

## **Reform of the Federal Government: Lessons for Change Agents**

*LBJ Centennial Symposium, LBJ School of Public Affairs, December 4-5, 2008*

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### **Abstract**

In August 1965, impressed by Robert S. McNamara's success with program budgeting at the U.S. Department of Defense and encouraged by members of his staff, President Lyndon B. Johnson mandated the adoption of a similar planning and budgeting system in all federal departments and agencies. With the costs of the war in Vietnam and of Great Society programs accelerating, the president's decision to maintain a firm grip on the federal budget to avoid the need for tax increases was good politics at the time. But LBJ's support for the Planning-Programming-Budgeting System (PPBS) was genuine, and it quickly took on a life of its own.

The relevance of the McNamara model to domestic government was immediately questioned by members of Congress, social scientists, and others. Moreover, the progress of PPBS was faltering owing to a what appears in retrospect to have been a flawed implementation strategy. In 1970, the Nixon administration quietly killed it. President Johnson never wavered in his advocacy for strengthening the institutions of executive government and increasing the supply of public servants trained in modern analytic methods and management tools. As a result, his support for PPBS has had three positive legacies: establishing policy analysis as an important function of policy making; the institutionalization of graduation education in public policy in some of the nation's leading universities; and providing significant impetus to the growth of social research and development in American universities, think tanks, and consultancies. In addition, the faulty implementation of PPBS by the Johnson administration provides a wealth of lessons for those in the Obama administration who aspire to bring about improvement in federal executive institutions.

### **Introduction**

On August 25, 1965, President Lyndon B. Johnson asked members of his Cabinet and other agency heads to implement a new planning and budgeting system. "The objective of this program is simple," he said: "to use the most modern management tools so that the full promise of a finer life can be brought to every American at the least possible cost" (Woolley and Peters 1965). The introduction of what is known as the Planning-Programming-Budgeting System (PPBS) to federal departments and agencies was almost immediately controversial in and out of government. Five years later, following its highly uneven implementation, President Richard M. Nixon's new Office of Management

and Budget (OMB) quietly rescinded Johnson's mandate. Today it is often regarded as just another in a series of federal government reform initiatives that almost inevitably proceed, in Downs and Larkey's phrase, "from hubris to helplessness" owing to unrealistic ambitions, conceptual ambiguity, bureaucratic resistance, and partisan politics (Downs and Larkey 1986).

The present paper was written as president-elect Barack Obama was preparing to assume office. During the campaign he had said that "we cannot meet 21st century challenges with a 20th century bureaucracy" (GovernmentExecutive.com 2008), and he was said to have had a government reform advisory committee even before his election. Among those eager to help the new president was the IBM Center for the Business of Government, with *The Operators Manual for the Next Administration* and *Getting It Done: A Guide for Government Executives*. As this LBJ Centennial Symposium takes place, a pending question is whether President Obama, in his own efforts at federal government reform, will enjoy a meaningful measure of success or will instead write another tale of helplessness. To avoid the latter fate, his administration will be well advised to heed the lessons learned from previous government-wide reform initiatives and, in particular, from that of LBJ and PPBS.

The focus of this paper is neither on the techniques nor on the merits of PPBS per se but on the processes of its implementation and their consequences for the success of the initiative. Drawing on the archival resources of the Lyndon B. Johnson Presidential Library, the large contemporaneous and *post mortem* literature of analysis, praise, criticism, and lessons learned concerning PPBS, personal experience in policy-making and budgeting at the Department of Defense (DoD) and the old Department of Health, Education, and Welfare (HEW) in the 1960s and 1970s, and continuing reflection on subsequent presidential reform initiatives, including those of Bill Clinton and George W. Bush, this paper will outline some lessons for federal government change agents in the Obama administration.

In the next section, the PPBS reform process will be reviewed. The following section will consider the legacies of PPBS, both those than were intended and those that emerged more or less as a by-product of the reform effort. The concluding section will distill lessons for change agents from the PPBS record and more recent experiences with federal government reform.

### **The Planning-Programming-Budgeting Revolution**

Throughout 1965, the Johnson administration was preparing what would become his fateful Fiscal Year 1967 budget. Confronting the rising and projected costs of the war in Vietnam, the budgetary implications of Great Society policy goals, and growing political pressures from both allies and opponents in Congress and elsewhere, administration officials needed to maintain discipline and restraint in the FY 1967 budget if pursuit of their highest priorities was to be feasible without a tax increase. By mid-June, cabinet officers and agency heads were coming under increasing presidential pressure to identify

potential savings in their budgets in order to accommodate higher priority programs and activities.

### **The Politics of Budget Reform**

On June 22, 1965, recently-appointed Director of the Bureau of the Budget (BoB) Charles L. Schultze wrote to Cabinet officers asking each to establish a task force “to identify those activities in which savings might be made to accommodate a significant part of the new or expanded programs contained in your budget preview submissions.”<sup>1</sup> Each was to identify a “band of lower priority activities”, along with legislation or executive orders needed to eliminate or restructure them, and “a three-tiered priority ranking of proposed program increases.” Only two months later, on August 25, the president directed his cabinet officers and agency heads to adopt the PPB system that Secretary of Defense Robert S. McNamara had implemented as a framework for military force structure planning and budget making.

What accounts for the relatively abrupt change of direction by Schultze and LBJ? A conjecture based on oral history interviews in the archives at the LBJ Library is that the August directive was a clever bit of bureaucratic politics by Schultze and LBJ aide (and former McNamara assistant) Joseph A. Califano.<sup>2</sup> Their purpose was to head off a move by other aides that they regarded as unwise: committing LBJ to promulgating a comprehensive set of long-term policy goals for America. Abandoning a plan to introduce program budgeting in domestic agencies selectively and on a pilot basis, Schultze and others of like mind decided to implement the PPB system immediately and across the board. Unfortunately, there had been virtually no preparation for such a bold move.

In a memorandum for the president dated August 13, 1965, Schultze struck the notes that would appeal to the president in the initial, underlined paragraph: “To be really useful and to avoid making costly mistakes, the establishment of goals towards which domestic policy will be directed must be part of a much broader programming and budgetary system, a la McNamara.”<sup>3</sup> Schultze’s memo was sent to the president by Califano on August 16 covered by his own memorandum outlining the hows and whys of “the system that pays off handsomely in Defense” and recommending that LBJ lead a cabinet meeting to introduce it. The president was evidently happy to go “all in” with PPB because, although knowing little of its techniques, he was deeply impressed with whatever accounted for McNamara’s success as a policy and budget maker at DoD.<sup>4</sup> The cabinet meeting which launched the initiative was held on August 25, and the president announced it to the public at a press conference later in the day.

The politics were clear. House Ways and Means Committee Chairman Wilbur Mills warned administration officials against tax increases in 1966 and advised excluding projected increases in spending for Vietnam from the regular budget submission. The overriding political goal was to communicate forcefully that the federal domestic budget was under firm control and that the projected surpluses of 1964 would not turn into large

deficits. The president's mandate to implement the new planning and budgeting system was an unmistakable symbol of his commitment to fiscal discipline. *Time* magazine, at least, was impressed: in his FY 1967 budget, said *Time*, LBJ "set out right away to cut the budget back as much as he could, both because he thought it was in the nation's interest and because he realized that it would be a dramatic indication to businessmen that he was going to run a tight ship—and that they were all welcome aboard."<sup>5</sup>

### **Evolution Becomes Revolution**

The model for PPBS was the program budgeting system implemented by McNamara at the Pentagon in 1961 (Hitch 1967, Schultze 1968). Developed by the RAND Corporation (Novick 1966), its purpose was to unify and integrate the strategies, forces, programs, and budgets of the Department of Defense. The tools to accomplish this purpose were a mission-oriented program structure for the department as a whole that conceptually eliminated the distinctions among the three services. The costs and mission benefits or effectiveness of alternative programs, or combinations of program elements, were estimated and compared. Ultimate decisions, in the form of program authorizations and appropriations, reached after intensive deliberations within DoD, between the secretary and the president and his staff, and between the administration and the congress, were incorporated in the annually-updated Five-Year Defense Program, which became the baseline for the next annual round of analyses and deliberations.

Following this model, the foundations of PPBS in each agency were the output-oriented program structures. The formal elements of the system were three types of documents organized around the program structure: Program Memoranda, which succinctly present agency program recommendations, alternatives considered in the course of deliberations, and the rationale for the agency's choice; a Program and Financial Plan, a complete and authoritative summary of the outputs and costs of agency programs presented on a multi-year basis; and Special Studies, the analytic basis for the recommendations in the Program Memoranda. The purpose was to integrate planning, programming and budgeting across the multiple bureaus of domestic departments and agencies and to provide for outcome/output-oriented deliberations and choice based on analyses of alternative ways of accomplishing a given objective.

As important as any of the documents associated with PPB in DoD and in the domestic agencies was the principle that the heads of departments and agencies should have available to them an independent source of analysis, information, and ideas, thus liberating them from total dependence on the program bureaus for policy advice. How these analytic staffs were incorporated into deliberation and decision making on policy and the budget could vary widely across agencies: McNamara used his analysts to define the issue and decision agendas, forcing the services and the Joint Chiefs of Staff to work with "whiz kids" they might otherwise ignore. Officials in domestic agencies might use these specialized staff resources as an in-house think tank to address high priority or cross-cutting issues off-line. The notion that experts in policy analysis and program development and planning should henceforth have "a place at the table during

deliberation and decision making was a break from the past that transcended in importance any of the new documents required by PPBS (Lynn 1999, Rivlin 1971).

Perhaps the most significant aspect of PPBS implementation was what did *not* happen: agencies were not expected to change the format of their detailed budget requests, and the president's budget was submitted to Congress in the old, "objects-of-expenditure" format. Moreover, BoB insisted that PPB and regular budget staffs be separate, with the PPB offices staffed with new, analytically trained people. Within BoB itself, responsibility for PPBS implementation was assigned to a recently created Office of Program Evaluation, headed by a former RAND official, with no defined role in the regular budget process (Williams 1971). On March 15, 1966, LBJ exhorted his heads of departments and agencies to "recruit as many of the best, analytically trained people as you can find," as McNamara had done, although he also urged them "to train the most able and promising people now on your staff in modern techniques of program analysis and management" (Woolley and Peters 1966).

The result was a two-track budget preparation process within the executive branch: one track utilized the program structures and analyses required by the PPB process, the other track prepared budgets in the appropriations structures long familiar to agency personnel and the Congress. Not surprisingly, internal communications on FY 1967 budget preparation over the next few months make virtually no reference to the new system; the June 22 procedures were evidently still operative in preparing "the real budget." Agency heads were chided for "excessive budget requests," and pressures to achieve additional budgetary savings and to restrain current year spending became more intense.

While the serious political business of budget preparation was taking place, however, BoB concurrently pressed federal departments and agencies to move forward with the new system. On October 12, 1965, BoB issued Bulletin 66-3, which provided detailed guidance and instructions, as well as tight deadlines, on implementing PPBS. Deadlines were tight: an official responsible for PPBS implementation was to be designated within 10 days, and an approved agency program structure was to be in place by February 1, 1966 (USGAO 1997). Concurrently with regular budget preparation, ordinarily a time of peak workloads, agencies were also expected to create the foundation for an entirely new way of making policy and budget decisions. Advocates for program budgeting at DoD and across the government often portrayed the system as a new or even revolutionary approach to budget making. Many of its advocates emphasized how PPBS represented a significant break from past practice, as in assuredly had in DoD. Schultze's statement on PPBS in August 1967 before a subcommittee of the Senate Committee on Government Operations, for example, was an historical "case for PPBS." Many outside experts were similarly enthusiastic. The movement to link social science research and methods with policy making were described as "a new orientation in American government" (Gross and Springer 1967). PPBS in particular was described as "Potentially the most significant management improvement in the history of American government" because of orientation toward linking inputs with the outputs and outcomes thereby produced (Gross and Springer 1967, 9).

In fact, the PPB system had numerous antecedents at the federal level, enumerated by Comptroller General Elmer Staats in 1968: a long history of BoB review of the cost-benefit analysis in water resource programs required by Congress; long-range budget projections featuring high, low, and most likely estimates for use in policy making; a systematic budget preview process conducted by BoB; a mission-related functional framework for budget preview and special analyses of selected programs; lawfully-sanctioned performance and cost-based budgeting; selective development of formal agency program planning (Staats 1968). As Staats put it:

[PPB was] not an “entirely new” or “revolutionary” system of budgeting as has been frequently stated: nor did it have its entire base in the Department of Defense as has been stated also. Rather, it was an outgrowth of a number of developments that took place over a long period of time, although it was not developed in as highly formalized a fashion as embraced in the President’s announcement of 1965.

The idea that government executives needed specialized staff resources in their own offices had a similar history. From 1933 to 1943, when it was abolished by Congress, the National Resources Planning Board (NRPB), located in the Executive Office of the President, conducted an ambitious policy planning program. The Department of the Interior had a tradition of policy planning and analysis dating back to the New Deal and the long tenure of Harold Ickes as Secretary. An Office of Policy Planning had been a fixture in the Office of the Secretary of State since George F. Kennan directed it beginning in 1947. Within the Johnson Administration, the Office of Systems Analysis in DoD, with its staff of well-trained civilian and military “whiz kids,” was the keystone of program budgeting. An Office of Research, Plans, Programs and Evaluation with a similar role had been created at the Office of Economic Opportunity.

The president’s reform initiative, in other words, could have been viewed more as evolution than revolution and might have elicited less skepticism had that been the case. Senator Jackson noted during the hearing that overstating and overplaying what PPB could do created uneasiness both in Congress and in the agencies (U.S. Senate 1967a). A roster of academic critics from outside government sounded a similar theme: PPB advocates are making claims that cannot be fulfilled. Said Elmer Staats in 1968, “there is a significant body of opinion that PPB has been oversold. Perhaps the proponents of PPB have not been careful enough to delineate what it can do best from the areas of decisionmaking in which it may flounder” (Staats 1968, 12).

It was the revolution, not the evolution, that captured the attention of government reformers, however. Over the next few years, ideas and practices associated with PPB in one form or another spread widely and rapidly not only in the federal government but to Staats’s Government Accounting Office, to state and local governments, and to other countries (Gross 1969). According to Selma Mushkin, for example, by 1969 “[a]s many as 50 or 60 cities and counties have begun to group expenditures in terms of objective-oriented program structures, to view public services in terms of products provided to the

public, to take account of the longer-range implications of program decisions in regard to both costs and outputs, and to step back from administrative pressures and ask about alternative ways of meeting public demands” (Mushkin 1969, 167). The transformation of the federal government as a whole, however, was a struggle.

### **Slouching Toward PPBS**

Despite administration efforts to defend PPBS against criticisms that were occasionally well taken but often distinctly wrong-headed, the response to Johnson’s mandate was tepid. In November 1966, LBJ found it necessary to excoriate his cabinet and agency heads for moving too slowly and failing to use the new system to make management decisions. Confusion was palpable as officials tried to figure out just what “PPBS” required of them. It did not help matters that the BoB itself seemed confused (Gross 1969). It did not help either that career officials associated with preparing the regular budget were still mired in the confusions associated with efforts to create “performance budgets” and “program budgets” as urged by the two Hoover Commissions nearly a decade earlier (Gross 1969). Temptations were strong to put PPB implementation on a back burner or to comply with its requirements in a symbolic rather than a sincere way.

According to a retrospective General Accounting Office assessment, “PPBS implementation proceeded slowly—even after several years of effort” (USGAO 1997, 37). A 1969 study of PPB in 16 agencies revealed substantial variation in how effectively it was implemented and concluded: “Observers of the budgeting process agree that PPB has had limited influence on the major resource allocation decisions in domestic agencies of the federal government. This limited impact is generally attributed to PPBS’s lack of attention to political bargaining, a major feature of traditional budgeting” (Harper, Kramer, and Rouse 1969, 632). Wrote Elizabeth Drew at the time, “How well PPB has worked, agency by agency, has depended more than anything on how seriously the man at the top has taken it, how hard he worked to attract good people to do the job, how much he lent his authority to the adoption of a system of hard analysis” (Drew 1967, 9). “An analysis of the results of recent studies, discussions with Budget Bureau and other officials, and testimony before congressional subcommittees,” said a 1970 study, “leads one to conclude that PPBS has thus far been rather ineffectual as a presidential staff tool” (Botner 1970, 423).

Some saw the glass as half full. “The only fair way to judge the planning-programming-budgeting process at this point,” said Drew in 1967, “is in its historical context. There is no question that it is primitive, and this is due in some part to the fact that it is new. Defense Secretary McNamara is said to believe that the process itself did not yield great pay-offs for him until it had been underway for at least four years; the more thoughtful observers have always believed that in such areas as health and education it might take still longer” (Drew 1967, 28). She continued: “The Art of systems analysis is in about the same stage now as medicine during the last half of the 19th century,” Alain C. Enthoven has suggested. “. . . It has reached the point at which it can do more good than harm on the average.” (Enthoven 1966, 138).

HEW generally received the highest marks from observers. The first head of the Office of Planning and Evaluation, with responsibilities for PPBS, was a former McNamara adviser. The advent of PPBS was linked to efforts to improve the quality of the social data and statistics available to policy planners, to the production of social indicators and social accounts. “No conscientious budget-examiner could rely uncritically on the data presented on education, mental illness, crime, delinquency, transportation, and urban problems by scores of competing bureaus anxious to justify budget proposals by magnifying their past record or their future contributions to the ‘public interest’” (Gross and Springer 1967, 10). William Gorham, the first Assistant Secretary for Planning and Evaluation in HEW, put it this way: “[T]he very process of analysis is valuable in itself, for it forces people to think about the objectives of Government programs and how they can be measured. It forces people to think about choices in an explicit way” (Gorham 1967, 7).

The president did not waver, however. On March 17, 1967, he sent a remarkable message to congress on the Quality of American Government and, in particular, on “the institutional machinery which enables law to work in response to the will of the Congress and the people. “It is a condition of any law that its effectiveness must be judged by its administration. . . . “[T]here are substantial improvements to be made.” Areas of potential improvement included government reorganization, increased efficiency, the public service, and the federal system. Government efficiency referred to full value for every tax dollar. PPBS, which “is forcing us to ask the fundamental questions that illuminate our choices”, was the instrument for accomplishing this goal. “This new system cannot make decisions. But it improves the process of decision-making by revealing the alternatives—for decisions are only as good as the information on which they are based.” But PPBS “will not be able to function fully until more trained men and women, more data, better cost accounting and new methods of evaluation are available” (Woolley and Peters 1967).

The last sentence just quoted was arguably the seed of his most significant government reform legacy, discussed further below.

### **“A Death in the Bureaucracy”**

Government reform initiatives closely identified with a particular administration seldom survive in other than institutional memory or in vestigial remnants. On June 21, 1971, in a memorandum accompanying Circular A-11, its regular communication to agencies concerning budget preparation, Richard Nixon’s OMB instructed agencies as follows (Schick 1973, 146): “Agencies are no longer required to submit with their budget submissions the multi-year program and financing plans, program memoranda and special analytical studies...or the schedules...that reconcile information classified according to their program and appropriation structures.”

Memorably labeled “a death in the bureaucracy” by Allen Schick, the reason put forward by OMB for abandoning the PPBS management tools was “to simplify budget submission requirements.”

In amplification, William A. Niskanen, OMB’s Assistant Director for Evaluation at the time of PPBS’s demise, said that “At this time...these methods are no longer new. More importantly, the U.S. experience with these methods suggest that, as yet, they have neither substantially changed nor significantly improved the process of making budgetary choices” (Niskanen). Concluded one veteran observer of PPBS, “Certainly the closely linked proponents of the status quo—the congressional subcommittees, the bureaus, and the interest groups—recognized the threat posed by analysis of the costs and benefits of their favorite programs and alternatives thereto. One might also suggest that, however ineffective, PPBS was *too* effective for the groups presently dominating the budgetary bargaining process” (Botner 1972, 255). The birth of PPBS was economic common sense. It died as political common sense.

### **LBJ’s Legacies as an Agent of Reform**

The significance of Lyndon Johnson’s efforts to reform the federal government can be viewed from many perspectives. In one view, PPBS reflected America’s inclination toward “scientific management” of business and government, toward the substitution of rational methods for hunch, guesswork, and ideology (Lynn 2006). A second perspective casts PPBS as one of a long series of reforms intended to produce improved efficiency approaching that of business. From a more specialized perspective, PPBS has been viewed as a stage in a federal budget reform process that had its first significant expression in the Budget and Accounting Act of 1921, next in the two Hoover Commissions, and subsequently in the Budget and Impoundment Control Act of 1974, which created the Congressional Budget Office, a principal source of analytic support to the congress.

PPBS is all of those things: scientific management, a move toward efficiency, a budget reform. The interesting question is not whether PPBS succeeded or failed as any or all of these things but how LBJ’s PPB mandate, along with his other efforts on behalf of strengthening the institutions of the executive branch, affected a trajectory of reform and change in the federal government that was already well underway and that continues to this day. If President Johnson had had no interest whatever Schultze and Califano had proposed to him, would anything be different now?

The answer to this question is “yes,” and the differences have been positive.

### **What PPB Wrought**

In a literal sense, PPBS was soon forgotten, but not gone. PPBS as such survives to this day as a basic planning process in its birthplace, the Department of Defense, now the responsibility of the Director of Program Analysis and Evaluation, who reports to the Deputy Secretary of Defense. However, the legacies of LBJ’s federal government reform

initiative are much broader and more significant than rocky life and near-total demise of its most visible management tools suggest. In a much broader and more significant sense, the PPB revolution, in within the context of the Great Society, produced three legacies of enduring importance:

1. the institutionalization of policy analysis as a support function for effective policy and budget making;
2. the institutionalization of a distinct form of public affairs education in American universities to provide the human capital for public policy making and public management, well represented by the Lyndon B. Johnson School of Public Affairs at The University of Texas in Austin (Lynn 1996, 1999); and
3. an enlarged and enriched intellectual capital stock in traditional disciplines and fields and in new fields and subfields, including policy analysis, program evaluation, program development, and public management concerned with effective democratic governance.

#### *A Place at the Table*

“PPB failed because it did not penetrate the vital routines of putting together and justifying a budget,” concluded Allen Schick. “Always separate but never equal, the analysts had little influence over the form or content of the budget (Schick 1973, 147). What Schick failed to mention in his PPB obituary, however, was the language in the OMB circular immediately following his quote: “However, the substance of multi-year program planning, analysis and evaluation will continue to be stressed. Agencies should be prepared to furnish future year estimates when requested, and should provide memoranda and analyses in support of program proposals and related issues” (Botner 1972, 254). The idea of an organized analytic capability to support policy and budget making remained very much alive.

I cannot help but see Schick’s elegy as personally ironic. Having spent over three years in the PPBS machine in DoD, I found myself, the year after its alleged death, at the head of the busy and vital Planning and Evaluation office at HEW. With OMB’s blessing, we soon created a process that tightly linked the work of the office with budget-making and, as well, linked up with policy shops then thriving in the Departments of Housing and Urban Development and Labor on a number of policy initiatives. Later in the Nixon Administration, I directed the office at the Department of the Interior that combined the policy analysis and budget functions and reported directly to the Secretary and Under Secretary of the department.

The premise of PPBS was that the form in which information is presented to policymakers will govern decision-making and that, with the availability of output-oriented program analyses, the emphasis in deliberation and decision-making would shift from justification to analysis (Schick 1966). In the Executive Office of the President, NRPB reflected this premise during the New Deal. The aim of PPBS was to

institutionalize this premise at the level of individual departments and agencies, and the effort can generally be regarded as having been successful well beyond the scope originally envisioned. Downs and Larkey note that PPBS contributed to institutionalizing the role of economists, policy analysts, and accountants in budget making and policy making, perhaps especially at state and local levels of government, where studies and evaluations have become virtually routine. They also note that the effort to implement such an ambitious decision-making system revealed more clearly than heretofore the politics of the budgetary process.

In short, policy analysis and research, program evaluation, and similar activities have been represented “at the table” at all levels of government far more often since PPBS made this idea seem like common sense to executives who sought active leadership roles in government.

### *Education for Public Policy and Management*

In his March 15, 1966, memorandum to department and agency heads, LBJ had directed the Chairman of the Civil Service Commission and the Director of the Bureau of the Budget “to organize an education program in these techniques at several universities. I want you,” the president said, “to nominate some of your most able people for this intensive training in modern, analytic methods” (Woolley and Peters 1966). Just as the great expansion of positive government during the New Deal had stimulated a similar expansion of university commitment to providing education for public service, so, too, did PPB and LBJ’s exhortations to expand the talent pool of individuals trained in analysis and management stimulate the expansion of university programs in public policy (Mushkin 1969).

Sensing opportunity in the policy analysis movement, an entrepreneurial group of public officials, foundation officials, and university faculty and administrators gathered resources and institutional support for the creation, beginning in 1968, of graduate professional schools offering degrees in policy-related fields (Yates 1977). Substantial financial support was provided by the Ford Foundation for the creation of such schools at Harvard University, Duke University, the University of California at Berkeley, the University of Texas at Austin, Carnegie-Mellon University, and elsewhere. The Masters in Public Policy (MPP) degree was soon a popular option for idealistic undergraduates who preferred high-level public service to careers in law or business. Courses and concentrations in public policy analysis, policy-making, program evaluation, and related topics are now common in traditional schools of public administration and public affairs. The National Association for Schools of Public Affairs and Administration now accredits not only public policy schools but programs with substantial public-policy-oriented content.

Although the focal mission of the new public policy schools was training in policy analysis, a concern for the implementation of public policies soon led to a curricular emphasis on public management. By the late 1970s, with the early onset of global

economic slowdown and an emphasis on controlling the costs of government, the place public management not in public policy schools but also in public administration and public affairs programs grew in importance.

### *Intellectual Capital for Governance*

President Johnson's decision to require a sound analytic basis for policy budget recommendations from all domestic agencies was immediately criticized, especially by social scientists, for its apparent assumption that theories, data, and methods were available to the analysis of domestic policy issues and alternatives. The intellectual foundations for defense policy analysis had been under development since the creation of Project RAND by the U.S. Air Force in 1946 and could draw on even earlier traditions of military operations research. No such foundations were available for domestic policy analysis.

Owing to the accelerated expansion financial support for Social Research and Development by the federal government and philanthropic foundations that was stimulated by the expansion of Great Society social safety net programs, an expansion that continued throughout the Nixon Administration, existing academic disciplines, fields, and subfields, as well as new fields such as program evaluation and social indicators contributed to a significant expansion of policy and policy-oriented research and analysis. The current popularity of evidence-based policy-making and performance measurement and management, the latest manifestations of scientific management in the public sector, can trace their lineage to the increased accelerated academic interest in the content and formation of public policy stimulated by PPBS and the policy analysis movement.

### **Lessons for Change Agents**

For all its positive legacies, the PPB initiative might be judged to have failed in one important respect: its implementation. The tendency to create expectations that PPB could not fulfill, the failure to link PPBS to relevant antecedents and precedents, and the decision to preserve the pre-existing format for presenting the president's budget to congress were seen by many at the time as undermining its prospects for transforming federal policy and budget making. While many in and out of government were attracted to and motivated by the ideals of program budgeting as well as by its anecdotal successes, the apparent hubris also incited criticism and opposition not only by those whose interests were threatened but by idealists and realists who believed that American democracy operated, or ought to operate, according to principles different from "cost-effectiveness" (Lynn 1999).

The discussion that follows puts forward ten lessons from this implementation experience. Lessons learned and principles and prescriptions for best practice typical come in two flavors: unexceptionable bromides that may sound more useful than they are—for an example, see Appendix A—and analytically derived "factors that affect"

success—for an example, see the list of factors affecting the implementation of PPBS in Appendix B. While every will be made to choices and conundrums involved in reforming the federal government, the lessons offered here will not be altogether free of a certain proverbial quality. Many, although not all, will be familiar to students of administrative reform and organizational change. Their justification, as with all proverbs and words of wisdom, is that they will produce good results if followed.

While I aspire to academic objectivity—or, more accurately, while I disavow any material interest in what I am about to recommend—it is also the case that these lessons have been filtered through my own experience in government, specifically with the PPB process. I joined the systems analysis staff of the Office of the Secretary of Defense in 1965, when PPBS had been operational for four years, and remained there for well over three years. I became Assistant Secretary of HEW for Planning and Evaluation in 1971 and Assistant Secretary of Interior for Program Development and Budget in 1973, two positions which had their origins in PPBS and continued to reflect its spirit.

**1. Before launching a government reform initiative, find out where the government has been and where it is now—and why.**

Before embarking on reforms that will require cooperation and support from career officials, legislators, and other stakeholders, take the trouble to gather two kinds of information: (1) the background of the status quo—its political and institutional origins, its constituencies, and impartial professional assessments of how well it is working, and (2) any antecedents to aspects of the reform initiative to which reference might be made.

Reform initiatives usually elicit three types of responses: it can't be done; it shouldn't be done; and we're already doing it. Elicit these types of responses *before* going forward in order to craft implementation plans that have a better chance of succeeding, to widen the potential base of support, and to disarm potential critics who want to claim nothing is new. Reforms based primarily on a normative ideal of how government *ought* to work leave their proponents needlessly vulnerable to criticism and opposition.

**2. Real change agents go “all in”.**

Numerous qualms were expressed concerning the wisdom of across-the-board implementation of PPBS; “careful and incremental” was better, experienced officials insisted. The official responsible for McNamara’s sweeping reform of DoD planning and budgeting had expected change to be introduced over several years, but McNamara insisted on immediate and full implementation (Held 1966). At least one doubtful official later praised LBJ’s instincts, noting that reforming a large bureaucracy requires immediate and total commitment and pressure from the top (Gross 1969, Botman 1970).

Many disagree with the wisdom of an “all in” approach to reform. Academic literature on managing change often recommends the accumulation of “small wins” and early successes to establish the credibility of ambitious reform concepts. In the public sector, however, when reforms often cut against the grain of traditional political processes,

bureaucratic routines, and habits of thought, an immediate and bold commitment and determined follow-up are probably essential to gaining the attention necessary to carry new ideas forward. If preparation has been thorough and the implementation strategy is sound, boldness will be rewarded.

**3. Work through existing institutions, not *ad hoc* arrangements.**

Reform initiatives often attempt to bypass existing offices and procedures on the mistaken assumption that doing so will the visibility of the reform effort while avoiding delay associated with overcoming opposition and the need to compromise with the status quo. Even if it takes time and resources, it is far better to engage existing institutions—statutory authorization, overhead agencies (budget, personnel, audit, and financial management), existing channels of action and information and other standard operating routines—and either co-opt or alter them to further the goals of reform.

The two-track budget process created to accommodate PPBS and, for that matter, the *ad hoc* arrangements created to further the Clinton Administration's Reinventing Government reforms were expedient in the short run but unhelpful to the ultimate objectives of the reforms. In contrast, the Nixon Administration's promotion of New Federalism and the Bush Administration's performance-oriented budgeting arguably had more impact because they astutely engaged the budget examiners at OMB. If reorganizations are used to further reform, in other words, the success of the reforms should become everybody's responsibility.

**4. Change agents must be absolutely clear about the concept, its rationale, and the steps needed to implement it.**

Vagueness, ambiguity, and confusion are the enemies of reform, especially when exhibited by its principal sponsors. Every reform initiative that aspires to change the status quo should be accompanied by a user's guide, a "government reform for dummies," that leaves no one in doubt as to what terms mean and what behaviors and actions are expected, when, and why.

Without clarity on what is to change and how, the tens of thousands of officials whose cooperation is needed will focus on tasks that are mandatory, that they know how to do, and that enjoy political and stakeholder support. The tendency to "wait out" the change agents must be overcome both by clear assignments of responsibility and by minimizing any ambiguity concerning what officials are responsibility for doing or accomplishing.

**5. Craft a sound argument for any reform initiative that is easily comprehended by supporters and critics alike.**

Those who speak for the reforms in public, whether agency heads, public information officials, or program officials, should be provided with talking points and fact sheets that enable the administration to be seen as being on the same page. The more controversial

the reforms, the more essential it is to present unity concerning their purpose, rationale, approach, and prospects.

**6. Reform needs champions; fill key subcabinet positions with people who care about it.**

Identifying candidates for senior executive positions and for other Plum Book positions is an intensely political process. Though appointments are the first step in the transition from campaigning to governing, the two are often so interrelated during the creation and vetting of candidate lists that it may be difficult to establish qualifications for governing without passing through political filters associated with campaigning. Thus positions vital to the success of government reform initiatives may well be filled by those with little commitment to or aptitude for reform.

Few will disagree that durable reform needs champions, those who accord it a high priority, not only in traditional management positions or in specially-created roles but in policy making and other staff positions as well. If lessons 3 and 4 have been heeded, championing reform will be more likely to be seen as part of the mandate, of course, but even with adequate preparation, aptitude and interest in government reform should be part of the vetting process.

**7. Don't forget: government is politics, not economics.**

Administrative reform, especially of domestic agencies, has few if any politically powerful stakeholders, and, in a showdown, political rationality trumps technical rationality. Reform of domestic government “has the potential for directly affecting the electorate and is therefore likely to be surrounded by a well-entrenched structure of interests. In contrast, the domain of foreign policy is not nearly as laden with political overtones” (Dirsmith, Jablonsky, and Luzi 1980, 321). But even in foreign policy, partisan politics often rules. As a memorandum prepared by the staff of a national security subcommittee of the senate government Operations Committee in 1967 put it, “If PPBS develops into a contest between experts and politicians... the winners... will be the politicians” (U.S. Senate 1967b, 18).

McNamara used to instruct his analytical staff, “You do the analysis, I’ll do the politics.” In today’s more transparent and leaky government, there is greater political risk in unleashing analytic staffs to “think the unthinkable” and assess the merits ideas that incite important internal and external opposition. Senior officials whose careers have been in politics rather than in business or academia may be reluctant to do so. Analytic staffs are nonetheless in a far better position than they were in the 1960s to assemble ideas, information, and analysis from a wide variety of external sources: think tanks, universities, consultancies, professional associations, published literature, and the media, for example, on the managerial implications of various approaches to health care reform. They need to be protected in this work but, on the other side of the coin, policy and management analysts must exhibit political awareness appropriate to their exposed roles.

**8. Reforms that are oversold invite skepticism and will eventually be perceived to have failed.**

As already noted, PPBS was launched with inflated expectations. As they were intended to do, these expectations attracted considerable favorable attention from advocates, critics, and impartial observers. As the post mortems accumulated in the late 1960s, however, the predominant judgment was disappointment, which was often attributed to unrealistic initial expectations (Botner 1970). Protests by supporters that *progress has nevertheless been made* had little or no political traction, especially if that progress was at the expense of politically important interests, and it virtually guaranteed that the search for “the next big thing” was already underway.

As with lesson 6, heeding this lesson entails conundrums: How can agency deliberation be both political and analytical? How can reform initiatives be promoted both with boldness and with modesty and nuance? It is to say that such challenges are why senior federal executives earn the small bucks.

**9. Reform takes time; it will begin to become meaningful in a second term.**

Even if aspirations are bold but realistic, preparation is thorough, and the change to be implemented is clear, and the right people are in charge, successfully implementing a reform strategy will take time. Virtually every government organization and program is procedurally and substantively complex. Sorting through them to identify the implications of a change strategy and working to overcome the various obstacles to moving forward requires patience, steady leadership, and a human face rather than brute force insistence on getting it done—now! The No Child Left Behind Act reforms of public education are still very much a work in progress, hampered in the early stages by insensitive leadership by its champions in the Department of Education but facilitated by more adaptive leadership later on. Real change takes time.

**10. To survive transitions, reforms themselves must be institutionalized.**

The goals and instruments of government reform should be woven in to the fabric of agency operations by being made part of the routines of existing institutions, thus establishing an internal constituency for their continuation. If Lesson 3 has been heeded, much of the institutionalization will already have been accomplished. For example, if a statutory basis for the reforms has been established, it will be harder for successor administrations to undo them. Executive orders and departmental directives may also be used for this purpose, although these are more easily undone.

If reforms can be undone by simply by abolishing an office temporarily established to implement them, then they are probably doomed. PPBS was doomed because all it took to undo it was the revising of OMB instructions concerning the preparation of agency budget requests. Clinton-era reforms were abruptly terminated on the day George W. Bush took office because it lacked permanent institutional foundations; Web sites were taken down and information was no longer available.

Compulsive government reinventer David Osborne, author with Ted Gaebler of *Reinventing Government* (1992) and other guides to government reform, offered President-elect Obama this advice early in the transition:

Obama should define the outcomes most important to Americans—improved health care, better education, a cleaner environment and so on—and around each organize a team made up of strategic thinkers from OMB and the various policy councils and czars’ offices. Their job would be to analyze what drives the desired outcome, to define the most effective strategies, and to rank all programs—existing and proposed—from most cost-effective to least. The president would set a spending target for each outcome and strategy and “purchase” from the top of the list. When the money ran out, he would draw a line and, with necessary adjustments for political realities, propose to eliminate programs below the line (Osborne 2008).

It is hard to miss the same heady tone of hubris in this injunction that animated early advocates of PPBS and the same faith in rational methods set goals, analyze how to accomplish them, choose, budget.

Before following this or any other agenda for government reform, change agents should test them against the Lessons for Change Agents above. Government reformers need to be more than blossoming idealists. As well, they need to be shrewd, canny, and politically sophisticated if they are to avoid being carted off the battlefield on their shields. Doing it the right way takes more time and preparation, and people with the right skills and temperaments, but patience and forbearance have a much greater likelihood of being rewarded with enduring success.

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## **Appendix A**

### **Six “To Do’s” for Incoming Government Executives**

1. Before confirmation, be careful.
2. Learn how things work.
3. Act quickly on what can’t wait.
4. Develop a vision and a focused agenda.
5. Assemble your leadership team.
6. Manage your environment.

Source: Abramson et al (2008, 2).

## **Appendix B**

### **Factors Affecting the Implementation of PPBS**

1. The extent of the participation in system and process design of officials most concerned with the effects that the system may have on programs.
2. Identification of common areas of interest and a process which focuses on these areas.
3. Performance of studies which demonstrate the usefulness of analysis and the publicizing of such studies.
4. The attitude of the congressional committees responsible for an agency's substantive activity and its appropriations.
5. The attitude of the major clientele groups affected by the agency's programs.
6. The attitude of the examining group within the Bureau of the Budget responsible for reviewing and evaluating the agency program.
7. The age of the agency and/or its programs.
8. The extent to which the agency has an already developed analytic capability and the nature of the process through which those activities are incorporated into decision making.
9. The susceptibility of the agency mission to analytic effort, notably the difficulty in designing benefit measures for the evaluation of programs.
10. The difficulty of or the extent to which appropriate data and accounting systems have been developed.
11. The degree of congruity between the analytic program structure and the agency's organization structure.
12. As an outgrowth of the previous two factors, the difficulty associated with translating cost and other information from the basic appropriations accounts in which the budget is prepared to the program structure in which it is examined and in which programs are evaluated.

Source: Harper, Kramer, and Rouse (1969, 631-632).

## Endnotes

- <sup>1</sup> Memo, Charles L. Schultze to the Cabinet, 6/22/65, Box 21, LBJ Library.
- <sup>2</sup> Interviews with Joseph A. Califano Jr. and Charles L Schultze, Oral History Archives, LBJ Library.
- <sup>3</sup> Memo, Charles L. Schultze to the President, 8/13/65, "National Goals," Box 22, LBJ Library.
- <sup>4</sup> Memo, Joe Califano to the President, 8/16/65, Box 22, LBJ Library.
- <sup>5</sup> "Reading the Budget for Fun & Profit" *Time*, Feb. 18, 1966. Online: <http://www.time.com/time/magazine/article/0,9171,899013,00.html>.

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