agencies to the head of any department or agency who might be qualified to act for him. As amended, the bill would have permitted the President to designate the Administrator of General Services, or any other official who might be better qualified, to perform any administrative functions pertaining to the designated agencies which might be vested in him. It was reaffirmed, after the committee's consideration of the amended bill, that there was no relationship between the operations of the GSA and those of the government of the District of Columbia, and the other agencies established as independent entities which had been so operated for many years. Furthermore, an act was approved on August 8, 1950, which gave the President general authority to delegate functions not specifically vested in him by the Constitution to such other Federal officials as he might designate (Public Law No. 673, 81st Cong.). This act made it doubtful that further action was necessary to carry out the purpose and intent of S. 1136.

Nevertheless, in order that the matter might be further explored by other committees of Congress, which had expressed opposition to the approach which this committee had attempted, recommendations were made to the Senate that the bill be rereferred to the Senate Committee on the District of Columbia, for further consideration, particularly as to the effect of the proposal on the government of the District of Columbia. This committee's recommendation was agreed to in the Senate on July 11, 1951. The Committee on the District of Columbia, however, has taken no action on the bill.

Reorganization Plan No. 5 of 1952, which became effective on July 1, 1952, provided for a complete reorganization of the government of the District of Columbia (S. Rept. No. 1735, 82d Cong.). It abolished the existing departments, commissions, and offices and transferred their functions to the Board of Commissioners as a whole, authorized the Board to delegate functions, with certain exceptions, and to establish a new departmental structure to perform the regrouped functions. While the Hoover Commission made no recommendations concerning the internal organization of the government of the District of Columbia, this action was somewhat related to recommendations made in this report, and in its report on general management.

Among the continuing benefits accruing from the Commission's studies and recommendations, which merit special mention, are two legislative developments designed to implement further the program to provide general services to the Federal agencies. This committee initiated, in cooperation with GSA, two steps designed to tighten up the administration of the Federal Property and Administrative Services and the Records Management Acts. The first of these dealt with amendments to the basic act in relation to the further development and more effective administration of the procurement and supply programs. On the insistence of this committee, the General Services Administration and the Department of Defense made a study of the procurement of common-use items of supply, with the result that, as a first step in expanding the program, it was recommended that large quantities of office supplies and other common-use items might be procured through the GSA for the civilian agencies and for the Department of Defense at less cost to the Government. To effectuate this program, however, it became necessary to increase the capital of the general supply fund of the GSA. Accordingly, the committee raised the authorized ceiling on this fund from \$75,000,000 to \$150,000,000 to enable the GSA to acquire, by purchase and transfer, general common-use items of supply for both the military and civilian agencies. When this legislation was considered (S. 3063 and H. R. 5350), the committee also included provisions (a) to permit greater flexibility in the determination of the amount of reimbursement in connection with the transfer of excess property among Federal agencies; (b) to extend the authority to negotiate sales of surplus property; and (c) to establish a buildings management fund to provide adequate and necessary buildings management services to other Government agencies on a reimbursable basis. This bill was approved by the Congress as Public Law 522, Eighty-second Congress.

The second proposal initiated by this committee as a result of its consideration of the Hoover Commission recommendations, was a bill to amend the Federal Property and Administrative Services Act to authorize the Administrator of General Services to enter into lease-purchase agreements. Such agreements would provide for the lease to the United States of real property and structures for terms of not less than 8 years but not in excess of 25 years, and for acquisition of such properties and structures by the United States at or before the expiration of the lease terms. Committee studies of the buildings-management program showed that certain agencies of the Government have paid several times over the actual value of property under rental contracts over periods of up to 40 years. The purpose of this bill (S. 2137) was to permit the Administrator of General Services

to enter into lease-purchase agreements for the acquisition of permanent space requirements of Federal departments and agencies of the Government. These agreements would require the application of funds appropriated by the Congress for rent payments to individual agencies toward the liquidation of such lease contracts under the existing 15-percent per annum rent limitation. Title would vest in the Government after the expiration of the designated lease period, with the rentals paid covering the total purchase price as well as the lessor-vendors disbursements for interest, taxes, etc., during the term of the lease. Legislation of this type would save the Government millions of dollars annually through the procurement of space for permanent Federal agencies in communities throughout the United States wherever it is clearly established that continuing Federal activities would insure full utilization of such properties, without requiring the Government to enter into a huge public-buildings program to meet its increasing needs. The proposed act would have permitted local banks, insurance companies, or private investors to enter into contracts with the Government for the construction of necessary local Federal buildings under a firm contract guaranteeing repayment of the entire cost of the buildings with interest and taxes under an equitable appraisal and lease arrangement. This bill was reported favorably by the committee (S. Rept. 784, 82d Cong.), and a companion bill (H. R. 4323) was approved by the House of Representatives and referred to the Senate for final action. Both of these bills were objected to by a single Senator on the call of the calendar on several occasions, and failed to receive final approval by the Senate.

The recommendations contained in the Hoover Commission report on General Services have been fully evaluated and implemented, by enactment of legislation, or by adoption of reorganization plans, insofar as they are in the public interest and consistent with legislative policy.

#### REPORT NO. 4—POST OFFICE DEPARTMENT

Six of the nine recommendations in this report, omitting deviations which did not alter the basic premise of original Hoover Commission proposals, have been enacted into law or carried out through appropriate administrative actions. This has resulted largely from the approval of Reorganization Plan No. 3 of 1949, the enactment of the Post Office Department Financial Control Act of 1950 (Public Law 712, 81st Cong.), and of special legislation simplifying the postal laws and regulations, and the adjustment of postal rates with a view to making certain services self-sustaining.

Although the Senate passed a Hoover Commission bill providing for separation of funds paid by the Federal Government in the form of air-mail transportation subsidies from the regular air mail pay, it failed of final passage in the House. Two other recommendations which were not implemented related to the proposals that confirmation of postmasters by the Senate be abolished, and that the postal service be decentralized into 15 regions under regional and district officials. As is set forth below, these proposals involved basic legislative policies and conflicts with existing programs, and were in no sense simple reorganizations.

On April 20, 1952, the President submitted to the Congress Reorganization Plan No. 2 of 1952, providing for the appointment of

postmasters by the Postmaster General rather than by the President, eliminating the requirement of Senate confirmation. A resolution of disapproval, filed in the Senate (S. Res. 317) in accordance with the provisions of the Reorganization Act of 1949, was approved by a vote of 56 to 29, resulting in the rejection of the plan. This action by the Senate was based partly on the fact that hearings had failed to indicate that any economy could be anticipated from approval of the plan, and partly because it involved changing a basic legislative policy while making little or no change in the existing status of postmasters, since they had already been under civil service since 1917 by Executive order and, since 1938, by statute. The plan was further found not to be in the public interest, since it would have centralized absolute authority and control over the appointment of all postmasters in the Postmaster General, eliminating the existing check exercised by the Congress upon the character, ability, and suitability of applicants for the position of postmaster. Although this reorganization plan would have followed the recommendations of the Hoover Commission, the Congress, in exercising its legislative responsibility, failed to agree with the findings and recommendations of the Commission in this respect. This action was supported by all labor groups representing classified employees within the postal service. These groups agreed that it would not eliminate politics and political patronage from the appointment of postmasters, as claimed by the President. In this connection, they advised this committee that "the American people have absolutely no direct control over administrators, and very little indirect control. The elected representatives of the Government are responsive to the desires of the public, and must defend their policies to the people."

In rejecting this recommendation of the Hoover Commission, the committee and the Senate concluded that this was not a reorganization, but involved a basic legislative policy change requiring affirmative action by the appropriate committees of the Congress which should not be accomplished by a reorganization plan. This recommendation had been based on the premise that a Postmaster General should have complete control over the appointment of postmasters in exactly the same manner as all other department heads control appointments in their departments. This committee, in answer to this contention, stated in its report on Reorganization Plan No. 2 of 1952 (S. Rept. 1747, 82d Cong.) that—

the office of postmaster is entirely unlike any other Federal office, since it extends into every village, hamlet, town, and city in the United States and can and has formed the nucleus of a powerful political machine under the complete control of the Postmaster General, unless checked by a requirement for Senate confirmation. In fact, it was this very development which led, in 1836, to the enactment of the first statute making postmasters Presidential appointees and requiring Senate confirmation. Prior to that time, all postmasters were appointed by the Postmaster General. The graft, corruption, and huge personal patronage machine which resulted from the centralization of absolute authority in the Postmaster General led to a series of Senate investigations which culminated in the act of July 2, 1836.

Thus, it will be seen that this recommendation of the Commission would merely bring about a reversion to a system which was previously in effect, and which was found to be unsatisfactory.

The second recommendation rejected by the Congress was a proposal for the decentralization of the postal service into 15 regions. This proposal was not incorporated in Reorganization Plan No. 3 of 1949,

to implement all the other recommendations of the Hoover Commission in this report, and which became law on August 20, 1949. Nor was it included in any other bill approved by the Congress relating to the Post Office Department. The basis for the rejection of this recommendation was the position taken by the Postmaster General to the effect that "the proposal of the Commission suggests an impractical organization for the management of the postal service, as well as an expensive one. If the proposal were practicable, it is conservatively estimated that the yearly cost of operation would exceed \$5,000,000, exclusive of additional cost due to the decentralization of accounting procedures." The appropriate committees of Congress agreed in general with the views of the Postmaster General, and since no economies or improvements in administration would have resulted, the Congress exercised its legislative prerogatives and rejected this proposal.

This congressional action, while in conflict with the above cited recommendations, was in general accord with recommendations in the Commission's report on general management, that heads of departments should be given full responsibility for the conduct of their departments, with adequate "administrative authority to organize his department and to place him in control of its administration." This latter proposal was further reiterated in another recommendation that each department head be given authority "to determine the organization within his department." It follows that, had the decentralization action recommended by the Commission been adopted by the Congress, it would have forced the Postmaster General to accept an administrative policy and structure to which he was opposed, and which he contended would not effect economies or improve management.

Two deviations occurred in connection with other recommendations, that (1) a Director of Posts should be appointed by the President and confirmed by the Senate as operating head of the Post Office Department and (2) that the Postmaster General should not be an official of a political party. The first of these recommendations was omitted from Reorganization Plan No. 3 of 1949, but a Deputy Postmaster General was created to perform such general management functions as might be delegated to him by the Postmaster General. This also accorded with the recommendations in the Commission's report on general management. It would have been impracticable to vest authority in a Director of Posts without going contrary to the recommendations that the Postmaster General should have complete administrative control over his Department and that all functions be vested in him. The recommendation that the Postmaster General not be a political party official was carried out by the present Administration prior to the submission of the Commission's report, and its further implementation would be entirely at the discretion of any future President. Another departure from Hoover Commission recommendations relates to the proposal that the business management, budgeting, accounting, and audit functions of the Post Office Department be made subject to the Government Corporation Control Act of 1945. This recommendation was rejected in favor of legislation drafted to conform to the Budgeting and Accounting Procedures Act of 1950, which resulted in the approval of the Post Office Financial Control Act of 1950 (Public Law No. 712) as a companion and coordi-

nating measure. As set forth under Report No. 7, Budgeting and Accounting, the joint accounting project initiated prior to the creation of the Hoover Commission was enacted into law as being preferable to the specific recommendations of the Hoover Commission. This decision of the Congress was based on years of concentrated study as well as on the specific recommendations of the agencies of the Government most closely identified with Federal accounting problems and fiscal controls, including the Postmaster General.

To all intents and purposes, the full import of the Hoover Commission's recommendations affecting the general management and internal operations of the Post Office Department has been fully carried into effect by appropriate action. This was accomplished primarily through the approval of Reorganization Plan No. 3 of 1949, which vested all functions of the Department in the Postmaster General; created a Deputy Postmaster General to be appointed by the President by and with the advice and consent of the Senate (in lieu of a Director of Posts); created an advisory board on methods and policies; and abolished the Bureau of Accounts in the Department. The accounting functions were transferred from the General Accounting Office to the Department by Public Law 712. This plan also carried out somewhat similar recommendations in the Commission's report on general management in many respects. Public Law 712 implemented the recommendations of the Commission relative to improvement of budget, accounting and audit functions of the Department, except that it did not carry out the specific recommendation that its functions should be subject to the Government Corporation Control Act of 1945. The rejection of Plan No. 2 of 1952, removing Senate confirmation of postmasters was, as outlined above, due to the determination by the Senate that it was not in accord with sound legislative policy.

The operations of the postal service have been under close observation and study by committees of the Congress for many years, during which time numerous efforts have been made to improve its management and to bring about more economy in its operations. During that time various studies of the Department's operations have been conducted under the direction of both the legislative and executive branches, including the Hoover Commission's reports, the Heller Management Survey, the General Accounting Office, the joint accounting project, the 1937 Brownlow Report, and other sources. The activities of the Post Office Department are of such importance that they warrant continuing study by the administration and the Congress to further improve the postal services which are still deficient in some respects. As these studies are carried on, the Hoover Commission's recommendations will be constantly reviewed and reappraised in light of developments or as new proposals are made for the improvement of services, effecting further economy or producing more efficiency in the operations of the Department.

#### REPORT NO. 5--FOREIGN AFFAIRS

The first 8 of the 22 recommendations in this report were actually statements of principles or substantive policy, rather than recommendations concerning organization and structure, and required no action by either the Congress or the Department of State, being intended to serve only as guideposts for the future. Typical of

such proposals were the suggestions by the Commission that the Congress should vest any new powers over foreign affairs in the President or in an established agency, rather than in any new bodies, unless the advantages in creating a new body were overwhelming; that the principal functions of the State Department should be to define objectives in foreign affairs, and to formulate policies in conjunction with other interested agencies; that, as a rule, the State Department should not be given responsibility for the operation of programs, whether overseas or at home; and that the State Department should continue to discharge its traditional responsibilities of representation, reporting, and negotiation.

Ruling out the initial 8 statements of principle, only 14 recommendations remained to be implemented. Of these, 12 related to the internal organization of the Department of State, and 2 related to other departments and agencies having responsibilities in the field of foreign affairs. Even with respect to these, the Commission observed that "organization cannot be immutable and the recommendations herein cannot be regarded as having indefinite validity."

After careful study of these recommendations, the Congress approved legislation designed to strengthen and improve the organization and administration of the Department of State, primarily by giving to the Secretary of State sufficient authority to carry out administratively the major reforms proposed (Public Law 73, 81st Cong.). It transferred to him all statutory authority for the conduct of foreign affairs which had been scattered among subordinates and gave him an adequate top staff of 10 instead of 6 Assistant Secretaries to carry out these responsibilities.

The provisions of this new statute differed from Hoover Commission recommendations in the following respects: (1) The office of counselor, which the Commission recommended be abolished, was continued because the Department felt this position was necessary for efficient operations; (2) instead of creating two Deputy Under Secretaries, as proposed by the Commission, the Secretary was authorized to designate two Assistant Secretaries as Deputy Under Secretaries; and (3) the proposal for the abolition of the position of Director General of the Foreign Service and the amalgamation of the Foreign Service with the departmental personnel in Washington, above certain levels, was only partially carried out. The position of Director General of the Foreign Service was retained, but in a staff capacity, and all of the statutory powers of that office were transferred to the Secretary of State with authority to redelegate.

Following the enactment of Public Law 73, which was based upon a detailed plan of reorganization submitted by the Department of State to the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House, the Secretary of State instituted action designed to implement fully the objectives sought to be accomplished by the Hoover Commission, with such modifications as were deemed appropriate by the Secretary and the congressional committees concerned.

The first major change, effectuated in May 1949, was the dissolution of the separate Office of the Foreign Service and the pairing of its administrative activities with the parallel departmental activities; so as to establish a better functional pattern. As a result, departmental offices were given responsibilities for the administration of Foreign Service as well as regular departmental matters.

The second phase, which was put into effect in October 1949, was the realignment of the organization pattern for the conduct of substantive operations. This was accomplished by the dissolution of the former regional geographic offices and their replacement by bureaus, each of which was given responsibility for all operating actions affecting countries under its jurisdiction. To insure efficient functioning, most technical personnel concerned with public affairs and economic and administrative matters were transferred to the newly created bureaus. In addition, all economic policy matters were consolidated under a single Assistant Secretary for Economic Affairs.

The net effect of these and other changes was the establishment of six operating branches, with line responsibilities delegated by the Secretary of State. Five of the branches were headed by Assistant Secretaries of State, each with responsibility for decisions within clearly defined limits. An Executive Secretariat was established to insure that policy decisions are maintained and disseminated currently and that appropriate action is taken to carry them out. In addition, these Assistant Secretaries serve as focal points of contact between the Department and the missions, in both substantive and administrative matters. Among other changes made was that the chief of each foreign mission is designated as the responsible official for the area to which he is assigned; the intelligence unit has been strengthened; intra-agency arrangements have been made for coordination between action staff segments and between various units within each segment, in the Office of the Under Secretary; and special arrangements have been made to assist interdepartmental coordinating agencies.

Only two of the recommendations of the Hoover Commission in the field of foreign affairs have not been implemented fully: (1) That the Foreign Service be amalgamated with departmental personnel in Washington, above certain levels, into a single Foreign Affairs Service; and (2) that the State Department should not be given responsibility for the operation of specific programs.

The recommendation regarding the amalgamation of departmental and Foreign Service personnel systems is well on its way to full implementation. At the outset, many perplexing problems were presented, largely due to the fact that had this recommendation been carried out immediately, all persons serving in departmental positions in Washington who are concerned with the conduct of foreign relations would have been required to serve anywhere in the world. Immediate application of the plan would, therefore, have caused many resignations which would have seriously depleted the departmental service and hampered effective operation of the Department. Because of its many worth-while aspects, however, the Secretary of State set up a research committee in the Department in 1949 to make a preliminary study of the recommendation and its accompanying problems. In January 1950, the Secretary established an Advisory Committee on Personnel to advise him whether fundamental changes were required.

In March 1951, the Department made public a plan for improvement in personnel administration, following a detailed explanation of it to the Senate Foreign Relations Committee and the House Foreign Affairs Committee. The plan provided for a considerable overhauling of personnel methods and procedures and for the gradual

merger of the departmental and Foreign Service staffs over a period of years so as not to disrupt the orderly operations of either service. The major portions of these reforms could be accomplished by administrative action, but some legislation was essential, and a bill (H. R. 5723, 82d Cong.) was submitted to the Congress in October 1951. It failed of passage, but will be resubmitted to the Eighty-third Congress.

In the meanwhile, the Department revised administrative procedures so that as junior officers are recruited to fill the basic needs of dual service positions, it is made clear that they will be required to serve anywhere in the world, depending upon the needs of the service.

The remaining recommendation—that as a rule the State Department should not operate programs—is really a statement of principle. It applies primarily to an international information program and a technical-cooperation program, which are now operated by the Department. This proposal conflicts with the suggestion contained in the same report: That the Congress should vest any new powers over foreign affairs in the President or in an established agency, rather than in any new bodies. Since both of these programs are integral parts of the foreign policy of the United States, it is difficult to understand where Congress could have assigned them, if not to the State Department. The Hoover Commission recognized this difficulty by stating in its report that “operational responsibility, for the present at least, must remain in the State Department in default of any other satisfactory location in the executive branch.”

With respect to the information program, the commission further qualified its recommendation by stating that there was an urgent need “for freeing the Assistant Secretary, Public Affairs, from devoting his personal attention to details of an operational nature.” It then suggested that “this end can be equally attained, however, by reorganization within the public affairs area. One possibility is the creation of a new post under the Assistant Secretary of a ‘general manager’ to whom would be assigned full operational authority and responsibility for the Voice of America and such other portions of the foreign information program as are primarily operational in character.”

This suggestion has been adopted by the establishment, within the Department on an operating level, of a United States International Information Administration, headed by an Administrator, whose responsibility runs directly to the top level, and who is entirely divorced from the Assistant Secretary, Public Affairs. The major objection to operating programs has been removed as regards the Technical Cooperation Administration, by establishing it on an operational level under an Administrator who reports directly to the top level.

The foregoing review of administrative and legislative action indicates that to all intents and purposes the recommendations of the Hoover Commission in the foreign-affairs field have been implemented fully to the extent that they are feasible and practicable. The only exception is the full amalgamation of the departmental personnel of the State Department with the Foreign Service, which cannot be completely accomplished, to the extent that it is advisable, until new legislation is enacted.

REPORT No. 6—DEPARTMENT OF AGRICULTURE

This report contained a total of 16 recommendations for the organization of the Department of Agriculture. A number of legislative proposals have been filed in the Congress which would group these recommendations into a single action. The approval of this proposed legislation, as presented, would have had the effect of vesting all functions of the Department in the Secretary and granting to him authority to reorganize his Department in accordance with the recommendations of the Commission.

The first of these proposals was a bill submitted to this committee by the Hoover Commission, which was drafted by its attorneys with a view to carrying out recommendations contained in this report. This draft was filed in the Senate by Senator McCarthy (S. 2055), and referred to the Senate Committee on Agriculture and Forestry where no action was taken during the Eighty-first Congress.

The President subsequently submitted Reorganization Plan No. 4 of 1950, providing for the reorganization of the Department, including the transfer of all the functions vested in other officers, employes, and agencies of the Department to the Secretary, except the functions conferred on hearing examiners, corporations, boards of directors and officers of such corporations, and the Advisory Board of the Commodity Credit Corporation. The plan also authorized the Secretary to redelegate such of his responsibilities as he might determine to any officer, employee, or agency within the Department, and established an Administrative Assistant Secretary and two additional Assistant Secretaries. This plan, together with a resolution of disapproval (S. Res. 263), was considered by this committee, the majority of whom concluded that the plan contained an unwarranted delegation of authority to the Secretary on a permanent and continuing basis without restriction or restraint as to how and when it would be exercised. The plan was opposed by eight members of the Hoover Commission Task Force on Agriculture, on whose report the Commission's recommendations were based. The chairman of the task force, Dean H. P. Rusk, concluded in his testimony before the committee, that—

the record of a previous attempt during the years to secure a more effective, economical organization of this and other departments of the executive branch of the Government shows that the absence of specific directives places the Secretary in a very weak position with regard to vested interests in and outside of the Department. We, as former members of the agriculture task force, believe that Reorganization Plan No. 4 should be rejected, and that specific directives should be provided by the Congress to effectuate the basic principles and recommendations of the Commission. I am advised that legislation is now being prepared to accomplish this objective. \* \* \*

The committee recommended, and the Senate approved, the rejection of the plan by adoption of Senate Resolution No. 263. The basis for this action was set forth in detail in the committee's report (S. Rept. 1566, 81st Cong.), as follows:

Reorganization Plan No. 4 authorizes the Secretary to consolidate or abolish long-established components in conformity with any over-all national farm program that may be adopted by this or any incoming national administration. It authorizes the Secretary of Agriculture to take actions which would in effect destroy the will of the Congress as expressed in basic legislation setting up the various functions of the Department of Agriculture, and bring the policies of the Department under direct political control of the President.

The majority of the committee feels that Reorganization Plan No. 4 deals primarily with "matters of substantive policy" which have been established by the Congress after many years of study. It is the opinion of a majority of the committee that to grant the Secretary the powers contained in this plan would mean that the Congress is abjectly surrendering its legislative authority to the Secretary of Agriculture without any indication as to how it will be used and without veto powers over any reorganization effected thereunder.

The plan contains no compulsion or mandate to the Secretary that he shall reorganize the Department, nor is there any provision in the plan which would place any limitation on his authority to disrupt one service with which he is not in full accord in favor of another which he might favor. It places in the Secretary a blank check to use or not in any manner he may desire now and hereafter without advance indications to the Congress as to what action he will take to effect reorganizations either in accord with or opposed to Hoover Commission recommendations.

As was done in regard to other recommendations of the Hoover Commission, a bill (S. 1149) was resubmitted to the Eighty-second Congress, designed to implement all the recommendations relating to the Department of Agriculture, and referred to this committee. Extensive hearings were held during August and September of 1951 in an effort to resolve the differences between the various groups and to draft a committee bill which would overcome as many of these objections as possible and to conform both to the legislative directives of the Congress and the organization objectives of the Hoover Commission. These hearings developed vigorous opposition to practically every one of the Hoover Commission's recommendations in this report. The opposition centered on the proposal which would have vested all functions and reorganization authority in the Secretary, previously rejected under Reorganization Plan No. 4 of 1950. The committee, therefore, endeavored to redraft the bill in such a manner as to overcome the objections raised at the hearings by Federal officials, representatives of farm organizations, and others.

The staff, at the direction of the committee, prepared several drafts of a proposed committee bill, the last of which received tentative committee approval as to reorganization phases, but the committee was still of the opinion that the proposed reorganizations would effect such vital changes in legislative policies established by Congress that action should be deferred until many of these policy problems had been fully explored and determinations made as to whether the safeguards provided in the bill were adequate.

The final draft of this revised bill differed from the original bill, S. 1149, which constituted an interpretation of the Citizens Committee for the Hoover Report as to actions required to fully implement the Hoover Commission's recommendations, as follows:

1. It eliminated the provisions which would have vested all functions and reorganization authority in the Secretary.
2. Provided a revised organizational structure to meet objections raised at the hearings, while conforming as nearly as possible to the Hoover Commission's recommendations.

The major changes in this section of the original bill would consolidate the Soil Conservation Service and the Production and Marketing Administration into an Agricultural Conservation Production Service, and create a Forest and Range Service. This would have eliminated the recommendations of the Commission which proposed the establishment of an Agricultural Consultation Service, an Agricultural Resources Conservation Service, and a Commodity Marketing

and Adjustment Service, which the Secretary held would bring about a rigid, unrealistic structure impractical of administration. In his testimony, the Secretary also contended that the establishment of a Regulatory Service, as proposed by the Hoover Commission, would be uneconomical since much of the existing regulatory authority is delegated to the operating field services. The committee, therefore, proposed to vest all regulatory functions in the Secretary instead of creating a Regulatory Service, in order that he might redelegate this authority as he may determine.

In lieu of the provision as outlined in No. 1 above, the committee would have vested authority in the Secretary to make transfers and to bring about better coordination of functions within the statutory structure prescribed in No. 2, when, in his opinion, such action would improve administration, reduce expenditures, and promote economy and efficiency, and when such reorganization changes had the approval of the jurisdictional committees of the Congress.

3. Eliminated the proposal to transfer vocational education functions from the Federal Security Agency to the Department of Agriculture. The evidence submitted at the hearings indicated that there was little or no support for such a transfer, and that it was not in the public interest to subjugate this purely educational function to the control of the Secretary of Agriculture.

4. Eliminated all sections dealing with the creation of State, county, and local advisory committees as being substantive legislation of such vital importance that the administration of the whole agricultural program would be seriously and probably adversely affected if the Hoover Commission's recommendations in this area were adopted. It was the view of this committee that these recommendations involved substantive legislative policy. The effect of adoption of these sections of the original bill would have been to completely disrupt all policy determinations of the Congress. By reducing State, county, and local committees to an advisory status, and vesting their functions in the Secretary or his agent, the farm program would be brought under direct Federal control and any effective farmer control over the administration of programs affecting his interest and welfare would be removed.

5. Provided safeguards relating to the proposed transfer of the Bureau of Land Management from the Department of the Interior to the Department of Agriculture to insure that functions necessary to the operation of the Department of the Interior are retained within that Department. This section also provided that existing laws and regulations approved by the Congress as policy determinations relating to the management and operation of forestry and grazing resources would continue in force for a period of 2 years. The bill required the Secretary of Agriculture to submit to the appropriate jurisdictional committees of the Congress a program for integrating these services before the expiration of the 2-year period.

In a preliminary draft of a report on S. 1149, which was never filed with the Senate, the committee tentatively approved the following language as explanatory to its proposed action:

In reaching a decision as to procedure, the committee was faced with a specific proposal as to determining the character of reorganization to be proposed. Two separate approaches were available. Under S. 1149, as introduced, a basic structure would be established in line with the approach recommended by the

Hoover Commission, but another provision of the bill would then vest in the Secretary of Agriculture complete authority to reorganize that structure, and reassign functions within the Department. It was the opinion of the committee that these sections were inconsistent and that one of the basic sections of the bill would completely abrogate the reorganizations proposed under another.

The alternate approach was to endeavor to conform as nearly as possible to the Hoover Commission's recommendations relative to the establishment of a basic structure for the Department, while insuring the continuation of established agricultural policies and of statutory functions authorized by the Congress. To conform to the Hoover Commission recommendation that administrative controls should be vested in the head of the agency, provision has been made in the amendment which would permit the Secretary to make transfers within the structure prescribed where necessary to improve administration or effect economies of operation.

In further explanation of its objectives, the committee tentatively approved a summary regarding the revisions made in the general features of the original bill, as follows:

1. The Senate has previously rejected Reorganization Plan No. 4 of 1950, which would have vested all functions of the Department in the Secretary of Agriculture. The provision in S. 1149, which would have reactivated this plan, has been eliminated by the committee amendment.

2. The organizational structures prescribed in the original bill were found to be impractical of operation and administration. The committee has, therefore, completely revised the organizational structure.

3. The Hoover Commission recommended the establishment of State, county, and local committees which would have only advisory functions with respect to the administration of agricultural programs in the field. The committee took the view that this would constitute a complete departure from the accepted principles of administration of the farm program and, therefore, should be considered by substantive committees of the Congress, and not acted upon as a reorganization measure.

4. The provision in S. 1149 which proposed the transfer of vocational-education functions dealing with agriculture from the Federal Security Agency to the Department of Agriculture was omitted in the committee amendment. This was not a direct recommendation of the Hoover Commission, and the committee held that the functions involved were primarily of an educational nature and should remain in the agency dealing with education.

5. The amendment retains sections (a) creating two additional Assistant Secretaries and an Administrative Assistant Secretary; (b) requiring that customs receipts now allocated directly to the Department (sec. 32 funds) be paid into the Treasury and that direct annual appropriations be made by Congress for specified purposes; (c) that new Federal agricultural-research stations should generally be established only where existing Federal and State facilities cannot be developed to fill the need; and (d) provides for a study of the Federal regulatory functions exercised with respect to food and drugs.

6. The amendment expands the subsection of S. 1149 providing for the transfer of the Bureau of Land Management, retaining under the control of the Secretary of the Interior (in addition to functions with respect to mining and mineral resources) "the conduct of cadastral surveys on the public lands; the administration (other than the classification functions relating thereto) of homestead and other land-disposal and withdrawal laws; and the custody of the public-lands records," which functions the Secretary of the Interior contended were essential to the operations of that Department in the conduct of its mineral-resources activities.

The amendment prescribes that the lands transferred from the Bureau of Land Management to the Department of Agriculture shall not be converted to the same status as those lands presently administered by the Forest Service, but that they shall continue to be administered under existing laws and regulations until a program for such integration is submitted and approved by the Committees on Agriculture.

The amendment attempts to overcome other objections to the proposed transfer of the Bureau of Land Management by requiring that existing laws (including the provisions of the Taylor Grazing Act) now applicable to the operations of functions transferred to the Department of Agriculture under this section shall continue in effect until the Congress has had an opportunity to study the matter and

enact legislation to implement a uniform policy with respect to grazing and forestry. The Secretary of Agriculture is required to submit to the jurisdictional committees of Congress within 2 years a program for integrating the management of forestry and grazing under the newly created Forest and Range Service, with recommendations for appropriate legislation necessary to implement such a program. It is also specifically provided that the present methods and bases of determining grazing fees shall continue for 60 days following the expiration of the 2-year period unless Congress shall have acted prior to the expiration of that period.

After thoroughly reviewing its previous action in trying to work out a compromise bill dealing with the reorganization of the Department of Agriculture, the committee agreed to defer action, pending submission of the revised bill to members of the Senate and House Committees on Agriculture, in order to afford those committees an opportunity to study substantive matters involved which came within their jurisdiction.

The chairman, in submitting copies of the revised bill to members of these committees, pointed out that if the bill, as drafted, were approved and reported to the Senate by this committee, which had primary jurisdiction over reorganizational aspects of the bill, it would involve certain important policy determinations which this committee desired be made known to members of the appropriate jurisdictional committees in order that they might be fully informed and afforded an opportunity to suggest any further desirable amendments designed to make the bill conform to the permanent policy programs approved by the Congress. One of the prime objectives of this committee, in adopting this procedure, was to insure that the interests of the farmers were adequately protected in accordance with the purpose and intent of legislative programs authorized by the Congress.

Officials of the Department were most cooperative with the staff of this committee in developing a workable draft of legislation contained in the amendments to S. 1149, outlined above, before submission to the jurisdictional committees of the Congress. Since, in the pressure of other legislative business, the committee received no official notice of any action taken by either the House Committee on Agriculture or the Senate Committee on Agriculture and Forestry, it did not take any further action on the bill.

In view of the lack of action on the above-outlined legislative proposal, the recommendations of the Hoover Commission in its report on the Department of Agriculture have not been implemented. The staff has estimated that approximately 75 percent of the report will require reconsideration and action by the new Congress, if the recommendations are to be enacted into law.

Although no direct legislative action has been completed to implement the recommendations of the Hoover Commission in its report on Agriculture, the Secretary of Agriculture initiated "a comprehensive departmental management survey to determine further savings," as recommended by the Commission. In his appearance before this committee in regard to S. 1149, on September 11, 1951, he set forth in detail administrative progress made since the Hoover Commission reports were submitted. These included departmental memorandums from the Office of the Secretary of Agriculture: No. 1278, on Coordination of the Department's Agriculture Resources Conservation Services; Memorandum No. 1279, on Coordination of Agriculture Research Services; and Memorandum No. 1280, on Reorientation of

Department Agencies for Agricultural Mobilization Purposes. The Secretary contended the activities of the Department were being efficiently administered in accordance with program legislation approved by the Congress.

#### REPORT NO. 7—BUDGETING AND ACCOUNTING

This report, consisting of 14 recommendations, emphasizes two serious weaknesses in Federal fiscal operations: that the budget does not accurately report costs of Federal activities, and that outmoded accounting methods do not indicate accomplishments for funds expended. The Federal budget is characterized as "an inadequate document, poorly organized and improperly designed." The Commission recommends (1) the establishment of a performance budget, emphasizing work to be done rather than objects purchased; (2) an immediate survey of the appropriation structure to correct diversity of appropriations; (3) separation of current expenditures from capital outlays; and (4) authorization that the President may spend less than full appropriations if congressional purposes are still carried out. The report then contains specific recommendations as to integration and improvement of present accounting procedures and methods in the Office of the Budget and the reorganization of the budgeting, accounting, and auditing structure throughout the Federal Government.

All of the 14 specific recommendations made by the Hoover Commission in this report have been given extended consideration by the Congress, and most of them were incorporated in the Budget and Accounting Procedures Act of 1950. The Senate was directly opposed, however, to the proposed creation of an Accountant General in the Department of the Treasury, on which there had been a division among the members of the Hoover Commission. In the opinion of this committee, which handled the bill, this proposal was in its essence a matter for congressional policy determination.

The Budget and Accounting Procedures Act of 1950 (Public Law 784, 81st Cong.) consists of three titles. Title I enables the President to present the Government's financial program in simple, meaningful terms based on the origin of the funds, their purpose, and costs involved. It also deals with accounting and auditing, and in particular authorizes the Comptroller General to establish the general principles, standards, and related requirements to govern the departments and agencies in establishing and maintaining the accounts for which they are responsible. Title II requires prior approval by department heads before submission of any legislation authorizing subsequent appropriations, and also provides for the adjustments of appropriations made necessary by reorganizations. Finally, title III repeals in whole or in part 106 statutory provisions which were obsolete or in conflict with this statute.

The record shows that the recommendations contained in the Hoover Commission report were in general accord with the joint accounting project initiated during the Eightieth Congress. At that time a program was undertaken by the General Accounting Office, the Treasury Department, and the Bureau of the Budget with a view to completely revising and modernizing the fiscal structure of the executive branch of the Government. At least 2 years prior to the submission of the report of the Hoover Commission, the foundation

for the program had been established and its activities constantly urged upon the participating agencies by this committee. Some aspects of the program were actually in operation on a preliminary trial basis in several agencies before the Commission's report was submitted to the Congress.

The Budget and Accounting Procedures Act not only incorporated the basic recommendations of the Hoover Commission but carried out the program anticipated by the Congress prior to the creation of the Commission itself. In rejecting the provision relating to the creation of an Accountant General in the Department of the Treasury, this committee stated in its report (S. Rept. 2031, 81st Cong.) that this action conforms to "policies established and adhered to over a period of many years by the Congress. The continuation of the functions of the General Accounting Office as an agency of Congress is essential to the maintenance of adequate appropriation and expenditure control by the Congress over the Federal Government, and the committee is convinced the omission of the recommendation for the creation of an Accountant General will in no way interfere with the accomplishment of every other recommendation of the Commission on Organization of the Executive Branch of the Government in its report on budgeting and accounting. \* \* \* In the opinion of this committee, not only is the question of appointing an Accountant General to supersede the representative of Congress—the Comptroller General of the United States—a substantive-policy matter, but the committee further believes that this proposal also concerns primarily the legislative branch of the Government rather than the executive branch, over which the Hoover Commission had no jurisdiction in conducting its survey for reorganizations in the Federal Government."

In its efforts to perfect the accounting system of the executive branch, this committee was impressed with the statement made by the Commission in its report that "Congress, the press, and the public are, therefore, often confused about the total amount of appropriations in any major appropriation bill." In recognizing this deficiency in the legislative structure, and the urgent need for action in order to bring the legislative fiscal structure into focus with the tremendously increased Federal operations, the Commission suggested to the Congress that "a complete survey of the appropriation structure should be undertaken without delay." Following the enactment of the Budget and Accounting Procedures Act of 1950, the chairman of the Senate Committee on Government Operations instructed the staff to proceed immediately with studies which would perfect the fiscal procedures of the Congress in accord with the evident meaning and purport of this recommendation of the Commission, directed at the legislative branch.

A bill designed to meet this and related fiscal policies was introduced by the chairman of this committee in the Eighty-first Congress, S. 2898, providing for the creation of a Joint Committee on the Budget, to serve the Appropriations Committees of the Congress in a manner similar to the functions carried out by the Bureau of the Budget for the President of the United States. Further studies were found to be necessary, however, in order to resolve conflicting views on the part of certain Members of Congress, and to insure that the proposed program would continue to come within present jurisdictional controls of existing committees, particularly the Appropri-

ations Committees. Action on S. 2898 was therefore delayed, but extensive hearings were held on a revised bill, S. 913, in the Eighty-second Congress.<sup>10</sup> S. 913 was reported favorably to the Senate on July 25, 1951. The committee report (S. Rept. 576, 82d Cong.) set forth the purposes of the proposed legislation, as follows:

S. 913 represents months of careful study on the part of the committee to evolve some method by which the congressional fiscal structure can be improved in order that the legislative branch may assume its rightful position in reaching vital decisions affecting the future of the Nation. Confronted with imposing and increasing threats to the national economy because of ever-mounting spending pressures both from internal sources and from abroad, it is essential that the Congress delay no longer in meeting this issue head-on, and solving the problems before it is too late. This committee believes that S. 913 offers at least an approach to the solution of these problems in that the legislative branch would be definitely provided with the equipment to permit it to examine carefully every item of expenditure so that appropriations may be limited to only as much, and no more than, is actually necessary to provide the minimum funds essential to successful operation of the Government. \* \* \*

The proposed joint committee would be assigned several major duties, performing a similar service for the legislative branch as the present Bureau of the Budget now performs for the President and paralleling, as to expenditures, the functions performed by the Joint Committee on Internal Revenue Taxation in the revenue field. It would be required to inform itself on all aspects of the annual budget of the agencies of the Government, to examine expenditure reports, and to investigate the details of Federal operations in order that the Appropriations Committees might be provided with detailed information concerning each item in the budget and the justifications therefor. It would also be required to fully utilize information emanating from the Joint Committee on Internal Revenue Taxation and all other sources as to estimated revenues and changing economic conditions, in order that a well-considered fiscal program may be devised to hold expenditures to the minimum in relation to anticipated Federal revenues and consistent with essential requirements of Government operations and the national security.

In addition, the joint committee would be authorized to report on and recommend appropriate legislative changes to standing jurisdictional committees so that they may eliminate wasteful practices and correct deviations from programs authorized by the Congress, and to recommend cut-backs in such programs when, in the public interest. To aid the Committees on Appropriations in determining the action necessary to conform to this program, the joint committee would be required to submit, at the beginning of each regular session of Congress, and periodically as deemed necessary, schedules of total estimated costs of all programs and projects authorized by the Congress, together with estimated costs of such programs and projects during the current, succeeding, and subsequent fiscal years where the program extends for more than 2 years.

The bill would authorize the employment of adequate staff personnel on a basis of technical and professional fitness and attempts to effect the building up of a permanent qualified staff to insure that efficient service will be rendered to the Congress on a continuing basis.

Section 2 provides that all committees reporting legislation authorizing appropriations must include in their reports estimates as to the initial cost of the project or programs and its continuing cost over the succeeding 5 years.

Section 3 of the bill authorizes the joint committee to recommend joint hearings by the Appropriations Committees and subcommittees thereof, in the interest of expediting action on appropriation measures. This would insure conservation of the time and energy of the members of these committees and administrative officials of the Government, without in any way interfering with the independence of separate committee deliberations and decisions.

S. 913 passed the Senate, with amendments, on April 8, 1952, by vote of 55 to 8. The House Committee on Rules, to which the measure was referred after passage by the Senate, held 6 days' hearings and reported a companion measure (H. R. 7888) favorably for House

<sup>10</sup> Also see hearings on Organization and Operation of Congress, Senate Committee on Government Operations, June 6-27, 1951.

action. Under House procedures, it was necessary to approve a rule permitting consideration of the bill, but that was rejected on a record roll-call vote of 173 to 155 (see Congressional Record, July 3, 1952, p. 9352).

In connection with this action of the House in rejecting a rule to even consider the merits of the bill, the House Committee on Appropriations succeeded in amending the supplemental appropriation bill so as to provide each of the two Committees on Appropriations with a total of \$250,000 annually for additional staff. The action taken was not necessary and did not in any way change existing law. The Legislative Reorganization Act of 1946 authorizes both the Appropriations Committees to employ whatever personnel is required, without limitations as to number or cost, which authorization has not been utilized. This committee has indicated its intention to continue its efforts to improve the fiscal structure of the legislative branch in line with the modernization of the fiscal structure of the executive branch. The Congress will not, until some such action is taken, be able to properly exercise its control over the purse strings as authorized under the Constitution. This can be done without in any way undermining the authority of the Appropriations Committees or changing the accepted practice of permitting the House of Representatives to initiate appropriation measures.

It has been emphasized by some of the proponents of S. 913 that, by providing the Congress with adequate fiscal machinery with which to control Federal expenditures, to cut unnecessary programs, and to eliminate duplication, waste, and extravagance, would bring about savings to the taxpayers far in excess of all economies that could possibly result from the full activation of all the other Hoover Commission recommendations.

Closely related to the general subject matter of Hoover Commission report on budgeting and accounting were a number of measures introduced in the Eighty-first and Eighty-second Congresses proposing various legislative fiscal reforms, which are set forth briefly as a part of the composite legislative fiscal program. The legislative budget provisions in the Legislative Reorganization Act of 1946 created a joint committee to recommend the over-all total to which appropriations should be cut annually, in view of revenue prospects. For various reasons this provision has failed and, hence, various alternatives have been proposed for change in addition to the McClellan bill, S. 913, including Senate Concurrent Resolutions Nos. 18 and 38 of 1949, and No. 27 of 1941. The three resolutions called for an annual omnibus appropriation bill, passage of which would bring about a part of the earlier broad legislative objective of the legislative budget which interrelated total appropriations and revenues. All of the resolutions were reported favorably by the Senate Committee on Rules and Administration, but made little further progress. Meanwhile, efforts have been made by the House Appropriations Committee, and then abandoned after a single year's experimentation, to place an omnibus appropriation bill in action without statutory change.

To meet objections of the executive agencies that the above type of omnibus appropriation bill greatly increases the danger of bad legislative riders, three members of the Senate Committee on Rules and Administration introduced S. 2161 on June 29, 1949, authorizing the President to impound certain appropriated moneys, which was

referred to the Committee on Government Operations. This proposal resembles an item veto in that the President may strike out parts or all of items of appropriations which he deems are "not in the public interest," in general accord with the recommendation of the Hoover Commission, that the President be authorized to spend less than full appropriations if legislative purposes are carried out. In an attempt to meet the constitutionality question involved in this provision, the bill then authorized Congress to reappropriate by simple majority any dollar items stricken by the President. If so reappropriated by the Congress, the President may not again intervene in those cases. S. 2161 made no further progress.

In 1949, Senator McClellan introduced Senate Joint Resolution 108, requiring an over-all cut of not less than 5 percent, nor more than 10 percent, to bring the Federal budget more nearly in balance. The resolution was favorably reported by the Senate Committee on Government Operations (S. Rept. 498, dated June 13, 1949). In order to make further legislative progress, it became necessary to attempt attaching the resolution as an amendment to an appropriation bill; this required a technical vote to suspend the rules and the final vote of 48 to 28 fell three votes short of obtaining the necessary two-thirds majority. Probably this background played a considerable role in the large over-all reduction which the Congress required be made in 1950 appropriations.

Meanwhile, Senator McClellan introduced another proposal, Senate Joint Resolution 131, on September 30, 1949, requiring the President annually to submit along with his regular budget an alternate and balanced budget for the fiscal year 1951. It was felt that Congress would thereby be much more adequately equipped to make specific and informed determinations as to what over-all deficit, if any, developing circumstances may justify. The Senate voted the substance of this resolution as an amendment to the Executive Pay Raise Act of 1949, but it was stricken in conference (H. Rept. 1411). When the Senate Committee on Government Operations favorably reported S. 913, the Joint Budget Committee bill, the committee also favorably reported an accompanying amendment of S. 913 calling for annual submission by the President of an alternate balanced budget. The two proposals were kept separate by the committee so as not to mingle the differing arguments relative to them. The Senate passed and sent along S. 913 for House consideration, without adding to it the amendment calling for an alternate balanced budget requirement.

Except for the two deviations outlined above, which are primarily legislative policy matters and not reorganization proposals, this report has been 100 percent approved and activated.

#### REPORT NO. 8—NATIONAL SECURITY ORGANIZATION

This report contains six basic recommendations, designed to bring about unification and strengthening civilian control over the National Military Establishment. The recommendations cover organization, policy, budgeting, accounting, personnel (civilian and military), and integration of national defense. The report states that there is a serious lack of close working relations within the National Military Establishment, and as a result of this condition, disharmony, lack of uniform planning, waste, and extravagance are prevalent throughout the organization.

The Commission specifically recommended that complete fiscal authority be vested in the Secretary of Defense, that the entire military budget system be overhauled, the adoption of a performance budget, and that the Department maintain complete, accurate, and current inventories. The Commission further recommended that complete authority over the Department be vested in the Secretary, in order that he can maintain control over its operations, in accordance with the general recommendations contained in the report on general management. Other Hoover Commission recommendations covered a variety of subjects ranging from changes in administration of civil-service employees, including decentralization of recruitment, and the establishment of uniform personnel policies; effecting more effective working relations between the Joint Chiefs of Staff, National Security Council, CIA, and the Munitions Board; and the transfer of control over hospital and other medical services to a unified medical administration, as recommended in its report on medical activities. The concluding recommendation of the Commission dealt directly with questions of policy relating to such problems as civilian mobilization, use of advisory boards, formulation of stockpiling policies, and psychological and economic warfare.

Following the submission of the Hoover Commission reports, the National Military Establishment drafted its own bill (S. 1843) to implement the 24 specific recommendations in this report. In addition to the administration bill, a number of other bills were introduced by Members of Congress to carry out specific objectives. One of these, H. R. 2216, amended the National Security Act of 1947 by providing for the establishment of an Office of Under Secretary of Defense (Public Law No. 36, 81st Cong.). The Eighty-first Congress also authorized the Central Intelligence Agency to reorganize and improve its internal structure in accordance with the Commission's recommendations (Public Law No. 110). Enactment of another bill (H. R. 8198) provided for reorganizing the Department of the Army in accordance with the organization structure established under temporary authority granted during World War II. This act (Public Law No. 581, 81st Cong.) established on a permanent basis clear lines of authority from the Secretary to the various services and staff officers, and repealed many statutory provisions which heretofore prescribed organizational details and duties and powers of officers subordinate to the Secretary.

These actions were further coordinated to carry out the purport and objectives of all of the Commission's recommendations on the National Security Organization as proposed in the bill (S. 1843) drafted by representatives of the Hoover Commission and the National Military Establishment, which, after extensive hearings, was enacted into law (Public Law No. 216, 81st Cong.). This act converted the National Military Establishment into a Department of Defense. It provided for basic changes in the composition of the National Security Council, converted the Departments of Army, Navy, and Air Force into military departments without Cabinet status, and vested in the Secretary of Defense complete authority and control over the administration of the new department. The act also authorized the establishment of three Assistant Secretaries of Defense, created the position of Chairman of the Joint Chiefs of Staff, established the Munitions Board as an integrated part of the Department under the jurisdiction

of the Secretary, and made the Research and Development Board advisory to the Secretary as to the status of scientific research relating to the national security.

The act further provided for the establishment of a Comptroller for the Department of Defense and a Comptroller for each of the three military departments and authorized the establishment of a performance-type budget calling for the coordination of the Department's accounting, auditing, statistical, and fiscal policies, procedures, and methods over all appropriations and funds allocated to it. This section of the act was in line with related actions taken by the Congress in approving the Budget and Accounting Procedures Act of 1950 and the Post Office Department Financial Control Act of 1950.

The Federal Property and Administrative Services Act, approved June 30, 1949, provided that the Administrator of General Services establish and maintain such uniform Federal supply catalog systems as may be appropriate to identify and classify personal property under the control of Federal agencies. This act also provided that the Secretary of Defense and the Administrator of General Services shall coordinate the catalog activities of the two agencies so as to avoid unnecessary duplication. Under this authority coordinating committees were established and areas of understanding were agreed to by the Secretary of Defense and the Administrator of General Services. Subsequently the Department of Defense attempted to withdraw from this arrangement. A resolution drafted and approved by the Department of Defense, proposing to separate its cataloging program from all other departments and agencies of the Government, was rejected by the Congress. After the jurisdictional committees of Congress had consulted with representatives of the GSA, House Concurrent Resolution 97 was introduced and adopted, to place the Congress on record as again approving the previously authorized developments of a single supply catalog system, and calling upon the affected agencies to expedite action on the program.

In the Eighty-second Congress the entire program was reappraised, and a bill (H. R. 7405) was introduced in the House which provided for the further consolidation and coordination of the cataloging and standardization program. Under the authority of this act, known as the Defense Cataloging and Standardization Act (Public Law 436, 82d Cong.) a Defense Supply Management Agency was established within the Department and authorized to develop "a single catalog system and related supply standardization program."

During the latter part of the calendar year 1950, the staff of this committee made a study of the procurement and supply system of the Department of Defense, with a view of ascertaining where duplicating and overlapping services are carried on in the Military Establishment. Because of the tremendous size of the Department's supply program and the extent of its operations throughout the world, the staff concentrated on a single segment of the program which could be readily identified and compared with similar civilian activities of the Government. This study revealed that the Departments of the Army and the Navy maintained independent medical-supply systems for their respective services competing against each other for medical personnel, for the procurement, warehousing, and issue of medical supplies and equipment which are procured from the same sources. As a result of duplications of this type, millions of dollars have been

spent for construction and maintenance of warehouses, supply depots, and distribution centers, which the committee recommended should be eliminated by consolidated procurement and distribution of such items of supply. In the spring of 1951, the Intergovernmental Relations Subcommittee of the House Committee on Expenditures in the Executive Departments followed up on this committee's study, and initiated a survey of the management of Federal supply with special emphasis on military-supply management. Extensive hearings and field studies were conducted by the subcommittee and several reports were issued, pointing out deficiencies in the management and operation of the supply and distribution systems.

The information contained in these reports, together with other data and observations of committee members, was made available to the Appropriations Committees of Congress. Based on this information, the Senate Appropriations Committee amended the bill providing appropriations for the Department of Defense, fiscal year 1953, to prohibit any officer of the Department from obligating any funds until the Secretary of Defense issued necessary regulations eliminating duplication of procurement, production, warehousing, and distribution of supplies or equipment or related supply-management functions. This amendment, which became effective on September 5, 1952, will undoubtedly improve the efficiency of the Department and make possible great savings in manpower, material, transportation costs, and appropriations, while increasing the effectiveness of logistics support. In addition, this program will bring about better utilization of trained medical personnel who have been engaged in this type of work rather than in medical care and services.

The Congress also approved Reorganization Plan No. 4 of 1949, transferring the National Security Council and the National Security Resources Board from the Department of Defense to the Executive Office of the President, and Reorganization Plan No. 25 of 1950, which transferred the functions of the National Security Resources Board to the Chairman and made the Board advisory to the Chairman. The latter plan clarified the responsibilities of the NSRB in the mobilization area and permitted the expedition of mobilization of civilian defense programs. The effect of plan No. 4 of 1949 was to bring about closer relations between the National Security Council, the Central Intelligence Agency, the Research and Development Board, the Munitions Board, and the National Security Resources Board. The work of the Central Intelligence Agency was improved under the authority of the basic acts, which resulted in the creation of an Interdepartmental Intelligence Committee and an Interdepartmental Committee on Internal Security under the National Security Council.

Except for minor variations as were found necessary by the appropriate jurisdictional committees to meet the administrative problems outlined by the Secretary of Defense and other officials under whose authority these programs would be carried out, all of the recommendations within the Commission's report on the National Security Organization have been fully implemented. The result has been to improve the structure of the Department of Defense and correlated agencies. Full utilization of the authority provided will also bring about better coordination of Federal procurement and of cataloging systems.

As an indication of the continued benefits that will accrue from the Hoover Commission's reports through actions initiated by the Congress to supplement activation of certain of its recommendations, Public Law 581 of the Eighty-first Congress, which provided for the reorganization of the Department of the Army, is cited. The provisions of this act related directly to developments following the approval of Public Law 216 of the Eighty-first Congress, creating the Department of Defense. Public Law 581 authorized a complete reorganization of the Department of the Army, to accord with actions taken in direct implementation of the Hoover Commission's recommendations, under the basic reorganization program previously approved. This type of action is indicative of the legislative process in following up on these programs as additional facts are developed and information becomes available relative to further desirable changes in the structure of the executive branch, and is a good example of legislative action that may be expected in the future on many of the reports submitted by the Commission.

#### REPORT NO. 9—VETERANS' AFFAIRS

The Commission made six general recommendations in this report to correct "serious organizational defects" which result, among other things, in "conflicting lines of authority to field offices with divided responsibility for programs," an "excess of internal organizational units, many of which are based on a process rather than a program" and, in the final analysis, a general impairment of service to veterans. Six of the twelve specific recommendations contained in this report, relating to changes and improvements in internal management, were in general accord with other recommendations in the reports on general management and general services.

A bill (S. 2019) was introduced in the Eighty-first Congress to carry out another recommendation, which proposed the consolidation of insurance functions into a Veterans' Life Insurance Corporation. The bill was referred to the Senate Committee on Finance, which took no action. A similar bill was reintroduced in the Eighty-second Congress (S. 1138), together with another bill (S. 1151) carrying out the other recommendations of the Commission in its report on veterans' affairs. The first of these measures was again referred to the Committee on Finance, while the latter bill was submitted to this committee. The Subcommittee on Reorganization undertook a study of its provisions, and to make recommendations for action to the full committee.

On receipt of the Hoover Commission's Report on Veterans' Affairs, the chairman of this committee wrote the Veterans' Administrator requesting his views and comments on the recommendations which affected veterans' programs. In response to this request, dated May 23, 1949, General Gray replied fully on June 24, 1949, expressing opposition to some aspect of every one of the Commission's recommendations, contending that studies had constantly been made and would continue with respect to organization of the Veterans' Administration, and stated that "as it becomes evident that changes in organization will promote efficiency in service to veterans or economy without sacrifice of service, the necessary action will be taken." The Administrator also contended that "the present practices on issuance of

directives are believed to be proper," but vigorously opposed the incorporation of the veterans' insurance program, stating that—

a careful consideration of all the factors involved leads me to the conclusion that the creation of a corporation to handle insurance operations would not add any impetus to better service to the policyholders or economy in operation.

The Administrator expressed somewhat similar views regarding other basic recommendations of the Commission relative to readjustment of the compensation and pension services, loan guaranty programs, and the transfer of veterans' medical activities to a proposed United Medical Administration. The latter is dealt with in the report on medical services.

In view of the many problems involved, the widespread interest in the operations of the Veterans' Administration and the opposition views of the Administrator and representatives of veterans' organizations, the President apparently determined that the Hoover Commission report was too broad in its general aspects to warrant action without more adequate and extensive study. He therefore authorized the Veterans' Administrator to enter into a contract for a complete management survey of the central activities of the Veterans' Administration and of certain selected typical field services, with a view to developing more details and basic facts governing the present operations of the Veterans' Administration before attempting to reorganize the agency. It was proposed that such a broad survey would not only provide a better basis for the guidance of the Congress in enacting legislation along the lines recommended by the Hoover Commission, but would also indicate administrative actions which would conform to the purpose and intent of the Commission's recommendations.

The Subcommittee on Reorganization thereupon determined that it would be unproductive to attempt to hold hearings on the pending bill (S. 1151) until the reports of the management firm were available. Accordingly, the subcommittee suggested postponement of action until the new Congress convened, to which the full committee agreed. The House Committee on Veterans' Affairs, in the meantime, started hearings on companion bills to S. 1138 and S. 1151, as well as other reorganization proposals pending before that committee. As the hearings proceeded, however, it developed, as this committee had previously found, that it would be premature to act on the Hoover Commission recommendations until the broader and more comprehensive management reports were made available to the Congress.

In addition to these hearings, a subcommittee of the House Committee on Expenditures in the Executive Departments (now the Committee on Government Operations) held extended hearings in May 1950 on the national service life insurance program, with a view to exploring the possibility of promoting more efficiency in operation and effecting economies in its administration wherever possible. During the process of these hearings, consideration was given to the Hoover Commission recommendations, as well as to many other suggestions relative to the improvement of the Veterans' insurance services.

Although this entire area has been under constant study by the committees of the Congress during the 3 years following the submission of the Hoover Commission's recommendations, it has been the view of the jurisdictional committees that it would be only logical to withhold legislative action until an opportunity had been afforded to fully

evaluate the results of the management survey. It may be concluded, therefore, that while it has been necessary to withhold legislative action on this extensive program, it is only a temporary postponement of such action. If the recommendations contained in the management survey do not permit the Administrator to take administrative action necessary to correct existing abuses and modernize the structure of the Veterans' Administration, legislative direction must be provided for this purpose.

Only certain phases of the six basic recommendations of the Hoover Commission in this report have been carried into effect. A partial implementation of a number of proposals dealing with internal controls were effectuated through administrative action. This includes changing the title of Executive Assistant Administrator to Deputy Administrator, and the appointment of nine Assistant Administrators, with directives being released through the central office as promulgated by the Administrator. Finally, existing laws relating to the certification of educational institutions, although still left to the States, have been strengthened, thus giving effect to the primary objective of this proposal.

Further action on proposed administrative and legislative changes, constituting an estimated 80 percent of the report, will be reconsidered by the Congress in light of the more detailed and elaborate recommendations proposed in the management survey. This survey of the over-all organization and interrelationships of the Veterans' Administration was contracted for on December 28, 1950, at a cost of \$605,000. This approximates one-third of the total expenditures made by the Hoover Commission for its activities, including its task forces of more than 300 specialists who made studies of the operations of the entire Federal Government. In view of the indicated broad coverage of this specialized survey into the activities of the Veterans' Administration, it is not unlikely that there may be many recommendations submitted to the Administrator and to the Congress which would be at variance with the conclusions reached by the Hoover Commission. The recommendations were available to the management firm, however, and were necessarily taken into account before conclusions were reached. Therefore, any future administrative or legislative actions will be based on a more detailed and comprehensive study than was possible by the Hoover Commission.

The chairman of this committee requested the Veterans' Administration to furnish copies of the management survey, completed early in June of 1952, to the committee for staff analysis during the recess period. On the adjournment of the Congress, the staff initiated detailed studies into the operations of the Veterans' Administration, with special emphasis on hospital construction, the utilization of hospital facilities and medical personnel, and on the possibilities of improving the administration of the veterans' insurance program. Although the management report has been withheld from the staff up to the time this report was issued, efforts will continue to be made to obtain the report so that a complete analysis of the recommendations may be made available to the committee on the convening of the Eighty-third Congress. At that time drafts of appropriate legislation necessary to fully implement the objectives contained in the report of the Hoover Commission and the management survey will be prepared by the staff for committee consideration and action. Hear-

ings have already been tentatively set by the chairman of the committee, starting in January 1953, and full committee consideration of all aspects of this report and the report on the management survey is assured.

REPORT NO. 10—DEPARTMENT OF COMMERCE

The Commission, in its report on the Department of Commerce, recommended (1) improvements in departmental administration in accordance with the Commission's recommendations in the report on general management of the executive branch; (2) a grouping together in the Department of Commerce of all major transportation activities of the Government now located in various executive agencies, commissions, and boards, except for independent regulatory functions; (3) transfer of the commercial fisheries activities of the Department of the Interior to a proposed Bureau of Commercial Fisheries in the Department of Commerce; (4) establishment of an interdepartmental committee between the Departments of Commerce, Agriculture, Interior, and State to determine respective commodity-research areas; and (5) limitation of the foreign commerce reporting activities of the Department to highly specialized technical cases, as recommended in the Commission's report on foreign affairs.

In addition to these 5 basic recommendations, the Commission included 14 specific recommendations relative to the internal organization of the Department, providing for the consolidation and coordination of existing functions and those proposed to be transferred to the department. In this group were a number of recommended transfers relating primarily to the proposed centralization of transportation activities within the Department of Commerce.

In implementation of some of these recommendations, plan No. 7 of 1949 transferred the functions of the Public Roads Administration from the General Services Administration to the Department of Commerce (S. Rept. No. 927, 81st Cong.). Prior to the effective date of this plan, August 17, 1949, the Public Roads Administration was a constituent agency of the General Services Administration, where it was placed pursuant to section 103 of the Federal Property and Administrative Services Act of 1949, and designated as the Bureau of Public Roads.

Reorganization Plan No. 5 of 1950 (S. Rept. No. 1561, 81st Cong.) provided for the reorganization of the Department of Commerce, as recommended in this report and in the report on general management. The plan transferred to the Secretary all departmental functions, except those of hearing examiners, the Civil Aeronautics Board, the Inland Waterways Corporation, and the Advisory Board of the Inland Waterways Corporation. It also authorized the Secretary to delegate functions to such subordinates as he deems necessary, and to appoint an Administrative Assistant Secretary. Some opposition developed to the plan because of its failure to exempt the transfer of certain judicial or quasi-judicial functions of the Patent Office to the Secretary. A resolution of disapproval (S. Res. 259) was introduced, but was rejected in the Senate and the plan became effective on May 25, 1950.

Reorganization Plan No. 6 of 1949, effective August 20, 1949 (S. Rept. No. 840, 81st Cong.), had strengthened the administration of the United States Maritime Commission by vesting in the Chairman

responsibility for administrative control, and for the appointment and supervision of personnel. Reorganization Plan No. 21 of 1950, effective May 19, 1950 (S. Rept. No. 1674, 81st Cong.), provided for the abolition of the United States Maritime Commission and transferred its functions to the Department of Commerce, established a Federal Maritime Board, a Maritime Administration, and an office of Under Secretary of Commerce for Transportation. The functions of the Maritime Administration, except for certain regulatory and subsidy functions which were vested in the Federal Maritime Board, were transferred to the Secretary, with authority to redelegate such responsibility as he may determine to the new Administrator or other official. Plan No. 21 of 1950 was a further step toward a complete revision of the maritime program and the integration of its functions into the Department of Commerce, as recommended by the Hoover Commission.

Reorganization Plan No. 24 of 1950 proposed the transfer of the RFC to the Department of Commerce, where the corporation would be subject to the supervision, coordination, and policy guidance of the Secretary. This plan was in accord with the dissenting views of three of the Commissioners, but was contrary to the recommendations of the majority of the Hoover Commission, who proposed that the RFC be placed in the Department of the Treasury. A resolution of disapproval was filed in the Senate (S. Res. 290), and the plan was rejected by the Senate (S. Rept. No. 1868, 81st Cong.).

Plan No. 1 of 1951, providing for an internal reorganization of the Reconstruction Finance Corporation, was then submitted by the President, approved by the Congress, and became effective on April 30, 1952 (S. Rept. No. 213, 82d Cong.). This plan fixed administrative responsibility in a single Administrator, as recommended by the Hoover Commission, and created a Loan Policy Board and a statutory Board of Review, but continued it as an independent agency.

There were a number of other recommendations contained in this report which were considered in connection with the above-outlined transfers, many of which were carried into effect wholly or partially, either as recommended or as to intent, such as the grouping of all non-regulatory transportation activities within the Department of Commerce, studying marine functions of the Bureau of Customs with eventual transfer to the Department of Commerce if justified, and establishing a coordinating structure in the Department relating to the functions of the Weather Bureau.

Other recommendations in this group were not approved by the Congress for various reasons. Among these were a proposal to establish a Bureau of Civil Aviation to administer the CAA and to issue and enforce air-safety rules with CAB review; transfer of the National Advisory Committee for Aeronautics to the proposed Bureau of Civil Aviation; transfer of motor-carrier safety functions from ICC to Commerce; transfer of car service and safety and railroad-consolidations functions from ICC to Commerce; to assign establishment of transportation-route programs for air, land, and water to the Secretary of Commerce; to transfer all commercial fishery activities of the Department of the Interior to a Bureau of Commercial Fisheries in the Department of Commerce; and to establish an interdepartmental committee to determine commodity-research areas. The reasons for

rejection of these proposals were based primarily upon the premise that they involved basic legislative policy determinations of long-standing controversy among the departments, the industries affected, and the Congress.

Still other recommendations were not approved because they did not conform to what the appropriate committees of Congress considered to be good administrative practice. In the latter group was the proposal to transfer the Office of Defense Transportation from the Executive Office of the President to the Department of Commerce. To have carried out this recommendation would have established the ODT as a permanent component of the Department, which constituted, in effect, repeal of the basic law which provided that it should be liquidated as soon as it performed the functions for which it was created. Accordingly, the Office of Defense Transportation was terminated by Executive order effective July 1, 1949.

The most far-reaching recommendation in this report involved basic policy problems which have been pending before the Congress for a number of years. It proposed that all major "nonregulatory" transportation activities of the Government be grouped in the Department of Commerce. When this committee reported the bill to create the General Services Administration, it included a provision to the effect that the General Services Administrator would be vested with centralized controls over transportation and traffic management, including determination of rates and classification of property and other transportation problems common to all agencies. These were considered to be service functions now performed by many Federal agencies which should be centralized in accord with the over-all program set forth in the report on general services. Strenuous opposition developed to action on this phase of this program, until it could be fully evaluated and permanent legislation drafted by the substantive committees of the Congress. The committee therefore accepted amendments restricting to some extent the authority granted to the General Services Administrator, awaiting the outcome of pending legislative studies by other committees. This matter has been considered by various committees of Congress on numerous occasions, and the recommendation of the Hoover Commission, that this entire policy-determining function should be given to the Secretary of Commerce, has been rejected.

The general basis for rejection of this proposal is set forth in the minority dissenting views of Commissioner Clarence J. Brown, who stated that—

in the field of transportation, the regulatory function is predominant and the executive, promotional, and administrative activities relating thereto must adhere to the broad regulatory structure.

The essence of this argument is that the establishment of central controls, such as a proposed Bureau of Civil Aviation in the Department of Commerce, would supersede many of the regulatory functions of the existing independent boards and commissions on the basis that they were nonregulatory transportation activities. The minority dissent of Commissioner Brown was supported by the Civil Aeronautics Board in its comments on the recommendations of the Hoover Commission. The CAB maintained that this recommendation, which is duplicated in the Commission's report on regulatory commissions, cannot be justified on the grounds of grouping in the Department of

Commerce "nonregulatory transport activities" since such function is distinctly "regulatory" in character, and the consolidation of the functions of promulgation and administration, if effected at all, should be in the Board rather than in the Department. The Board maintained that the approval of such a program would make administration more cumbersome than the existing division of responsibilities.

Another recommendation of the Hoover Commission which met with almost united opposition, even from the Secretary of Commerce who supported most of the recommendations in this report, was the proposed transfer of the National Advisory Committee for Aeronautics to the Department of Commerce. The Secretary of Commerce stated that, inasmuch as all the research now conducted by the NACA is for military purposes and its future work will have little civilian air transport application, there seems to be no valid reason to transfer this organization to the Department. This proposal was also strenuously opposed by the NACA, which set forth eight basic reasons for its opposition, concluding that—

the independent status of the NACA has been a primary factor in its successful operation through three decades, including two world wars, and made possible American supremacy in the air in World War II. Great harm to the national security could easily result from change in status. The present independent status should be continued unless there can be a clear showing a change would result in improvement.

The Congress set up the NACA so that it could act as an independent agency, and included among its members top representatives of other governmental agencies having problems relating to scientific research in the field of aviation. In approving the basic legislation governing the activities of the NACA, the jurisdictional committees determined that it was not desirable or feasible to bring its activities under the supervision of the National Military Establishment, the Department of Commerce, or any other agency. It was held at that time that to do so would change its character, impair its efficiency, lessen its usefulness, reduce cooperation between governmental agencies concerned, and retard the progress of aeronautics. For these and other reasons the Congress disagreed with this recommendation, and no action has been taken on this proposal of the Hoover Commission.

In addition to the actions taken under the reorganization plans submitted to the Congress in 1949, 1950, and 1951, a Hoover Commission bill, S. 2056, was introduced in the Eighty-first Congress, which would have given the Secretary of Commerce all the authority necessary to reorganize the Department of Commerce as recommended by the Commission. The bill would have also transferred to the Department the function of executing the transportation policies of the United States to the extent that such policies entailed the exercise of executive functions. S. 2056 was referred to the Senate Committee on Interstate and Foreign Commerce, where no action was taken. A similar bill was prepared by the Citizens Committee for the Hoover Report and introduced in the Eighty-second Congress (S. 1141) and referred to the Committee on Interstate and Foreign Commerce. This bill attempted to incorporate all of the recommendations of the Hoover Commission for legislative action, but, since that committee took the view that many of these proposals were of such

a controversial nature and so directly opposed to established policies in these various industrial fields, as set forth briefly above, it was not in the public interest to enact them into law. The jurisdictional committees of the Congress will, however, continue to review the recommendations of the Hoover Commission in connection with their consideration of general legislation in these areas, with a view to incorporating those proposals which are later found to be acceptable and in the public interest, after some of the present conflicts have been resolved.

In summation, basic recommendations included in this report have been fully effectuated with relation to improvements in departmental management, and as to certain aspects of the general program calling for the grouping of nonregulatory transportation activities in the department. The proposals relating to the various transfers, with the exception of the effected transfers of the United States Maritime Commission and the Public Roads Administration to the Department of Commerce, involve important regulatory functions and legislative policies with which the Congress has long been concerned. Continuing study of actual operating conditions to determine permanent programs will depend upon developments which may make it good legislative policy to alter the present operating aspects of the programs involved.

#### REPORT NO. 11—DEPARTMENT OF THE TREASURY

The Hoover Commission stated that the adoption of the 10 recommendations in this report would make the Department of the Treasury "the real fiscal center of the Government" by clarifying responsibilities in the fields of (a) assessment and collection of revenues; (b) custody and disbursement of funds; (c) accounts; (d) financial reports; (e) debt and currency; (f) credit; (g) credit institutions; and (h) inspection of liquidating agencies. The report proposed that three nonfiscal functions (the Bureau of Federal Supply, the Coast Guard, and the Bureau of Narcotics) be transferred out of the Treasury, and that the supervision of three lending and guaranty agencies (Reconstruction Finance Corporation, the Export-Import Bank of Washington, and the Federal Deposit Insurance Corporation) be transferred into the Department of the Treasury.

Some of these proposals duplicate recommendations in other Hoover Commission reports. The recommendation proposing the transfer of the Bureau of Federal Supply to the Office of General Services was repeated in the Commission's report on General Services. Likewise, the recommendation in the report on Budgeting and Accounting, calling for the creation of an Accountant General in the Department of the Treasury, is also duplicated in this report. Action on both of these recommendations has been discussed in the reports on general services and budgeting and accounting.

The Congress has also given extended consideration to the Commission's recommendation that the RFC, the FDIC, and the Export-Import Bank be transferred to the Department of the Treasury. The President submitted Reorganization Plan No. 24 of 1950, providing for the transfer of the RFC to the Department of Commerce, with functions of the Corporation placed under the supervision of the Secretary. Neither of these proposals relating to the RFC were acceptable to the Congress.

Following the rejection of Reorganization Plan No. 24 of 1950 by the Senate in the Eighty-first Congress, the President submitted a new reorganization plan in the Eighty-second Congress (Reorganization Plan No. 1 of 1951) which continued the independent status of the Reconstruction Finance Corporation, establishing a single Administrator, abolishing the Board of Directors, and setting forth a procedure for the granting of loans. This plan, which became effective on April 30, 1951, was not in accord with the Commission's specific recommendations, but conformed to the general tenor of the Commission's reports that the Government's financial enterprises or corporations should have centralized administrative control rather than control by a multiheaded board.

There were dissenting opinions filed on the part of five members of the Hoover Commission to proposed agency transfers to the Department of the Treasury. These dissents were based on the view that it was inappropriate to place the Export-Import Bank of Washington under the supervision of the Treasury Department. Three of the Commissioners suggested that it would be more desirable to place the bank in the Department of Commerce. Another Commissioner maintained that the underlying problems involved and the question as to which of the departments should be charged with the supervision of the Export-Import Bank and the Reconstruction Finance Corporation had not been sufficiently explored by the Commission to justify any specific recommendation.

The Board of Directors of the Export-Import Bank of Washington took a similar view and, in response to a request from this committee, stated that—

It is a considered opinion of the Directors of the Export-Import Bank that to place the bank under the supervision of the head of any executive department would contribute nothing to the efficient conduct of the Government, but would on the contrary, through destroying a very effective plan of operation set up in the Export-Import Bank Act of 1945 and the Bretton Woods Agreement Act, incur the risk of creating confusion and of interfering with the efficient performance of the bank's functions.

With this view the jurisdictional committees of the Congress agreed, and therefore took no action on the Hoover Commission's recommendations relative to the Export-Import Bank.

Five Commissioners dissented in some respects relative to the proposed transfer of the Federal Deposit Insurance Corporation to the Treasury. Two of them contended that the Corporation should be left in its independent status unless the Congress determines that all Federal banking agencies, including the Federal Reserve System, should be coordinated in Treasury. Three of the dissenting Commissioners concluded that if the Corporation were put in the Treasury, the only compelling reason for such transfer would be that its bank-examining functions should be more closely integrated with those of the Comptroller of the Currency. They pointed out that this same reason is equally valid as to the bank-examining functions of the Federal Reserve System which require as much and just as little integration as those of the FDIC.

The proposed transfer of the functions of the FDIC, which had been theretofore established by the Congress to meet a specific need in a bank emergency is an excellent example of how many of the Hoover Commission's recommendations, if adopted, would change basic poli-

cies and established legislative programs. The FDIC was established as a unifying link between the State banking and the National banking systems, consistent with the concept of Federal deposit insurance as determined by the Congress. The Congress held that there were fundamental reasons why the FDIC should remain as an independent agency free from the control or interference of any other agency or department, and that to the extent to which such independence of the Corporation might be impaired, the dual banking system would be endangered.

This recommendation of the Hoover Commission was vigorously opposed by the FDIC, which commented in a letter to the chairman of this committee as follows:

The law creating the Federal Deposit Insurance Corporation was not hastily considered and passed by the Congress under stress of the emergency existing in 1933. Numerous proposals for Federal deposit insurance had been carefully studied by the Banking and Currency Committees of both the Senate and House for more than a year before adoption of the first deposit-insurance law. During this period and in the time between the date of enactment of the first law and the date of enactment of the permanent law in 1935, much debate took place on some of the very same proposals that are now before your committee in the Commission and task-force reports.

Serious consideration was devoted to the question of whether Federal deposit insurance was to be a Government guaranty of deposits or a mutual trust established and sponsored by the Government and maintained by the banks. The present system, a mutual-trust arrangement, was adopted in preference to a direct governmental guaranty. Thus, control of the Corporation by any of the executive departments, including the Treasury, was automatically excluded as being inconsistent with the mutual character of the Federal deposit-insurance system, and a bipartisan Board of Directors was given authority for the management of the Corporation as a means of assuring independent and impartial administration.

All of the Hoover Commission's recommendations in its report on the Treasury Department were incorporated originally in a bill introduced in the Eighty-first Congress by Senator McCarthy (S. 2058). Before any legislative action could be taken on this bill, however, the President submitted a reorganization plan (No. 1 of 1950), providing for the reorganization of the Department of the Treasury which incorporated the general management phases of this report.

The original statutes creating the various major operating units within the Department of the Treasury vested certain independent functions in the heads of these agencies, which include the Office of the Comptroller of the Currency, and the Bureaus of Internal Revenue, of Customs, of Narcotics, of the Mint, of Engraving and Printing, the United States Coast Guard, and the Fiscal and Secret Services. Plan No. 1 of 1950 proposed the centralization in the Secretary of all functions of the Department, except those of hearing examiners, but excluded the Coast Guard in time of war, at which time the Coast Guard becomes a part of the Navy. The plan also authorizes the Secretary of the Treasury to delegate functions, to appoint an Administrative Assistant Secretary, and to make necessary transfers of records and funds as required to carry out the plan. A resolution of disapproval was filed against this plan (No. 1 of 1950) on the premise that the proposed centralization of Treasury functions in the Secretary would adversely affect statutory authority vested in the Comptroller of the Currency in connection with the supervision and control of national banks. The plan was rejected in the Senate by a vote of 65 to 13 on May 11, 1950.

Immediately thereafter a new plan was submitted by the President (plan No. 26 of 1950). The new plan was identical to the rejected proposal, except that it specifically exempted the functions of the Office of the Comptroller of the Currency. Since the transfer of the Comptroller's functions had been the primary reason for Senate disapproval of the original plan, this modified plan, having met the objections of the Congress, was permitted to become effective on July 31, 1950.

Reorganization Plan No. 26 of 1950, as approved by the Congress, carried out the basic principles of the Hoover Commission's recommendations in its report on the Treasury Department, including the establishment of a career position of Administrative Assistant Secretary and authority of the Secretary of the Treasury to transfer functions within the Department. No provisions were included for the proposed transfer of certain agencies in or out of the Department of the Treasury. Nor was there any provision for the establishment of the recommended National Monetary and Credit Council, to be composed of Government officials to coordinate monetary policies of the Federal Government agencies. The Senate considered, but failed to act on, Senate Joint Resolution 9 and S. 1559, which were introduced as separate proposals to establish a National Monetary Commission.

The proposal made by the Hoover Commission for the transfer of the Bureau of Narcotics to the Department of Justice was opposed by the Secretary of the Treasury, who suggested that the Commission in making this recommendation had overemphasized the police work of the Bureau. He pointed out that the Harrison Narcotics Act under which the Bureau operates has been held constitutional solely on the ground that it is a revenue measure, that every case under this act involves this revenue, and that it must have a close day-to-day relation with the Bureau of Internal Revenue in connection with the registration of persons dealing in narcotic drugs and other related tax problems. The Secretary also contended that the Bureau of Narcotics was required to work continuously with the Bureau of Customs in the suppression of illegal narcotic traffic. A further and compelling reason against the proposed transfer of this Bureau to the Department of Justice was set forth in a report to this committee by the Department of the Treasury as follows:

\* \* \* The United States Government is obligated under the international convention for limiting the manufacture and regulating the distribution of narcotic drugs (signed in 1931) to maintain a special organization to supervise the trade and suppress illicit traffic. Thus the Bureau of Narcotics could not be merged with any existing bureau or division in the Department of Justice. In 1933, when this question arose following a study by the Bureau of the Budget, President Roosevelt settled it by stating that "There is no intention of abolishing or merging the Bureau of Narcotics. We must respect our treaties." At that time it had been recommended that the Bureau of Narcotics be transferred to the Department of Justice.

Another recommendation in this Hoover Commission report proposed that the Congress should continue its study of the whole question of fidelity insurance for accountable officers of the Government in order to arrive at a simpler and less expensive system. This proposal was duplicated in the Commission's report on budgeting and accounting. Studies of the problems involved in fidelity insurance have been in progress in the Congress for more than 15 years. In 1935 two bills were introduced (H. R. 6680 and S. 2233, 74th Cong.), providing for a

blanket bond for all Government officers and employees required to be bonded, on which the premium would be paid by the Government. On May 18, 1935, the Acting Secretary of the Treasury submitted an adverse report on H. R. 6680 to the chairman of the House Committee on Expenditures in the Executive Departments, stating that a blanket bond for all employees would not be in the interest of efficiency and trustworthy administration of the laws, and the handling of public funds. On March 17, 1947, Senator Downey introduced a bill (S. 911, 80th Cong.) which provided that the Secretary of the Treasury pay the premium on bonds required of postal employees from appropriations made available to the Post Office Department. Because of its limited effect on a single department of the executive branch of the Government, it was referred to the Senate Post Office and Civil Service Committee. The Senate Committee on Expenditures in the Executive Departments (now the Committee on Government Operations), acting on the premise that the bill involved certain aspects of management improvement, and because of its possible effect on Government operations, directed its staff to prepare a revised bill providing for the payment of premium on bonds required of employees in all departments and agencies of the Government. Considerable time and study was devoted to perfecting this measure, but the revised bill was not completed until near the end of the session and was therefore not introduced in the Eightieth Congress.

In the light of the fidelity-bond recommendations in the Hoover reports, new legislation was introduced in the Eighty-first Congress and referred to this committee. The various proposals ranged from bills which would have (a) created a \$500,000 Federal trust fund to provide fidelity bonds for employees without cost to them, and authorized additional appropriations as needed to maintain the fund; (b) required that such a fund be maintained at employee expense; (c) limited the scope of such a plan to post-office employees alone; and (d) limited average total payments by bonded employees into the fund to the average total net amounts paid for defalcations and other losses.

The House passed a bill in the Eighty-first Congress (H. R. 8706), which, along with a number of similar Senate bills, was the subject of extensive hearings before a special subcommittee of this committee. After completion of the hearings, and study and analysis of the subcommittee's recommendations, the full committee voted to postpone action indefinitely for two primary reasons: (1) An estimated annual cost of over one million dollars for the proposed new program was considered to violate the announced policy of Congress of making all possible reductions in nondefense expenditures during present emergency; (2) removal of the present requirement that Federal employees pay the small premiums on their own fidelity bonds might seriously weaken existing personal deterrents against defalcations.

As has been indicated, the proposed transfers to and from the Department received consideration during the Eighty-first Congress, but further action was deferred by the Congress in view of conflict with legislative policy. A new bill was introduced in the Eighty-second Congress (S. 1150) to provide for full implementation of all those recommendations of the Hoover Commission which had not already been approved through legislative action by the Congress, or through adoption of reorganization plans. The bill was referred to

this committee and considered at length by the Subcommittee on Reorganization, which, like the subcommittee in the previous Congress, recommended against any further action on S. 1150, on the basis that the provisions of the bill involved controversial issues of great magnitude, vitally affecting legislative policies. The subcommittee took the view that there was little prospect of favorable action by the Congress until these conflicting points of view could be resolved.

During the consideration of S. 1150, the President submitted two reorganization plans affecting the Department of the Treasury—Reorganization Plan No. 1 of 1952, providing for reorganizations in the Bureau of Internal Revenue, and Reorganization Plan No. 3 of 1952, providing for reorganizations in the Bureau of Customs. The Hoover Commission, in its report on the Treasury Department, stated that—

One of the first handicaps to effective reorganization of the Department is the political appointment of collectors of internal revenue and of customs, and certain other officials. These appointments are regarded by some as sinecures. In any event, they form a bar to orderly development of an experienced staff.

The Commission thereupon recommended the creation of a Consolidated Revenue Service under the direct supervision of an Assistant Secretary, who would be responsible for management, administrative services, and field offices of these agencies, without being subjected to revenue policy determinations and control by other Treasury officials at the Assistant Secretary level. The Commission further recommended that all officials of the Department below that of the new Assistant Secretary should preferably be appointed from the career service without Senate confirmation.

Reorganization Plan No. 1 of 1952 did not deal with the Hoover Commission's recommendation for a consolidated Bureau of Internal Revenue and Customs Service. The plan dealt only with the Bureau of Internal Revenue, the offices of Assistant Commissioner, Deputy Commissioner, collector, deputy collector, and the presidentially appointed Assistant General Counsel for the Bureau of Internal Revenue. It established in lieu thereof three Assistant Commissioners, not to exceed 25 district commissioners of internal revenue, and not to exceed 70 other offices at any one time with such title or titles as the Secretary of the Treasury shall determine. The plan also replaced the presidentially appointed Assistant General Counsel for the Bureau of Internal Revenue with an Assistant General Counsel appointed under civil-service procedure.

A major feature of plan No. 1 of 1952 called for repeal of the requirement for Senate confirmation of the collectors and other revenue officials and provided that they be appointed by the Secretary under civil-service rules and regulations. While the committee's majority report (S. Rept. No. 1259, 82d Cong.) supported reorganization of the Bureau of Internal Revenue, it stressed that the proposed reorganizations would have a serious import and possible adverse effect on the entire revenue policy and structure of the Government. The committee therefore recommended rejection of the plan because it felt the issues involved were of such magnitude as to far outweigh any possible advantages that might accrue from its adoption. The committee's views were based on the evidence presented at the hearings, that there would be little improvement in the administration of the Bureau, and that no claims had been made that any economies would

be effected as a result of the reorganizations incorporated in the plan. On the other hand, a minority report submitted by certain members of the committee took a strong position in favor of the plan, with particular reference to the establishment of a career service from top to bottom. The resolution of disapproval (S. Res. 285) was reported favorably to the Senate by a majority of this committee, but failed to obtain a constitutional majority of the membership of the Senate, required for rejection. Plan No. 1 of 1952 therefore became effective on March 15, 1952.

Following the approval of this plan, the President submitted Reorganization Plan No. 3 of 1952, providing for reorganizations in the Bureau of Customs. This plan was designed to shift the existing method of appointment of customs officials by the President, subject to Senate confirmation, to the Secretary of the Treasury under civil-service rules and regulations. In addition, it provided for the abolition of certain offices and functions, and established such other offices as might be determined by the Secretary of the Treasury. A resolution of disapproval (S. Res. 331) was introduced in the Senate and referred to this committee for consideration. A majority of the committee approved the resolution of disapproval (S. Rept. No. 1748) primarily on the basis that (a) plan No. 3 would not remove political aspects of the appointments to the Customs Service by simply placing them under civil service; (b) the plan contained substantive legislative proposals not intended to be vested in the President by the Reorganization Act of 1949; (c) by abolishing certain functions contained in the plan, statutory rights of judicial review would be endangered; (d) adoption of the plan would reduce the chances of achieving a Consolidated Revenue Service, as strongly recommended by the Hoover Commission; and (e) the plan would create supergrade civil-service posts in excess of fixed limitations previously established by the Congress. The resolution of disapproval was agreed to in the Senate on June 18, 1952, and the plan therefore became inoperative.

The Congress approved a special act (Public Law 636, 81st Cong.), recommended by this committee, which applied to the activities of the Bureau of Engraving and Printing in the Department of the Treasury in the conduct of the fiscal operations of that unit. This act required the Bureau to use a business-type budget procedure and to set up a revolving fund for financing its operations in line with the fiscal program set forth in the Budget and Accounting Procedures Act of 1950. These changes were not specifically recommended by the Hoover Commission, but conform generally to the purposes set forth in its reports on the Treasury Department and budgeting and accounting.

In summation of action taken on this Hoover Commission report, it is estimated that approximately 70 percent of the Commission's recommendations as applied to the operations of the Department of the Treasury have been fully implemented, with another 20 percent partially in operation. Those that have not been approved include recommendations relating to transfers to and from the Department as set forth hereinbefore, and to internal reorganizations of the Department. Actions taken have not adhered entirely to the specific language of the Hoover Commission's proposals. As a matter of fact, the Commission, recognizing the difficulties that would be encountered in translating its recommendations into legislative form, stated that

"no hard and fast rule of organization" was being presented. It might, therefore, be concluded that substantially all of the recommendations in this report have been carried out as to purport and intent, except those specifically requiring the transfer of the Coast Guard to the Department of Commerce, the Bureau of Narcotics to the Department of Justice, and certain independent fiscal agencies (i. e., RFC, FDIC, and Export-Import Bank) into the Department of the Treasury, all of which involve important legislative policy determinations.

#### REPORT No. 12—REGULATORY COMMISSIONS

The broad objective of the 12 recommendations in the report on regulatory commissions was to enable the 9 independent regulatory agencies of the Government to discharge more effectively their primary functions of regulating various aspects of the Nation's economy. This was to be accomplished by (1) streamlining and improving administrative procedures, by transferring to the respective chairmen of the agencies concerned all administrative responsibility with authority to delegate; (2) strengthening of internal structures by providing for uniformity and assurance of tenure when not provided by existing law, and by increasing salaries of board members; (3) transferring certain purely executive functions to appropriate agencies within the executive branch; (4) extension of the principle of bipartisan representation to those commissions where not required; and (5) study by the Bureau of the Budget designed to suggest ways and means for reducing the cost of disposing of business before these agencies.

To relieve the regulatory agencies from responsibility for purely executive functions, the Commission submitted specific recommendations for the transfer of the power-planning functions of the Federal Power Commission to the Department of Interior; and (a) the functions of the Maritime Commission relating to construction, operation, charter, and sale of ships, (b) of the Interstate Commerce Commission relating to safety, car service and equipment inspection, and (c) the promulgation of aircraft-safety regulations of the Civil Aeronautics Board, to the Department of Commerce. These proposed transfers were duplicated in the reports on the Departments of Interior and Commerce.

Four bills (S. 2073, S. 2059, S. 2330, and S. 2340), designed to implement various recommendations contained in this report, were introduced in the Senate during the Eighty-first Congress. They were based upon drafts prepared by attorneys for the Hoover Commission and represented slightly different approaches to the same objective. S. 2073 and S. 2059, omnibus bills, introduced by Senators McClellan and McCarthy, incorporating virtually all of the Commission's proposals, were referred to this committee. S. 2330 dealt with six regulatory agencies under the policy jurisdiction of the Committee on Interstate and Foreign Commerce and was referred to that committee for appropriate action. S. 2340 dealt with three regulatory agencies under the jurisdiction of the Committee on Banking and Currency and was referred to that committee. The last two bills, duplicating certain sections of the omnibus bills, were introduced by the chairmen of the respective committees in order to insure proper consideration of policy determinations by these jurisdictional committees.

No action was taken on any of these four bills, primarily due to the fact that the President submitted eight reorganization plans affecting regulatory agencies, (No. 6 of 1949, and Nos. 7, 8, 9, 10, 11, 12, and 13 of 1950), all of which proposed to vest administrative responsibility for day-to-day operations of the Maritime Administration, the ICC, FTC, FPC, SEC, FCC, NLRB, and CAB in each of the respective commission chairmen, in accordance with recommendations in this report and the report on general management. All of these plans, except No. 12, provided for (1) the transfer of administrative functions from the commissions to the chairmen; (2) authority of redelegation of administrative functions by the chairman to commission officials, employees, and staff units; and (3) Presidential appointment of commission chairmen, except for the Maritime Commission, FCC, NLRB, and CAB, where such authority is already provided by statute. Plan No. 12 provided specifically for the transfer of independent functions of the NLRB General Counsel to the Board and abolished the General Counsel's office.

The issue in connection with approval of each of these plans was whether the vesting of administrative powers in the chairman would impair the independence of the regulatory agencies as quasi-judicial arms of the legislative branch. Opponents of the plans, which included practically all of the regulatory commissions affected (except for certain specific recommendations), maintained that placing responsibility in the chairman for appointment of personnel, distribution of commission business, and expenditure of commission funds would result in that officer's domination of the operations of the respective commissions, thus exerting an undesirable influence upon their regulatory functions. By vesting the administrative functions in the chairman, it was held that the President could, through his power of appointment, control decisions of the commissions in the discharge of their regulatory duties. Opponents of plan No. 12 contended that the transfer of the independent functions of the NLRB General Counsel to the Board would largely destroy the effectiveness of the Taft-Hartley Act, which vested labor-management prosecutory functions directly in the General Counsel rather than in the Board. It was also felt that such action would violate the constitutional separation of the investigatory or prosecutory functions from judicial determinations.

A favorable report was submitted to the Senate by this committee on plan No. 6 of 1949, approving the reorganization of the United States Maritime Commission, in conformity with the Hoover Commission's recommendations, and the plan became effective August 20, 1949. Resolutions of disapproval were filed in the Senate with respect to plans Nos. 7, 8, 9, 11, and 12. The Senate adopted resolutions of disapproval as they related to the ICC (No. 7), FCC (No. 11), and NLRB (No. 12), which were approved by the Senate, and the plans did not become effective. Resolutions of disapproval of plans affecting the FTC (No. 8) and FPC (No. 9) were defeated in the Senate and these plans became effective on May 24, 1950. No resolutions of disapproval were filed on plans No. 10 (SEC) and No. 13 (CAB), which also became effective on May 24, 1950.

A number of bills were filed in the Senate relating to the various aspects of the Hoover reports on regulatory commissions, some of which were incorporated in the above-outlined reorganization plans.

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These measures contained special provisions, such as increases in the salaries of members of the FCC and NLRB. They failed of passage due to the fact that most of these separate proposals were incorporated in Public Law 359, approved October 15, 1949, increasing salaries in the executive branch, as recommended under the Hoover Commission report on personnel management.

In the Eighty-second Congress, a new bill (S. 1139) was introduced for the purpose of effectuating those recommendations of the Hoover Commission applying to regulatory commissions which still required legislative action or for which reorganization plans had been submitted and disapproved. An analysis of this bill, which was referred to this committee, revealed that some of its provisions were identical with proposals submitted by the President during the previous session, in the form of reorganization plans rejected by the Senate by a substantial vote. After careful consideration, the committee concluded that it would serve no useful purpose to resubmit these sections of the bill to the Senate, particularly in view of their recent rejection. Other sections of the bill, which were designed to promote uniformity in the regulatory agencies with respect to tenure of office of commissioners and board members of the regulatory agencies, appeared to merit further consideration. However, they were objectionable in the form in which they were submitted in that they tended to infringe upon both presidential and senatorial prerogatives and authority. In an effort to overcome these objections, extensive staff studies were initiated, resulting in amendments to the original measure which would accomplish the projected reforms without doing violence to these prerogatives.

The committee, in conformity with these objections, amended the bill to provide (1) that the President may remove for cause only (inefficiency, neglect of duty, or malfeasance in office) commissioners of the Federal Power Commission, the Federal Communications Commission, and the Securities and Exchange Commission; and (2) that the commissioners and board members of the Federal Power Commission, Securities and Exchange Commission, Federal Communications Commission, Civil Aeronautics Board, and the National Labor Relations Board whose terms had expired shall continue in office until the appointment and qualification of a successor, but in no event for a period of more than 60 days after the expiration of such term of office. The language of this bill was perfected by the Subcommittee on Reorganization, reported in amended form to the full committee on April 1, 1952, and approved and reported to the Senate on April 3, 1952 (S. Rept. No. 1401). The bill passed the Senate on April 9, 1952, without dissenting vote, and was referred to the House Committee on Expenditures in the Executive Departments, where no further action was taken.

With the approval of S. 1139, the Senate completed consideration and action on each and every recommendation made by the Hoover Commission in this report. To the extent that such recommendations were consistent with established legislative policies and in conformity with the separation of regulatory functions from administrative controls of policy-determining departments or agencies, they received favorable action. These regulatory commissions were established primarily by the Congress to act on an independent basis in the public interest, and free from direct control by the President over

either their activities or their decisions. The basic statutes provided that they be primarily responsible to the Congress of the United States as the elected representatives of the people in order that they might be responsive to the general public interest and in a position to carry on their activities without improper influences from other governmental agencies. This committee, and the Senate, determined therefore that favorable action on these proposals would seriously impair the operations of these commissions and would tend to undermine their independence of action.

#### REPORT NO. 13—DEPARTMENT OF LABOR

In this report the eight recommendations of the Hoover Commission proposed broad reorganization of the Department of Labor in an effort to carry out the objectives set forth by the Commission to restore the Department to a major element of the executive branch. In the years immediately preceding the establishment of the Hoover Commission, it had been stripped of many functions, and the Hoover Commission proposed that the following major functions should be transferred back to the Department: (a) Bureau of Employees Compensation and Employees Compensation Appeals Board from the Federal Security Agency; (b) Bureau of Employment Security, including the United States Employment Service, Veterans' Employment Service, and Unemployment Compensation from the Federal Security Agency; (c) Selective Service System, including appeal boards, operating as an independent agency; (d) the determination of minimum wages for seamen from the Maritime Commission; and (e) research surveys to determine prevailing wages now conducted by various agencies.

The Commission also made specific recommendations for the improvement of departmental management, duplicated under general recommendations contained in its report on general management.

It further proposed that a study be made of industrial hygiene functions for a logical division of labor and health functions to appropriate agencies.

The President submitted Reorganization Plan No. 2 of 1949, providing for the transfer of the Bureau of Employment Security from the Federal Security Agency to the Department of Labor, which became effective on August 20, 1949.

On March 13, 1950, the President submitted Reorganization Plan No. 6, providing for the reorganization of the Department of Labor, which had as its major purpose the vesting of greater administrative responsibility for operation of the Department in the Secretary, as recommended in this report and in the Commission's report on general management. The plan was reported favorably by this committee (S. Rept. No. 1684) and became effective on May 24, 1950.

Reorganization Plan No. 14 of 1950, providing for the centralization in the Secretary of Labor of authority to prescribe uniform labor standards for all Government departments concerned, in general conformity with the Hoover Commission's recommendations relative to rebuilding of the Department of Labor through the centralization therein of functions relating to labor, was reported favorably by this committee (S. Rept. No. 1546), and became effective on May 24, 1950.

Reorganization Plan No. 19 of 1950, providing for the transfer of the Bureau of Employees Compensation, and the Employees Compensation Appeals Board, from the Federal Security Agency to the Department of Labor was also reported favorably by this committee (S. Rept. No. 1549) and became effective on May 24, 1950.

The remaining recommendations in this report were incorporated in a bill, S. 1142, introduced in the Senate in the Eighty-second Congress, as drafted by the Citizens Committee for the Hoover Report, and referred to this committee for consideration. The Subcommittee on Reorganization held hearings in February 1952, following which a report was submitted and approved by the full committee. As recommended by the subcommittee, further action was indefinitely postponed, since the recommendations of the Hoover Commission incorporated in this bill were considered neither necessary nor desirable. The committee based its conclusions on the fact that some of the provisions of this bill had far-reaching policy implications which would make important substantive changes in long-established congressional policy, and that to approve the bill would be contrary to many of the Hoover Commission's major recommendations.

Specifically, the bill contained provisions which would (1) transfer the Selective Service System to the Department of Labor; (2) transfer all functions of the Federal Maritime Board (already transferred to the Department of Commerce under Reorganization Plan No. 21 of 1950) relating to the determination of minimum wages on privately operated vessels to the Secretary of Labor; and (3) direct the Secretary of Labor and the Federal Security Administrator to make a detailed study of industrial hygiene functions of the Government so as to work out a logical division of functions among the agencies in the Department of Labor and the Public Health Service.

The committee, after fully evaluating testimony from all the affected agencies, including the Secretary of Labor, recommended against the enactment of S. 1142. The proposed transfer of the Selective Service System to the Department of Labor was opposed by all witnesses appearing before the committee. These views were based upon the fact that conditions had changed considerably since the Hoover Commission made its original recommendations, and that the work of the Selective Service System no longer entailed a record-keeping operation, but was now a very important operating agency carrying out essential functions directly affecting manpower problems relating to the national security of the United States. The proponents of the bill agreed that it would be inadvisable to effect this transfer at this time, because of a change in circumstances during the 2½ years elapsed since the Hoover Commission made its recommendations, and that it would be preferable to have the Selective Service System continue to operate on an independent basis, at least until the national emergency has passed.

The committee also recommended against the proposed transfer from the Maritime Administration of the Department of Commerce to the Department of Labor the functions relative to the determination of minimum wages for merchant seamen on privately owned, subsidized vessels. All witnesses agreed, including the Secretary of Labor, that no useful purpose would be served by such action since the determination of minimum wages on such vessels is an integral part of the Maritime Administration's functions of determining operating

subsidies, and that these wages do not appear to have any appreciable effect upon wage scales generally. Finally, the committee was able to insure the consummation of an agreement between representatives of the Federal Security Agency and the Department of Labor to conduct a joint industrial hygiene survey, as recommended by the Hoover Commission, without the necessity of legislative action.

In summation, an analysis of the above actions clearly illustrates that the recommendations of the Hoover Commission in its report on the Department of Labor have been fully effectuated or carefully analyzed by the committees of the Congress and appropriate action taken thereon when consistent with the broad objectives of the Commission and in accord with legislative policy.

#### REPORT NO. 14—DEPARTMENT OF THE INTERIOR

In this report, probably the most highly controversial of all the reports submitted by the Commission, 15 specific recommendations propose that the major subsoil, water development, and public works activities of the Government be centered in the Department of the Interior. Some of the Commissioners disagreed with the majority and filed dissenting views on various aspects of the report.

The Commission rejected the recommendations of its task forces on natural resources for the establishment of a Department of Natural Resources, and the recommendations of its task forces on public works for the establishment of a Department of Works. Three of the Commissioners agreed in substance with the first of these recommendations and proposed the establishment of a Department of Natural Resources, replacing the Department of the Interior, but disagreed with the Commission in its recommendation that public works should be consolidated with natural resources. They also opposed the majority recommendations that the Bureau of Land Management should be transferred to the Department of Agriculture, and that the commercial fisheries should be transferred to the Department of Commerce. Probably the most controversial feature of the entire report was the recommendation suggesting the transfer of all flood-control and river and harbor improvement functions of the United States Corps of Engineers from the Department of the Army to the Department of the Interior. Two of the Commissioners filed strong dissenting views to this recommendation.

Except for the general management proposals, relating to the internal operations of the Department as covered under general recommendations in other reports, practically every recommendation contained in this report has met with strong opposition from the agencies affected, and in the Congress. The Hoover Commission's first recommendation was the creation of a Board of Impartial Analysis for Engineering and Architectural Projects, which would be authorized to determine the validity, economic justification, and timing of all public works projects. Chairman Hoover preferred two boards for each of the different type projects, and Commissioner Forrestal opposed the establishment of independent boards. A bill was introduced in the Eighty-first Congress by Senator McCarthy (S. 2057) to carry out this and other recommendations in this report, as drafted by the attorneys for the Hoover Commission. No action was taken during the Eighty-first Congress, and a new bill was therefore introduced in the Eighty-

second Congress (S. 1144) which incorporated only this specific recommendation. This bill was referred to the Senate Committee on Public Works where no action was taken.

The Commission repeated its general recommendations in its report on general management, relative to the reorganization of the Department along functional and major purpose lines, following which it submitted the specific recommendation for the transfer of (a) Bureau of Indian Affairs to a new Department of Social Security and Indian Affairs (duplicated in Rept. No. 15 on social security, education, and Indian affairs); (b) the transfer of land management (except minerals) to the Department of Agriculture (also repeated in its report on the Department of Agriculture); and (c) transfer of commercial fisheries from Fish and Wildlife Service to the Department of Commerce (repeated in its report on the Department of Commerce). One or more Commissioners objected to each of these recommendations.

The Commission also recommended the grouping of agencies "related to the development of natural resources and construction according to their major purposes" be transferred to Interior. Proposed transfers included (a) flood control and rivers and harbors improvements from the Department of the Army; (b) public building construction from the Federal Works Agency; (c) community services from the Federal Works Agency; and (d) certain major construction assigned on behalf of other agencies of the Government, except where carried on by grants-in-aid programs. The Commission submitted specific proposals for the internal organization of the Department, including the major purpose grouping of agencies proposed to be assigned to the Department. To better coordinate these functions, it was recommended that the following policies be adopted: (a) Clarification and codification of the laws pertaining to the Bureau of Reclamation; (b) creation of a Drainage Area Advisory Commission for each major drainage area; (c) all construction under any international agreements be carried on by the Water Development Use Service; (d) that no irrigation, reclamation projects be undertaken without a report to the proposed Board of Impartial Analysis by the Department of Agriculture; (e) that the RFC should secure reports from the proposed Mineral Resources Service in connection with its financing programs; and (f) that the tin smelter at Texas City, Tex., be operated by the Bureau of Mines instead of by the RFC.

The bill (S. 2057) previously referred to, proposing the establishment of a Board of Impartial Analysis for engineering and architectural projects, also contained separate divisions for the activation of each of the other recommendations of the Hoover Commission in this report. The bill was referred to the Senate Committee on Interior and Insular Affairs in the Eighty-first Congress, where no action was taken. In the meantime, the Committee on Public Works initiated action (S. 2116) to authorize \$100 million for distribution by the General Services Administrator to the States for architectural, engineering, and economic surveys for the construction of Federal public works, which was approved as Public Law No. 352, Eight-first Congress.

Reorganization Plan No. 3 of 1950 was submitted to the Congress by the President on March 13, 1950, for the purpose of effectuating the general management recommendations of this report. This plan vested in the Secretary of the Interior responsibility for all operating

divisions of the Department, except the functions of hearing examiners, the Virgin Islands Corporation, its Board of Directors and officers. The plan carried out other specific recommendations contained in the report on general management, by authorizing the Secretary of Interior to delegate functions, appointment of an Administrative Assistant Secretary and an additional Assistant Secretary. The plan was reported favorably by this committee (S. Rept. No. 1545) and became effective May 24, 1950.

Reorganization Plan No. 15 of 1950, which also became effective on May 24, 1950, transferred functions relating to public works in Alaska and in the Virgin Islands from the General Services Administration to the Department of the Interior. This plan was designed to consolidate functions originally vested in the GSA with other programs in the Department of the Interior relating to the long-range interests of Alaska and Virgin Islands in order that Federal policies and programs for promoting the general welfare of these possessions may be properly coordinated.

A number of bills were introduced during the Eighty-first Congress which had as their purpose the activation of certain phases of the recommendations made by the Commission in this report. These bills proposed to approve certain of the transfers recommended and had as their objective the development of related programs as proposed by the Commission and its task forces. No action was taken on these bills and a new proposal incorporating all of the recommendations of the Hoover Commission, drafted by the Citizens' Committee for the Hoover Report, was introduced in the Eighty-second Congress (S. 1143) and referred to this committee for consideration. The various proposals made by the Commission were given careful study by the Subcommittee on Reorganization, but in view of strong opposition based on the fact that they were contrary to established legislative policy and not in the public interest, no action was taken on such proposals.

The committee gave consideration to the many problems involved in connection with the reorganization programs advocated by the Hoover Commission in this report on other occasions. Opposition to the proposed transfer of the civil functions of the Corps of Engineers, was brought out in great detail in connection with the committee's consideration of a provision to exempt such a transfer from the provisions of the Reorganization Act of 1949,<sup>11</sup> on the basis that it would completely disrupt the training program for the Corps of Engineers. Further hearings on the organization and operation of Congress held by this committee in June of 1950, again focused congressional attention on this proposal. Following these hearings the committee took under consideration a proposed consolidation of the Senate Committees on Interior and Insular Affairs and Public Works, with a view to resolving the basic jurisdictional problems involved at the legislative level rather than through a consolidation of administrative functions dealing with the specialized activities of the United States Corps of Engineers and the Bureau of Reclamation. Although no action was taken in this connection during the Eighty-first Congress, the committee has instructed the staff to make further studies into the possibility of proposing to the Senate amendments to the Legislative Reorganization Act providing for the consolidation of

<sup>11</sup> Hearings on S. 526, a bill providing for reorganization of Government agencies, February 1949.

these two committees. This approach was with the view toward eliminating at the legislative source defects in the existing administrative programs as they relate to rivers and harbors, construction and flood-control functions, performed by the Corps of Engineers, and reclamation functions vested in the Bureau of Reclamation. Preliminary studies indicated that the conflicting aspects of these programs might better be resolved at the legislative level, with specific provisions included in authorizing legislation for the performance of designated functions in these areas by either of these or other agencies having to do with water development and use programs. Should such legislative authorizations provide that specific functions be performed by designated agencies, the question of administration would be resolved. Each of the present administrative groups would continue as at present, but under a definite program designating which agency was to perform required surveys, construction, operating, or management functions in these fields as may be required to eliminate duplications and proper integration of the activities of such agencies. This approach to these issues involves a number of serious problems, such as committee seniority and numerical assignment, workloads, and jurisdiction aspects. Federal water conservation, usage, flood control, and reclamation policies are becoming of increasing importance to the national welfare, and require proper coordination at the legislative level.

In summary, it might be stated that those features of this report which were not the subject of opposition on the part of members and task forces of the Hoover Commission, the agencies involved, and which did not conflict with established legislative policies, have been considered and carried into effect, primarily by the adoption of Reorganization Plan No. 3 of 1950. The remaining section of this report will require continuing studies on the part of Congress as general programs are advanced with the view toward the enactment of general legislation of a policy-determining nature.

#### REPORT NO. 15—SOCIAL SECURITY, EDUCATION, AND INDIAN AFFAIRS

This report, which included 17 specific recommendations, has as its first and most important objective the creation of a new Department of Social Security, Education, and Indian Affairs to administer the major functions of Federal social security and educational services. In addition to these two groupings, the functions of the Bureau of Indian Affairs and Federal-State relations would be transferred into the new department and administered under the Secretary.

The problems involved in connection with the creation of a new department for administering education, health, and social-security programs have been studied and considered by the Congress on a number of occasions during recent years. Direct action was taken in connection with bills introduced in the Eightieth Congress by Senators Taft and Fulbright (S. 140) to create a Department of Health, Education, and Security, and a companion measure by Senator Aiken (S. 712) to constitute the Federal Security Agency as a Department of Health, Education, and Security. After extensive hearings by this committee in 1947, S. 140 was reported to the Senate, but failed of enactment. At that time Senator Taft also introduced another bill (S. 545) to segregate health activities in a new and inde-

pendent health agency, to accord with any action Congress might take to separate health activities from social security and education functions, as was proposed at that time.

The only new approach contained in the Hoover Commission report, which had not been fully explored and developed through testimony presented at previous hearings, was the proposal that the Bureau of Indian Affairs be transferred from the Department of the Interior to the proposed new department.

In view of the scope of the problems involved, the Hoover Commission suggested that extensive studies be made of several problems for the purpose of (a) transferring its grant functions from the Children's Bureau to a staff agency under the Secretary; (b) making a complete review of the old-age and survivors insurance program; (c) conducting a study of the possible merger of the several Federal contributory retirement systems (except that the Railroad Retirement Board retains its present status); (d) securing participation of all interested Federal, State, and local agencies in programs to raise the living and cultural standards of the Indians; and (e) gradually replacing and ultimately discontinuing administrative supervision of Indian business enterprises. These latter two proposals were included in a separate report on Indian Affairs. Nine specific recommendations were made in this report, with the primary objective of assimilation of Indians into the rest of the population. Vice Chairman Acheson of the Hoover Commission dissented vigorously from the recommendations to assimilate the Indian and to turn him, his culture, and his means of livelihood over to State control. He felt that these recommendations go beyond the jurisdiction of the Commission in that they change substantive legislative policy. Commissioners Rowe and Forrestal concurred.

Following the submission of the Commission's report, a bill (S. 2060) was introduced by Senator McCarthy, as drafted by attorneys for the Hoover Commission, which proposed to establish a Department of Welfare as an executive department to conform to the recommendations of the Commission. On June 20, 1949, the President, under authority granted under the Reorganization Act of 1949 (Public Law No. 109, 81st Cong.) submitted Reorganization Plan No. 1 of 1949, to create a Department of Welfare. Its provisions were practically identical to some of the provisions of S. 2060, but it did not include transfer of Indian affairs, or provide for the basic studies proposed by the Commission. Opposition developed immediately to the reorganization plan as had occurred in connection with similar legislative proposals in the past. Objections to the plan were based on the premise that it ignored the Hoover Commission recommendations for the creation of a United Medical Administration, and was a complete deviation from other aspects of the report. The committee therefore recommended that—

It is imperative that the Congress determine upon the entire program of reorganization for health, education, and welfare before any such permanent alignment as proposed under plan No. 1 is approved.

The Senate rejected the plan by adoption of a resolution of disapproval (S. Res. 147, S. Rept. No. 851, 81st Cong.), as required under the provisions of the Reorganization Act. The committee later considered a new bill in the nature of a substitute for S. 2060, also introduced by Senator McCarthy, which conformed generally with S. 140 reported

favorably in the Eightieth Congress, but took no further action in view of the failure of the Senate to approve the original bill.

After the rejection of plan No. 1 of 1949, the President submitted Reorganization Plan No. 27 of 1950, which proposed to constitute the Federal Security Agency a Department of Health, Education, and Security, as originally proposed under the Aiken bill (S. 712, 80th Cong.). The plan would have retained the present semi-independent status of the United States Public Health Service and the Office of Education. No provision was included in this plan for the establishment of a United Medical Administration, to consolidate the Public Health Service with other Federal medical activities, as recommended by the Hoover Commission. This committee recommended that a resolution of disapproval of this plan (S. Res. 302, S. Rept. No. 1943, 81st Cong.) be adopted by the Senate. Before action was taken in the Senate the House of Representatives approved a resolution of disapproval (H. Res. 647, 81st Cong.) by a vote of 249 to 71, thereby rejecting the plan without further Senate action. The primary reason for the disapproval of this plan was the fear that health activities in the proposed new department would be largely dominated by welfare officials, since adequate safeguards were not included.

The Commission included a recommendation in this report that Federal aid to education programs should be administered by the agencies whose functions the particular programs promote. The Citizens Committee bill, S. 1149, Eighty-second Congress, as outlined in the report on the Department of Agriculture, contained a provision to transfer agricultural vocational education functions to the Department of Agriculture. This proposal was vigorously opposed by representatives of educational groups, on the basis that to transfer these functions from the Office of Education would splinter the vocational education activities and completely disrupt the administration of State and local programs. This proposal was characterized as educationally unsound, since the whole trend in education is toward integration, not dispersal. In view of the lack of support for this provision in the Citizens Committee bill, the entire subsection was disapproved by the committee, and further efforts to decentralize these functions to operating agencies were abandoned.

There were a number of other legislative actions which are relevant to this report, such as the approval of Public Law 180, Eighty-first Congress, consolidating the Alaskan and Canal Zone Retirement Acts and the Federal Civil Service Retirement Act; Public Law 734, Eighty-first Congress, expanding the coverage of public assistance programs under the Social Security Act Amendments of 1949, in conformity with recommendations of the Hoover Commission; and Reorganization Plan No. 16 of 1950, effective May 24, 1950 (S. Rept. No. 1548, 81st Cong.) which transferred Federal financial assistance to local public school districts, and water pollution control from the General Services Administration to the Federal Security Agency.

In addition to these positive actions by the Congress, there were numerous bills introduced during both the Eighty-first and Eighty-second Congresses which would have carried into effect certain aspects of Hoover Commission recommendations in this report, some providing for the establishment of a new department, and others relating to welfare programs and Indian Affairs. Outside of the legislative

actions noted above, and some other minor amendments to general legislation, no direct action has been taken to enact legislation recommended in this report. As has been noted, many of these proposals did not originate with the Hoover Commission, except for certain specified features, and had been under consideration by the Congress for a number of years prior to the creation of the Commission.

#### REPORT NO. 16—MEDICAL ACTIVITIES

This report emphasizes the lack of over-all supervision and coordination of Federal medical activities which are presently being carried on by five major agencies of the Federal Government. Varying and uncoordinated policies among such agencies have resulted in unused hospital facilities, inadequate staffing in some areas and over-staffing in others, great fluctuation in construction priorities and costs per hospital bed, variation as to beneficiaries and bed services, and other major deficiencies. Critically necessary objectives are stated to be better medical care, better training, improved medical research and medical preparedness for national defense requirements, and to eliminate the present Federal policy of draining doctors, nurses, and medical and technical personnel from private practice.

The Commission's major recommendation in this report strongly supports a consolidation of all large-scale Federal activities providing medical care, medical research and public health including preventive medicine, into a new United Medical Administration. This proposal would provide medical care for those patients certified for treatment by the Veterans' Administration, for a major portion of hospital care required by the military forces, and would integrate all such services under one general program of administration, construction and hospital utilization. In addition to the proposed UMA, the Commission recommended the establishment of an advisory board consisting of representatives of the Department of the Army, Navy, Air Force, the Public Health Service, and the Veterans' Administration. To be transferred to the UMA under this program were the functions, facilities, and personnel of (a) general and station hospitals of the armed forces not located at outlying posts; (b) Veterans' Administration hospital functions including out-patient field services; (c) four non-military hospitals in the Canal Zone; and (d) hospitals, functions, facilities, and personnel of the Public Health Service.

The report stressed the importance of congressional action (a) to specifically define classes of beneficiaries and details as to the type of medical services that should be provided; and (b) to bring to an end inconsistencies existing between the Federal hospital construction programs, and Federal aid to non-Federal hospitals. The report stressed that it was essential that (a) the Secretary of Defense should control medical policy in the armed services and give constant attention to measures for national defense, (b) that medical and technical personnel should be provided on a career basis through the establishment of additional medical schools and facilities for training purposes, and (c) that the UMA should strongly emphasize research and preventive medicine.

Following the submission of this report, and at the request of the chairman of this committee, attorneys for the Hoover Commission prepared a bill providing for its implementation. This bill, known as

the United Medical Administration Act (S. 2008, 81st Cong.) was introduced and referred to the Committee on Labor and Public Welfare. It incorporated all of the recommendations of the Hoover Commission in its report on medical activities, including a provision for establishment of a United Medical Administration. The bill also provided for a professional career service to be known as United Medical and Health Service, prescribing qualifications for appointment therein, and for appointment of disciplinary boards.

As set forth in Report No. 15 on social security, education, and Indian affairs, Reorganization Plan No. 1 of 1949, to establish a Department of Welfare submitted by the President to the Congress on June 20, 1949 was rejected by the Senate. Reorganization Plan No. 1 failed to make any disposition of health functions now vested in the Federal Security Agency, and omitted the Commission's recommendations relating to the consolidation of all major Federal medical facilities.

Vigorous opposition was expressed to the passage of S. 2008. In a letter to the chairman of this committee, the Federal Security Administrator stated that he was unalterably opposed to the recommendation to transfer the Public Health Service to an independent United Medical Administration, stating that—

any plan to consolidate hospital functions at this time would be premature \* \* \*. I likewise feel that proper safeguards for the elimination of waste and duplication can be established by methods other than those proposed by the Commission, even if it should be eventually decided that two medical services were needed, one military and the other civilian.

The Administrator of Veterans' Affairs also strenuously opposed this bill, contending that the consolidation of large-scale activities in the Federal Government in the fields of medical care, and medical research and public health, and the transfer of Federal hospitals to a new UMA would "limit the use by veterans of the Nation's hospital plant established for them by making these facilities available to additional groups, principally armed services personnel and their dependents, and merchant seamen. It would also impede the efficient handling of claims for compensation, pensions, insurance and other benefits where a physical examination is necessary. It is in conflict with the traditional policy of the Government to accord to veterans, as a class, special consideration through one agency responsible for administering the various benefit programs."

In view of this opposition on the part of the agencies directly affected, including military and all medical groups, the Committee on Labor and Public Welfare took no action on this bill during the Eighty-first Congress, pending determination as to what legislative disposition should be made of all interrelated problems dealing with Federal medical programs.

A new bill, S. 1140, was filed in the Eighty-second Congress at the request of the Citizens Committee for the Hoover Report. Although this bill was supposedly designed to carry out the Hoover Commission's recommendations in its report on medical activities, it ignored the specific proposal of the Commission to create a United Medical Administration, and instead proposed a new Department of Health. Otherwise, the bill closely followed the previous bill drafted by the Hoover Commission, S. 2008, on which action had been postponed in the Eighty-first Congress. It was referred to the Committee on

Government Operations, which held extensive hearings on the bill during February, March, and April 1952. The hearings clearly supported the views expressed in the Hoover Commission's report relative to the existence of many instances of inefficiency and duplication and costly extravagance in the operation of the Federal hospital and medical systems.

Opposition to the bill came from practically every source, with the exception of the National Doctor's Committee for Improved Medical Services established by the Citizens Committee for the Hoover Report to develop the Hoover Commission's recommendations in this area. The Senate Committee on Government Operations reached a unanimous decision based on evidence submitted at the hearings, that the enactment of S. 1140 might seriously impair medical programs established by the Congress to fully utilize knowledge and experience extending over many years. This impairment was particularly true as to the provisions of the bill relating to medical research, preventive medicine, public-health programs conducted by the Public Health Service, the training of specialized medical and hospital personnel, and field operations of medical services in the military. Similarly the medical, hospital, and domiciliary programs of the Veterans' Administration might suffer. It was the view of the committee that these programs were of such magnitude and involved such diverse objectives that any possible benefits of the so-called streamlined administration provided for in S. 1140 would be far outweighed by permanent disadvantages that would result from any arbitrary or hasty action such as the Congress was being urged to take. This view was supported by the united opposition to certain specific proposals included in S. 1140 by Federal agencies, medical groups such as the American Medical Association, veterans' organizations, and the military establishments, all of whom would be affected by the various provisions of the bill.

After a thorough analysis of the testimony submitted at the hearings on S. 1140, the committee determined that the more logical, though partial, approach to the problem would be to establish an independent, coordinating agency vested with adequate authority to bring about better integration of all Federal medical activities and programs. It was the view of the committee that such an agency should have sufficient authority to insure the highest possible utilization of existing hospital, convalescent, and domiciliary services and facilities, the centralized supervision of the construction and acquisition of additional facilities, and bring about the elimination of overlapping and duplicating services without disrupting specialized programs.

This approach to the problem had been already proposed by various groups interested in improving Federal medical activities. The American Legion, for instance, drafted and had introduced in the Senate a bill, S. 925, which would set up a Federal Board of Hospitalization, composed of officials or representatives of Federal agencies operating major medical programs. This type of board has been tested in the past on several occasions, but no real authority had been vested in such boards. The basic problem had developed the fact that representatives of one agency, by making concessions to another for a desired program could in turn secure approval of programs it seeks, even though the programs may or may not be in the general public interest. This committee, therefore, instructed its staff to

draft a completely new bill designed to create such a board or agency with sufficient authority to carry out as many of the objectives of the Hoover Commission in its report on medical activities as possible, without disrupting existing programs authorized by the Congress.

The bill as drafted by the staff was based largely on the provisions of the American Legion bill (S. 925), and was introduced in the Senate as a committee bill on June 11, 1952 (S. 3314, to establish a Federal Board of Hospitalization). This bill deviated from the American Legion bill in that it recognized that, if proper controls of facilities and personnel are to be exercised, such a board must be able to evaluate impartially existing policies and procedures, and must be in a position to exercise independent action in the public interest. The bill, therefore, proposed a board consisting of an approximately equal number of public members who are to be "persons learned in the medical arts and of outstanding professional qualifications and attainments," to be appointed by the President and confirmed by the Senate, one of whom would be chairman, in addition to the Federal members of the Board, who would represent the operating agencies.

Following introduction of this new bill, S. 3314, the Citizens Committee for the Hoover Report and the American Medical Association recommended that it was essential that public and Federal members of the proposed Board have equal representation with Federal agencies; that instead of six representatives from Federal agencies engaged in some type of medical activity and four from public members, there should be only eight members, four from private life and four from the major Federal medical operating units (the Secretary of Defense, the Administrator of Veterans' Affairs, the Surgeon General of the Public Health Service, and the Secretary of the Interior, omitting the Director of the Bureau of the Budget, and the General Services Administrator). The American Legion indicated that it would oppose any public membership on the Board, and that, if public members were included such members should be distributed specifically to include (a) a doctor of medicine; (b) a construction engineer familiar with hospital construction; (c) a hospital administrator; and (d) a person trained in veterans' affairs. The Veterans of Foreign Wars took the view that no public members should be included on the Board and that it should be a strictly federally controlled operation along the lines of such previous Boards, with no real authority vested in the Board, and that it be staffed only for minor administrative functions.

Since vitally interested groups were unable to agree on the language of the committee bill, it became clear that no action was likely during the closing days of the Eighty-second Congress. The committee therefore withheld further action on S. 3314, thus creating an opportunity for consideration of perfecting amendments necessary to insure effective administration of the Federal medical programs, without impairing statutory medical activities.

After adjournment of the Eighty-second Congress the committee directed the staff to make a complete and careful analysis of the hospital programs of the Veterans' Administration, based on the management survey authorized by the President, as outlined in Report No. 9 on Veterans' Affairs. The staff was further directed to prepare a new bill for consideration by the committee on the convening of the Eighty-third Congress with a view to initiating appropriate legislative action at that time to carry out the Hoover Commission's recommendations in its report on medical activities.

## REPORT NO. 17—FEDERAL BUSINESS ENTERPRISES

This report deals primarily with organization, policy, reporting, and other aspects of "about 100 important business enterprises," operated wholly or partly by the Federal Government, engaged directly or indirectly in lending money; guaranteeing loans and deposits; writing life insurance; producing, distributing, and selling electric power and fertilizers; operating railroads and ships; purchasing and selling farm products; and smelting and selling metals.

Of the 23 recommendations in this report, 15 of them deal with general operations of Government corporations and with housing enterprises, 4 with farm-credit enterprises, with the remaining 4 proposing specific actions which would (a) liquidate the Inland Waterways Corporation and (b) the Puerto Rico Reconstruction Administration; (c) incorporate the Washington National Airport and (d) the Alaska Railroad.

Each and every one of the recommendations contained in this report deal specifically with legislative policy. They are so broad and involved that the attorneys for the Hoover Commission did not submit a draft bill to put the recommendations into specific legislative proposals, as requested by the chairman of this committee, and no specific drafts were compiled by the Citizens Committee for the Hoover Report for implementation of the report.

A number of recommendations in this report were repeated in other reports submitted by the Hoover Commission. As an illustration, the recommendation for vesting the supervision of the Federal Deposit Insurance Corporation in the Secretary of the Treasury was repeated in the report on the Department of the Treasury. The Chairman of the FDIC stated in reply to this suggestion, that—

Without intending any criticism whatsoever of the work of the Commission or the task forces, it is submitted that the recommendations pertaining to this Corporation suggest lack of understanding of the basic reasons for creation of the Corporation as an independent agency and its relationship to the Federal Reserve System, the Comptroller of the Currency, and the 48 State bank supervisors. This is due in part, we believe, to the piecemeal method by which the task forces studied the functions of the Corporation.

As a further indication of the extent to which activation of recommendations in this report would have on the prerogatives of Congress, the following is quoted from a letter submitted to the committee by Mr. Raymond M. Foley, Administrator of the Housing and Home Finance Agency, who stated that, in connection with the proposal for the creation of a system of national mortgage discount banks to provide real estate mortgage discount facilities for all private lending agencies, he had no objection to a study of this problem being made by the Congress. He added, however, that he believed there is "a confusion in the Commission's report between the type of financial activity involved and the public purpose which it is desired to accomplish," concluding that—

It is my considered opinion that the principles on which this question was rejected in the early 1930's are still sound and that there would be draw-backs to the adoption of a national system of discount banks, of the type apparently contemplated by the Commission, at the present time. At the same time there is no doubt that a general review of the Federal Government's activities in the broad field of fiscal management and supervision might be profitable in terms of recommendations for a better integration of all current reserve facilities. We would welcome a congressional study on such a comprehensive basis.

The recommendations of the Hoover Commission in this report, along with those submitted at the hearings by qualified experts in connection with consideration of basic legislation, have been given careful consideration. When future proposals affecting the operations of the numerous agencies involved are considered, there is little doubt that they will continue to review the Hoover reports, as is the accepted congressional procedure when basic legislation of this type is proposed.

Among the numerous legislative actions taken in these broad fields during the Eighty-first and Eighty-second Congresses, the following may be cited as having some bearing on relationship to the purport and intent of the Hoover Commission recommendations in its report on Federal business enterprises: The Housing Act of 1950, titled II, relating to the disposition of veterans' housing projects (Public Law No. 475, 81st Cong.); improvement in the organization, management, and operation of the Panama Canal (Public Law No. 841, 81st Cong.); Reorganization Plan No. 22 of 1950, transferring the Federal National Mortgage Association from the Reconstruction Finance Corporation to the Housing and Home Finance Agency (S. Rept. 1936, 81st Cong.); and Reorganization Plan No. 1 of 1951, providing for the reorganization of the Reconstruction Finance Corporation (S. Rept. 213, 82d Cong.). In conformity with recommendations relating to the liquidation of the Puerto Rico Reconstruction Administration, the Interior Department initiated plans calling for its liquidation. The recommendation relating to the separation of capital and operating expenditures in connection with the operation of Government business enterprises has been fully provided for in the joint accounting program of the General Accounting Office, the Department of the Treasury, and the Bureau of the Budget, as set forth under Report No. 7 on budgeting and accounting.

In addition to direct legislative and administrative actions along the lines cited above, various committees of Congress have conducted extensive studies and surveys into the operations of many of the Federal business enterprises to which reference was made in the Hoover Commission reports. Notably, the Senate Committees on Banking and Currency and Interstate and Foreign Commerce considered the enactment of proposals relating to banking, Federal loans, housing, corporation controls, transportation, public power and interstate commerce. The broad purpose underlying the recommendations of the Hoover Commission in its report on Federal business enterprises is the fundamental improvement of business methods of Government activities.

Legislation is the keynote for either initiating or improving these operations. One of the fundamental bases of control of these activities is through proper auditing procedures which this report itself recognizes. In line with this, the Congress has approved the Budget and Accounting Procedures Act of 1950, as recommended by this committee, which vests authority in the Comptroller General of the United States as a representative of the legislative branch in matters of accounting and auditing, under which the Congress can be kept fully apprised of any irregularities or deviations from basic legislative authorizations, as prescribed under the provisions of the Corporation Control Act of 1945, as amended. Pursuant to this authority the General Accounting Office audits the books and financial records of wholly owned and mixed-ownership Government corporations. These

audit reports are submitted to the Congress at the end of each fiscal year, and referred to this committee for examination. These audit reports are also available to the substantive committees which deal with problems related to the activities of these agencies, and are annually reviewed for the purpose of amending or expanding existing statutes to conform to changing economic or national conditions. Consequently, to fully appraise legislative actions taken by the Congress or administrative actions in implementation of recommendations contained in this report, it is necessary to fully analyze all legislation, reorganization plans, and administrative actions throughout this report as well as many which are not included.

Actions taken on certain aspects of this report are also incorporated in comments on other reports of the Hoover Commission, such as No. 7 on budgeting and accounting, and No. 10 on the Department of Commerce.

#### REPORT NO. 18, PART I—OVERSEAS ADMINISTRATION

This report is concerned with the manner in which the United States administers overseas areas, including occupied areas, insular possessions and trust territories, organized (self-governing) territories, and other overseas activities, including economic cooperation, mutual defense programs and special missions. The Commission also gave consideration to the disposition of certain other small independent agencies such as the American Battle Monuments Commission, Philippine Alien Property Administration, and the Philippine War Damage Commission, the latter two of which have been liquidated since the Commission's report was submitted to Congress.

The Commission made only one concrete recommendation in this report: that the Congress direct that a comprehensive study be made of the entire problem of overseas operation and administration. As possible alternatives, it was suggested that (1) a special Secretary be appointed, directly responsible to the Secretary of Defense, who would take over then-existing Army and Navy responsibilities for the Panama Canal, the island possessions and trust territories, and the administration of the occupied areas; or (2) an Administration of Overseas Affairs be created, headed by an Administrator, who would have the responsibility for the administration of all overseas activities, including occupied areas, but excluding the diplomatic and consular services. This alternative had as its prime objective the unification of overseas policy controls under one responsible head. The creation of such an agency would, in the view of the Commission, enable the development of a corps of career men for foreign administration, reduce the total number of agencies in the Government, and eliminate overlapping and duplicating overseas activities.

Two bills (S. 2072 and S. 2061), were introduced in the Senate in the Eighty-first Congress by Senators McClellan and McCarthy, respectively, to conform to a draft submitted to this committee by attorneys for the Hoover Commission providing for the creation of a Commission on Overseas Administration. These bills accorded with the specific recommendation of the Commission, and provided authority to the proposed new Commission to conduct a complete study and survey of the administration of all overseas activities of the Government and to make recommendations to the Congress with

respect thereto. The Commission was to be composed of 12 members—4 Members of the Senate, to be appointed by the President of the Senate; 4 persons from the executive branch, appointed by the President of the United States; and 4 Members of the House of Representatives, appointed by the Speaker. This Commission would have been required to submit its report to Congress within a specified time, and was empowered only to recommend appropriate action to correct deficiencies in existing programs and to suggest means for coordinating and integrating overseas activities. Any report submitted under its authority would therefore have been subject to complete congressional review and approval before legislative action would be taken on any of its recommendations, on the same basis as the Hoover reports.

S. 2072 was reported unanimously by this committee (S. Rept. 889, 81st Cong.) and passed the Senate on August 27, 1949, in preference to the alternative approach of establishing an Administration of Overseas Affairs. After passage by the Senate, the bill was referred to the House Committee on Expenditures in the Executive Departments where no further action was taken during the Eighty-first Congress.

A similar bill (S. 1166) was introduced in the Eighty-second Congress and again reported favorably by this committee on July 11, 1951 (S. Rept. 543). Under its provisions, however, bipartisanship was provided for by requiring that within each class of four members, two were to be from each of the two major political parties. The Commission was given subpoena powers and was required to report to Congress and terminate its activities within 1 year after its first meeting. The bill passed the Senate on July 23, 1951, under unanimous consent, and was referred to the House Committee on Expenditures in the Executive Departments the following day. A motion to reconsider the Senate action was entered by Senator Ellender of Louisiana, and the bill was called back from the House of Representatives and placed on the Senate Calendar under "Motions to reconsider." The effect of this procedure, under the Senate rules, was to nullify the previous Senate action, and to kill the bill.

As indicated above, the Hoover Commission suggested that should the Congress approve the alternative proposal to establish an Administration of Overseas Affairs, the agency should be set up under an Administrator whose position would be similar to that of the Economic Cooperation Administrator and who would bear the same relationship to the Secretary of State in matters involving foreign policy. Although the Congress has not acted directly on this recommendation, it approved the Mutual Security Act of 1951 (Public Law 165, 82d Cong.), which abolished the Economic Cooperation Administration and established a Mutual Security Agency, to be administered by a Director of Mutual Security. The Congress set forth in the act establishing this new agency, that its purpose would be to—

maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly countries to strengthen the mutual security and individual and collective defenses of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States and to facilitate the effective participation of those countries in the United Nations system for collective security. The purposes of the Mutual Defense Assistance Act of 1949, as amended, the Economic Cooperation Act of 1948, as amended, and the Act for International Development shall hereafter be deemed to include this purpose.

Following the adjournment of the Eighty-second Congress in July, the staff of this committee was directed to make further studies into the operations of overseas agencies. The purpose of this staff review of the Hoover Commission's recommendations, submitted to the Congress in 1949, is to develop pertinent facts and information relative to the present operating status of overseas agencies, and report to the committee with respect to deficiencies, duplicating activities, or extravagances that may be found to presently exist. This will permit the committee to reconsider the recommendations contained in this report, in the light of current policies and practices, when the Eighty-third Congress convenes, with a view to recommending appropriate action to the Congress consistent with new or revised programs and present operating conditions.

#### REPORT NO. 18, PART 2—FEDERAL-STATE RELATIONS

The five recommendations contained in this report point up the need for establishing an understanding between the Federal Government and State and local governments to determine the best means of meeting public needs in the various governmental areas of activity, and to evolve some solution as to which level of government will levy and collect the various kind of taxes. The Commission put special emphasis on the need for the formulation and determination of policies to enable local governing bodies to carry on such functions which they are in a position to administer, with Federal supported grants-in-aid being budgeted and administered locally. To best accomplish these objectives the Commission proposed that a Federal-State relations agency be created to study, inform, and assist in devising national programs governing all activities involving Federal-State relations.

The subject matter of this report has been the basis of continuing studies on the part of the various committees of the Congress, the Federal Government, and State and local governments for a number of years. The deficiencies in existing systems and programs have been fully recognized by the Congress, and various actions have been taken which had as their objective the carrying out of the specific recommendations contained in this report. Unfortunately, such actions as have been initiated have not resulted in any broad-scale solutions to the many problems involved.

The specific recommendations made by the Commission in this report suggested that action should be taken by the Congress to solve five major problems which were analyzed generally as follows: (1) That the functions and activities of the Federal Government be appraised to determine which can be most advantageously operated by each level of government, and which require joint policy making, financing and administration; (2) that the tax systems—National, State, and local—be revised, and that in this revision every effort be made to leave to localities and States adequate resources from which to raise revenue to meet duties and responsibilities of local and State governments; (3) that all Federal grants-in-aid to State governments be budgeted and administered on the Federal and State levels, as are other Federal and State funds; (4) that the grants-in-aid plans and programs be clarified and systematized; and (5) that a continuing agency on Federal-State relations be created to accomplish these

recommendations, with primary responsibility for study, information, and guidance in the field of Federal-State relations.<sup>12</sup>

Following the submission of this report to Congress, agency comments were requested by the chairman. The resultant responses indicated that there was general agreement with the purpose of recommendation No. 5, calling for study of the conflicts between existing Federal, State, and local programs with a view to accomplishing more economically and effectively the coordination of these activities. There was, however, some opposition to the creation of a new agency for this purpose.

A number of bills in this whole area were introduced in the Congress by various Senators, most of them providing for the creation of commissions similar to that recommended by the Hoover Commission. The bills differed in many respects as to the proposed membership of the Commission and as to their emphasis on Federal-State fiscal relations. None of them provided for a continuing agency as recommended by the Hoover Commission, except the bill drafted by attorneys for the Commission (S. 1946, 81st Cong.). S. 1946 was reported favorably on June 13, 1949 (S. Rept. 488, 81st Cong.), after extensive joint hearings had been held on all related bills by the Senate and House Committees on Expenditures in the Executive Departments (now the Committees on Government Operations).

This bill was called up several times on the Senate Calendar and passed over on objection of individual Senators. Objections to the bill were largely due to the contention that the proposed Commission should be temporary rather than permanent in character in order to permit Congress to receive and review its report and determine from time to time on the desirability of its continuance. Suggested changes were also proposed as to the composition of the Commission. This committee therefore reconsidered the proposed legislation, and ordered reported a new committee bill, S. 3147, containing appropriate amendments to meet these objections (S. Rept. 1856, 81st Cong.). Despite these efforts, repeated objections were also made when the revised measure was called up in the Senate, and no further action was taken in the Eighty-first Congress.

A new bill containing the general provisions of S. 3147 was introduced in the Eighty-second Congress (S. 1146). This new bill proposed the creation of a temporary bipartisan National Commission on Intergovernmental Relations to terminate March 31, 1953, with directives to study and to submit a comprehensive report on the allocation of functions between Federal, State, and local governments, and on their fiscal relations, including tax immunities, revenue sources, grants-in-aid, and tax sharing. The bill required the Commission to submit with its final report suggested legislative and administrative proposals necessary to carry out its recommendations at each level of government. On the basis of the comprehensive report required from the Commission, the Congress could then determine whether or not it should be continued permanently or for another stated period. The bill was reported unanimously to the Senate, with minor amendments (S. Rept. 544, 82d Cong.), and passed the Senate on July 23, 1951. As in the case of the proposal to create a Commission on Overseas Ad-

<sup>12</sup> A subcommittee to study intergovernmental relations of the Senate Committee on Expenditures in the Executive Departments prepared a report during the 80th Congress in cooperation with the Governors' Conference and other committees of the Congress on the Coordination of Federal and State Taxes (S. Rept. 1054, 80th Cong.) which dealt with many of the problems outlined in this report.

ministration, discussed elsewhere in this report, Senator Ellender, of Louisiana, requested that the bill be recalled from the House of Representatives. On July 25, the House Committee on Expenditures in the Executive Departments, to which it had already been referred, was discharged from consideration of S. 1146, and it was returned to the Senate and placed on the Senate Calendar under "Motions for Reconsideration," where no further action was taken.

The Hoover Commission recommended that plans and programs for grants-in-aid be clarified and systematized. The Bureau of the Budget reports that it has been conducting, at the request of the Governors' Conference, a study with a view toward the formulation of standards and guides with respect to the objectives and uses of the grants-in-aid device. In line with one of the objectives of this study, the Bureau drafted a bill for the consideration of the Congress, providing for improved policies and procedures with respect to payments to State and local governments of annual sums in lieu of taxes on real property and tangible personal property owned and located in the States but which has been taken off the local tax rolls. This proposed legislation, S. 2268, was introduced by Senator Humphrey and referred to this committee for consideration and action. At the request of the chairman, the various Federal agencies affected by the proposed program have suggested amendments to meet specific problems relating to the activities of these agencies as to which there is disagreement. These amendments were so complicated and involved that the committee determined that time did not permit of revision of a bill during the closing days of the Eighty-second Congress, and, therefore, no action was taken before adjournment. The committee believes that, prior to legislative action on S. 2268, it would be desirable to have this phase of the Federal-State relations thoroughly studied and reported on by the proposed National Commission on Intergovernmental Relations, along with other related Federal-State programs, so that specific recommendations on this aspect of the over-all problem might be included in the Commission's report to the Congress.

Although Congress has not taken final action to create a Commission on Intergovernmental Relations, the Federal Security Agency reports that, pending such action, it has made extensive studies of the problems pointed up in the Hoover Commission Report on Federal-State Relations and has established an Office of Federal-State Relations within that agency which is responsible for the development and coordination of policies, methods, and procedures concerning all Federal-State relations.

#### REPORT NO. 18, PART 3--FEDERAL RESEARCH

This report contained two specific recommendations: (1) That authority be granted to the President to coordinate research and strengthen interdepartmental committees for this purpose, and (2) that a Federal Science Foundation be established.

The first of these recommendations was implemented as to intent and purport through the enactment of Public Law 776, Eighty-first Congress, establishing in the Department of Commerce a clearing-house for the collection, dissemination, and exchange of technological, scientific, and engineering information useful to business and industry,

and for the transmission of information of military value to the Department of Defense. The purpose and intent of this act was initiated originally through a bill (S. 1248) introduced by Senator Fulbright in the Seventy-ninth Congress, on which extensive hearings were held before the Senate Committee on Commerce. A somewhat revised bill was reintroduced in the Eightieth Congress (S. 493) and referred to this committee. This bill, which proposed the establishment of an Office of Technical Services in the Department of Commerce, was reported favorably (S. Rept. 395, 80th Cong.), but failed of approval in the Senate. Another action of the Congress relating to this recommendation was the approval of Public Law 672, Eighty-first Congress, expanding research facilities in the NACA in order to equip and operate research stations to promote national-defense programs. This was in conformity with the Hoover Commission's recommendation that the President be empowered to coordinate research and to strengthen interdepartmental committee organization for that purpose.

The second of the recommendations in this report was fully activated by the passage of the National Science Foundation Act of 1949 (Public Law 507, 81st Cong.) establishing the National Science Foundation as an independent agency. The purpose of the foundation was set forth in the act, which provided for the development and encouragement of a national policy for research and for scientific education. This act consummated a legislative program initiated by the Senate in the Seventy-ninth Congress prior to the establishment of the Hoover Commission (S. 1850, S. Rept. 1136, 79th Cong.). Both the Senate Committees on Commerce and Military Affairs held extensive hearings and conducted comprehensive studies of this entire problem, the results of which were in close accord with the recommendations incorporated in the Hoover Commission's report.

As will be seen from the above, this report merely contained confirmation of previous Senate actions initiated to conform to the general purposes set forth in the report. Public Laws 507 and 776, as finally approved by the Congress, deviated from its original concept of the program, and in certain respects from the recommendations of the Hoover Commission, but the over-all objectives of both approaches to the problem were fully evaluated, and final determinations as to appropriate action necessary to meet the needs as outlined were incorporated in the acts above cited.

#### CONCLUDING REPORT

In its concluding report, the Hoover Commission "attempts to sum up the common thinking of the Commission on the basic organization problems of the executive branch as they relate to efficiency, economy, and improved administrative management." The report makes no attempt to digest the recommendations made in the 18 substantive reports to the Congress as hereinbefore outlined, but reviews each of these reports in broad terms as to the approach, the magnitude of the problem, the major reorganizations proposed, and areas of government management which, in the opinion of the Commission, require further study.

In this report the Commission states: "As a matter of principle, the Commission has not been concerned with matters of substantive policy." It then acknowledged, however, that "in practice it has

often been extremely difficult to separate policy from administration, although a conscientious effort has been made to do so."

The Commission, apparently realizing that certain agencies had been completely overlooked by the task forces in their studies, included four recommendations in its concluding report, as follows:

(1) That the Displaced Persons Commission and the War Claims Commission report directly to the Secretary of State.

(2) That the Indian Claims Commission be attached to the proposed Indian Affairs Service to be established in the new Department of Social Security and Education as an appeal board with independent powers of review on Indian claims.

(3) That all interagency committees be assigned permanently to regular departments and agencies of the executive branch for better reporting, housekeeping, and coordination.

(4) That the Motor Carrier Claims Commission be abolished and its functions absorbed by the Court of Claims.

It has been repeatedly reiterated throughout the analysis of the various Hoover Commission reports that there is clear evidence the Hoover Commission itself had at least some doubt as to how these consolidations could best be made. The recommendations in this report are indicative of its indecisions, and apparently most of the above-cited recommended actions were included as catch-alls. On analysis, it becomes evident that the Commission gave no consideration to the facts governing the creation of the Displaced Persons Commission and the War Claims Commission as independent agencies. At the time these Commissions were established, the Congress gave careful consideration to the advisability of setting them up within existing agencies, and decided against such action for various reasons. The basic statutes governing their operations specifically required that they were to perform certain temporary functions, and that they were to exist for only limited periods. Their functions bear no direct relation to the operations of the Department of State.

The Displaced Persons Commission was established by Public Law No. 774, Eightieth Congress, approved June 25, 1948. In accordance with the purpose and intent of the act, the Displaced Persons Commission completed its work program on June 30, 1952, and on August 9 the President issued Executive Order No. 10382, transferring the functions and activities of the Commission to the Department of State for liquidation.

The War Claims Commission was created as an independent agency by the act approved March 3, 1948, for the purpose of receiving, adjusting, and providing for the payment of certain claims arising out of World War II and to make inquiry into war claims arising out of World War II and not compensated under the act. This Commission consists of three members appointed by the President with the advice and consent of the Senate. The term of office of the Commissioners expires at the termination of the affairs of the Commission, which by statute provides that in no event shall be later than March 31, 1955.

The recommendation that the Indian Claims Commission be attached to a proposed Indian Affairs Service to be established in a proposed Department of Social Security and Education is a similar case.

in point. The Indian Claims Commission was created by the act of August 13, 1946, to hear and determine claims against the United States on behalf of any Indian tribe, band, or other identifiable group of American Indians residing within the territorial limits of the United States or Alaska. The Commission consists of three members, all of whom are appointed by the President, by and with the advice and consent of the Senate. The statute provides that the Commission shall have only a temporary status receiving claims for a period of 5 years after the date of approval of the act, and shall expire within 5 years after the end of the initial period prescribed for filing claims.

Another recommendation of this type contained in the concluding report was "that the Motor Carrier Claims Commission be abolished and its functions absorbed by the Court of Claims." The Motor Carrier Claims Commission was created by the act approved July 2, 1948, to hear and determine existing claims against the United States of certain motor carriers. The Commission consists of three members appointed by the President, by and with the advice and consent of the Senate. The act as amended provides that the Commission shall terminate on June 30, 1953, after carrying out the limited functions for which it was specifically created, and any such functions not performed by the Commission as prescribed by the Congress would automatically go before the Court of Claims, as provided by general law.

The Commission pointed out that certain limitations at times made it impossible for it to inspect all of the activities of the Government, and stated that some of the small agencies were either not considered at all or were considered only from the standpoint of how they might be related to the executive structure as a whole. To fill in these discrepancies, the Commission recommended certain specific studies to supplement its reports. The most important of these included the creation of a Commission on Overseas Administration and a Commission To Study Intergovernmental Relations. It also suggested that the Congress conduct surveys of the relations of (a) labor mediation and conciliation and the functions of the National Labor Relations Board; (b) a system of national mortgage-discount banks to provide real-estate mortgage-discount facilities for all private lending agencies in the real-property field; (c) old-age and survivors-insurance programs; (d) Federal contributory retirement systems to determine whether they should be merged; (e) establishing a Government system of contributory fidelity insurance; (f) the appropriation structure to correct diversity of appropriations; (g) necessary desirable changes in the United States banking and monetary system; (h) industrial-hygiene functions to work out a logical division between health and labor agencies; and (i) the needs of the medical schools. The Commission also recommended that the Secretary of Agriculture institute a comprehensive management survey of the Department of Agriculture.

Comments relative to actions heretofore taken by the Congress in these areas are contained in the respective reports. In some instances, such as the studies relating to unification of the retirement systems and industrial-hygiene function, action has already been completed. The survey of the appropriation structure to correct the diversity of

appropriations has been acted on by the Senate, but failed of approval in the House, as set forth in detail in the report on budgeting and accounting. The Senate Committee on Government Operations has approved bills providing for the creation of Commissions on Overseas Administration and Intergovernmental Relations, neither of which was finally passed by the Senate or the House. The Secretary of Agriculture has drawn up organization memorandums in implementation of the studies made of the Department's operations, recommended by the Commission, as outlined in the report on the Department of Agriculture. In addition, the President authorized a private management survey of the Veterans' Administration to make further careful studies of the problems outlined in the Hoover Commission report on veterans' affairs, and the Attorney General has entered into a contract for a management survey of the Department of Justice.

## APPENDIXES

### APPENDIX A

REPORT FROM THE DIRECTOR OF THE BUREAU OF THE BUDGET AS TO SAVINGS RESULTING FROM IMPLEMENTATION OF HOOVER COMMISSION REPORTS, AND OF ESTIMATES OF SUCH SAVINGS BY OFFICIALS OF THE CITIZENS COMMITTEE FOR THE HOOVER REPORT AND OTHERS ARRANGED CHRONOLOGICALLY

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D. C., June 16, 1952.

HON. JOHN McCLELLAN,  
*Chairman, Committee on Government Operations, United States Senate,*  
*Washington, D. C.*

MY DEAR MR. CHAIRMAN: This is in reply to your letter of January 17, 1952, in which you request that the committee be provided with the following specific data regarding savings effected or obtainable through the implementation of recommendations of the Hoover Commission:

"1. An estimate of savings in expenditures by the Federal Government under reorganization plans which have become effective since the approval of the Reorganization Act of 1949.

"2. Which of these reorganization plans have been fully activated by administrative action and those on which final administrative action still remains to be taken.

"3. Estimated savings accomplished under other reorganization legislation approved by the Congress based on Hoover Commission recommendations.

"4. A detailed estimate relative to the estimated savings that would follow the enactment of the remaining recommendations of the Hoover Commission."

Last July I received a somewhat similar request from the Senator from Delaware, the Honorable John J. Williams. In my reply to him I included a statement which I had presented to the Senate Finance Committee in answer to questions raised in hearings held on June 29, 1951. This statement explained in some detail why it is not usually possible either in prospect or in retrospect to estimate precisely the savings realized through reorganizations.

At the outset it should be kept in mind, as you have noted in your remarks before the Senate, that the Commission on Organization of the Executive Branch of the Government deliberately refrained from estimating economies in terms of reduced expenditures. A few of the "Task Force" reports did contain dollar estimates of savings, but those were usually not supported in detail. Most of the claims of large savings for particular reorganizations have appeared in the speeches and writings of certain former members of the Commission and in the materials and statements of organizations advocating the adoption of the various recommendations or reports. Many of these estimates lack supporting evidence.

Because the Reorganization Act of 1949 requires that the President specify the reduction of expenditures which will be brought about by the taking effect of a reorganization plan, messages transmitting plans to Congress contain estimates of what the President believes can be achieved in the way of savings. Although the President has often forecast long-range economies, he has in but one case predicted the precise dollar savings expected to follow the approval of a plan. The exception was Plan No. 3 of 1952, for which the President estimated that, within a few years, annual savings of about \$300,000 would be realized from reforms in the customs service made pursuant to that plan. There is little reason to expect that what could not be done for most all of the 41 reorganization plans submitted to date could be done for any substantial proportion of the plans which he may submit in the future. I have, therefore, no choice but to advise you, with regard to the fourth item in your request, that it is impossible to furnish the committee with

"a detailed estimate relative to the estimated savings that would follow the enactment of the remaining recommendations of the Hoover Commission."

The second item on which you request information concerns the extent to which approved reorganization plans have been activated. Final administrative action has been taken upon most of the plans. There are a few plans, such as Nos. 8, 9, 10, and 13 of 1950—which established strong chairman positions for various regulatory commissions—that will require administrative actions for an indefinite period of time. In addition, there are, of course, instances where agency heads have not had occasion or found it necessary to use certain authorities extended to them by reorganization plans. The Secretary of Labor, for example, has not found it necessary to fill the position of Administrative Assistant Secretary provided under Reorganization Plan No. 6 of 1950.

The first and third types of information requested in your letter deal with specific data relating to the reduction in expenditures which has been accomplished through the reorganization plans and statutes which have been approved either pursuant to the Reorganization Act of 1949 or for the purpose of effectuating recommendations of the Commission on Organization of the Executive Branch of the Government.

A number of reorganization plans and acts of Congress have led to sufficiently evident and tangible economies to permit their use as illustrations. I am setting forth a few of these examples in the following paragraphs.

Reorganization Plan No. 22 of 1950 transferred the Federal National Mortgage Association from the Reconstruction Finance Corporation to the Housing and Home Finance Agency. This transfer had the immediate positive result of assuring close coordination between the secondary market operations of the Association and national housing policies. In addition, an active program of consolidation of field offices and related streamlining reduced the annual administrative expenses of the Association by about a million dollars during the fiscal year 1951, at a time when the portfolio of Government-held mortgages was increasing.

Public Law 152, approved July 1, 1949, and Reorganization Plans Nos. 18 and 20 of 1950 created the General Services Administration and pulled together in this one agency numerous central service functions previously scattered throughout the executive branch. Although it will require many years to realize the full benefits of such a complex and large-scale reorganization, specific examples of savings already achieved can be cited. These savings are discussed in greater detail in the annual report of the General Services Administration for fiscal year 1951. During the 1951 fiscal year supplies were furnished to Federal agencies at a total cost nearly \$26,000,000 less than the probable cost had the same supplies been purchased by the using agencies individually. During the same fiscal year over 520,000 square feet of space and 8,000 filing cabinets were released through the transfer of inactive records to the new Federal records centers; the annual savings for these records management operations are estimated at \$1,400,000. Tightening up on space utilization by the Federal agencies resulted in savings of annual rentals in excess of \$3,700,000. The traffic management program led to various agreements with carriers which saved the Government \$2,240,000 during fiscal year 1951. Changes in the methods of publication of slip laws and other documents led to savings estimated at \$133,000 over the same period.

Detailed estimates of the savings realized through activation of the Hoover Commission recommendations are extremely difficult to prepare for a number of reasons, the most important of which are the following:

(1) Many of the recommendations of the Hoover Commission were aimed at improving the effectiveness of executive supervision of Federal agencies: The purpose of many recommendations of the Hoover Commission was to provide an opportunity for efficient, responsible administration by providing clear lines of authority and responsibility from the President, through the heads of the departments and agencies, down to the most subordinate units of the executive branch. It was the view of the Commission and the theme of many of the messages transmitting reorganization plans that once the head of an agency is given the authority and staff required to coordinate the bureaus and programs for which he is responsible his capacity to eliminate poor management within his organization is increased. Reorganizations of this type provide an opportunity for more economical administration. What is actually accomplished will depend upon how aggressively the responsible officials take advantage of the opportunity. Even for known improvements, it is often difficult to determine whether or not they took place because of reorganization action or simply as a part of the normal process of executive supervision.

(2) A substantial number of the recommendations of the Hoover Commission were designed to facilitate the coordination of Federal programs by bringing together those related to a common major purpose in a single department or agency: Very frequently little duplication existed prior to organization action, and therefore no immediate savings in terms of reduced program costs resulted. Yet the improved grouping of related activities increases the likelihood that the various programs of the Government will be carried out in a consistent and coordinated manner. For example, the Hoover Commission recommended that the major nonregulatory transportation activities of the Federal Government be grouped in the Department of Commerce. Reorganization plans have since transferred the functions of the Maritime Commission and the Bureau of Public Roads to the Department of Commerce and have created the post of Under Secretary of Commerce for Transportation. The major benefit to be derived from these reorganizations is not immediate savings but rather the more effective development of a national transportation system designed to meet the needs of commerce, industry, agriculture, the general public, and the national defense.

(3) The changing nature of Federal programs and agencies makes difficult the identification of specific savings resulting from reorganization actions: Since the activities of the Federal Government are designed to meet the needs of the people, changes in economic conditions, international developments, significant population growth, and other factors frequently compel adjustments in Federal programs. It is thus possible to consolidate functions to produce more economical administration; yet, because the programs involved may increase in tempo, the next year's appropriations may be larger than those required to carry out the activity under less efficient arrangements. For example, one of the major reorganizations from which savings have been anticipated is the replacement of the National Military Establishment by a more effectively unified Department of Defense. Since that reorganization took effect there have been important reforms relating to sea transportation, air transportation, procurement activities, and personnel utilization. However, whatever savings may have resulted from these actions have been obscured by an increase in expenditures for the military program from \$11,900,000,000 in the 1950 fiscal year to an estimated \$39,000,000,000 for 1952.

(4) The measuring of the effectiveness of reorganization plans and legislation in terms of reduced expenditures is complicated by the fact that the chief effect of some reorganizations is improved service to the public: The cost of a program involved in a reorganization may remain constant and there may be little or no reduction in administrative expenses, but the improvements in the quality of the service rendered may still fully justify reorganization. The transfer of functions relating to the maintenance and operation of schools affected by Federal activities from the General Services Administration to the Federal Security Agency probably saved little in the cost of administration (and any savings which might have resulted have been completely obscured by subsequent enlargement in the scope of the program). Yet this transfer added to the convenience with which State and local school officials can deal with the Federal Government by concentrating Federal responsibility in a single agency. The improved lines of supervision established by various plans may also result in better service to the public without leading to tangible savings.

(5) A number of the recommendations of the Hoover Commission proposed additional studies or investigations, in areas such as Federal-State-local relations and overseas administration: Obviously no savings could result immediately from the authorization of such studies, for they must be completed and findings must be implemented before it becomes possible to estimate the benefits.

Because of the factors mentioned above it is impossible to estimate the savings accomplished from many of the reorganization plans and statutes which have been approved. In other instances it would be feasible to come up with reasonably firm estimates if the agencies involved were to undertake extensive studies of the effects of the reorganizations. Such studies would in some instances call for the expenditure of so many man-hours as to offset the benefits attributable to reorganizations.

Many of the identifiable savings in the administration of Federal programs achieved during the last 2 years stem from the President's efforts to promote improved management in all the departments and agencies. Executive Order 10072, issued July 29, 1949, requires that each agency head systematically review the effectiveness of his agency's programs and the economy of its operations. Annual reports of management improvement activity are submitted to the Bureau of the Budget. Many economies have been reported. Some of these

may have been facilitated by the various reorganization plans strengthening the authority of the heads of certain agencies and the chairmen of several regulatory commissions. The improvements realized to date, examples of which are cited in the following paragraphs, are more often the result of efforts over a long period. The Treasury Department has reported numerous examples of management improvement actions leading to tangible savings, including the following:

(a) During 1950 the Fiscal Service, working through the Fiscal Services Management Committee, effected management savings totaling more than \$6,000,000, including some economies resulting from improvements initiated during the period 1947 to 1949.

(b) The Bureau of Public Debt reduced the number of regional offices from five to three with a resulting annual savings of \$250,000 in 1950.

(c) A depository receipt procedure was developed by the Bureau of Internal Revenue in cooperation with the Fiscal Services to cover employment taxes as well as income taxes. During the first half of 1950 when the new procedure was first put in operation, savings from the elimination of compensation to commercial banks amounted to \$500,000.

(d) The modernization of the intaglio presses in the Bureau of Engraving and Printing in 1950 led to savings estimated at over \$1,000,000 a year.

(e) The Bureau of Engraving and Printing also reported that improvements in the printing of currency installed during fiscal year 1951 would lead to the abolition of 300 positions and an annual savings of \$963,000.

The Housing and Home Finance Agency reported numerous improvements during the 1951 fiscal year, many of which resulted in individually small but cumulatively significant savings. Changes in FHA title I claims payment and recovery procedures produced annual personnel and materials savings estimated at \$61,000. Improvements in the procedures used in the termination of insured mortgages brought about an estimated annual saving of \$60,000. HHFA records disposal activities saved another \$50,000 during the year.

Many actions to improve the organization and efficiency of the military services have been taken by the Department of Defense. Numerous consolidations have been made and a number of joint activities for the three services have been established since enactment of the National Security Act. Examples of consolidations and joint operations now in effect include the Military Air Transport Service, the Military Sea Transport Service, the Military Traffic Service, the Armed Forces Technical Information Agency, the National War College, the Industrial College of the Armed Forces, the Armed Forces Special Weapons Project, the Armed Forces Institute of Pathology, the Aeronautical Standards Group, the Armed Services Medical Regulating Office, the Electronics Production Resources Agency, the Physical Security Equipment Agency, the Armed Services Petroleum Purchasing Agency, the Armed Services Medical Procurement Agency, and other single purchasing and service arrangements. These actions have enabled considerable progress in providing common procedures and in reducing duplications of effort, and they have enabled such specific dollar economies as those resulting from the consolidation of printing facilities, the curtailment of certain printing, and the installation of working capital funds in printing plants, which in the fiscal year 1950 saved over \$2,000,000.

Also illustrative of actions being taken by the Department of Defense is the development of a plan, for operation by the military departments, providing for preferential bulk insurance rates on a uniform basis for workman's compensation and public liability on defense contracts; this plan is similar to one developed during World War II which enabled a saving of \$193,000,000 from standard insurance rates. A saving in funds and personnel is to be realized from the consolidation of the examination and classification activities of the 192 main recruiting stations of the services into a total of 71 Armed Forces examining stations. Large savings are also being made from the establishment by the Army Ordnance Corps of the largest rebuild program in history, which has rebuilt for about \$161,000,000 equipment which today would cost \$600,000,000; typical quantities rebuilt are over 10,000 combat vehicles, over 22,000 artillery pieces, and over a million and a half small arms.

The Veterans' Administration, by arranging for a consolidation of insurance and death claims offices in Philadelphia, at an initial one-time cost of about \$1,800,000, will henceforth realize annual savings estimated at \$2,700,000. Similar insurance office consolidations at Fort Snelling and Denver will permit a reduction in annual operating costs of about \$2,500,000; the Fort Snelling and Denver moves will, however, necessitate a one-time cost of about \$2,400,000.

The introduction of a new money order punch card to replace that previously used in post office auditing procedures has resulted in a saving of over 300,000,000 forms and other gains. Although this new money order system has not been in operation long enough to permit an accurate estimate of ultimate savings, it has already led to the elimination of 700 positions. The annual savings from the personnel reductions alone will exceed \$2,500,000.

In December 1947 the Bureau of the Budget, the Treasury Department, and the General Accounting Office undertook a joint program to improve accounting in the Federal Government. A large number of significant accomplishments has been reported under this program, some of which were facilitated by the Budget and Accounting Procedures Act of 1950. Illustrations of improvements which have produced specific recurrent savings include: (a) The elimination in the General Accounting Office of certain operations which were common to the General Accounting Office and the Treasury Department, with a resultant saving of nearly \$1,000,000; (b) the revision of accounting procedures for public debt coupon interest and related operating procedures in the Treasury Department, with a saving of at least \$150,000; and (c) the adoption in the Department of Defense of a simplified method of scheduling disbursements and collections on electrical accounting machines and the revision of related procedures, which are expected to result in the elimination of more than 100 clerical positions in regional accounting offices of the Department of the Navy, with comparable savings possible in the field disbursing activities of the Departments of the Army and the Air Force.

While the above examples of savings from reorganization legislation and plans and from management improvement activities of the departments and agencies fall short of your request for the reasons which I have already indicated, it is my hope that the examples cited above will make clear that Government reorganization efforts frequently result in reduced costs of operations, including identifiable dollar savings in some cases. While this is the best we can do by way of identifying tangible savings without investing considerably more staff time and money, we are confident that, as a result of both the Hoover Commission studies and the President's management improvement program, there are many additional savings not listed herein.

Even if examples of reduced expenditures were totally lacking, it would not, however, mean that the reorganization legislation passed by Congress and the plans submitted by the President have failed to serve useful purposes. Much of what has been done in the last 2 years has been in the direction of improving the lines of responsibility and accountability within the executive branch. Improvements of this type and many of the regroupings of functions which have taken place will add to the capacity of the Government of the United States to carry out its immense responsibilities at home and overseas. The provision of executive machinery organized to do well whatever it is called upon to do is the most important objective of the reorganization program. The dollars saved in particular instances are among the beneficial results of improved organization, but they are by no means the sole criterion by which the accomplishments since the passage of the Reorganization Act of 1949 and the publication of the reports of the Commission on Organization should be judged.

Sincerely yours,

F. J. LAWTON, *Director.*

*Chronology of estimates upon Hoover Commission savings*

When made	Made by whom	Estimate
1948		
Dec. 1, \$3 billion	Former President Herbert Hoover, in press release issued by Hoover Commission, Washington, D. C.	Mr. Hoover stated that if the whole of the Commission's program could be carried through * * * there should be a saving of about \$3 billions a year in rendering the same governmental services as at present.
1949		
May 7, \$4 billion	Dr. Robert L. Johnson, chairman, Citizens Committee for Hoover Report, in speech before Massachusetts Federation of Taxpayers Associations, Inc., Boston.	Mr. Hoover has personally expressed belief that at least \$3 billions a year could be saved without damage to essential services. * * * An estimate of \$4 billions might be closer to the truth, if reorganization is vigorously prosecuted.
June 1, \$3 billion	Reorganization News, published by the Citizens Committee for the Hoover Report, June 1949 issue.	The report (Hoover report) is a magnificent blueprint for lasting good government. If vigorously adopted it can save \$3 billions a year according to very conservative estimates.
June 12, upward of \$3 billion	Dr. Robert L. Johnson at Washington, in press release marking official termination of Hoover Commission, June 12, 1949.	Through their (the Hoover Commission's) recommendations, upward of \$3 billion can be saved annually * * *.
July 25, \$3 to \$4 billion	W. R. Cassle, chairman pro tempore of Greater Washington Citizens Committee for Reorganization. Letter to Washington citizens also distributed to press.	With our annual Federal tax burden averaging \$275 per capita * * * it is imperative that the \$3 to \$4 billions of potential savings from the Hoover report be realized.
Aug. 13, \$3 to \$4 billion	Citizens Committee for the Hoover Report press release.	The (Hoover) report points the way not only to savings of from \$3 to \$4 billions a year, but to a financially stable * * * Government.
October, \$4 billion	Reorganization News, October 1949 issue.	It (the Hoover Commission) points out the where, the when, and the why of waste. There can be no doubt that with the elimination of waste, inefficiency and overlappings in the executive branch of the Federal Government, savings of from \$3 to \$5 billions a year are possible if the Commission's recommendations are vigorously pursued.
Nov. 25, \$3 to \$5 billion	Dr. L. D. White of Chicago, Chairman, Education Committee of the Citizens Committee for the Hoover Report, at Washington.	Three to \$4 billions a year, possibly more, can be saved in the operating cost of Government through full application of the report's recommendations.
December, \$3 to \$4 billion	Reorganization News, December 1949 issue.	Dr. Johnson and other members of the Commission's research task forces estimate that if the Hoover Commission's recommendations are fully adopted and vigorously applied, from \$3 to \$5 billions a year can eventually be saved in Federal operating costs.
Dec. 21, \$3 to \$5 billion	Dr. Robert L. Johnson, in Citizens Committee press releases, New York City.	To the eternal credit of the Members of Congress of both parties, some 35 percent of the Commission's recommendations have been enacted with eventual savings in excess of \$1.25 billions a year. (Referring to Armed Services Unification Act, General Services Administration Act and partial reorganization of other agencies.)
1950		
July 24, \$1.25 billion (already achieved).	Dr. Robert L. Johnson, letter to Senators Scott W. Lucas and Robert A. Taft, released to press.	The potential savings indicated by the Commission (Hoover Commission) will increase as the budget expands. The originally indicated economies of \$3 to \$5 billions (on a budget of \$42 billions a year) can easily be doubled with a budget of \$70 to \$80 billions. Approximately 50 percent of the Hoover Commission's recommendations have been adopted to date with consequent savings up to \$2 billion a year. Another \$3 billion to \$4 billions could be saved * * * by adoption of the balance of the recommendations.
Oct. 1, \$6 to \$10 billion	Reorganization News, October-November 1950 issue.	The Citizens Committee announced that * * * 50 percent of the recommendations of the Hoover Commission have been approved. It estimated that eventual economies of \$2 billion a year will be shown in operating costs of the Federal Government.
Dec. 7, \$5 to \$6 billion	Citizens Committee press release relating to Speakers Handbook.	
Dec. 17, \$2 billion (already achieved).	Citizens Committee press release on its pamphlet, "A Report to the American People."	

<p>1951 January, \$2 billion (already achieved).</p>	<p>Reorganization News, January 1951 issue.</p>	<p>Status of the Hoover Report (a Citizens Committee pamphlet) shows that 50 percent of the Hoover Commission's recommendations have been approved legislatively. * * * Annual savings in Government operations of not less than \$2 billion will result. * * * The great work of the Hoover Commission and its task force is paying off today. It is paying off in dollars. The Commission did its job with a congressional appropriation of less than \$2 million. Its recommendations have so far saved \$2 billion.</p>
<p>Feb. 26, \$7 billion</p>	<p>Citizens Committee for Hoover Report, press release, New York City.</p>	<p>This was an official press release of the Citizens Committee for the Hoover Report issued Feb. 25, 1951, by its New York offices. The release stated that a New York advertising copy writer who also is an amateur folk singer "has turned a talent he discovered in the Pacific theater of war into a way of telling the American people how they can save upwards of \$7 billion a year in the operating costs of the Federal Government" (by presenting the Hoover Report to the public through folk songs). The Congress will be proud of the fact that 50 percent of the Commission's recommendations have already been adopted with eventual savings of \$2 billions a year. We believe that the remaining recommendations can have a vital part not only in making possible an estimated total of at least \$5.5 billions a year of savings but in greatly strengthening the structure of the Federal Government in a time of emergency.</p>
<p>Mar. 9, \$5.5 billion</p>	<p>Dr. Robert L. Johnson in telegram to Senators McClellan, O'Connor, and Aiken, released to press.</p>	<p>The task forces * * * estimated that over \$3 billion could be saved annually. But these estimates were based upon the 1949 budget of \$40 billion. Many items can be upgraded considerably to cover the larger items composing \$71.6 billions requested in the 1952 budget. The Research Department of the Citizens Committee has revised these estimates of the Hoover Commission's task forces. So far about 50 percent of the Commission's recommendations have been enacted. These should produce eventual savings of well over \$2 billions, some of which are already being realized. We may be erring on the side of conservatism, therefore, in estimating a total of \$5.5 billion in savings on a budget 75 percent higher than the one on which the task forces based their estimates.</p>
<p>Mar. 11, \$5.5 billion</p>	<p>Dr. Robert L. Johnson in releasing Hoover Commission task force estimates of savings by separate categories revised upward in relation to the \$71.6 billion 1952 budget. Press release.</p>	<p>The possible savings from the Hoover Reports are estimated herein at \$5,554,000,000. Those savings are administrative, not "cutbacks". Estimates of \$7,000,000,000 and \$7,500,000,000 have been made (no indication by whom). These include in addition to the above mentioned savings of \$5,554,000,000, certain cutbacks or diminutions of programs many of which would be possible only if the Hoover Commission recommendations were first enacted.</p>
<p>Mar. 11, \$5.5 to \$7.5 billion</p>	<p>Citizens Committee Research Department estimate of specific savings from each of the 19 Hoover Commission reports. Press release.</p>	<p>Savings from these reforms already authorized should eventually approach \$2,000,000,000 annually, according to estimates of the Commission's task forces. Those recommendations not yet adopted should provide additional savings of similar proportions. These savings estimates were based upon a \$40,000,000,000 budget. A budget of \$70,000,000,000 could well increase certain items in these estimated savings pro rata. Although it is difficult to estimate such increases without complete research, it would not be unreasonable to hope that full enactment and faithful execution of the recommendations could bring total savings of over \$5,000,000,000 to the Nation's taxpayers. It may be realized, however, that such vast changes take time.</p>
<p>Mar. 11, over \$5 billion</p>	<p>Former President Herbert Hoover, in letter to Senator Lodge dated Jan. 26, 1951, New York City, distributed to press Mar. 11, 1951.</p>	<p>If fully enacted the Commission's report would result in total savings of \$5,500,000,000 or \$220 a year per average American family, he (Dr. Johnson) added.</p>
<p>May 16, \$5.5 billion</p>	<p>Dr. Robert L. Johnson, Citizens Committee press release, New York City.</p>	<p>As a legend Congress prepared to adjourn, Dr. Robert L. Johnson, national chairman of the Citizens Committee, called for "plain talk" on the "small's pace" of legislative activity during 1951. Johnson frankly pointed out that the 82d Cong., having increased the Federal budget by 70 percent, faces the public almost empty-handed as to action on a "perfectly plain blueprint for efficiency and economy which could save a total of \$5.4 billion a year."</p>
<p>October, \$5.4 billion</p>	<p>Reorganization News, November 1951 issue.</p>	<p></p>

*Chronology of estimates upon Hoover Commission savings—Continued*

When made	Made by whom	Estimate
1951 Dec. 29, more than \$5 billion	Former President Herbert Hoover in broadcast over radio station WEEI, Boston. From press release.	The only living ex-President of the United States contended that the Hoover Commission reforms could save the country more than \$5 billion a year.
1952 Jan. 14, \$5.4 billion	Dr. Robert L. Johnson in a telegram to the President of the United States urging prompt action on remaining Hoover reports not previously acted upon.	About 55 percent of the Commission's recommendations have so far been adopted with great benefit to the Nation. * Actual economies of approximately \$2 billion a year will eventually be realized from these measures. * * The first term of the 82d Cong., however, was deeply disappointing to advocates of reorganization who were hoping for prompt action on the remaining reorganization and for realization of the potential savings of \$3.4 billion a year which this would entail. At least \$5 billions and up to \$7 billions.
January, \$5 to \$7 billion	Citizens Committee pamphlet	

APPENDIX B

Senate action on reorganization plans, 81st and 82d Congs.

REORGANIZATION PLANS OF 1949

Plan No.	Title	Senate resolution of disapproval, No.	S. Rept. No.	Senate vote on resolution of disapproval			Effective date of plan
				Yeas	Nays	Date rejected	
1	Department of Welfare.....	147	851	60	32	Aug. 16, 1949	Aug. 20, 1949
2	Bureau of Employment Security.....	151	852	32	57		Do.
3	Post Office Department.....	None	837				Do.
4	National Security Council and National Security Resources Board.....	None	833				Do.
5	Civil Service Commission.....	None	839				Do.
6	Maritime Commission.....	None	840				Do.
7	Public Roads Administration.....	155	927	40	47		Do.
8	National Military Establishment <sup>2</sup> .....	None	None				(?)

REORGANIZATION PLANS OF 1950

1	Department of Treasury.....	246	1518	65	13	May 11, 1950	May 24, 1950
2	Department of Justice.....	None	1683				Do.
3	Department of Interior.....	None	1545				Do.
4	Department of Agriculture.....	263	1566	(?)		May 18, 1950	May 24, 1950
5	Department of Commerce.....	259	1561	29	43		Do.
6	Department of Labor.....	None	1684				Do.
7	Interstate Commerce Commission.....	253	1567	66	13	May 17, 1950	May 24, 1950
8	Federal Trade Commission.....	254	1562	34	37		Do.
9	Federal Power Commission.....	255	1563	37	36		Do.
10	Securities and Exchange Commission.....	None	1685				Do.
11	Federal Communications Commission.....	256	1564	50	23	May 17, 1950	
12	National Labor Relations Board.....	248	1516	53	30	May 11, 1950	May 24, 1950
13	Civil Aeronautics Board.....	None	1686				Do.
14	Labor Standards Enforcement.....	None	1546				Do.
15	Alaska and Virgin Islands Public Works.....	None	1547				Do.
16	Assistance to School Districts and Water Pollution Control.....	None	1548				Do.
17	Advance Planning and War Public Works.....	271	1676	29	43		July 1, 1950
18	Building and Space-Management Functions.....	270	1675	7	69		May 24, 1950
19	Employees' Compensation Functions.....	None	1549				Do.
20	Statutes at Large and Other Matters.....	None	1550				Do.
21	Maritime Commission.....	265	1674	14	59		Sept. 7, 1950
22	Federal National Mortgage Association.....	299	1936	30	43		Do.
23	Loans for Factory-Built Homes.....	None	1870				Do.
24	RFC to Department of Commerce.....	290	1868	(?)		July 6, 1950	July 9, 1950
25	National Security Resources Board.....	None	None				July 31, 1950
26	Department of the Treasury <sup>1</sup> .....	None	1869				
27	Department of Health, Education, and Security <sup>3</sup> .....	302	1943	(?)	(?)	(?)	

See footnotes at end of table, p. 96.

Senate action on reorganization plans, 81st and 82d Congs.—Continued

REORGANIZATION PLANS OF 1951

Plan No.	Title	Senate resolution of disapproval, No.	S. Rept. No.	Senate vote on resolution of disapproval			Effective date of plan
				Yeas	Nays	Date rejected	
1	Reconstruction Finance Corporation.....	76	213	141	33	-----	Apr. 30, 1951

REORGANIZATION PLANS OF 1952

1	Bureau of Internal Revenue.....	285	1259	37	53	-----	-----
2	Post Office Department.....	317	1747	56	29	June 18, 1952	Mar. 15, 1952
3	Bureau of Customs, Treasury Department.....	331	(2 parts) 1748	-----	-----	-----	-----
4	Department of Justice (United States Marshals).....	330	(2 parts) 1749	51	31	do.....	-----
5	District of Columbia.....	None	(2 parts) 1735	55	28	do.....	July 1, 1952

<sup>1</sup> Senate rejects resolution by less than the necessary 49 votes, and the plan became effective.

<sup>2</sup> Superseded by Public Law 216, Aug. 10, 1949.

<sup>3</sup> Senate approves resolution by voice vote.

<sup>4</sup> Same as plan No. 1 of 1950, excluding Comptroller of the Currency.

<sup>5</sup> Designed to overcome objections to plan No. 1 of 1949.

<sup>6</sup> House adopts disapproving H. Res. No. 647 by vote of 249 to 71 on July 10, 1950.

