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THE FEDERAL GOVERNMENT

WHO'S IN CHARGE?

by HENRY E. SCHLENKER/Manager, Washington, D.C.

MEB

Harry S. Truman once remarked, "One can't really enjoy being President of the greatest republic in the history of the world. It's just too big a job for one man to control it." Thirty years later, despite repeated attempts to prune it back, the executive branch of the government is bigger and more unwieldy than ever. And as the agencies and commissions proliferate in bewildering array, more and more Americans are wondering, "Can the federal government be managed at all?"

In 1978, I spent five months as a member of an AICPA task force studying the Executive Office of the President (EOP), the organization most people think of as the White House. As we interviewed key people in each EOP unit, the five members of our task force had an unusual opportunity to look at the federal government from an insider's point of view. We had been asked by the White House to examine the possibility of producing a report to the public, somewhat like a corporate annual report, that would explain EOP's role in managing the executive branch of the government and show the cost of operating the White House. Interviewing with this in mind, we asked people to tell us about the services, facilities, and work groups that don't show up on the organization charts. We wanted to find out how the 12 EOP units actually work together, how they interact with the rest of the executive branch, and how national policy issues are addressed.

When our task force sat down to write its report, I realized that my view of the White House had changed considerably during the engagement. I now feel that any analogy between managing the government and managing a large corporation is appropriate only to a degree. The President can try to organize the White House on a more businesslike footing, using proven management techniques; and

to the extent that he does this, his job will be easier and his effectiveness will be improved. But it is unlikely that the White House will ever be managed with the level of control found in many large corporations. Thus, in terms of policy and legislation, the President may initiate his own proposals, but for practical reasons he often signs into law legislation which is substantially different in content.

The more we learned about the EOP's operation and its role in the federal government, the more we found this to be the case. Presidents have lived in the White House since the early part of the nineteenth century. However, they had no official organization to support them in their administrative and policy-making functions until 1939, when the Executive Office of the President was created during the Roosevelt administration. The EOP has been reorganized several times since that date, most recently by President Carter in 1977. At the present time it contains 12 operating units and just over 1,400 authorized positions. A few EOP units, such as the National Security Council and the Office of Management and Budget (OMB), have survived essentially unchanged since 1939. Other units, such as the Special Action Office on Drug Abuse or the Federal Energy Office, have come and gone in response to pressing national concerns.

The Structure

Far from being a tightly knit management team, the EOP is a somewhat disparate collection of policy making and review groups coordinated by a few key advisors and staff units. The President relies on this inner circle, which includes the National Security Advisor and members of the Domestic Policy Staff, to brief him on key issues and their status and to implement his decisions. Since many of the other

EOP units have individual and often unrelated responsibilities, they tend to operate as more or less independent "enclaves" within the EOP.

The EOP is organized to perform two primary functions: managing the executive branch of the government, and helping the President develop policy and legislation. In both these roles, it acts on the President's behalf, although usually without his direct supervision. For example, the Office of Management and Budget takes on most of the responsibility for managing the day-to-day operation of the executive branch. OMB is the largest single White House unit, employing more than a third of the people who work in the Executive Office of the President. It oversees budgets and policy implementation in 12 cabinet departments and over 40 independent executive agencies, and serves as a liaison with Congress. One of its major responsibilities is to ensure that policies and programs established by Congress and the White House are faithfully carried out by the executive agencies. It also reviews budget requests and has the authority to deny specific funds to agencies that are not meeting the objectives they set for themselves each year during budget preparation and review.

Managing how the money is spent and how different agencies are carrying out their assigned activities is one side of managing the White House. The other side concerns the initiation of policy and legislation. The EOP units which do this are smaller, more individualized groups. They tend to work on a project basis, focusing on prominent national issues, such as energy or tax reduction, which the President needs to address. The National Security Council, the Domestic Policy Staff, and the Council of Economic Advisors, with 40 to 60 employees each, are the more important policy-making units.

An Executive Committee of presidential advisors manages the overall process of policy development and implementation in a manner very similar to the decision-making process of a large business organization. This group serves as a clearinghouse for foreign and domestic policy issues, which it then channels to either the National Security Council or the Domestic Policy Staff. When a domestic issue, such as national health insurance, is identified, the Domestic Policy Staff, headed by Stuart Eizenstat, first obtains the President's approval to proceed, then determines which executive branch agencies should be involved, assigns the issue for analysis and study, and designates a lead agency. The lead agency develops a response memorandum detailing options and recommendations, much as one division of a corporation submits a study to corporate headquarters for final approval. Other agencies with an interest in the issue, plus top presidential advisors, are allowed to review the options at this point. The Domestic Policy Staff then decides what sort of action, if any, to take on the issue and coordinates this with OMB and Congress. Action may take the form of a simple public statement, a directive to an executive department or agency, or a legislative proposal. An equivalent process occurs in the National Security Council, under the direction of Zbigniew Brzezinski, for issues relating to foreign and military policy.

Under President Carter there appears to be more emphasis on running the White House as a businesslike organization with a centralized budget and control function and a coordinated information systems office. Shortly after he took office, Mr. Carter, who had made reorganization of the White House a campaign issue, undertook a six-month review of the Executive Office of the President. Seven EOP units

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The entrance to the Old Executive Office Building.

*An interior view of
Blair House.*

were abolished, and a 28 percent reduction in staffing was achieved. Perhaps more important, a central administrative unit was created to coordinate equipment purchases and support services for all EOP units. Previously, each unit arranged these services independently, so that libraries, computer systems, and mail processing facilities were often needlessly duplicated when they could have been shared. Another important outgrowth of the reorganization was the Domestic Policy Staff, which has brought the domestic decision-making process under more systematic control.

No matter how well organized the White House is, however, its control over proposed legislation and the manner in which federal agencies can implement enacted legislation is limited. Many Congressional staffs and special interest groups have managed to develop legislation so complex and detailed that when it is enacted, it can only result in even more complex regulations being developed by the executive agency which must implement the law. Unfortunately, there is often little impact that the White House can have on the level of specificity in legislation, particularly if the legislation is being enacted in such a sensitive area as welfare or labor regulations. As a result, when administering federal programs, the White House is bound to follow Congressional specifications, often at the expense of good management practices. Even the President's own legislative proposals are not totally within his control; most controversial programs, like the 1978 energy package, are likely to be modified many times to increase the probability of their passing through Congress.

A high proportion of federal expenditures are already beyond the control of the White House, and the trend in the federal budget shows a growing percentage of funds earmarked for

fixed payment programs, such as Social Security, government employees' retirement funds, food stamps, medical assistance payments, and the like. Since most transfer payment programs contain automatic adjustments for inflation, over time the President's control over federal spending could diminish even further.

The Study's Impact

In terms of the AICPA study itself, we do not know yet how President Carter and his staff will elect to report White House operations and costs. Financial information on the Executive Office of the President is already collected and reported as part of the budget process. However, our task force found that other executive branch agencies also provide support services and staff for the President, and these costs proved more difficult to account for. For example, when the EOP has a project requiring special expertise or one that cuts across organizational lines, or simply when it needs additional staff to react quickly to policy or legislative issues, it borrows key personnel from other executive agencies. These people are assigned temporarily to the EOP, but their salaries are paid by the agency which loaned them.

Many departments outside the EOP also support the activities of the President and his staff. Protection for the President is provided by the Secret Service, a unit of the Treasury Department. The White House Communications Agency is part of the Department of Defense. The White House Mansion itself belongs to the National Park Service and is maintained by Park Service employees.

Moreover, the Old Executive Office Building, the New Executive Office Building, and other EOP office facilities are all owned and maintained by the General Services Administration. Office equipment used by the EOP is

owned in part by the General Services Administration and the Department of Defense. The White House Information Data Base, a prototype computer system with computer mapping capabilities and access to data bases in several executive agencies, was developed for the EOP by the Department of Commerce and NASA. Camp David, the President's mountain retreat, is owned and protected by the Department of Defense, which also provides a variety of transportation services for the President, including Air Force passenger jets.

These factors complicate attempts to present the overall costs of supporting the White House, since White House activities are funded both directly as part of the EOP and indirectly through the budgets of other government agencies. Furthermore, in view of the number of people on temporary assignment to the White House from other agencies, as well as the large number of support personnel providing logistic, communications, security, and maintenance services, it is difficult to say at any point in time how many persons even work for the President.

In view of these circumstances, our task force essentially proposed two main options:

- (1) Continue to budget and report costs strictly along traditional organizational lines. Costs attributed directly to the Executive Office of the President are shown in its budget. The remaining costs for EOP support facilities and staffing are included, but normally not identified separately in the budgets of other executive branch agencies.
- (2) Describe as a total entity all of the services, personnel, and facilities which support the President in carrying out his duties and responsibilities, and estimate the total cost.

Contrary to the normal procedure in consulting engagements of this type,

our report simply defined the client's options, together with an explanation of what we saw as the pros and cons of each. We were careful in this case not to make any recommendations concerning how the client should proceed. However, at this point, I believe the production of an annual report for the White House is unlikely. Estimating the total cost of supporting the President would require substantial judgment in evaluating the type, duration, amount, and value of support services used by the White House. Our study basically concluded that, yes, there is a way of providing an overall description of the White House role and its associated costs, but that doing so might require more effort, time, and money than could be justified by the hoped-for results. I believe the White House is evaluating the merits of such a project, and will probably defer developing a White House annual report.

As with any large business organization, the success of the White House is not measured by the personnel, facilities, and services it uses, but by the results it achieves with these resources. The President, like any chief executive officer, knows that resources are only tools. Unlike other chief executives, however, his success is not linked to a discrete measure of corporate performance, such as growth in earnings per share of common stock, but to such national priorities as a healthy, growing economy and a strong national defense. I believe that the White House, in the manner of any large corporate organization, has established some logical management policies and procedures to ensure efficient operation of the government. The challenge now, for whoever runs the White House in the future, is to understand not only the nature of national priorities, but also how the federal government can be most effectively directed to carry them out. ▲