

CONFIDENTIAL
Press Conference #336
White House Executive Offices,

January 11, 1937, 4.30 P.M.

(Present: The Cabinet, and
The President's Committee on Admin-
istrative Management (Louis Brownlow,
Chairman, Charles E. Merriam and
Luther Gulick.)

THE PRESIDENT: Well, how many of you pupils have done your
home work? (Laughter)

I hope you have all read the report or at least
the summary of the report. I think it is fair, as
background, to point out certain things before we
take up any of the details of the report, and the first
is what we talked about before -- I think last week.
There continues to be this kind of fool headline in
the Star tonight. It is based on an AP story, Harold.
"Efficiency is above economy as object." Of course
that is rot, just plain tommyrot. The way to save
money in the Government -- 99% of savings come from
cutting down appropriations and functions of govern-
ment. It is all old stuff, but has to be repeated,
though. The only way you can save money in the long
run, 99% of it, is by cutting down government functions
and doing less work.

Since I talked to you about that I have been going through the present government budget. Now, these are just rough figures: Say the total budget, keeping it in round figures, is about four billion dollars. Then there are expenditures on which, no matter what kind of management you put in, you cannot save any money. Let us take some very simple examples. 860 million dollars, nearly a billion dollars, as interest on the public debt. Now how, through any reorganization of the Government, can you save one dollar on the interest on the public debt. Pensions: The machinery for paying the pensions is probably, so far as I have ever been told, as efficient as it is possible to get it. You have to have a certain number of clerks -- a certain number of card index people, a certain number of people running the check writers, and so on, and the average cost in paying pensions is almost negligible compared with the amount of the checks that are paid out as pensions. No amount of reorganization is going to save money on the payment of pensions unless you cut the pensions. But that is an entirely different subject from reorganization.

Take the question of building battleships: That

is a matter of contract. They are built by contract or, and it amounts to the same thing, in the Navy Yard. Through the increase in efficiency, the total cost of the battleship isn't going to come down.

The cost of the Army and Navy: Probably the food is bought as efficiently for the Army and Navy as any human being can buy it. You cannot save on the cost of food by the reorganization of the Navy. You cannot save on the pay of the enlisted men of the Army and Navy, and the pay of the officers of the Army and Navy through a reorganization of Government, and yet these items alone -- the pay of the Army and Navy enlisted men and officers -- form the great bulk of appropriations for the Army and Navy, and so forth and so on.

The total amount of those items is somewhere around four billion dollars out of the total of seven. All right, how about the other three? Well, I don't think that government employees are paid very much too high. You can say, "Get an Act of Congress cutting the salaries of all government employees." Sure, but that has nothing to do with government reorganization. As a matter of fact, a great many are underpaid at the

present time. You are not going to make any savings on the pay of government employees. Well, that is an enormous percentage of the seven billion dollar figure.

Then, too, the buying of government supplies comes out of that. Well, if you will show me how I can buy them any cheaper, I will be awfully grateful. We buy them after every kind of protection -- advertising and competitive bids and so forth.

It has been figured out -- this is roughly speaking -- that through consolidations, through the elimination of over-lapping functions, we would probably under this bill be able to do at least as well and have results as good as has been obtained by reorganization of government in the states which have carried them into effect.

Governor Lohden was the first governor to do it back in 1917. Illinois had 107 government departments and agencies. They were cut to 9. I will just give you some high spots. Massachusetts under Calvin Coolidge, 1919; they were cut from 123 government agencies to 20. Let us come down to some more recent ones. New York in 1925 -- I know something about that one. They cut --

Governor Smith cut 180 departments down to 18. And another one we all know about, for it is more recent, is Virginia in 1928, under Governor Byrd, cut 95 departments to 11 departments and two agencies. Maine in 1930 cut 65 departments to 8 departments and 7 agencies.

It is fair to ask, "What was the net result?"

As far as we have been able to determine, the net saving, considered on the basis that the functions the year after the reorganization remained the same, showed a saving of probably not more than $1\frac{1}{2}\%$ in the maximum case down to half of one percent in others.

Q Was that in money?

THE PRESIDENT: Yes, in money.

That was caused by the removal of overlapping functions and the cut in duplication of personnel. That was the net result and it is figured that, in this reorganization, we would have some substantially similar result. I hope that we will be able to cut on the three billion dollars I have been talking about, let us say one percent, and that would be 30 million dollars, in the actual running of the government, assuming that the functions are the same, which, of course, is a necessary assumption.

Now this report: We might as well take it up at the same point. The unthinking person says, "Aha! The first thing that this report suggests is creating two new departments." Sure. Now, I will tell you a story about a farmer who lived near me. He was in trouble -- inefficient. He went down to the county agent and the county agent went down and looked him up and talked it over with him. It appeared that he didn't know how to do things. The first thing the county agent found there was the fact that he had fourteen out-buildings. He had three separate hen-houses; he had a couple of tool sheds, and a couple of wagon sheds and a number of other out-buildings. The first thing to do was to get rid of his overload. What did he do in his own time? He built an addition to his barn. That looked wasteful, but, having built the addition to his barn, he took all the things that had been in all of the out-houses and put them all in the barn, or addition to his barn, and then he tore down all of his out-houses. He got rid of them and saved a tremendous figure in his overhead and besides an awful lot of steps. He didn't have to walk a mile a day between out-houses.

All of the things that they contained were in the one addition to his barn.

In the State of New York, to use the same parable, there were 180 different agencies of government, of which 12 were departments. In other words, there were 12 departments and 168 agencies and commissions and boards and Lord knows what. The reorganization created 6 new departments -- that is true, but it abolished all of the 168 outside, distinct agencies as separate agencies and put them into the total of 18 departments.

In other words, would it be worth our while in the Federal Government, where we have around 105 different departments of government, including the 10 regular departments -- in other words, 95 outside and the 10 regular departments -- isn't it worth while to create two new departments and bring the 95 under them? Of course it is.

Now, the report itself has the details. Let me again suggest what I suggested the other day, that these are matters of commonsense management. I hope that you will use the word management a great deal in any stories you may write for this reason:

The word "management" is a thoroughly clear American word. The housewife is a good "manager" -- we all know what that means. If we say our wives are good managers, everybody understands what we mean. If a small gasoline station is working out well and making money, what do we say about the owner? We say, "He is a good manager." If it is a corporation, large or small, they have a "good management." What we are trying to do is to put a good management into the government in exactly the same sense of the term. In order to do that, we are adopting in this report what might be called the best business principles that are used by the more successful businesses in the United States -- private concerns -- and we are applying their methods which, on the whole, have worked out pretty well when applied to government.

Therefore, this report suggests that, in order to accomplish that, we never overlook the question of principles. Well, because we stick to principles rather than go into the details of it, a very large amount of discretion must be left to the manager. Well, unfortunately from my point of view as far as personal comfort goes, the Constitution of the United

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States says that there is just one manager and nobody else. I am the manager, and if business does not go well -- well, I've got trouble. I fail at re-election. I am the manager and I am responsible. I am responsible for the misdeeds, in the long run, of somewhere around 580,000 Federal employees. If the number of those misdeeds pile up and I could have prevented them, the population knows where to place the blame and so does Congress.

So, we come down to what you have right here -- (indicating press release of January 11, 1937) -- a five point program which is based again on principles.

(Reading)

Modernize the White House business and management organization by giving the President six high-grade executive assistants to aid him in dealing with the regular departments and agencies.

There is a lovely line which is worth quoting (from the report itself) that executive assistants should be chosen for one qualification -- a passion for anonymity.

Q In other words, if you ask them a question, they won't even say , "Good morning."

Q (Mr. Storm) We don't want that kind.

THE PRESIDENT: Fred (Storm) wants to know if I have anybody in mind for those places. Yes, I have two fellows all selected. And Fred says, "Who are they." They are John Doe and Richard Roe.

Now, those executive assistants, lest somebody go out on the limb and say they are going to be assistant presidents -- there is another thing that is made perfectly clear -- they won't have any authority to give an order and won't have any authority to determine a policy. I need legs. Here is a case in point just to illustrate. There are a good many of the departments of the Government that are concerned with foreign affairs, one way or the other. There are a good many divisions in the State Department, the Secretary, the Under Secretary, three or four assistant secretaries. Then there is the Federal Tariff Commission and the Department of Commerce and the Department of Labor -- all concerned with a good many foreign questions.

The idea is that one of those executive assistants,

just for example, would go around every day or every three days and talk to those people. He would say, "Is there any way I can help? Have you any problem that can be taken up as between departments?"

Well, to give you a very interesting illustration -- just background -- it happened today in the Cabinet meeting. I told the Cabinet that I had found in my desk drawer a memo which bore a date of last June.

(Laughter) I had forgotten all about it. I had put it in my desk drawer to do something about it.

It related to trying to have greater cooperation between Americans who are Government people who are sent abroad by a dozen different departments; not only the State Department people and the commercial attaches, but the agricultural attachés, the naval attachés -- the Navy is always sending people abroad -- the War Department, the Labor Department, etc. In other words, a greater tie-in between representatives of this Government who go into foreign nations.

Well, as I say, this thing had been in my desk since last June and I revived it and gave it to the Acting Secretary of State and asked him to coordinate, to have some kind of a meeting of all those

people.

Now, in the future two things would happen. I would not have to bother about a detail of that kind. It would not go into my desk and get lost for six months. It would be given to an Executive Assistant and he would be told, "See if you can fix this up." He would go around and see Judge Moore and Dan Roper and Frances Perkins and the rest of them and try to bring me a joint report that all of them had agreed on. That would save me any amount of time and trouble. Today I have, as you know, a tremendous number of these 105 different heads of departments coming in to see me personally. The result is that I don't get enough time to think. When I have a Message to Congress to prepare, it means that I have practically got to stop public business for about three days before hand to get it out.

The second part -- point of this five point program also relates to the actual work of the President. It means the creation of three services directly under the President, the reason being that these three services do not properly belong and cannot properly go under any one of the 12 departments. One of them

is already under the President and that is the Budget, and this strengthens the budget office and places in the budget office a branch -- a division, which would, year in and year out, be constantly checking on executive management, knowing all about how the money is spent in all of these departments. It is the best place to put it, to see how conditions change and when there should be resulting changes within the departments. It is a perfectly possible thing because even departments change, you know, every year. There may be an absolute necessity to shift a bureau from one department to another, to abolish a bureau or to recommend its abolishment to the Congress. Or it may be that two bureaus are beginning to encroach upon each other's territory. This would be an added function on the part of the Bureau of the Budget to keep the machinery up-to-date. Practically every large corporation has a small force, a very small force, that is constantly studying the problem of better executive management. They have all got them. And so it would be in this case a very small force, but they would be constantly at work trying to better the management.

The second of those is personnel, and the Committee has brought in a recommendation that the Civil Service should be brought into direct contact as an adjunct of the President's own office. It is perfectly obvious that in that way we would be able to get a better Civil Service in the Government. As it is at the present time, the Civil Service Commission as it exists today is completely outside of any real relationship to the President. They have to go up to the Hill and say to the Appropriations Committee, "You know, our lists are six years old in a good many cases and we have still got on such a list five thousand names, but the examinations were taken six years ago and we ought to get a new list. We have skimmed the cream off the existing list and we ought to have another examination. Well, that is an easy way for Congress to save money -- it is one commission among many in the Government trying to get additional funds. If that was a part of my office, I could go to the Committee on Appropriations and say, "Look here, a lot of these new people we are putting in under the Civil Service are inefficient. They are down at the bottom of the list. Yes, they passed the

examination with a grade of 70, but we ought to get a new list. That would bring the thing right out in the open to improve the whole status of the Civil Service. And it would create something. The people in this country, 80% of them, believe in the Civil Service. They want to see it extended. They want it made more efficient. They want to make it a career service, as it should be. Therefore, there should be a check from the outside on any administration.

In other words, somebody representing John Public to see that Civil Service lives up to its best objectives. And so the Committee recommends the appointment of an advisory civil service commission -- non-paid people who would meet at least four times a year and be paid their travelling expenses and a per diem of say \$25 a day for every day it meets, or something like that. They would check over everything that the Civil Service Administrator was doing and he would be a member of that advisory group -- he would be the seventh member. They would be the people from the outside, representing the public. They would be checking up on the efficiency of the Civil Service and try to keep people there/who would be non-partisan and at the same time with a passion for improving the Civil Service.

The actual Administrator, as I said, would be one of the three agencies directly under the President. There are also a good many recommendations for the improvement of the Civil Service standards and the improvement of Civil Service pay so as to make it more of a career -- extending the Civil Service not only to any agency which is permanent or has some prospects of being permanent, but also extending it up into a good many of the higher positions at the present time which at the present time are not Civil Service. It is very easy to say that I can do things by Executive Order but I have got to have more than that -- I have got to have legislation. Last year I put all postmasters under Civil Service. I want to get a law making that permanent because that is only an Executive Order. The next fellow in this chair may issue another Executive Order abolishing it, changing it. It ought to be a permanent aspect of the Government. The same thing will apply to a good many of the agencies which, without question, will become a permanent part of the government until and unless some future Congress abolishes them or cuts them down. C. C. C. camps

are an example, so is Triple A, certain functions of Resettlement, Home Owners Loan, and so forth. Home Owners Loan, of course, would continue as a liquidating agency for a great many years to come -- it has to, and should be put under Civil Service.

Then, the third managerial arm of the President is the Planning Section. It would take the place of not only the National Resources Board but a great many of the planning operations today which are done solely because I bring in here the heads of the different departments. I had, for instance, this morning, the Chairman of the Federal Power Commission, Mr. McNinch, and Morris Cooke and Basil Manly and we were talking about a bill that would more clearly establish the Federal policy in regard to the sale of power. It was in special connection with the sale of the Bonneville power, but extending necessarily to the sale of other power as it comes in -- Fort Peck, Grand Coulee, even TVA, so that we would have a uniform Government policy on it. Most of the planning work, however, would relate to public works. There again, following what we talked about so many times before, the thought at the present time is that we could spend for that -- we could afford about

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five hundred million dollars a year for public works of all kinds -- rivers, harbors, highways, dams, flood control. You all had those figures many times. The idea is that this planning commission would bring out, make a study of and make recommendations on every known kind of suggested project. They would list them in what they considered the order of their importance. I would say to them, "All right now; you have a list of a billion dollars. That is silly. I cannot afford more than five hundred million. Give me your idea of a preferential list again in the order of their relative importance for five hundred million. I would send both lists to the Congress, the five hundred million preferential and the five hundred million secondary, leaving it entirely to the discretion of the Congress as to whether they want to take the first list or take some things out of Class A and substitute things in Class B for them, thereby helping the Chairman of the Appropriations Committee to stay within my Budget. That is another factor in it.

Then the third is to put the whole governmental administration on a new basis. (Reading)

Place the whole governmental administrative service on a career basis and under the merit system by extending the Civil Service upward, outward and downward to include all non-policy-determining positions and jobs.

With, of course, certain necessary exceptions.

Well, the easiest example I can think of is the "G" men. Should they be chosen in the first instance under a Civil Service examination and kept under Civil Service or not? That brings up a typical exception to the general rule, but there are very few exceptions in government. Then there is a very confidential position. Obviously you couldn't go to the list and take number one man off the list and put him in a confidential position. The private secretary of a Cabinet officer should have the complete confidence of the Cabinet Officer. It is essentially a confidential position and he should not be asked to take anybody at the top of the list and put him there. But the exceptions to the general rule are relatively very, very small.

Then you come down to number four: (Reading)

Overhaul the more than 100 separate departments, boards, commissions, administrations, authorities, corporations, committees, agencies and activities which are now parts of the Executive Branch, and theoretically under the President, and consolidate them within 12 regular departments and that would include the existing ten departments and two new departments, a Department of Social Welfare and a Department of Public Works. The name of the Department of Interior is changed to Department of Conservation.

On the question of these names as, for instance, Social Welfare, I don't think it makes an awful lot of difference. I have been here a good many years and remember that going back 20 or 25 years when I first came here, there was a real demand to have a Department of Health -- Public Health -- with a Cabinet officer for Public Health. You and I know as a practical matter, talking about business management now, that there isn't enough work in the present Public Health Division of the Treasury to justify making it a separate department. And a lot of the educators want a Department of Education. There isn't enough Federal work in education to justify making it a separate department. There are a lot of people who want a Department of Art -- lots of them. There isn't enough Federal work relating to art to constitute a separate department. So we have this Department of Social Welfare or Public Welfare; the terminology is the

least important of these recommendations. On Public Works, the general idea is to put things having to do with the construction work of the Government into one department.

Now, another thing, coming down to instances, don't all jump to the conclusion, for example, that the Army Engineers would be abolished. That would be silly. Well, to take this example so that you can talk about it, I don't know why anybody would suggest abolishing the Army Engineers and transferring them to a new Department of Public Works. Why, what are the Army Engineers? They are meant for fighting. That is the only, sole reason for their existence. They are meant for war. There is not another reason for the existence of the Engineer Corps of the Army. They are generally the top people who graduate West Point. They are meant for war -- part of the national defense of the country. But you have to give them something to do in times of peace. You have to train them. So it has been the custom for a century when there was some kind of public works to be done to use the Army engineers and give them training by having them build that public works.

Of course the Army Engineers will stay under the War Department but -- well, here is the case that came up. Three years ago we started, almost simultaneously, Bonneville and Grand Coulee. They were both very large engineering projects and I looked around and I said to myself, "How are we to build them?" Under the law at that time I had a pretty free hand. They both related to flood control -- they both relate in varying degrees to navigation -- they both generate power. Grand Coulee has the additional future function of pumping water up as a reclamation project. The first thing I did was this: Are the Army Engineers too busy to build one of these Dams? I asked the Chief of Engineers. He said, "No, we can undertake one but not both." So I gave him the Bonneville. To Reclamation Service, I said, "Are you ready to undertake the other one?" It said, "Yes, we are just about through at Boulder Dam; we can undertake Grand Coulee." So we assigned that to them.

Now, the thought is this: Suppose the new Department of Public Works had some new dam to build. They would make a survey just as I did and they would decide whether the work was to be under-

taken by the Army Engineers or Reclamation Service or by contract. If all of the agencies of the Government were piled up with work, they might let out a contract. If they thought the Army Engineers could do it, they would give it to them as the agents of the Department of Public Works to carry it through. I just use that as an example to show how ridiculous 99% of the stories that come out may be about changing this and that. What we need is management rather than drastic change.

Then, finally, (reading)

Make the Executive Branch accountable to the Congress by creating a true postaudit of financial transactions by an independent Auditor General who would report illegal and wasteful expenditures to Congress without himself becoming involved in the management of department policy, and transfer the duties of the present Comptroller in part to the Auditor, to the Treasury, and to the Attorney General.

Now, as a matter of fact, in going back and reading the debates in the Congress when the Office of Comptroller General was set up in 1921, it is perfectly clear that the intent of the Congress was to get what it, as the representative of the people, was entirely entitled to, an audit of Government expenditures, just the same way that on behalf of the

stockholders of any big corporation such as the Steel Corporation, General Motors, General Electric -- Haskins & Sells or some other firm is hired to audit the books and to make any suggestions about better accounting and about leaks in the vouchers or the methods of payment. As it turned out, however, the Comptroller General undertook, not a post audit but an audit of the vouchers before they were paid. In other words, as an auditor, he audited himself. He audited his own decisions. When it came to a question of making decisions on the law, although he was not a lawyer he set up a legal staff. We had the famous illustration of the Navy Officer who got to retirement age out in the Philippines. You all remember the case. If he had started home from Manila twenty-four hours before he had retired, he would have got his pay for the trip back and for the transportation of his family and household goods. But the Comptroller ruled -- a legal decision -- that because he didn't start back until two days after he was retired, he had to pay his own way. And that was a question of the interpretation of the law.

Well, the matter was referred informally to the

Attorney General, and the Attorney General, who, under the law, is the principal law officer of the Government to advise with opinions all of the department heads, -- the Attorney General ruled that of course the law meant that this fellow who had retired two days before was entitled to his ticket home. That is a matter of commonsense, but the Comptroller ruled otherwise.

Now, this takes away from the new set-up, the right of some outside agency to give advice on the law and restores that to the Attorney General, where it belongs. It changes the name of the Comptroller General to what it should be, Auditor General, and leaves him as the instrument of Congress, as Congress intended him to be. He will constantly check up on the expenditures of the Government and the accounting system of the Government and make recommendations to the Congress. It also sets up by law a Joint Committee in the Congress which will be in constant touch -- a permanent committee, whether Congress is in session or not, which will be in touch with this Auditor General, constantly trying to improve the accounting methods of Government, and to eliminate duplication or waste or overlapping or improper vouchering.

The vouchers themselves would be returned to an office in the Treasury, where they will be passed on. If the Auditor General, when they have been passed on, sees something he thinks is wrong, he notifies the Secretary of the Treasury, who gets an opinion from the Attorney General and, if necessary, the whole matter is laid right out before Congress.

Q May I ask a question?

THE PRESIDENT: Yes.

Q I am not quite clear where that Auditor General comes in on the general plan of reorganization.

THE PRESIDENT: He is a Congressional agent. I have absolutely nothing to do with him -- not one single thing. He is the agent of the Congress and, more especially, the agent of this permanent joint committee of the Congress. The only thing I do is to send his name to Congress.

The next paragraph is headed, "Executive to Assign Bureaus". (Reading)

The report of the Committee does not deal with the abolition of emergency or established activities or jobs, which is stated to be a matter of policy for the President and the Congress to determine, but devotes itself entirely to setting up an efficient modern machinery of government. But in this process over 80 activi-

ties are abolished as separate and independent establishments and their work transferred either to the new Departments of Social Welfare and Public Works, or to one of the 10 old departments. The exact placing of bureaus and activities is not set out in the report as this assignment of work is placed upon the Executive as a continuing responsibility, after research by the Bureau of the Budget, in accordance with efficiency and service standards to be fixed by Congress. Such assignment and division of work, once the standards have been set by law, is regarded by the Committee as an "executive function."

In other words, you ask me, "Where is X Bureau going?"

I say, "The Lord only knows, I don't." That is a thing that I will not say anything about. I will keep a completely open or blank mind, if you choose, until after the bill is passed. And guesses will be, as usual, 90% wrong. (Laughter)

(Reading)

No estimate of savings by reorganization is contained in the report, though these will follow, in the opinion of the Committee.

I have talked about that. (Reading)

Extensive economy beyond this point depends upon a change of policy, the abandonment of functions, the demobilization of the staffs involved, and is outside of the terms of reference of the Committee on Administrative Management. The Committee points out, however, that the recommended plan of organization which ties all agencies into 12 departments is designed to permit the prompt and efficient demobilization of any activities which are later discontinued by act of Congress or Executive Order.

Now we come to Assistants for President. (Reading)

The proposed addition to the White House staff is not to be made up of "Assistant Presidents," says the Committee. It will be composed of half a dozen men --

Oh, Heavens, I may appoint only three or four, if and as necessary. (Reading)

-- drawn from the very top of the existing career service or from outside, and will assist the President in organizing and maintaining contact with his departments. These executive assistants will not issue orders or make speeches, but will work directly and anonymously in the White House --

You see, "directly and anonymously". There you are.

-- getting information when needed by the President in making decisions, and then in seeing that decisions are promptly communicated to those who are involved. They would be like the private assistants of the president or general manager of a great private business. The Committee condemns the existing situation and says that the President of the United States, managing the biggest business in the world now has less assistance of this sort than many state governors, city managers and mayors, and executives of even small private concerns.

One of those executive assistants I would probably use as a legal assistant. In other words, every single day there are little things that have to be looked up. What does the law say on this or that. I suppose we have that an average of once a day, a question of "What does the law say?"

Rudolph Forster has been doing most of it. Rudolph is perfectly grand and, as long as Rudolph is here that is perfectly grand. But there ought to be a legal assistant, for whom I can ring or call up and say, "Here is the question ... I want it looked up." I did it for four years in Albany. Sam Rosenman was up there and he was of tremendous assistance in taking a lot of those details off me.

Now we come to "Personnel Reorganization." That goes into the same thing I have talked about.

(Reading)

Extensive reorganization of the civil service system with increase of salaries for posts of great responsibilities is a part of the program. As the Committee says "Government cannot be any better or more efficient than the men and women who work in it." It is pointed out that many of the people are now leaving the Government for industry because Government does not offer a satisfactory career. Top posts both in and out of the Civil Service are underpaid, and there is no systematic provision for transfer and advancement in the service. This is corrected by making personnel administration a part of every department, and a part of overhead management by establishing a Civil Service Administrator to work directly under the President, just as the Budget Director does now. This Administrator would devote his attention not only to giving civil service examinations, recruiting, classifying, etc., but even more to finding able people who can be brought into the Government, especially on the lower rungs of career ladders, to discovering able persons in

the service, and to seeing that they get training and opportunities for promotion, and generally to advancing the merit system and the career idea. Salaries in top posts are increased, and the civil service is extended upward to include all except the Secretaries, Under Secretaries, Assistant Secretaries, and similar positions.

Over 250,000 positions, some of which are now under merit principles, will be brought under civil service within one year. Unless designated as "temporary" or "policy-determining" by Executive Order, all Federal positions will be covered into the civil service. Those persons in these positions will not be given civil service status, however, without taking a qualifying examination given by the new Civil Service Administrator, and without being certified by their director as having "rendered satisfactory service" in their posts.

The Civil Service Commission, which has been the policeman of the civil service since 1883 is abolished. The administrative duties are transferred to the Civil Service Administrator, who, though appointed by the President, is himself selected on the basis of competitive examination, while the protection of the system from politics is to be enforced by an unpaid citizen board, composed of seven members with seven year overlapping terms and provided with funds for investigation. This Civil Service Board, says the Committee, for which the President can secure the ablest men and women of the country, drawn from business, administration, education, the professions, labor, and finance, will be "the watch dog of the merit system." Under the program of the Committee it would be impossible to appoint to this Board any person who is a party committeeman, or who has held or run for political office within five years.

Now we come to the heading, "Danger of 'Fourth Branch.'"

That is not the "Fourth Estate." (Laughter) (Reading)

The Committee on Administrative Management also condemns all other boards and commissions when used for management, and recommends that they be abolished and their work transferred to the regular departments, in which there would be set up, wherever needed, a commission or board to deal exclusively with the judicial phases of the work. The Committee points out that the independent commissions have been created one by one over the last 50 years, and that they threaten in time to become a "headless fourth branch of the Government, not contemplated by the Constitution, and not responsible administratively either to the President, to the Congress, or to the Courts."

Now, on the Fourth Branch, there are a lot of illustrations you could use. For example, take the Federal Power Commission. The Federal Power Commission does two things -- three things. It sets up the power policy. Secondly, it handles various rate questions, power things within its special jurisdiction but not of a judicial character -- fact finding and things like that. Then it has a judicial character also, because it can grant a permit or deny a permit. From that judicial decision you can appeal to the Court.

Now, there is no intention in this of bringing any of the judicial functions of any of the outside commissions under the Executive Branch of the Government, but there is every intention of bringing

the administrative work of the commissions under the Executive Branch of the Government -- under one of the 12 departments.

Q Does that mean, Mr. President, that these commissions will not be abolished but that some of the functions will be taken away.

THE PRESIDENT: Most of them will be kept right on; they won't be taken away from them, but have to report through them. For example, one of the Commissions brought in last October a budget. I went over it very carefully with the Director of the Budget and he thought it much too high and we cut off two or three hundred thousand dollars. It is one of the smaller commissions. We cut off two or three hundred thousand dollars. I still think they can get on without the two or three hundred thousand. If they had been under a member of the Cabinet in reporting to me, they would have had the same rule applied to them on their administrative work or, in other words, their clerk hire, and so forth, and investigations for this that or the other thing, as any other department of the Government. But it did not -- they did not accept my budget cut. They put in a special report which does not go via the

department head or me but went straight to Congress and they asked not only for the two or three hundred thousand dollars, but they asked for five hundred thousand dollars more.

Q Did they get it, Mr. President?

THE PRESIDENT: Well, it is in before the Committee. What the Committee will do, I don't know.

Q Did you refer specifically to the Interstate Commission or the Federal Trade Commission?

THE PRESIDENT: The same thing, Interstate Commerce Commission or Federal Trade. They remain independent agencies so far as their judicial work is concerned. Nothing there under the President of the United States.

MR. BROWNLOW: In the language of the Committee, they are in the Department only for their housekeeping functions.

Q Would that be provided in the Act -- what their judicial powers are?

THE PRESIDENT: Yes.

Q But a line would be drawn. They all claim their functions to be judicial.

THE PRESIDENT: Of course. Here is a case in point: The Congress passes a joint resolution asking the Federal Trade Commission to make a report. What was the

last thing they have to make a report on?

Q Milk.

THE PRESIDENT: They asked the Federal Trade Commission to make a report on milk, and the Federal Trade Commission is asked by the Committee on the Hill -- that is the usual thing -- is asked by the Committee on the Hill that has the bill in hand, "How much do you need for this?" Well, the Federal Trade Commission says, "Half a million dollars." Now, if the Congress would say to me, "Mr. President, have a little check-up made through the Budget and see whether these fellows can justify a demand for five hundred thousand dollars." There you have the managerial responsibility. And maybe, I think probably it is likely that I might cut the five hundred thousand down to four hundred thousand and save a hundred thousand dollars. But, insofar as control of that kind goes, I have nothing to say at the present time. The money is voted by the Congress to them without any check-up except what the Congress may give.

Q And under this set-up?

THE PRESIDENT: Under this set-up, the Congress would say to me: "We want the Federal Trade Commission to

make an investigation of milk. How much do you think they ought to have?" I say, "I will find out." I say, "Dan, Congress wants this investigation made. Go to the Federal Trade Commission and ask them how much they want and make them justify their figures." That is what the Budget Bureau is for, to make them justify their figures. Then I report back to the Congress and Congress appropriates the money. In handling of this investigation today, the Federal Trade Commission, when investigating milk, might go out and employ my boy Franklin and make the investigation. Franklin doesn't know a thing about investigating milk. There ought to be a checkup on the people the Federal Trade Commission employs on the investigation. They have to justify the employment of the people they put on the job.

Q They -- these agencies would be assigned to one of the twelve departments?

THE PRESIDENT: Just for their administrative work.

Q Will there be anything in the action suggested to the Congress that that is what it should be? You couldn't prevent Congress appointing the Federal Trade Commission, could you?

THE PRESIDENT: Pretty close to it -- awfully close to being

unconstitutional -- awfully close. (Laughter) Even under a liberal interpretation of the Constitution.

Q Who settles these border line cases, Mr. President?

THE PRESIDENT: I guess we will sit around the table, as usual. We have been doing it the last four years.

Q Then Congress would ask you instead of directing the Commissions?

THE PRESIDENT: Oh, they can direct. That is the purpose of it. If they direct that a new battleship shall be built, I have got to build it. They have the same powers. We are not taking any powers away from the Congress.

Q By holding the purse strings, won't you influence the Commission's judicial functions?

THE PRESIDENT: I don't control the purse strings. Congress does. I only recommend to Congress.

Q Your recommendation is often carried.

THE PRESIDENT: Still Congress has the power to give them twice as much money as I recommend.

Q You could stop that though, couldn't you? You could veto a resolution to that effect?

THE PRESIDENT: I could stop the money?

Q You could veto?

THE PRESIDENT: This Wilson quotation covers it fairly well.

(reading)

The Congress and the Executive should function within their respective spheres. Otherwise efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction. The Congress has the power and the right to grant or deny an appropriation, or to enact or refuse to enact a law; but once an appropriation is made or a law is passed, the appropriation should be administered or the law executed by the executive branch of the Government. In no other way can the Government be efficiently managed and responsibility definitely fixed.

In other words, once an appropriation is made, I have a mandate from the Congress to carry it out. No question there.

Q But you have to sign an appropriation bill?

THE PRESIDENT: Oh, yes. But if I do not sign it, they can pass it over my veto. Here is a very good example today. You know, the budgets of the Courts today come in through the Department of Justice. As to every court today, the budget comes in through the Attorney General, including the Supreme Court. (Laughter)

Q Most of these investigations spend more than their original appropriations now, do they not?

THE PRESIDENT: I think that has been the general history. They do not terminate when they are supposed to

terminate. Now, there is another thing. A lot of these investigations I believe, if I had something to say about the management -- the budgeting of it -- I could say to the Commission, "You have to finish this inside of a year and if you don't finish it inside of a year, you have to give me a mighty good reason why." You know, they run on and on and on.

Q When this report is sent to Congress tomorrow, will your message also outline the recommendations such as are in this summary?

THE PRESIDENT: Yes. I haven't written the message as yet but the message is going to run a good deal along the lines of the summary.

Q Will a draft of a bill accompany it?

THE PRESIDENT: Lots of people have been thinking about a bill. In talking with the leaders of the House and Senate yesterday afternoon, they suggested that the Legislative Council on the Hill --

MR. BROWNLOW: The House and Senate each have a Legislative Council.

THE PRESIDENT: Yes, and they work right in together like that (indicating) and it was suggested yesterday that this Legislative Council in the Capitol invite the members of the Committee and their experts

to go up to the Hill and talk with them about the draft of legislation.

Q In one bill?

THE PRESIDENT: I don't know.

Q Mr. President, did you find an entirely favorable response from the members of Congress you talked with?

THE PRESIDENT: A very interesting response because this is a rather new approach. Of course there were innumerable questions.

Q What happens to the Brookings Report and the Byrd Report? Does that affect only Point Four?

THE PRESIDENT: I don't know because I haven't seen it. I haven't seen the Brookings Report -- that is, the Byrd Report, but what we are told is that it relates primarily to personnel.

Q That is Point Four?

THE PRESIDENT: Yes. They have sent around questionnaires to all the departments asking them to fill out what every clerk was doing, how many letters they read a day, and the functions of the filing clerks, etc. We have been terribly busy filling out all the reports in the agencies and departments for the last three or

four months, so I imagine those reports would be based on the questionnaires.

Q The Committee reported to the Congress, recommending the establishment of a joint committee of the House and Senate. I understand they are going to work before such a joint committee. Would this be referred to them to take advantage of their study?

THE PRESIDENT: What Committee would the bill be referred to?

Q Yes, that is one point.

THE PRESIDENT: I don't think they have decided that on the Hill. It might be a special committee - I don't know. They hadn't decided last night.

Q Will this bill take the form of carrying into effect the proposals made in the Report or merely give you the authority to carry their proposals into effect?

THE PRESIDENT: Both ways. Some of them would be carried into effect by the Bill itself, such as the creation of two new departments. Others, such as what agencies should go into each department, and so forth, would be left for me to do.

Q Mr. President, the message tomorrow, will it recommend legislation or just submit this report?

THE PRESIDENT: Submit the report and recommend legislation along the general lines.

Q Do you expect this will be accomplished this session of Congress?

THE PRESIDENT: I hope so.

Q It is your purpose to place each one of these independent agencies into those twelve departments?

THE PRESIDENT: So far as administrative work is concerned and only so far as administrative work is concerned.

Q The Act itself would preserve the judicial functions of the independent commissions?

THE PRESIDENT: Absolutely, so that the judicial functions of all these outside Commissions would not, in any shape, manner or form, be under the executive branch of the Government.

Q Could they legally delegate to you the authority to abolish a Commission which was established by statute?

THE PRESIDENT: No.

Q They would have to do that themselves?

THE PRESIDENT: Yes.

Q All they would authorize you to do is to transfer agencies?

THE PRESIDENT: I would not have any right to abolish a Commission in the same way that I could consolidate two bureaus.

Q And they could not delegate such right?

THE PRESIDENT: No.

Q In the case of the Interstate Commerce Commission, wouldn't that mean considerable legislation to be enacted in addition to your proposal with respect to judicial functions?

THE PRESIDENT: Wouldn't be a difficult thing to do.

Q For management and report to you, it would have to be under some cabinet officer?

THE PRESIDENT: In other words, what would happen would be this: You would still have the Interstate Commerce Commission with their own building and staff and court room and so forth. So far as we are concerned, it would be just as much independent in making its decisions as it is today. Actually, when it came to purely management things, they would clear through one of these twelve departments, via me, to Congress.

Q They would be no more under you than the Courts are?

In other words, it would be the same as the Supreme Court now sending its budget through the Attorney General?

THE PRESIDENT: The same thing.

Q The Humphreys decision took away from the President the power to remove members from independent commissions.

Does that change this system?

THE PRESIDENT: No, I don't think so.

Q Does this report and the studies on the preparation of the bill conclude this Committee's work, or will it be continued?

THE PRESIDENT: They will work with this Legislative Council and will probably continue before whatever committee the legislation is referred to.

Q It speaks of fourteen thousand postmasters. Does that include all of the first class, from top to bottom?

THE PRESIDENT: Yes.

Q Would there be any separation of the administrative and judicial functions of the agencies? Would the agencies continue to be partly administrative and partly judicial, or would their judicial functions be taken away and put in some new body?

THE PRESIDENT: Oh, no. They would still run their own administration, only they would have to clear some of the things, like every other department.

MR. STORM: Thank you.

THE PRESIDENT: Wait a minute. You haven't finished yet, I don't think. (Laughter) Here are some other things. "Executive Accountability to Congress." They talk here about what has been recognized or found in the old Lowden report and in the report of the Secretary of the Treasury, Carter Glass -- in fact all the way through for the last twenty years -- about the necessity of Congress being able to audit all the expenditures of Government. That is very definitely a Congressional function.

I think it will be entirely well to leave this off the record because the thing isn't suggested in here, but I would just as soon have Congress set up its own auditing office. I am not even insisting on appointing the Auditor General.

Q You mean on the post-audit?

THE PRESIDENT: Yes.

Q You are saying that you will not insist on the appointment of the Auditor General.

THE PRESIDENT: It is in here that I send his name because it is an easier way of getting some name before the Congress; they may not be able to agree themselves. Louis Brownlow says it is the only constitutional way.

Q Didn't President Wilson veto a bill to establish a Comptroller General without giving the appointment to the President himself? Would that apply in this case to the Auditor General?

THE PRESIDENT: Louis Brownlow says it would be unconstitutional. I don't know.

Q You would have that appointment then?

THE PRESIDENT: Yes.

Q Mr. President, if the duties of the General Accounting Office and the Comptroller General are changed in the manner suggested, would there be any continuing current check on Government expenditures or would that be left entirely to the judgment --

THE PRESIDENT: No. They have a provision in here that when a voucher is put in by a department for somebody's travelling expenses it would go over to the Accounting Office in the Treasury and they would see whether it conformed to the law or not. If they have any hesitation about it, if it is a legal case like that of the officer who got stranded in Manila, they would probably ask the opinion of the Attorney General, or anybody could raise the question, and the decision would go to the President. However,

if it was not a legal question, the voucher, once approved in the Treasury Department, would have to be countersigned under this plan by the office of the Bureau of the Budget. There is your check.

Q Would the result be that the duties that have been performed recently by the Comptroller General would go to the Attorney General or the Budget Bureau? In other words, which agency would become the last word?

THE PRESIDENT: Legal decisions would go to the Attorney General and the approval of current vouchers would go to the Treasury.

Q No more pre-audit then?

THE PRESIDENT: No, except as I said before you would have your pre-audit in the Treasury.

Q Wouldn't that result in a large part of the work of the Comptroller General's office being shifted to the Budget Bureau?

THE PRESIDENT: A large part of the pre-audit work would be, not the post-audit.

Q There was such a set-up as the First Auditor's or Second Auditor's office. Is this a return to that old system?

THE PRESIDENT: Not the same way. In the old days they had a special auditor for the Navy Department and there was one for each of the departments of the Government, one for the Interstate Commerce Commission and others. This centralizes the pre-audit work in one office.

Q Mr. President, wouldn't it take quite a while to catch up with an illegal payment once it was made under this system?

MR. BROWNLOW: Sometimes now the Comptroller General is as much as three years behind in the current audit. We hope that this will very greatly improve the accounting practice of the Government and would enable an audit to be made promptly to the Congress. The law requires the audit to be reported to the Congress but the Comptroller General's office has been in existence 15 years and no such audit has been reported to the Congress.

Q Would Congress have to correct an erroneous payment?

MR. BROWNLOW: In the business concerns where you call in Price Waterhouse or Haskins and Sells, you are not gunning exactly for that. The Treasury always has and probably always will in most instances catch

those things.

On the question of whether it would be quicker or not, I think it would be very much quicker and the Auditor General could have his men in the field auditing immediately after the transaction and he could report to the Secretary of the Treasury or it could go immediately to the staff of this Committee which is in constant session.

THE PRESIDENT: As a matter of fact, a great many vouchers are erroneously paid; the employee gets the money and then they have to put in a claim against him and it is deducted from his salary.

Q Wouldn't Congress have to act?

THE PRESIDENT: No, we would do it the same way we do it now.

Q What would happen in the case of what the Resettlement Administration did some time ago? They allocated money to the building of some factory and the Comptroller General's office decided it was illegal.

THE PRESIDENT: That would go to the Attorney General to decide whether it was illegal or not.

Q All opinions go to the Attorney General?

THE PRESIDENT: If there is any question of law. If it is

a question of law in any case where an issue is raised whether it can or cannot be done. I send over to the Attorney General about once a week a request from some department head for a rule and he makes a rule and it goes into the body of the Attorney General's rulings which comes out every year.

Q How would you answer the charge that it gives you too much power?

THE PRESIDENT: It doesn't give me any more power than I have today.

Q The Attorney General is your colleague and subordinate.

THE PRESIDENT: And up to 1921 there wasn't one single case in nearly a century and a half where the Attorney General failed to be recognized as the principal law officer of the Government to give decisions. It has been only in the last fifteen years and only in the Comptroller General's office that it has been otherwise.

Q He considered himself the Agent of Congress and that was the intent of Congress.

THE PRESIDENT: I will tell you what it comes down to.

It comes down very nearly to the thing that hit me in 1929 in Albany. The Legislature passed an

appropriation bill that said, "Now, of the thirty million dollars out of this bill, you may not spend this money without the approval of two assemblymen and two state senators." I fought the thing through the courts up to the court of appeals and won in the court of appeals. This is very much the same thing. Once an appropriation is made by the Congress, it must be solely up to the Executive to spend it. He may do wrong and then you can impeach him or do anything, but it is his responsibility.

Q I am worrying about the political charge because as soon as this is received on the Hill, that is what they are going to say.

THE PRESIDENT: I don't think it gives me more power. It makes for good administration.

Q The Civil Service Administrator would be named by the President, to be selected from the Civil Service list. Would he change with administrations or would his term be indefinite?

MR. BROWNLOW: Our recommendation is that the President could dismiss him at any time.

Q What is the difference?

MR. BROWNLOW: He couldn't appoint the successor except after

a new examination or new list. He could not even take an eligible from the first list.

Q Who will pass on bids after this?

THE PRESIDENT: What kind of bids?

Q When bids are generally submitted, you turn them over to the Attorney General to see if they comply with the law.

THE PRESIDENT: Off hand they would go to the Treasury accounting office -- that is the pre-audit thing and, if there was any question of legality, they would ask the Attorney General for an opinion.

Q When may we expect your message? When will it be ready?

THE PRESIDENT: I am going to write it tonight.

Q Will we get it tomorrow?

THE PRESIDENT: Tomorrow, about the time the bill goes up. It will substantially follow this summary.

Q Will it be a long message?

THE PRESIDENT: It may be fairly long. There are four pages in this summary and it may run the same length.

Q After this job has been disposed of -- this particular reorganization bill -- may we assume there will be a commission to study economy and disposition of agencies?

THE PRESIDENT: Yes and, of course, suppose this bill were

to go through in May or June: obviously there is a considerable amount of study required before any determination is made about these various agencies. I should say it would take two years, or maybe three, to put this whole thing into effect and as it goes into effect, there will be certain things needed.

MR. STORM: Thank you, Mr. President.

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