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PLANNING, PROGRAMMING, AND BUDGETING WITHIN THE
DEPARTMENT OF DEFENSE:

AN ASSESSMENT TWENTY YEARS AFTER

by

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Presented in partial fulfillment of the requirements for the degree of

Master of Public Administration

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1983

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CHAPTER I

INTRODUCTION

How the Nation's defense requirements are determined, and how the resources which have been determined to be requisite to the Nation's defense are used or intended to be used, have become matters of serious inquiry by the public and the Congress, especially during the past several years. The most cogent reason for this increased interest is, of course, cost; for while progress in technology has improved military material, the costs of developing weapons and equipment and of placing them into use have risen tremendously. In an "arms race" atmosphere, as the costs of weapons acquisition rise and the need to maintain military forces continues, military requirements from national resources increase and the Department of Defense budget registers greater demands on the country's tax dollars.

The expansion of the military since 1950 and the mounting defense budgets have generated increasing concern over how and how well the Department of Defense manages its affairs. Academics have been studying military affairs and have applied economics and other innovative management techniques to defense problems. These operational research techniques as well as other analytical approaches developed by scholars for use in defense decision making have had a noteworthy influence on management within the Department of Defense.

To a great extent, the managerial changes instituted since 1961 have stressed improved procedures for determining and handling military requirements. Attention has focused on developing the most effective ways to determine military needs and the most economical ways to satisfy

those needs once their validity has been established. Management improvement in the Department of Defense has thus emphasized military requirements; how they are determined; how they are programmed; and how they are budgeted. These concepts have gained wide acceptance, but the search for effective and efficient procedures to implement those concepts is still underway.

In 1981 the Reagan Administration came into office dedicated to the revitalization of American military strength--in the most effective and economical manner. With this strong commitment to National Defense, President Reagan supported large increases in the Defense budget. At the same time, he also placed a high priority on the more effective and efficient use of these government resources.

Along with the increased Defense budget, the Department of Defense (DOD) must also accept greater responsibility and increase its own efforts to make better use of its resources. This is an absolute imperative. The Secretary of Defense has emphasized, and plans to continue emphasizing to the Service Secretaries, the Joint Chiefs of Staff, and the senior leadership in DOD, that if the department does not produce some real savings and cost efficiencies itself, it will be difficult for it to maintain the national consensus that currently supports increased defense strength.

This was the objective that led to an announcement in March 1981 by Secretary of Defense Weinberger of significant changes in the Planning, Programming, and Budgeting System (PPBS) of the Department of Defense. He stated that his objective was not only to revitalize American military strengths but also to be sure that the revitalization was

accomplished in the most effective and economical manner.

Secretary Weinberger's announcement was the result of a thirty-day assessment that started with the assumption that the planning system in use was still meeting its basic objectives but it was not doing so in the most effective and economical manner. The focus of this internal assessment was to delve into internal process problems quickly, analyze their characteristics, array and discuss the key issues, and focus on options for improvements that would make the DOD PPBS even better.

This paper analyzes the Defense Department study and Secretary Weinberger's decisions to see if his attempt to bring efficiency and practical management into the Defense Department has met his objective of "effective and economical manner," or if this is just another attempt to gain media attention on a controversial topic.

METHODOLOGY

Major sections of my paper address the questions presented below. Specifically,

* What conditions caused the establishment of PPBS within the Department of Defense?

* What "is" PPBS and what is it supposed to do?

* Why was a study undertaken in 1981 to restructure PPBS?

* What was the outcome of this study?

I analyzed the 1981 DOD Study by reviewing available documents as well as articles written by the authors of the study. I determined the reasons for the establishment of PPBS as well as what PPBS was initially supposed to do from books and articles written during the 1960's when PPBS was initiated.

CHAPTER II

PPBS: THE BACKGROUND

In everyday speech, the words "budget" and "budgeting" carry largely negative connotations evoking images of unwelcome financial constraints and of dreary numerical tabulations. Yet despite its lack of glamour, budgeting is an essential tool for the management of large enterprises. It is first and foremost a planning process, through which the manager allocates available resources to the working units of his organization. Ideally, a budget should convert goals, programs, and priorities into monetary terms following rational economic analysis and decision on the optimum means of accomplishing an agency's objectives. Moreover, budgeting is an important device for the review and control of the activities of the component parts of an organization, to the end that overall purposes, and not parochial ones, are served. Thus, modern public sector budgeting is inextricably linked to the formulation of policy and the orderly execution of programs.

In the Federal Government, the use of the budget process as a positive instrument for these purposes is of comparatively recent origin and is still evolving. Of course, from the early days of the Republic, the Congress used its power to appropriate funds as a means for exerting control over the activities of the Executive Branch. It did not, however, employ the power of the purse to promote executive responsibility nor the comprehensive review of programs. The lack of systematic budgeting as understood today was acceptable during most of the nineteenth century when the country's economy was based primarily on agriculture, when its foreign interests and commitments were small,

and when Federal activities were limited in scope and impact. However, such haphazard procedures became increasingly inadequate as industrialization and urbanization proceeded and the tasks of government expanded.

During the late 1950s Defense budgeting was criticized with increasing frequency within the Executive Branch, by members of the Congress, and by private citizens. The lines of dissent and the reasons given for them were diverse. Many critics stressed the importance to national security of assuring that foreign, economic, and military policies were properly coordinated and that imbalances in the force structure were eliminated. For example, the Rockefeller report on the problems of U. S. Defense recommended in 1958 that a start be made toward a budgetary system that corresponds more closely to a coherent strategic doctrine. It should not be too difficult to restate the presentation of the Service budgets, so that instead of the current categories of "procurement," operation and maintenance, military personnel, etc., there would be a much better indication of how much goes for specific projects.

At the same time, other critics hoped that more meaningful fiscal presentations would permit reductions in the Defense budget and more rational use of resources.

Whatever the reasons, the calls for budgetary reforms were being sounded in growing volume. More than improvements in techniques were needed.

President Eisenhower was in agreement. He felt that there were better ways to make the budget process a more effective instrument for reviewing and integrating programs and performance in the area of

national security. In his final budget message to the Congress, President Eisenhower stated that the budget process is possibly the most significant device for planning, controlling, and coordinating our programs and policies as well as our finances.

While the specific proposals for change reflected problems current at the time, they also constituted the latest stage in the long standing effort to adjust government institutions to new roles as conditions changed. The post-World War II situation had required the United States to take a greatly expanded role in international affairs. The adjustment to this demand was further complicated by the scientific and technological revolution that was taking place concurrently. Approached from this perspective, the budgetary reforms of 1961 and subsequent years were a continuation of the traditional search for better government.

The introduction of any major innovation requires not only a recognition of the need for change but also the availability of the tools for an effective solution. Both were present by 1961. The economic theory of price and allocation, a branch of moral philosophy in Adam Smith's day, had been reduced to mathematical terms and developed into a usable instrument for quantitative analysis of problems of choice. In the late 1940s the Air Force established Project RAND and Mr. Charles J. Hitch began to assemble the Economics Division of the RAND Corporation. During the 1950s this group began applying economic analysis to the selection of weapons systems and strategies, as a research tool, to the point that, by 1961, it was ready for use as a management technique in the Defense Department. The 1940s and 1950s

also saw the rapid development of many other tools of analysis that might be grouped under the general title of "decision theory." The list includes statistical decision theory, theory of games, and linear programming. Operations research, a new discipline in World War II, was expanding constantly beyond the solution of tactical problems and the analysis of single weapons to broader fields, particularly under the influence of economists, who contributed their deceptively simple technique of isolating a problem, arraying alternatives, estimating the utilities and cost of each, and choosing the alternative that yields the greatest excess of utilities over costs. The digital computer, a classified project during World War II, had achieved capabilities to store and display vast amounts of information and to do computations of a scale undreamed of only a few years earlier.

Thus, by 1961 there was a general recognition of the need for change. With the arrival of the Kennedy Administration came new thoughts on defense policy and new approaches to defense management. The ensuing years saw a considerably improved balance in the Nation's total military posture, with broadened capabilities for all contingencies--from "peacekeeping" missions to limited or general war, either nuclear or nonnuclear. Of necessity, the achievement of this objective entailed a higher level of defense spending, but this was not an invitation for reckless spending.

Herein lay an opportunity to design new ways of looking at our force structures and weapon systems; balancing increases in the power and versatility of strategic forces with the expansion of conventional forces; and reducing, postponing, or eliminating programs of marginal or

dubious effectiveness. The new Pentagon team, led by Robert S. McNamara, was quick to avail itself of this opportunity.

Robert S. McNamara, Secretary of Defense during the Kennedy Administration, was not very well known. A Phi Beta Kappa graduate from the University of California, he also attended Harvard Business School. After a short stay with the accounting firm of Price, Waterhouse & Company, he returned to Harvard as an Assistant Professor of Business Administration. During World War II McNamara served in the Army Air Force statistical control program; and after the war he and nine associates moved to the Ford Motor Company. McNamara moved up rapidly, and by age 44, he had risen to the presidency of the company the day after Kennedy's election.

McNamara first declined the position of Secretary of Defense and then allowed himself to be persuaded by the arguments of the President-elect and the promise that he would have a free hand in personnel and organization. In January 1961 he moved into the Secretary's office and proceeded to revolutionize the job.

McNamara became Secretary of Defense at a time when there were serious doubts as to the adequacy of the Nation's defenses. On the one hand was the fear that the United States could not respond to hostile military action with anything less than resort to all-out nuclear warfare, a fear reinforced by evident weaknesses in conventional forces and reports of a dangerous "missile gap." On the other hand, the size of the military establishment and its budget, and the effect of defense decisions on almost every aspect of American life had aroused not only apprehensions over the "military-industrial complex" of which President

Eisenhower had warned, but also recurring doubts over the manageability of the military and the concept of civilian control.

McNamara, like Kennedy, thus took office at a time of national uneasiness, when there was a real need for purposeful, energetic leadership in the Department of Defense as in the Nation. Within a short time after he became Secretary of Defense, McNamara made it clear that he had brought this kind of leadership to the department and that his methods and philosophy would earn him both ardent praise and fierce criticism.

McNamara's basic directive from the President called for him to evaluate national defense policy and the adequacy of the means available to support it, to suggest whatever changes in policy, organization, or procedures he thought necessary or desirable, and to procure and maintain as economically as possible whatever military resources were needed. These tasks McNamara undertook immediately and vigorously, practically turning the Pentagon upside down. His vigorous attack on the problems before him clearly indicated that he intended to be an active and aggressive manager of the defense establishment.

McNamara acquired an awesome reputation for his capacity to assimilate data and to translate it into programs. He established new agencies, encouraged re-organizations of the military departments, and moved functions from the departments to the Office of the Secretary of Defense. He radically altered the budget process, created new commands and abolished boards and committees. The results were an unquestioned strengthening of civilian control, the systematizing of decision-making, and improvements in American nuclear and conventional capabilities.

The McNamara changes can be loosely grouped into three principal areas but this paper is only concerned with two. The first was the development of a system to provide the Secretary with the information he needs. This included the construction of a planning-programming-budgeting system tying together in terms of national objectives, the estimates, requirements, expenditures, and projected activities of all military agencies and commands.

McNamara made extensive use of a previously unpublicized decision-making tool known as system analysis. This procedure stresses quantitative analysis as a means of reinforcing value judgements, and it uses analytical tools to provide policy makers with a clear picture of goals and alternatives.

The second major change instituted by Secretary McNamara was the emphasis given to finding more economical ways of accomplishing defense objectives. The highly publicized cost reduction program was designed to eliminate waste, unnecessary duplication, and "gold plating," while other efforts were undertaken to develop more economical and effective procurement procedures.

PPBS PROBLEM AREAS

The introduction of PPBS by Secretary McNamara into the Defense Department greatly improved the quality of the budgetary process with DOD. PPBS as designed by McNamara, however, was by no means perfect nor was it implemented without criticism.

The entire process was overcentralized. Too many decisions were left to the Secretary. By his own admission, McNamara made some 700 budget decisions annually. Moreover, the subunits of DOD and agencies outside of the Pentagon were virtually excluded from the process. The military services and the JCS could only comment on or attempt to change the initiatives of the Secretary. Secretary McNamara and his staff did the real planning and programming, and in their review of the service budget submissions, they penetrated to the depths of the individual budgets. No item was too small to escape their scrutiny. Similarly, the agencies outside the Pentagon had almost no input into or impact upon the defense budget. The NSC offered no guidance for formulating the budget, the Bureau of the Budget could not set a ceiling on or change the defense budget, and there was no mechanism to review it for conformity with national policy.

Secretary McNamara downgraded the value of military expertise and past budgeting experience. This was a mistake because systems analysis is more of an art than a science. There is a great deal of reliance upon judgment and intuition. Frequently, the objectives are either unknown or subject to change. For many of the crucial variables there was no mathematical function that would express the desired relationship. Finally, there may be no single criterion for judging results among

conflicting objectives. Therefore, the military professionals, by virtue of their experience, could have brought many insights into the analytical process by which Secretary McNamara constructed the budget. This procedure virtually made it impossible for the professional military officers to make any meaningful contributions.

Several aspects of PPBS frequently collapsed under the pressure of time constraints that are inherent in the budgetary cycle. Rarely, if ever, were all the programming decisions completed before the budgetary cycle commenced. In fact, on several occasions, the program decisions were made after the budgets were finished. If the budgets are not developed from the programs, much of the rationale for PPBS is gone.

The failure to provide specific fiscal guidance early in the budget process made it necessary to reduce the budget requests by large amounts in a very short period of time. This process was so hectic that it often led to hasty and ill-conceived decisions. These problems will now be addressed.

CHAPTER III

A FRAMEWORK FOR DEFENSE DECISIONS

Whether rightly or wrongly called a system, PPBS apparently began as DOD's response to a Congressional request. Representative George Mahon, Chairman of the House Appropriations Committee, had, in two letters written to the Secretary of Defense in 1959-1960, requested that DOD provide budget information that could be related to major military missions of the Armed Forces in terms of the programs and the costs that supported individual missions.¹

During USAF "Project Rand," Charles J. Hitch had developed such a perspective of military budgeting and had expressed this in a book he co-authored with Roland McKean.² Some ten months later, at McNamara's request, Hitch was appointed Assistant Secretary of Defense (Comptroller) and began the introduction of the new function, programming, to bridge the gap between the already existing military planning function and the budgeting function in DOD.³

At that time, 1961, the budget structure of the military establishment was organized by resource categories, i.e., costs for military personnel, procurement, military construction, operation and

¹ Harry R. Page, "The Integration and Systematization of Planning, Programming and Budgeting," in Federal Contribution to Management, David Brown, ed. (New York: Praeger Publishing, 1971), p. 154.

² Charles J. Hitch and Roland N. McKean, The Economics of Defense in the Nuclear Age. (New York: Antheneum, 1966).

³ Charles J. Hitch, "Decision Making for Defense," H. Rowan Gaither Lectures in Systems Science (Berkeley: University of California Press, 1965), p. 27-30.

maintenance, research and development, and inputs from the Services. However, the planning of the Joint Chiefs of Staff and the separate Services was expressed in terms of combinations of weapons systems and various military units or forces--the "outputs" of the military system. It was difficult, if not impractical, to attempt correlation of budgeted inputs with the planned outputs, as the budget resources were grouped by individual services and were applicable for only one year. In contrast, the military forces and weapon systems assigned to the various mission combinations were multi-service in operation and were projected by planning over intervals of many years. Unification of the Armed Forces had proceeded well enough in organization and mission assignment but not in budgeting. Some missions were a predominant responsibility of one service and could, by extensive research, be connected with part of the resources allocated to that service. However, this was not done, nor were the military units or weapons systems assigned to a particular task or mission compared in terms of that mission's effectiveness. Hence, the efficiency of the different units or weapons systems, in terms of an input-output ration, was a matter of opinion or conjecture. Nevertheless, decisions on allocation of resources to the Armed Forces or their respective weapons systems had to be made. Since even if efficiency in translation from input to output was not discernible, the resources that would be requested from, and perhaps appropriated by, the Congress were limited, and it was necessary to equate the mission of the Armed Forces with ability to support them. Hitch's dual purpose in introducing PPBS into DOD was: (1) to produce an annual budget in a form acceptable to Congress; and

(2) to provide managers at all levels in the military establishment with the information they needed for effective and economical performance.⁴

The planning, programming, and budgeting system he developed with Secretary McNamara's approval was a three-phase process that met this dual purpose. Later in 1965, at President Johnson's request, PPBS was adopted by other departments of the federal government,⁵ although the planning processes and the analytic methods developed and employed were in many cases different from those of DOD.⁶ As noted by Hitch in his final lecture, "Retrospect and Prospect," of the H. Rowan Gaither series:

The programming system facilitates the systematic use of quantitative analysis comparing the costs and effectiveness of alternative programs. But programming is possible, and has been used without systems analysis and can achieve some of its important objectives--order--consistency and, rough intuitive balance among programs without it.

The above quotation explains the variations in subsequent employment of PPBS in government and subsequently in industry.

As introduced in DOD to assist in management decisions, however, PPBS was based upon systems analysis to determine the effectiveness

⁴ Ibid., p. 28.

⁵ M. L. Weidenbaum, "Program Budgeting and the Space Program," in Systems, Organizations, Analysis, Management, Cleland and King, eds., p. 185.

⁶ Robert A. Levine, "Systems Analysis in the War on Poverty," Systems, Organizations, Analysis, Management, Cleland and King, eds., p. 235.

⁷ Hitch, "Decision Making for Defense," p. 53.

of alternative ways of accomplishing a purpose and upon cost benefit analysis as a measure of efficiency and economy. Programming, the novel feature of the PPBS, was to be used as a bridge between planning and budgeting.

The natures of systems analysis and programming are distinct. The analytic procedures are of assistance to judgment in the management process of deciding upon weapons systems. The programming process complements the planning process by relating and allocating resources to purposes and objectives and coordinates the long-range planning process with the short-range control process of budgeting.⁸

"Programming" is recognized as the process of scheduling the acquisition and allocation of resources required to support the planned steps leading to objectives or to carry out planned missions. As initially conceived in DOD, planning-programming was to be concurrently continued throughout the year and projected forward over a multi-year period. Hitch, as DOD Comptroller, first set this time period at five years, or the life of an individual program package if shorter.⁹

The program package was defined as an inter-related group of program elements which complemented one another or were close substitutes for each other. The DOD program elements were combinations of men, equipment, and installations such as aircraft wings, infantry battalions, combatant ships, etc., together with the supporting units

⁸D. J. Smalter, "The Influence of Defense Practices on Corporate Planning," in Systems, Organizations, Analysis, Management. Cleland and King, eds., p. 2.

⁹Hitch, "Decision Making for Defense," p. 53.

required to make in combination an effective military force that could be related to a specific national security objective.¹⁰ For example, one program package was the Strategic Warfare Forces, which had the mission of fighting an all-out nuclear war, composed of the program elements: land-based missiles, sea-based missiles, and Air Force bombing squadrons.¹¹ The weapons systems which formed these various elements come from all three Services, unified by a common mission or set of purposes.

The terminology explaining the program structure has changed somewhat in the Department of Defense. An observer will now find references to "programs" to facilitate review and analysis along service lines.¹² However, the term "program element" remains in use and is the primary means of identifying in detail the combination of resources as planned requirements, program packages, or budget activities.

The initial program structure of eight program packages assembled in 1961 by the Office of Programming in the Office of the Secretary of Defense followed the suggestions of Congressman Mahon.¹³ However, it was expected that the program structure would be modified, and modification of the structure to ten programs occurred in 1967. Thereafter, the Five Year Defense Program (FYDP) contained ten programs

¹⁰Page, "The Integration and Systematization of PPB," p. 158.

¹¹Ibid., p. 159.

¹²Fremont J. Lyden and Ernest G. Miller, Planning, Programming, Budgeting: A Systems Approach to Management, 2d ed. (Chicago: Markham, 1969), p. 409.

¹³Page, "The Integration and Systematization of PPB," p. 156.

composed of program elements associated with a particular system or function, related to a program/budget activity of a particular armed service by a six-digit identifying number. The DOD program element is usually a grouping of units, manpower, and costs associated with an organization, a group of similar organizations, a function or a project, although costs as the common denominator of all resources may be the only measure of value presented.¹⁴

The program elements are often described as the program building blocks and as such may be aggregated in various ways to present the particular situation that is being investigated. They may be aggregated to display the total resources assigned to a specific program; they may be aggregated to weapons and support systems in a program; or they may be aggregated to identify particular resources such as operating costs. They may be aggregated differently for either programming or management purposes and perhaps in another way for budget reviews.¹⁵

The program package concept became the framework for translating mission plans into program objectives on a time interval schedule. This translation required that the planning process and the programming process be adaptable to and coordinated with each other.

Hitch initially considered recasting both the existing planning and budgeting processes of DOD into program categories and terms and had tentatively prepared a budget model for this purpose. However, the

¹⁴U.S. Navy Logistics Management School, General Dynamics, Fiscal and Life Cycles of Defense Systems, 3d ed. (Pomona, Ca.: U. S. Navy Logistics Management School, 1976), p. 37.

¹⁵Ibid., p. 37.

managerial requirements of DOD and the appropriate procedures of the Bureau of the Budget and the Congress led him to believe that retention of the existing budget structure was desirable.¹⁶ Planning, though, was later adapted to the programming system.

Both planning and programming were to be continuous processes not constrained by the annual budget cycle, though linked to that cycle through the policies and procedures established by the Secretary of Defense, the Bureau of the Budget, and the Congress. Programs were to be formulated by the Services in support of the military requirements generated by the mission planning of the Joint Chiefs of Staff. As strategies, and therefore missions, could change, and new requirements for forces or weapons might be needed to better carry out existing missions, a system for updating and revising the programs was provided. Originally known as the Program Change Proposal System and later in 1967 as Program Change Requests, the system provided policies and procedures for determining why, when, and how changes were to be proposed, and the procedure for incorporating approved changes into an existing program.¹⁷

Over the years, because of the impact of changes in DOD management and requirements of the Office of Management and Budget or Congressional review, the organization and procedures of PPBS developed and changed. However, the original purpose of relating and allocating the inputs of resources available to military objectives through joint planning,

¹⁶Hitch, "Decision Making for Defense," p. 30.

¹⁷Page, "The Integration and Systematization of PPB," p. 163.

coordinated analysis and centralized decision making remained intact. A comprehensive description of the PPB system by which DOD used to accomplish that purpose appears in a General Dynamics Corporation study of Defense Systems. This study describes PPBS as the development of:

A THREAT--into--STRATEGY--into--NEEDS--into--PROGRAMS--into--
BUDGET OBJECTIVE.¹⁸

Implicit in this process are the development of mid-range objectives, the conduct of special studies, and development of weapons systems and their support.

The PPB process now occurs over a one-and-one-half cycle of the following basic steps which are scheduled each year by the Secretary of Defense.¹⁹

1. JCS submit their strategy to the Secretary of Defense.
2. Secretary of Defense issues strategic guidance.
3. Secretary of Defense issues tentative five-year fiscal guidance to the DOD Components for comment.

4. JCS submit their forces plan to the Secretary of Defense based on the strategic guidance. This plan is not fiscally constrained but presents what is needed and what can be attained.

5. Secretary of Defense issues fiscal guidance to the DOD Components by major force and support categories for each of the program years.

¹⁸General Dynamics Fiscal and Life Cycles of Defense Systems, p. 12.

¹⁹Ibid., p. 13.

6. JCS submit joint force recommendations, rationale, and risk assessments, fiscally constrained consistent with the Secretary of Defense's fiscal guidance.

7. DOD Components submit their program objectives including forces and support, with rationale and risk assessment. These are also fiscally constrained with Secretary of Defense fiscal guidance.

8. Secretary of Defense issues final program decisions after draft decisions have been commented on by the DOD Components.

9. DOD Components submit their budget estimates for the fiscal year.

The process cycle consists of three phases:

1. Planning; the first phase of PPBS, starts with an assessment of the world situation at prescribed future time periods, proceeds to the military strategy and the technical capabilities required to counter threats to national security or interests, and culminates with the projection of force objectives to satisfy the national strategy. This projection of force objectives is limited to the capabilities of actual forces and the capabilities of research and production to obtain forces in the future.²⁰

2. Programming then translates the approved mission concepts and objectives of the planning phase into a definite structure expressed in terms of time-phased resource requirements including men, money, and material. This is accomplished through systematic approval procedures that cost-out force objectives for financial and manpower resources five

²⁰Ibid., pp. 14-15.

years into the future, while at the same time displaying force objectives for an additional three years.²¹ Thus, the impact of present day decisions upon future military posture is evident to the reviewers and decision makers of DOD and subsequently the President and Congress. The analysis and comparisons of alternative ways of achieving force objectives which had taken place in the coordinated planning of the Joint Chiefs of Staff and DOD military departments and agencies extended into analysis for program decisions on the optimum ways of scheduling and employing the resources required. These program decisions are, in effect, budget decisions and lead to the third phase of the cycle.²²

3. Budgeting, the final phase of the PPBS cycle, is the process of consolidating program priority requirements into the next annual funding requests to be submitted by DOD to the Congress via the Office of Management and Budget (OMB). The proposed budget is based on budget policies established by the President and OMB, and is constrained by the schedules for acquisition or phase-out of resources determined and approved in the programming phase. As in step 7 in the one-and-one-half year cycle of PPBS, above, the DOD Components submit their next annual budget estimates to the Office of the Secretary of Defense for analysis. Following this analysis, a series of hearings attended by the Secretary of Defense, the various heads of the DOD Components and, at times representatives of OMB, are held to resolve any problem areas in the

²¹Ibid, p. 16.

²²Ibid., pp. 16-17.

estimates submitted. The Secretary of Defense Program Budgeting Decisions (PBD) that result from the analysis and hearings are related to the DOD budget structure of the ensuing budget year and of appropriate prior years. Included in the decision record of the PBD is the estimated impact of the PBD on the next program year. "Reclamas" or requests for revision of the Secretary of Defense decisions may then be submitted by dissatisfied DOD Components and are discussed in joint meetings of the Secretary of Defense, the Joint Chiefs of Staff, and heads of DOD Components. The final decisions of the Secretary of Defense are then incorporated in the proposed DOD Budget submitted to OMB, thus completing the budgeting phase of the PPB cycle.²³

The PPBS process just described is unique to DOD. It is the formal systematic method that evolved from the basic programming process inaugurated in 1961.²⁴ The evolution to the present resulted not only from the desire for improvement with DOD, but from other influences, such as the extension of PPBS to all federal departments by Presidential imposition in 1965, and the recommendations of the Blue Ribbon Defense Panel in 1970. In presenting the Fiscal Year 1977 Budget to the Armed Services Committee of Senate, Donald Rumsfeld, the Secretary of Defense, said:

The Planning, Programming and Budgeting System (PPBS) continues as the framework for the planning and execution of the Defense program. The PPBS was designed in 1961 as a single coherent management

²³Ibid., pp. 18-19.

²⁴William A. Niskanen, The Defense Resource Allocation Process in Defense Management, p. 15.

system to provide information on missions, force levels and weapon systems. At that time, all Department of Defense Resources were segregated into major mission and support categories which became the ten "programs" of the Five Year Defense Program (FYDP) and their program elements became the "building blocks" for decision making and resource allocation....²⁵

²⁵U. S. Congress, Senate, Committee on Armed Services, Fiscal Year 1977 Authorization for Military Procurement, Research and Development and Active Duty, Selected Reserve and Civilian Personnel Strengths. S. Hearings Rept., 94th Cong., 2d sess., 1976, S. 2965, Part I, Authorizations, p. 315.

CHAPTER IV

THE STUDY

By 1981, the existing PPBS had grown top heavy and congested with paperwork and detail. Planning did not "consider" fiscal realities, and a proliferation of structures and data bases were working against smooth flow of the PPBS cycle. While the system was still meeting its basic objectives, it certainly was not doing so in the most effective and economical manner.²⁶ Considering all this, it was no surprise to professional DOD resource managers when shortly after taking office, Frank Carlucci, the incoming Deputy Secretary of Defense, mandated a "quick review of the planning, programming and budgeting process" noting that the system that existed within DOD did not meet the needs of top level defense managers.²⁷ To accomplish this review and develop recommendations for an improved PPBS process, a Steering Group was formed with representatives from the OSD staff agencies, the Joint Staff, and each Military Department and Service. All members of this group had wide previous experience as well as current responsibilities for managing PPBS within DOD.

The review was organized to provide maximum participation by every major OSD staff agency and each of the services to assure that all points of view would be expressed, both in the analysis and in the decision phase of the review.

²⁶Casper W. Weinberger, "SECDEF Weinberger's Planning, Programming, and Budgeting System Brings Practical Management to the Defense Program" Program Manager, Vol. X (May-June 1981): 14.

²⁷Richard J. Mallion, George L. Moses, and Mary H. Smith, "Refocusing the PPBS," Resource Management Journal, (Fall 1981): 14.

Problems With the Existing PPBS

The DOD PPBS process has the objective of preparing and executing a budget that is larger and more complex than any other governmental agency. The quick, thirty day assessment undertaken in 1981 was not designed to analyze in depth how well this objective was being met. The existing process was accepted as basically meeting that objective. The focus of the review effort was, instead, to delve into internal process problems quickly, and analyze their characteristics, array and discuss the key issues, and focus on options for improvements that would make PPBS within DOD even better.²⁸

It became increasingly clear as the review progressed that the accretion over the years of differing objectives and management styles calling, first, for programming emphasis, then participatory management, and recently zero based budgeting, with major characteristics of each imbedded simultaneously in the PPBS, had created serious system wide problems.

The McNamara PPB system created the Five Year Defense Program (FYDP) and interposed OSD programming direction and primacy between JCS planning and service budgeting. It was developed in response to a management style and a set of circumstances which have changed markedly over the intervening years. Programming (the structuring of resources by mission) was a new concept in 1960. The military services have since incorporated programming into their own budget preparation. They have created extensive programming organizations with well-trained and

²⁸Vincent Puritano, "Streamlining PPBS," Defense 81, (August 1981): 22.

experienced staffs to respond to the widespread program interests in such areas as in Manpower, Reserve Affairs, Logistics, Research and Engineering, Program Analysis, and Evaluation.

The Laird management style and resulting process of participatory management was subsequently overlaid on the McNamara PPBS. Under Secretary Laird, more programming initiative was given to the services but, simultaneously, there were initiatives in the opposite direction to centralize the process for acquisition. Later, the Carter administration's Zero Based Budgeting (ZBB) system, which emphasized annual total review rather than stable multi-year planning and called for analyses at three fiscal levels, was added to--rather than integrated with--the DOD PPB system. This combination of three disparate systems had heavily over-burdened DOD staffs and aggravated the confusion of the role of staff and line functions within OSD. The separation of JCS planning from the service budget process caused by the imposition of OSD programming was an additional problem that had not been adequately addressed.

There were two major problems in the programming and budgeting phases of the PPBS. One was the residual confusion of roles of the line and staff functions in OSD, and the other was the failure of ZBB to aid the Secretary in the management of the department, while adding to the data and paperwork load.²⁹

The confusion of line and staff roles was a residual of Secretary McNamara's reliance upon OSD staff to initiate as well as review

²⁹Ibid., p. 22.

programs. Although Secretary Laird placed program initiation with the services, there were a number of subsequent countervailing influences which favored centralization. These influences included: the failure to create a credible planning system; the greatly increased demands from Congress which had created its own budget process competing with the Executive Branch and also greatly expanded its staff; and the emergence of cross-service planning for major programs. These trends encouraged continuation of OSD directive programmic guidance to the services, generating additional paperwork and creating strong adversarial relationships between OSD and the services.³⁰

The second major programming problem was the failure of zero based budgeting. The theory of ZBB is adequate for small organizations with consistent goals. However, it is not designed for large multi-level hierarchies where sub-units may have competitive goals.³¹ The sheer size of DOD forced the "rationing" of decision packages to field organizations. The competitive nature of the budget process also forced "gold watches" (high priority programs) into the margin. In addition, the ZBB features of multiple budget levels, narratives, and prioritization created large volumes of paperwork which proved essentially useless since neither the Secretary nor OMB felt that the resulting displays were useful for decision making.³² One service

³⁰ Ibid., p. 23.

³¹ Ibid., p. 23.

³² Weinberger, "SECDEF Weinberger's Planning, Programming and Budgeting System Brings Practical Management to the Defense Program," p. 14.

estimated that traditional budgeting required the preparation of 350 reports. ZBB added approximately 800 additional reports in the formal Decision Unit Overviews and Decision Package Sets which did not replace the traditional budget reports.³³ The system had not proven useful in presentations to higher levels of decision makers. The ZBB concept simply had not worked.

The succession of systems also greatly expanded the data structure so that the FYDP was no longer the common, basic data base of PPBS. A variety of competing formats, structures, and data banks evolved. This shifting of classification of defense activities and the expanding efforts necessary to respond to and maintain the various data banks led to duplication of data requests, displays, and paperwork as well as worker overload.

Problems in the Planning Phase

The Joint Strategic Planning Document (JSPD), the most complete force planning document in the DOD PPB system, was not limited by a maximum dollar amount. It usually contained higher force levels than could be accommodated within the fiscal guidance. While useful in assuring that arbitrary resource constraints do not dictate our overall military strategy, it resulted in force planning that failed to consider resource constraints. In these circumstances, it became irrelevant or useless during the programming and budgeting phases.³⁴

Recognizing this problem, the JCS provided "Risk Reduction

³³Puritano, "Streamlining PPBS," p. 23.

³⁴Ibid., p. 24.

Measures" (RRM) in the last three annual planning documents. These measures recognized that the unconstrained planning force was not likely to be affordable within the mid-range (3-10 years ahead) period; they thus attempted to identify the most critical areas of risk.

In fact, however, even the JSPD risk reduction measures were of limited value. Their programmatic focus and structure (a brief description plus funding profile) tended to reflect the current programmatic emphasis, as opposed to planning emphasis, and provided poor linkage to the planning objectives, strategies and problems with which the measures sought to deal. Also, their content suggested apportionment of risk by service dollars, rather than as assessment of total risk by functional warfare or contingency areas.

The sizing, structuring, and assessment of the total force could not be effectively accomplished without unambiguous, but broad, guidance on the peacetime/crisis/wartime priorities to be accorded the various missions and theater contingencies. Planning guidance (i.e., criteria and assumptions on which force size and structure are based) should be issued before force building or assessment can begin. This was done, however, on an informal basis for each item of approved guidance.

Although there was a sequence of planning development from JCS and the services to the Secretary of Defense culminating in the Defense Policy Guidance (DPG), there was no high-level dialogue in the process. The JCS (and other DOD policy bodies) generally were forced to rely on "literature searches" of SECDEF speeches, Congressional testimony, Presidential statements, and National Security Council (NSC) and State

Department memoranda directives, and policy statements to derive and develop implicit national and defense policy.³⁵

There was only sporadic articulation of short-term deficiencies bearing on theater contingencies and other missions. There was also a tendency to overestimate the potential success and stability of current programs together with the effectiveness of new systems being produced. At the same time, there was inadequate long-term vision and differentiation between solving short-term problems and dealing with longer-term obligations. There was also no connection between near-term contingency employment concepts based on current force capabilities implied in the constrained force. There were no steps in the later phases of the PPBS that dealt with these fundamental discrepancies.³⁶

In addition there was a mismatch not only between stated U.S. policies and the current capabilities of the forces to implement these policies, but also between policies and planned longer-term capabilities. In effect, DOD had traded near-term readiness for long-term investment within the relatively constrained Defense budget projections. The problems are that tomorrow's objectives expand rather than contract, threats outpace our efforts to deal with them, and the FYDP never delivers as it promises.

Problems in the Programming Phase

The Study Group generally agreed that there was an over-abundance of program direction in the Consolidated Guidance and an inordinate

³⁵Ibid., p. 24.

³⁶Ibid., p. 24.

amount of detail data being requested in the program preparation instructions.³⁷ This detailed guidance resulted in military department documents that were so large as to be undigestible by any one individual. In turn, these proposals, when compared to the specific guidance, give rise to a large number of issues, all of which were addressed by the Defense Resources Board. Also contributing to the larger number of issues was the fact that DOD fiscal projections were not sufficient to fund all the objectives stated in the program guidance.

Although the DRB is the SECDEF's corporate review board, it did not include as a permanent or associate member any service representation, although the services provided observers on call. The multitude of program issues, ZBB requirements, and the resultant work demands on the services and the OSD staff had the effect of focusing most of the review effort on the upcoming budget review rather than on the full five-year program. Top DOD officials complained that they could do little or no realistic thinking about out-year issues and their implications.³⁸

In addition, in the middle of the program cycle, the Joint Program Assessment Memorandum (JPAM), an assessment of the military risk involved with the service programs, was issued by the JCS after their review of the service Program Operating Memoranda. Because of the timing of the JPAM and the tendency of the JCS not to play an active part in the programming cycle, JCS views often were not incorporated in the issue papers.

³⁷ Ibid., p. 24.

³⁸ Ibid., p. 25.

Program instability reflected some apparent shortcomings in the current programming procedures. For example, there were 160 Priority Change Proposals (PCP's) in the last budget phase for programs that had been "decided" in the programming phase.³⁹ In the Navy Shipbuilding Program, an area which by its nature should be long-term and stable, major initiatives were alternately inserted and dropped out as the cycle progressed. Because of the number of months the process took to come to a decision, all of the efforts by the many technical and contract offices were done and redone, and tough decisions were put on hold until the final days of the cycle.

Another symptom of overcontrol is the abundance of "major" issues. Issue papers are developed by OSD staff in at least seven areas: Strategic Forces; Theater Nuclear Forces; General Purpose Forces; Communication, Command, and Control; RDT&E; Manpower and Logistics; and Intelligence. In the past PPB cycle, 150 issues were generated and 375 "thumbnail sketches" (one-page issue papers) were submitted by OSD, Office of Management and Budget (OMB), and the Arms Control and Disarmament Agency to the DRB.⁴⁰ Each of these papers contained a staff alternative to a service program and all had to be reviewed and discussed by various staffs during the programming cycle.

Problems in the Budgeting Phase

The end result of over one year of DOD planning, programming, and preparation of budget estimates was the presentation each year of the

³⁹Ibid., p. 25.

⁴⁰Ibid., p. 25.

President's budget to the Congress. Immediately preceding this presentation, in late December, DOD experienced a phenomenon referred to as "tail end perturbations." Sudden late changes to the budget estimates and supporting programs were brought on by late OMB and presidential decisions on fiscal levels, programs, and/or a revised inflation forecast.⁴¹ These new data had to be quickly incorporated into a myriad of documents without disturbing balances painstakingly developed over a course of several months. The result was often a crash series of meetings culminating in conflicting guidance and unbalanced resource allocation for some program areas. Aside from the fact that the timing, management, and impact of this annual phenomenon tended to reduce confidence in the integrity of the system, there was a persistent "ripple effect" on program justification to Congress, re-orientation of policy, and implementation of budget decisions.

Excessive paperwork in the budget phase also reached the point of nearly breaking down the whole system.⁴² This has occurred in the last four years as ZBB procedures quadrupled the numbers of exhibits, listings, displays, and formats of data presentation. As a result, OSD, service, and OJCS staffs all complained of the inability to provide quality work in a timely manner.

Another major problem in budgeting has been the inability of the system to produce a consistent set of categories to describe the activities within the budget from early planning through to the

⁴¹ Ibid., p. 26.

⁴² Ibid., p. 26

Congressional submissions.⁴³ As a result, much time is spent in translation routines during which inconsistencies, or apparent inconsistencies, are created. When the later occurs, justification of the Congressional categories is sometimes allowed to drive programmatic decisions.

The need to explain costs in appropriation categories led to the creation of large "budget back-up" or budget justification books which took information from program formats and transcribed it into other displays.⁴⁴ Contradictions or perceived discrepancies between the various displays also generated significant workload in preparation of explanations.

System-Wide Problems

"Revisitation" of decisions regularly occurs in the current PPBS environment. Issues thought to have been decided in the programming phase were often resurrected in the budgeting phase by OSD, OMB, and the services.⁴⁵ The vast and varied number of participants, excessive pre-occupation with paperwork and details, a hectic pace, inconsistent categorizations, and the year-long demands of the process all added to the problem.

⁴³Ibid., p. 26.

⁴⁴Ibid., p. 26.

⁴⁵Ibid., p. 26.

⁴⁶Ibid., p. 26.

Neglect of execution was also evident.⁴⁶ The emphasis--and the reward--for years has been in the "front-end" justification of programs and the obtaining of appropriations. In addition, the time of managers at all levels in DOD is focused on shepherding their programs through the various PPBS cycles. Program execution functions are generally neglected and only limited feedback to policy makers/programmers to improve subsequent cycles is built into the process.

There was a widespread perception that significant discontinuities exist between PPBS and Defense Systems Acquisition Review Council (DSARC) processes, the two major resource decision systems in DOD.⁴⁷ Symptoms of problems can be seen in the continual conflicts surrounding and disrupting acquisition programs, the confusion over program costs, and the resulting program quantity adjustments.

Along with the problems and issues arrayed above, there were also lengthy discussions in the steering and working groups on role and membership of the DRB, and the role of OMB in the joint review.⁴⁸

Recommendations

After analyzing the problems and proposed solutions, the steering group reached consensus to endorse on a number of options:⁴⁹

⁴⁶ Ibid., p. 26.

⁴⁷ Ibid., p. 26.

⁴⁸ Mallion, Moses and Smith, "Refocusing the PPBS," p. 16.

⁴⁹ Puritano, "Streamlining PPBS," p. 27.

* To improve strategic planning at the beginning of the PPBS cycle and improved long-range planning throughout the process.

* To improve policy and strategy interaction and definitive DOD policy statement by SECDEF, JCS, and the services.

* To greatly reduce directive program guidance.

* To develop a program document with reduced specifics.

* To reduce issue generation for the DRB in the summer program review cycle.

* To reduce paperwork in the fall budget cycle (reduction of ZBB).

* To study data bases and proliferation of mission categories.

* To increase service membership on the DRB.

Revising PPBS

After review of the steering group recommendations by the Deputy Secretary, the Joint Chiefs, the Service Secretaries, the Under Secretaries and Assistant Secretaries, the Secretary of Defense announced his decisions for revising the entire DOD PPBS process.

The decisions, however, went much further than simply changing the PPBS. They established a broad set of management principles and philosophy that set the base for major improvement in DOD over the next few years.⁵⁰

These broad management principles included the management formula: centralized policy and decentralized operational responsibility to the Service Secretaries and to the services. This, in turn, means that

⁵⁰Mallion, Moses and Smith, "Refocusing the PPBS," pp. 15-16.

there has to be more precisely defined responsibility and accountability for results at the operating level.

The central OSD staffs have been asked to concentrate on a more appropriate central staff function by emphasizing broad central policy guidance rather than specific program direction as in previous years. Central analytical staffs are expected to emphasize cross-service and cross-command analysis to better help the Secretary make the high-priority decisions.

Managers at all levels in DOD are expected to look for economies and efficiencies and savings in carrying out their responsibilities.

OSD and the services were asked to join together in improving the PPBS process in a more participative mode. More teamwork and better communications are expected throughout the planning and budget year.

The Under Secretary of Policy was asked to work closely with JCS, the services, and other OSD staffs to provide within thirty days a proposal for a greatly improved strategic planning process.⁵¹

The OSD program offices were asked to change the detailed directives of the past, to concentrate on broad policy guidance, to cut the paperwork required in the POM process by 50 percent, and to greatly reduce the number of issues raised to the DRB level for decision in the programming phase.

The DRB itself was restructured to include the Service Secretaries as full members. Further, the DRB will be used more frequently including, for the first time, in the planning phase to review and

⁵¹Puritano, "Streamlining PPBS," p. 27.

approve the policy and strategy that will set the base finding levels for future program and budget decisions.

The budget phase was streamlined by reducing the mammoth paperwork requirements of the ZBB process. The concept of prioritizing programs at the margin will be kept but, with the concurrence of OMB acquired through an exchange of letters between the Secretary and the Director of OMB, the ZBB reporting requirements will be greatly reduced beginning this year with the FY 83-87 submission.⁵²

Another major decision with long-term implications is that the Deputy Secretary of Defense, with the advice of the DRB, will be responsible for total management of the new PPBS. The Executive Assistant to the Deputy Secretary of Defense will serve as the Executive Secretary to the DRB to assist the Deputy Secretary manage the year-long PPBS cycle in all its aspects and to guide the implementation of the PPBS improvements.

The Under Secretary for Policy was directed to formulate a new strategic planning process, together with the JCS, the services and other OSD staffs, to build a better foundation for the remainder of the PPB process.

Finally, the Deputy Secretary announced, in his March 27, 1981 implementation memorandum, that the new process was to start immediately with the preparation of the FY 1983-87 budget submission. The transition to the new PPBS was to take a full year particularly for the

⁵²Ibid., p. 28.

new strategic planning process to "take hold," but as many actions as possible were to begin immediately with the FY 1982 budget cycle.⁵³

⁵³Weinberger, "SECDEF Weinberger's Planning, Programming and Budgeting System Brings Practical Management to the Defense Program," p. 14.

CHAPTER V

WHERE DO WE STAND?

President Reagan's support for a strong defense was clearly reflected in the 1981 and 1982 budget proposals. The President is also resolved to make government more efficient and effective and has given this commitment a major priority in his administration.

The ability to execute the vital missions of the Department of Defense must be the major consideration in any discussion of Defense program management. The Department's basic responsibility is to maintain modern, effective and balanced military forces that are able to deter, or defeat any attacks on the United States and its vital interests, which include the security of our friends and allies.

The second priority is to accomplish these basic missions as efficiently as possible. The ability of the Department of Defense to take advantage of improvements in operations will be enhanced by revisions to the Planning, Programming and Budgeting System. Review of the PPBS was designed to improve the interface between Defense policies and national military strategy, on the one hand, and our military capabilities, on the other; and to streamline the DOD decision-making process.

The revised PPBS process has begun. The consolidated guidance of the past has been replaced by the Secretary's Defense Guidance (DG). The FY 1983-1987 DG has been implemented by the services.

Zero based budgeting (ZBB) has been disbanded.⁵⁴ The Comptroller

⁵⁴ Mallion, Moses and Smith, "Refocusing the PPBS," p. 16.

is working closely with the OMB as well as leading a study group to reduce the data demands and further rationalize the information used throughout the PBB process. However, the Secretary does acknowledge the benefits from re-examining the necessity and desirability of continuing programs.

The Department of Defense is pursuing the goal of improving DOD management with a strong sense of purpose. Their program appears likely to succeed for several reasons. First, increased attention to long-range planning will lead to more rational decisions and more stability in their programs. Rational, stable programs are easier to support and implement. Second, their insistence on broad participation in the review and decision making process will gain and maintain the involvement of managers at all levels. Finally, their principle of decentralized responsibility, authority, and accountability will intensify the focus on program execution. In the final analysis, better program execution holds the key to the success I am predicting. The efficient execution of plans and programs is where the Defense Department will be judged by the public. Officials at all levels must understand completely the roles they play in this process.

In summary, a sound program for management improvement has been designed. In spite of the short period of time to study the problem, the streamlining and improvement of the PPBS process is moving rapidly toward the goal of significantly improving the management of defense resources.

Improved "front end" planning will exert a stronger influence on

program decisions and create more accurate budgets. These budgets should be less susceptible to modification as they will be more closely related to defense strategy requirements and Congressional intent through the improved planning and programming process. There will still be lively debates about alternatives among military department staffs, OSD staffs, and Congressional leaders throughout the PPBS cycle. However, that is what PPBS is all about.

Although we are not there yet, the Defense Secretary's new management philosophy and PPBS review decisions are important events which should make this program a success.

CHAPTER VI

CONCLUSION

The budgetary process is critical in any organization because, to a great extent, "dollars are policy." If the funds for a particular activity cannot be acquired, planning becomes fruitless and execution impossible. In the Department of Defense the budgetary process is especially important. DOD has a very thin legislative base. Almost all of its programs must be acted on annually by the Executive and Legislative Branches in the budget process. Unlike other federal agencies, the DOD receives no long-term commitments from Congress.

Additionally, approximately 70% of the controllable expenditures in the entire federal government are in the area of national defense. Therefore, defense appropriations are the easiest to manipulate in order to implement a particular fiscal policy.

The DOD PPBS is the key management mechanism by which the Secretary can exercise his statutory control over, and make trade-offs among, the capabilities of the military departments and the defense agencies. Thus, it is not at all surprising that Secretaries of Defense have spent a great deal of time and effort on the format as well as substance of the defense budgeting process. The format determines not only who will make the decisions, but also how they will be made, and therefore, to a large degree, what decisions will be made.

The basic features of the McNamara PPB system are still in effect. The planning-programming-budgeting system is firmly established, although subject to procedural changes. Analytical tools and techniques continue to be applied but they are no longer the principal determinants in the decision process.

Congress still exercises the dominant influence on the Department of Defense budget, and the size and complexity of the budget adds to the difficulty of Congressional review. The need to improve the ability of Congress to deal with the DOD budget has led to various suggestions, none of which has gained much support.

The success of the Weinberger-Carlucci approach will ultimately be judged on the quality of the budgetary decisions that are made. A streamlined process will not, of itself, produce those enlightened decisions. However, their approach has provided a framework which capitalizes on over three decades of DOD experience and at the same time eliminates unnecessary paperwork. The quality of these decisions now depends upon how well the leadership of DOD uses the process to develop defense programs that conform to the realities of the international environment rather than vested parochial interests.

There is still considerable room for improvement in the manner in which DOD carries out this vital function. Whatever the future changes, the last thirty years has demonstrated that there are two primary constraints on the process which will be operative no matter what form the defense budgetary structure takes.

The budgetary process will be inherently political. The ceilings on the budget will always be affected by the political situation of the President. There never will be any formula or technique to determine the exact size of the defense appropriation. The final figure will be decided by the desires of the President; i.e., does he desire to have a balanced budget like Eisenhower or does he want to stimulate the economy like Kennedy.

Similarly, the disposition of funds within the defense budget will always reflect the desires of the subunits of DOD to maintain their organizations. Regardless of the amount of analysis, it will remain difficult to dissuade the Army from trying to increase the number of combat divisions and the Air Force its manned bombers.

Also, planning will remain irrelevant for the budget process. Political leaders cannot be expected to provide definitive guidance to military planners about how they will act in specific contingencies, because they, themselves are not sure what they will do. They prefer to preserve their flexibility. Without this definitive guidance, military leaders cannot be expected to develop plans that are very relevant for the budgetary process.

An evaluation of progress made in handling defense requirements during the past two years would point to the contributions of the improved PPB system. Increased emphasis has been given to effective and efficient management. The security of this nation demands the best possible array of forces, but it is also important that these forces be provided in the most efficient and cost-effective manner.

Procedures and techniques are not substitutes for wisdom and judgment. They are, however, aids to the effective exercise of these faculties. Their use will assist the Nation to govern itself more effectively and to achieve its national objectives more efficiently. In the words of the late President Johnson, "The people will be the beneficiary."

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