

Transcribed '2/1/83, EW

TAPE 1

(Side A)

This is part of the 50th Anniversary observance of Public Administration Service. It is Saturday, November 19, 1983, and I am interviewing Prof. Donald Stone to elicit his recollections on public administration throughout the United States and overseas during the past 50 years. What we are trying to do is to record memories of important personages, significant events, incidents, entertaining anecdotes, and other information that might be useful to students and practitioners of public administration in future years. We are going to ask Dr. Stone for his assessment of progress in given areas: human resource management, intergovernmental relations, financial management, the trends he has observed, and possibly predictions of future developments. Both domestic and international areas can be included, and certainly the establishment, growth, and history of Public Administration Service will be a continuing reference throughout the commentary. The tapes, will then be transcribed and edited and made available, with similar commentaries of others, to schools of public administration throughout the United States and overseas.

INTERVIEW

Dr. Stone, I wish you would simply proceed at your own pace here, and we will have a chance to review the transcripts. My name is Robert Fredlund, and I am going to ask only a few questions. At the moment, I serve as a Senior Consultant with Public Administration Service. I am going to turn this interview over to Dr. Stone.

This is part of the 50th Anniversary of the Public Administration Service, and I am asked to give some views as to the significance of its creation and what it did that was of special contribution to improvement of government and administration. I shall focus first on what I think was a very exciting time of my life in which Public Administration Service came into being. It was chartered in 1933 and became operative in July of that year as a non-profit organization. It had a very unique mission: to assist its governing organization in the improvement of public administration, public services, performance of government, and the various spheres of which they were concerned. Its governing organizations were the jurisdictional and professional groups that had been assembled in Chicago; what became known as "1313." The ICMA, the Municipal Finance Officers Association, the Civil Service Assembly at the United States and Canada, the American Municipal Association—these were at least some of those organs that took the main initiative.

There are some events leading up to that establishment that were important in terms of improvement of government in the United States and which centered, insofar as I was concerned, in bringing about cooperative efforts among the PAS Governing Board and the Staff of PAS itself. One of the major features of this was the concern not only for consulting and advisory work, but for developing higher standards of performance, dissemination of information, and guidance for jurisdictions of all levels of government in how to conduct their affairs; the carrying out of a major publications program; and rendering assistance to individual associations as well as to governments.

PAS, like any other entrepreneur activity, required a lot of resourceful innovations, planning, program development, acquisition of funds, search for competent people, negotiations, public relations, and so on, so that one could say that what PAS has been doing in recent years, and helping to establish new programs and agencies and reorganizing old ones, was applied to self in the early days in which the organization came into being.

Q: Who were some of the key people back in those days?
Your role at that time? You are now on the Board of
Trustees of the organization, but you were actively involved
in its

A: I think I can answer that best by saying that PAS was a product of certain streams of development in the United States which were basic reform and improvement of government generally and to the development of a knowledge of the institutions to which we commonly refer under the rubric of public administration today. This turns back to 1906. That was the year in which public administration became the subject and objective of intensive study and the application of principles, as they gradually developed, to improve government. This was the year in which the New York Bureau of Municipal Research was founded and in which the whole idea of analysis of the operation of government and a formulation of measures to improve the management and performance and operations first really began in this country and in many respects in modern history throughout the world. PAS and various professional organizations, public service organizations that we have today, ASFMA, the National Academy of Public Administration, the National Association of Schools of Public Affairs, and many others, are all part of the development that was triggered by the establishment of the New York Bureau; the conduct of surveys throughout the country. It was an instrument that helped develop municipal reform and the state reorganization efforts beginning subsequently there in

1906 but particularly in the years from 1910 to 1925. The New York Bureau had established a training school and it was from this school that many leading figures in this whole public administration reform movement began. One of these pioneers, Luther Gulick is still alive today at the age of 92.

I, myself, was a product of this stream because when I went to Maxwell School right at the beginning of the fall of 1929, half of our study took place at the New York Bureau which had now become titled the Institute of Public Administration. I worked more with the staff of the New York Bureau than I did with the faculty of Maxwell School in this process.

Another stream that contributed directly to the establishment of PAS and many of the things were initiated in the way of development of better administration was the invention of a council manager form of government; establishment of an International City Managers' Association, as it was called then. Louis Brownlow was appointed by President Wilson as a commissioner of the District of Columbia and he served almost single handed; it was a one-man commission all during the war, during which he demonstrated his unique talents as an administrator. Then Brownlow was appointed City Manager of the City of Petersburg, Virginia; then Knoxville, Tennessee; then elected President of ICMA and his continued work with ICHA ultimately lead to his appointment as Executive Director of the Public Administration Clearing House. That was the other related stream that I think is significant in this situation.

It was under Brownlow's primary initiative, assisted in part by Prof. Charles Merriam of the University of Chicago, with financial aid of the Laura Spelman Memorial, that resulted in the establishment of the assembly of

jurisdictional and professional organizations of officials which became "1313."

John Statts had been a Secretary of ICMA; it was located in Lawrence, Kansas; but ICMA was moved to Chicago in 1930. Clarence Ridley, a former city manager, was appointed Executive Director. Ridley had been my principal advisor in the public administration program at Maxwell School, so this tied my relationship with him. I had gone to Cincinnati as an assistant city manager right at the time when the City had adopted the city manager form of government and so that involved me in the city manager stream. I subsequently joined the staff of the Institute of Public Administration in New York.

It was significant that at this time there was a shift of a primary initiative in the reform and improvement of government from private research institutions and local bureaus of research; and there were some state organizations, and taxpayers associations, and groups of that sort, including the Institute of Public Administration, the Institute for Governmental Research in Washington which became part of Brookings, the shift from primary initiative in such organizations to the officials themselves and to the associations of officials and to associations of jurisdictions. Jurisdiction associations today are similar to the National Governors Association, although one could say that as an association of officials, maybe the Council of Government is a more precise case. The National Association of Counties, the National League of Cities, the National Association of Regional Councils—these are the jurisdictional groups.

The public officials groups are reflected in such groups as ICMA, the American Public Works Organization, the National Association of State Budget Officers; there are several dozens of these groups.

Up until then, the 1313 cluster brought them together; with their programs strengthened and new organizations created, the officials themselves had not been organized to sponsor new forms of administration, better organization, improvement in the administrative systems, delivery of services, and that sort of thing. So the main form today, for the improvement of government, is probably vested much more in these professional and jurisdictional organizations than any other force in the country. I think they can see that, in the intergovernmental sphere, the National Governors Association and the other public interest groups have carried an enormous amount of leadership in helping to work out an effective allocation of functions between federal, state, and local government. But in many ways, what is even more important, is the manner in which these organizations serve their respective clienteles with information about better administration, improved methods, exchanging illustrations, and cases where individual governments have brought about reform and improvement; so that today newly appointed officials, as well as old ones, their eyes are being lifted to better methods and to the necessity of exercising the kind of leadership and entrepreneurial initiative that any innovative organization requires.

It is the shift into this kind of focus that PAS germinated. PAS was the immediate outgrowth of two developments. When ICMA established its headquarters in Chicago, Louis Brownlow was chairman of its research

committee. In his great devotion to an improved management in operations, he and his committee had secured foundation funds for a national effort to improve municipal government throughout the United States. I had become acquainted with Brownlow prior to this time and with Clarence Ridley, as I have mentioned, and they invited me to become the Director of Research of ICMA. This turned out to be a creative assignment; there was enormous freedom for invention and innovation, and I look back upon it as a major turning point in my whole set of relationships and in gaining competencies that enabled PAS to later on move into the federal sphere and what I think were very important contributions.

Q: What about schools of public administration at that time?

A: The schools of public administration were very few and far between at this time. The first public administration degrees were awarded by the University of Michigan and there was cooperative effort with a public administration faculty and their engineering school. The first, the Maxwell School, was initiated with the cooperation of Luther Gulick who was responsible for the training programs operated by the Institute of Public Administration, a one-year program, having difficulty in financing it; and the grant was made by Maxwell to Syracuse. He proposed, Dr. Moser, who had been appointed dean of a new school of public affairs and citizenship, that the

training program be transferred to Syracuse. The Maxwell School was a school of social sciences in which public administration was, at that time, a featured element. The first school, devoted entirely to public administration that had the same status in the university as the other professional schools, was the University of Southern California. As a history of all the development of public administration education in the United States, a chapter which my wife and I wrote, and the book edited by Frederick Moser, with a pretentious title of "Public Administration—Past, Present, and Future."

Turning to the question of a contribution that came from this 1313 coalition and the governing board of PAS was focused initially upon the development of a comprehensive municipal management system which the ICHA research staff designed. We worked in several fields but primarily in public works because it was the most visible and most measurable and the one that was the most easily subjected to the processes which came ultimately and cleared (C?) in a comprehensive management system. This involved planning, programming, budgeting, general accounting, cost accounting, work reporting, evaluation, auditing—a whole cycle which subsequently became an ingredient of PEBS. PEBS was really inventive back at that time. When I moved later to the Bureau of the Budget, we called it "performance budgeting."

The significant feature of this was that we made demonstration installations in cities of various size; produced handbooks (we widely distributed these handbooks); in sum, we had many, many cities installing the kinds of systems we had developed: public works, police administration; financial management was another and personnel management was a fourth major

field in which we concentrated. Because of the prestige, perhaps I should say, the reputation for practical value that these demonstrations entailed, many of the cities asked if they could be included and have installations made. We did not have the funds for that, so there was a pressure for setting up a process by means of which payments could be made for services provided.

At the same time, our governing organizations were also besieged with requests for assistance. Most of them did not have the funds for doing consulting work nor staff who were equipped to respond to intensive or extensive projects, and so PAS was viewed as a possible instrument for not only carrying out projects which had been generated by the operations of IGMA but by the interests of its governing board.

There was also another factor in this and that was the Municipal Administration Service. This was an organ that was located at the headquarters of an institute of public administration and the National Municipal League in New York which had foundation financing for issuance of monographs on public administration. It was running out of funds, and with the growth of the 1313 group, it was viewed that logically it should be transferred to that venue. And the logical thing was incorporating it as a part of PAS. PAS, right from the beginning, inherited a publications arm initially directed by Charles Asoher, subsequently by Farrel Simons and then Laverne Burchfield.

That was a moment of great challenge. Could PAS become a self-sufficient organization, generating enough income not only to finance its consulting work but to cover all the other activities it was carrying on?

Some of these we never assumed that we could cover entirely. We thought that some of the publication work would need subsidizing and one of the memorable moments in my life was when the Spelman Fund allocated working capital to help PAS have a cash resource, a working fund to carry it over.

Q: How did the Spelman Fund get involved?

A: The Spelman Fund was a crucial factor in the whole assembly of organizations in Chicago. The Director of the Spelman Fund, Guy Moffit, was interested in the improvement of government; he and Brownlow and Merriam became associated and, in fact, Moffit was a party to all the steps involved in bringing about a collection of those associations in Chicago. His fund allocated seed money to each of the organizations and special grants for special programs of these organizations. Moffit was thoroughly familiar with ICNA research, although that program had been financed primarily by the Julius Rosenthal Fund of Chicago. I can remember many meetings with Moffit reviewing plans, asking how things were going; and his interest, in contrast to many foundation directors who tried a long distance approach in order to protect themselves; Moffit immersed himself in what was going on and if it did not appeal to him, he frankly said so and I think he was a model of the way a foundation ought to function.

What we did in the public works field in developing a comprehensive management system operational approach led, on the one hand, to the establishment of the American Public Works Association. We carried on this activity through joint committees to public works and engineering organizations that were in existence in public fields at that time, involving other groups as well.

TAPE 1

(Side B)

When PAS came into being, we had four municipal projects underway. The task then was to develop enough understanding on the part of the governing board and of officials at every level of government of the resources that were now available and that we could be of practical help. The opportunity to demonstrate this in a major way came in the following year 1934. That year, in the midst of the depression and of federal emergency programs to cope with unemployment and with other problems that had beset the country!

One of these was the Public Works Administration. This was a program of federal loans and grants to states and local governments to carry out construction projects. Colonel Wate (7), former City Manager, who had chaired one of our ICHA research committees in the public works field, was having difficulty getting the loans and grants projects consummated. He was the administrator of PWA. He enlisted our help. The problem was not difficult to detect; I summed it all up in one sentence to him: "You have too many lawyers." The lawyers who were assembled primarily by Secretary of the Interior Ickies who was the titular head of PWA, had incorporated such laborious provisions in the PWA regulations that it took endless time trying to work out satisfactory solutions. We assisted in the simplification of these regulations and, from that time on, the program went forward at an accelerated rate.

The other and much more dramatic contribution was in Civil Works Administration. I find that a very few people today have the slightest idea; they never knew what PWA was about; well, it was a program in the winter of 1934 to put 4,000,000 unemployed persons back to work. We must recall that at this time, there was no such thing as unemployment compensation, i.e., public welfare in the sense that we know it today, although there were emergency public assistance programs. Riots were threatened and destitution abounded throughout the country. The PWA idea was outlined by Harry Hopkins, who was an administrator of FERA, with the help of Frank Dane, who at that time was Executive Director of the American Public Welfare Association, one of PAS' governing associations. A meeting was convened at the insistence of President Roosevelt in Washington. It brought together governors, mayors, and key officials from state, county, and city governments to announce the plan. I was an observer in that meeting. When they distributed the materials on the operation of the program, I began examining them. I became alarmed when Hopkins directed the officials to go back and put people back to work; my heart sank because I did not see how they were going to get paid, or how equipment and supplies were going to be made available to the projects in an orderly way. Well, within two weeks, the difficulties had become apparent. Frank Banes suggested to Hopkins that, based upon the experience we had had in carrying out public works programs in municipalities, we might be able to help. The end result was that I assembled some of our own staff and a few others, and in 14 days and 14 nights we developed a whole new set of instructions as how the program should function beginning with what the

criteria of eligibility should be, how projects became approved; of the sequence of steps relating to the assignment of workers, of payment of workers, of handling equipment and supplies; and other expenses and procedures for counting and reporting. The government general printing office reproduced this handbook, "Guidance Material," in 48 hours, which was a remarkable achievement. There were seven of us who had worked on this, and so Mr. Hopkins arranged for regional meetings in different parts of the country to bring together state and local people who were responsible for running the programs. Each one of us went to a different region and instructed the persons there with guidance materials and this got the program back on track; and it had many difficulties because this was a very novel kind of operation. Four million persons were put to work, and it met its objectives.

There was an interesting feature of this PWA program and I always felt it could be used for a lot of other national endeavors. No funds were transferred to state and local governments; it was not a grant program in the sense that we think of grants today. What was done was that state and local officials were deputized to exercise federal authority. They were provided with authority to certify payments for payrolls, for equipment and supplies, and other expenses. We used the Veterans Administration Disbursing Officers as a disbursing agent; at that time the Treasury did not have disbursing officers scattered in the country and so the workers could get paid reasonably promptly. The whole thing operated so fast that in most cases, political officials, who like to engage in patronage, did not catch up with the possibilities, so at that time, when there had been a considerable amount of

corruption, patronage did not take place. Another thing that became evident in this program was progressively dramatized later on: it was those cities and counties that were well managed that made the best use of the funds available. This, in itself, gave significant impetus and support to improving the management and operations of state and local government.

By this time, the Federal Government had learned that you had engaged in very systematic planning in the way you were going to implement programs if they were going to be successful. This is a lesson that was learned in the New Deal days, a lesson which generally seems to be lost today. The WPA program is illustrative: two months before the program was to become effective, when the legislation and appropriations were still in the Congress, Mr. Hopkins who had been designated the Administrator of WPA, invited me to come to Washington to organize the staff who would plan the way this program would be operated, using a few PAS persons, but assembling many persons with experience in state and local government, and some who had been attached to the FERA which was sort of a parent organization or the organization on which the new WFA was based; so that we had about ~40 expert persons working out every aspect of this program in advance. We developed training materials and detailed instructions, so that, when the program came into operation, every state and local WPA had specific guidance on how to carry it out. Much of this was not mandated; much of this guidance was illustrative of how they could do it—which is an interesting aspect of change which gradually took place when the Federal Government began a mandate of all sorts of trivia in the carrying out of its grand efforts.

Q: Were there schools of city management back at that time such as later at Kansas University?

Let me say this, that (and I think I can elaborate a little bit on that in the way PAS worked, because it was a great promoter of these schools) in these early projects, as well as in all subsequent projects, we followed the principle of getting out of a university a graduate student who is not only one but in some projects two or three who were completing their work and signing them as interns to help on the project. This contributed in many ways; we found these bright, able persons could do very useful things and, second, they came respected by what they did by the government agency and in a great many cases were invited to become members or employees of that agency. So, this served as a bridge, a career bridge, for these university students. Now, on your question, there were not many universities that had programs in public administration or public management. Many of these students came out of political science departments. In some cases there were public administration programs. For the most part, they were disciplinary in character and political science oriented rather than management oriented. I think the course that we established with these universities in pointing out the opportunities that were in government helped accelerate the strengthening of public administration programs. It is ironical that we never could bring this about at the University of Chicago, where these organizations were located. By this time, President Robert Hutchins had become President; he had

a cynical view of any kind of professional education. He made a real contribution for undergraduate education in the classics and liberal arts, but he prevented the establishment of a school of public administration which Prof. Merriam had strongly supported and this was one of the great disappointments in Prof. Merriam's life—that was never established at the University of Chicago.

I think that the stimulation for public administration schools came much later, particularly what PAS in many ways was doing was incorporated in the Federal Government when the Bureau of Budget was transferred from the Treasury and established in a newly created Executive Office of the President. We then had a basis for putting a lot of pressure upon universities to give the public administration field more attention. It was at that time that we organized the American Society for Public Administration which was an additional factor and, as you know, today there are probably about 50 comprehensive schools of public administration and 100 - 200 programs that call themselves Public Administration, or Public Policy, or Public Management.

A concept which PAS applied at this time and which I think made a great contribution to reforming improvement efforts ever since was the emphasis upon the installation of recommendations of actually bringing about reorganization, improvement of systems, a strengthening of personnel, the use of and application of better budgeting, and the design of improved technology and delivery of services. Most of the reform efforts had been more or less generalized in character; we did a great lot of concentration on how you carry

out welfare programs, police operations, public works programs, hospitals, school operations; functioning on how you get better performance and productivity; the dramatization of the value of measurements and performance, of cost effectiveness and so on, stemmed essentially from the work begun with ICMA which, incorporated in PAS, extended out into the concerns of our governing organizations and ultimately into the Federal Government in the administrative management responsibilities as were developed beginning in 1939. This contrasted with what much of the consulting work had gone forward, as epitomized in the work of Griffinhagan and Associates. Griffinhagan was greatly opposed to the establishment of PAS because he thought it would take business away from him. Griffinhagan's practice was to get contracts to make surveys; he did a lot of state government and local government surveyor, and he developed what we call "Boiler plate," so that when had you read one report in one state, you knew what would be said in a report for another state. An interesting case here, we got involved in subsequently: he had been retained by the State of Kentucky, prior to Happy Chandler's election as Governor. Based upon his general report of how the department should be organized, the State legislature had adopted a reorganization act; by this time Griffinhagan had left and there was no one available to carry out the changes. The fact was that, for a year, the State operated under one legislative structure without ever putting into effect, so that in many ways it operated illegally until Happy Chandler came on the scene. We got acquainted with Chandler; I guess this came about through relations with the Council of State Governments—I just cannot quite recall how it took place. In any event after initial

consultations with Chandler and two or three of his key appointees who were committed to carrying through major improvements in the State; they got the reorganization act set aside and we started on a program of actually changing the structure and the functioning of that state.

Q: Were there other organizations like Griffinhagan that were sort of interested in the public sector work primarily as contrasted to accounting firms?

There was very little work done. Today there are hundreds of consulting organizations that try to function in this field, some of them very good. At that time, there were two in the public sector: Griffinhagan and J. L. Jacobs. J. L. Jacobs was functioning much more, I would say, on the basis of rendering continuing assistance and helping get things done rather than just writing reports, collecting the fee, and leaving. Accounting organizations did not do much, and they were very ill equipped. Most of them did not know anything about government accounting and tried to impose profit-loss accounting, and we were involved in many jurisdictions in throwing out systems that private accounting firms had installed and putting in systems based on fund accounting and tied up also into putting your account, so that you could, on what you might call a cost-accounting framework, producing cost accounts as an integral part of general accounting.

In the case of Kentucky, we did not have a contract for a survey. We had a contract to assist initially in specific things and then these contracts were extended as Chandler and others found that we were useful and we functioned there over a two-year period; it was really an integral part of the state administration. This became characteristic of many PAS projects. You could not distinguish between a PAS staff member and a government official in many ways. I recall in Kentucky, which had had very primitive administration, this illustrated to a C?) which in charge of that program mentioning the other day, when I was asking him about some of his experiences, of how he found the State Treasurer signing a lot of blank checks and asking him why he was doing this; well it was easier to sign a whole lot at one time, "so I can pass them around so that our bills get paid." At the same time they did not have any money to pay bills. What do you if you get warrants submitted to you but you cannot disburse funds? We just stamp the ones interest bearing; no legislative authorization. Well, that kind of practice, of course, I do not suppose exists now anywhere in the U.S., although in some rural counties it might. But it illustrates the primitive character of some of the state governments in that period. We were associates of Governor Chandler and that was a key to anything. Chandler, who was a highly political person, gave enormous support to what we were doing; he backed everything that went forward, so that by the time we were through, the budget system had been installed, new accounting, new treasury processes, improved personnel, welfare, taxation, a series of other departments were worked out and their organization and operation and thus left a permanent mark on the state government.

I hasten to say that you do not reorganize something once and for all. Every government has to, every agency used to, go through frequent reorganization and improvements and it has to be a continuous process, and if this does not take place, why then every 5 or 10 years you have to have a lot of major surgery and this creates a lot of problems. This suggests also, that one of the things that we endeavored to do, which I think has now become a common pattern, is that in every organization where we worked, we liked to establish a unit or an officer responsible for continuous administrative improvement systems of management and operations; in a substantial government or a federal agency. This meant a whole office or whole division; in smaller jurisdictions, that meant a person, staff officer, management officer, administrative management, or management improvement person, or whatever he is called. One of the things that we also learned, and is certainly true today, is that the organizations that most need outside help are the least able to find and use such a system; unless there is in-house capability that is concerned with improvement of organizational procedures and management, external consulting help will not be used very effectively. The end result of this is that the best administered governments are the ones that scan the horizon for new ideas, for sources of assistance and using consultants well, and the poorly administered governments, with inadequate leadership, insufficient managerial competence, the ones that need assistance the most, are the ones that do not get it.

Q: At this time, speaking of state government and also of local government, was PAS and any of the other organizations working with federal agencies on improving their administration?

The history of our efforts to administrative reform in improvement of the Federal Government is a whole book in itself. The Federal Government did not have a budget system until the Accounting Act of 1921. The Bureau of the Budget set up in that Act was charged with making studies, investigations, and bringing about improvement; but the preoccupation of that bureau until 1939, when Harold Smith took over, set for some new initiatives of Daniel Bell (a treasury officer, started when he was acting budget director, its whole orientation was on finding some specific ways that you could save money. The Bureau really had no staff; they borrowed military officers to carry on what they called "coordination work." After their tour of assignment, new ones came in, so that there was no staff development, no continuity; there is a big lesson in that.

TAPE 2

(Side• A)

Another illustration of how this focus on installation of operating assistance can pay dividends is found in the State of Michigan. In Michigan we were involved first in helping a state commission set up to recommend a personnel system for the State. The staff did the staff work and produced the recommendations which led to the enactment of legislation which developed in Michigan, at that time, one of the most progressive personnel systems. Of even greater significance, because we carried through the entire revamping of the system statewide, was that in financial administration.

Harold Smith, who had been Director of the Michigan Municipal League, had become Budget Director under Governor Murphy. The civil service project took place when Fitzgerald was Governor. We had worked cooperatively with Harold Smith in league activities, in fact in a very interesting demonstration project, which continues to this day, involved setting up a "pas" within the framework of the Michigan League, of a personnel advisory service headed by James Mitchell who later became 11.5. Civil Service Commissioner and head of the training program at the Brookings Institution and who still is related to Brookings. This program assistance was given to cities of all sizes throughout the state, particularly the smaller cities which were themselves unable to maintain (because of resources required) a full-time professional personnel officer, so that assistance on classification, compensation, recruiting, pensions, and other aspects of personnel was provided from a statewide resource.

Smith, knowing a great deal about PAS, then with the approval of the Governor, initiated PAS in a comprehensive revamping of a fiscal system. Joe, Pois (?) aided by Bill Parsons, and several other persons who are still well known today, undertook this project. They produced probably what was the first comprehensive manual on operation of all aspects of a state financial system, from taxation to budgeting, accounting, procurement, payrolls, contracting; in fact, a handbook provided for revamping every system with a total set of forms for conducting the entire operation. This was approved, and PAS was assigned the job of installing it. All of the forms were developed, instructions prepared, and disseminated to various offices and training went on; but despite all of that, as one can imagine, on the day that the total system was to be changed, there was a great deal of chaos.

Joe Pois, the director of the project, occupied an office next to Harold Smith; one of the recommendations reported then was to set up a department of finance; this would not include the budget director, who would continue to report directly to the Governor. Pois acted defacto as Director of Finance for quite a few months, and it was he and his staff who worked out every bug and every time a complaint was made, something did not work, well, they were the ones that were in charge of fixing it. This identification of staff with the officials responsible became a hallmark of the way PAS worked if it could work. Of course, there were numerous projects like drafting a new city charter; or producing a report on how a city government should be reorganized or a county, or whatever; and sometimes the jurisdiction could not quite swallow the medicine and did not go forward with things or went forward with it under its own resources.

Let me say this about this today, the National Governors Association with its state services division is an inheritor of a lot of these approaches and is providing a variety of advisory assistance activities to states and to the governors of states. All of this effort led to what ultimately became a substantial program for improvement of the Federal Government.

During the 1930s and during the New Deal period, PAS helped other federal agencies. We designed many of the procedures and much of the program for the 1934 Federal Emergency Relief Administration—1934-35 preparatory to the WPA. We assisted in the improvement of organization and operation of the Rural Electrification Administration, of setting up the organization of operations of the Social Security Board, the Tennessee Valley Authority, the United States Reusing Authority, and other federal groups.

During the second half of the 1930s, the Brownlow administration management committee got appointed, consisting of Brownlow as chairman, and Luther Gulick and Charles Merriam as the other two members. This committee, as is so well known, recommended major programs for reorganization of the Federal Government. It put considerable stress upon the establishment of a Bureau of the Budget as an arm of the President and on strengthening the Bureau to engage in what it referred to as "management research." The prototype of this kind of work, management research, was what PAS had been doing; what it did for states, local governments, and particularly what it had been doing for federal agencies; except that it was not conceived that the Bureau of the Budget would engage in detailed assistance to federal departments, but would try to get departments organized on their own; but it

would deal with administrative and program questions that cut across departments of what we might say a Presidential concern. The proposals, initial legislation to carry out the Brownlow committee report were defeated, but subsequently in 1939 Congress adopted a reorganization act which provided for submittal by the President of reorganizational plans which would take effect under a privileged legislative procedure unless they were vetoed by both Houses of the Congress. — (Fr. Fredlund: Did not the President also establish some of Brownlow's recommendations to executive order, like the director's personal supervision of management?) — It was not until after this was done that he did much of anything on the administration of the reorganization of the Act itself, provided for the six administrative assistants which is a first time that the President, and having access to staff of his own, that persons were not borrowed from agencies; this was a significant part of that procedure.

Harold Smith called me when the President assigned to him the task of submitting the reorganization plans, and I served as a coordinator in his office of the development of reorganization Plans 1 and 2 which were issued almost sequentially at that time. Reorganization Plan 1, the most significant, which set up the Executive Office of the President, transferred the Bureau of the Budget to it, set up the Federal Security Agency, the Federal Loan Agency (which was a great mistake), and set up the Federal Works Agency which also was not a good idea. Brownlow was a major contributor to the substance of these plans, and so I worked very closely with him on that. When the Plan 1 was approved, Smith asked me to make a study of Bureau of

Budget as to how it should be reorganized to serve as the arm of the President in a way that FDR had contemplated. After I produced those recommendations, he then asked me to become the Assistant Director for Administrative Management; my assignment was not only to develop staff and capacities to implement these plans, but to, in a sense, pick up the whole Brownlow Committee set of proposals as far we could to implement those and then serve the President in handling government-wide undertakings, new programs developed or being changed, and so on and serve as experts in guiding that kind of activity. Because there was a residue of serious difficulties in some agencies, the President had us undertake projects for particular departments and agencies, but we tried to avoid that. The basic objective was to help develop within each department and agency, around the secretary or the chief officer, those in-house capabilities so that they could be responsible for the continuous improvement of the operations in these agencies. This meant an adequate budget office, an adequate personnel office, a program or policy development office, an administrative management office, or whatever you call it, and that sort of thing.

Well, it is perfectly clear that the policies and approaches of PAS became the guiding concepts and orientation in this whole change in the Federal Government. In fact, I did not go out and specifically recruit anybody from PAS to bring in, but as individuals appeared on civil service eligible register or came in saying that they wanted to go to work in the Bureau of Budget and they were eligible, and turned out to be the best qualified, we ended up by bringing into the Bureau a number of former PAS

staffers. Joe Pois was one of these and became in charge of the general government reorganization. With Pois' help as financial and budget expert, we established a joint financial improvement program with Treasury and GAO as partners. This was the first time that a Treasury and GAO official had been willing to sit down in the same room together. This illustrated the cooperative way that we were all committed to in carrying out our activities. — (Mr. Fredlund: Did you work with Ed Bartel at that time?) — Yes, we worked with Ed Bartel and some of his staff. Others who joined forces, as I recall, were Sill Parsons who worked with Pois on this financial affairs business. He ultimately became Assistant Secretary for the Treasury -Department.

We developed a number of teams representing different agencies to deal with common crosscutting problems. Problems arising out of administrative systems or the lack of a system. These covered personnel, finance, procurement, and various general services. In fact, we tried to get a General Services Administration established but could not get that formed during that period; this came later.

A secret to the effectiveness of this operation was, of course, the genius of Harold Smith to begin with, subsequently Jim Webb, and the support of Presidents Roosevelt and Truman. When Presidents have a great confidence in these true budget directors, which went far beyond matters of strictly budgetary and fiscal affairs to the general management and the functioning of the entire government, the Bureau retained, in a real sense, a general management agency with enormous influence. We avoided functioning in a

hierarchical capacity, or exercising line-authority over departments and agencies, but relied upon persuasion, education, and the establishment of confidence, a readiness of agencies to take their hair down and discuss their problems. This could be achieved because secretaries of departments and their staff were assured that what our administrative management staff found was not going to be used punitively in the budget process. I gained a conviction here that the administrative improvement and budgeting had to be distinctly separated; we cooperated in many ways; we provided great information to the budget staff on programs; I served as a member of the board of review in the budget determinations, but when a Secretary or someone sent by the President to talk with the Director or when the Director met with these folks, he was continuously an advocate of a direct line of contact between the agency and the administrative management division. I had many conferences, and so did my staff, with the agency on sayings which were delicate and sensitive which were never shared with in a way in which this information could be used in an irritating fashion. The result was that we also worked with the members of Congress with this and congressional committees and with this same kind of spirit.

A significant factor here was that the whole Bureau was viewed as a professional, objective, trustworthy organization. While the Director and Deputy were presidential appointees, therefore you would say political appointees, they were professional rather than partisan in their backgrounds and performance. The results of a factor which exist at this time, which I believe is important in responsible democratic government and that is that we

had freedom to take exception to political proposals, even to views that the President had expressed. The development of counter proposals or critiques were welcomed. Of course, once the Director of the Budget or particularly the President had made a decision, we had to support that decision. I can recall many cases where I was explaining the program of the administration or a policy of the administration and some things I thought were not very provident, I did not have to say that I agreed with these, or that I did not say that I disagreed with these, but the decision had been made. This ability to maintain one's personal integrity, to be able to compromise issues without compromising oneself was a characteristic of the functioning of the Executive Office of the President at that time. A contrast of this with today is very striking, and I think the Country has suffered because of this amount of change.

The functions of the Executive Office of the President and the Bureau of the Budget were incorporated in executive orders which we worked on. Brownlow helped us with those. These developed a whole new concept of the role of the Presidency and the use of staff in facilitating the effective operation of a government.

The way that the handling of personnel matters evolves is a fascinating story and, with a simple cooperative effort, major things can take place. One of the administrative assistant posts was designated liaison officer for personnel management. The President appointed William Mefleyolds, who had been with the Bureau of Efficiency which had been abolished (unfortunately, it should have been transferred to the Bureau of the Budget),

in 1933, I think (we will correct that), but McReynolds was administrative assistant to the Secretary of the Treasury of that time, Henry Morgenthau. McReynolds was a real pro in the Federal Government. I soon found that an enormous number of matters came to the Bureau of the Budget which took up with McReynolds and the question how can we operate in a simple, coordinated manner; and Bill decided upon meeting Edgar Young whom I had recruited from the District of Columbia Employment Service as a Executive Assistant; that he would like Edgar serve on his staff as well as on ours in handling personnel policy matters. Well, this brought about the easiest cooperation and coordination and unity in dealing with these matters that you can imagine. I found that about three quarters of all of the personnel issues that arose in the government came to our doorstep, not to the Civil Service Commission. The strategy then was "let us build up the Civil Service Commission so that it can handle more of this stuff)" The Commission was essentially a vast paper mill. So this started a several-year effort to get the Civil Service Commission reformed, and Bill McReynolds was very supportive of this.

Right in World War II they were actually establishing the War Agencies, the Bureau of the Budget had been assigned by the President the job of planning the war organization, developing civilian military relationships, that became my responsibility and Bonglacio, an old PASer was assigned the task to do that and he did a remarkable job. The issue was up that there was pressure that these new agencies should be exempt from Civil Service. We knew that this could work very well; we were determined that we had to maintain a merit principle, but you had to have a more flexible operation and better

leadership in the Civil Service Commission. There was a vacancy among the Republican members of the commission and they had a huddle with Harold Smith and worked out with the President the appointment of Arthur Fleming, as a Republican commissioner. We also worked out with the chairman of the Commission, a fine gentleman named Mitchell (not James Mitchell), an arrangement whereby Fleming would serve as defacto chief administrative officer of the Commission. The Commission had no Executive Director at that time; it had a sort of a general secretary and he was the secretary of the Commission and not an administrator in a real sense (Larson Moyer was that person). This worked very well and led Fleming to assign a person from the Commission to the new agency they had established ('2) with their recruiting, and so on, to follow the principles of merit but giving them flexibility in recruitment, appointment, and promotions that did not have to flow through all the paperwork system, not C?) to the Commission. I think that is one of the wisest things that ever happened in preserving the merit principle.

Right at the beginning of the reorganized Bureau of the Budget it was clear that we needed to bring into the government a lot of new persons who were experienced, trained to deal with various kinds of management functions: general management people, budget people, personnel, administrative improvement, procurement, and so on. So I met with Mr. Moyer and proposed that they engage in a nationwide recruiting, examination program, and set up eligible registers in several fields which we in the Bureau could use and which the departments and agencies could use. They did not get very far with this; he said they had never done this before. Finally, and I saw

that nothing might happen at least very soon, I said to him: "Would you be willing to delegate to the Bureau of the Budget the conduct of

TAPE 2

(Side B)

the reaction was one of incredibility. I went back to my office; called each member of the Commission; told them of my conversation, and urged them—there was reason they were unable to do so—to approve the idea. Thus, when Moyer talked with members of the Commission, they all told him "Yes, they thought it was good idea to go ahead, and that the Bureau should go ahead." Then, I had the task of **finding a resourceful person to run this effort; this** led finally to the Deputy Director of the Texas Employment Service, Vernon McGee. We got McGee to pay his travel and come up to discuss it with us, and then we got a leave of absence for him and he took on the job. This resulted in a nationwide effort of getting highly competent persons from state and local government as well as federal agencies, from universities, consulting firms, and wherever these persons could be found. Hundreds of individuals were appointed from these registers, and this made an enormous contribution to the government; it also paved the way for a number subsequent civil service efforts in recruiting administrative interns in all kinds of categories of that sort.

A **parallel effort at this time was to start internship programs related to universities.** Some of these we did not call. internships, they were actually junior—level appointments. I got in contact with the deans that then existed or heads of public administration programs in universities and

business schools and made the proposition that if they would assign a "best graduate of the year" who could qualify on an **eligible register** that we would guarantee a creative experience. This helped these persons get into channels of taking examinations; we policed the register; and as a result, we brought into the Bureau a considerable number of young persons; kept them for a year or two on rotated assignments; assigned them to agencies and a lot of the heads, top personnel of agencies in the last few years have been individuals who were brought in in this way. This also led to departments setting up internship programs.

What a pity, today, that this whole process of tying examinations to university graduates has been abolished, so that connectional links between young who prepare for public service have no easy direct channels for employment. The Presidential Fellows program and a few other things of that sort cover so few persons, so that the total impact cannot be very great.

One of the other things we also began doing was developing some relationships with state governments. For the first time federal budget plans were discussed with state officials. Grants and aids were accelerated at this time. PAS had worked on a number of grant programs and so there was a carry over interest from this to PAS to the Bureau of the Budget. We had our staff visit some of the best administered states to see how they carried on their work. I recall, within a few months after the establishment of a Bureau and Executive Office of the President, of taking a group, some from the budget review side and some from the AM side, down to Richmond, Virginia to meet with Roland Egger who was the Director of the Budget for the State of Virginia. Virginia was a very progressive state in this period. We gained a lot of ideas from that visit. This reflects the incorporation into the functioning of the Bureau of processes by means of which we would be scanning the horizons for new ideas wherever they might develop. The establishment of the American Society for Public Administration in which Harold Smith had played an instrumental part and volunteered my services, without consulting me, to serve as a General Secretariat of the effort and to draft the constitution, was one of these efforts. We had our staff participate in meetings, conferences, consultations with the Governmental Research Association, with the American Society for the Advancement of Management, and with all channels where new ideas might be incubating.

There was an international outreach to all of this. Once the U.S. got into war, we decided we needed to benefit by the experience of our allies. This led to the assignment to England of Eric Biddle to follow and evaluate the British war operations and to feed back to the U.S. such experience as might be beneficial, as we planned to function in the same manner. These ranged from all the way from use of manpower, the system for rationing, allocation of resources, reconversion of industry, civil defense, economic warfare, and other matters of this sort. This was an office well known to the Embassy; functioned outside the Embassy. Biddle, in fact, had access to British Cabinet records, and he channeled back a lot of very useful information which we then shared with the defense agencies or the war agencies as they were known at this time.

This proved so profitable that, following the war when the International Institute of Administrative Sciences was reestablished, I was invited by the Secretary of State to head a delegation to a conference convened by the Swiss Government to bring about its restoration (the Germans had sacked a headquarters and had lost its records and library and it really was a defunct organization). I was invited by the Institute to set up a program which would bring different countries together in cooperation and consider good administrative practices. I developed a network of the chief administrative officer of each country concerned with the organization and management of governments. We had altogether 25 to 30 persons such that met in conferences and exchanged information informally and shared new experiences; in fact, would not undertake any project in the U.S. government

that might have a comparable experience in Britain, France, Belgium, or Holland, for instance, without getting information on how they had dealt with it.

Another interesting facet involved the Bureau of Budget into the administrative side of international organizations. I was invited by the Secretary of State to serve on the delegation to the San Francisco Conference establishing the UN system. This led to my serving on other delegations including the preparatory commission chaired by Adlai Stevenson. In these sessions we were able to apply the principles of administration that we had developed in the U.S. and which had evolved and had a whole international section in the administrative management division concerned with international affairs. Walter Lavus was one of the staff members on this who was sent to participate in a general assembly of UNESCO, when I could not attend. I had served on the delegation that drafted the UNESCO Charter and actually served as U.S. representative during the preparatory commission period in London on that effort. Lavus ended up by being appointed Assistant Director General of UNESCO. He was subsequently followed by Elvin Roseman, another member of the international staff of the Bureau of the Budget and finally by John Forbes, who was also a Bureau of the Budget staffer, whom I had taken over to the Marshall Plan.

This kind of international effort was of assistance when the Marshall Plan was proposed. We put a staff together to work on the development of legislation and implementation of the Marshall Plan. I was able to get John Blanford who had been a Deputy Director of the Bureau of the Budget in the

early Harold Smith days, before he had been appointed Director of the U.S. Housing Authority (? I am not sure of the title). We pushed, however, for the State Department to do a good deal of the preliminary planning. When Paul Hoffman was appointed Administrator by President Truman, he sent Hoffman over to the Bureau for instructions on how to get organized and proceed. In that meeting he became aware of the extensive knowledge we had of how new organizations got established and of the Marshall Plan requisites themselves. Following the meeting, he asked Jim Webb if he could borrow me to help get the Economic Cooperation Administration established. I agreed to do this for 60 days and ended up by spending five years at it.

In organizing the Marshall Plan, we applied all of the knowledge we had developed back in PAS days on how you get agencies functioning. An illustration of how internal knowledge of government and processes of operations contributed was that, having agreed to serve in this capacity on a Thursday, I had a major delegation of authority to the post as director of administration assigned on a Friday and had recruited acting directors for budget, for administrative services, for personnel, for planning and organization, and an acting controller; and I guess one or two others assembled by Saturday. These were persons who were the best operators in the agencies around the government. So on Saturday, we had the first staff meeting and the organization was in business. I might say that all of the things that had been learned by experience by PAS staff, in their operations, carried on into the government as a whole. The development of concepts and methods and processes by the best administered agencies could all be brought

together, applied to the Marshall Plan and other systems programs in other parts of the world; it all worked. This illustrates the benefit of professional objectives and competent experience when brought to bear upon new problems.

(Mr. Fredlund: You worked with Nelson Rockefeller). In his Latin American business and in his Institute of Latin (what was it called) Institute of Interamerican Affairs.