

12-1912

## Editorial: Congress and a Budget

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### Recommended Citation

Richardson, A. P. and Johnson, Joseph French (1912) "Editorial: Congress and a Budget," *Journal of Accountancy*. Vol. 14: Iss. 6, Article 6.

Available at: <https://egrove.olemiss.edu/jofa/vol14/iss6/6>

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# The Journal of Accountancy

Published monthly for The American Association of  
Public Accountants by THE RONALD PRESS COMPANY,  
198 Broadway, New York. Thomas Conyngton, President.  
J. M. Nelson, Secretary; Hugh R. Conyngton, Treasurer  
Office of Publication, Cooperstown, New York

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## EDITORIAL

### Congress and a Budget

Within a few days after the publication of this issue of THE JOURNAL OF ACCOUNTANCY the Sixty-Second Congress of the United States of America will meet for its last session and it is appropriate at this moment to consider some of the most important matters which the forthcoming session will be called upon to decide. As a general rule at the close of a congress there is a considerable amount of house cleaning to be done—routine measures must be adopted, appropriations must be approved and all the odds and ends of legislation which have accumulated during the preceding two years must be cleared away as far as it is possible to do so.

But in spite of all these necessary tasks for the short session to accomplish let us hope that there will be time for the enactment of some if not all of the desirable bills which now are resting in committee stage. Chief among these, from the accountants' point of view, is a bill calling for an amendment of the corporation tax law to permit corporations to report as of the end of their individual fiscal years—and in the case of this bill it may be said that there is reason to expect its passage during the short session.

But there is one more important matter which will come up for discussion and upon which the arguments are sure to be vigorously put forward both for and against. This is the question of a national budget.

To the ordinary man of business accustomed to conduct his affairs so that his stockholders may be fully informed of all that affects the financial standing of his concern it probably appears superfluous to say that one of the greatest undertakings in the world—the government of the United States—requires the application of ordinary business principles. But during the entire life of the republic there has never been a time when the people—who are really the stockholders—have been informed, even in a general way, of the financial condition of the government. We are told that a certain amount is necessary for the carrying on of the administration and we are informed that in order to meet this requirement taxes of one kind or another, direct or indirect, must be levied; and we are not supposed to question the correctness of the statement issued to us. All that is expected of us is to pay what we are told to pay.

But the time has come when this sort of thing must cease. One of the most remarkable phenomena in an age which is filled with remarkable developments is the public demand that there shall be light. It has become little less than a national watchword that in all affairs affecting even a small portion of the public there must be absolute publicity and frankness. The day has passed when men were content to pay without knowing exactly for what they were paying. And one of the most noteworthy illustrations of this increasing tendency toward publicity is found in the sanction of congress of the appointment of a commission on economy and efficiency at the instigation of President Taft. The duties devolving upon this commission were exceedingly broad. The members were called upon to show wherein the administration of the national departments was extravagant and wherein saving could be effected without detracting from efficiency. Furthermore they were to demonstrate if possible, how efficiency could be increased at a minimum of financial cost.

The commission on economy and efficiency included in its membership two men who have a national reputation as accountants and it formed at an early stage a consulting committee

## Editorial

consisting of four leading men in the profession. Although the amount of money appropriated for the commission's use was considerably less than might have been provided with advantage, it has succeeded in doing a great work for the nation at large. Several messages have been sent by President Taft to congress endorsing the recommendations of the commission on economy and efficiency and already some very substantial savings have been effected as results of these recommendations; but the chief work of the commission will bear fruit or will not according to the decision of the forthcoming session of congress; and business men throughout the country will watch with keen interest the course which congress adopts in regard to this paramount question of a national budget.

In view of the great importance of the subject we do not hesitate to quote at considerable length from the message of President Taft, dated June 27th, 1912, transmitting the report of the commission on the need for a national budget.

President Taft said, in part:

Briefly stated the situation is this: Under the Constitution (and subject to its limitations) the Congress is made responsible for determining the following questions of policy: What business or work the Government shall undertake: what shall be the organization under the Executive which is charged with executing its policies; what amount of funds, and by what means funds shall be provided for each activity or class of work; what shall be the character of expenditures authorized for carrying on each class of work—*i. e.*, how much for expenses, how much for capital outlays, etc.

As a means of definitely locating this responsibility the Congress was given the sole power to levy taxes; to borrow money on the credit of the United States; to authorize money to be drawn from the Treasury. To the President also has been given very definite responsibility. To the end that the Congress may effectively discharge its duties the article of the Constitution dealing with legislative power provides that "a regular statement and account of receipts and expenditures of all public moneys shall be published," and the article dealing with the Executive power requires the President "from time to time to give to the Congress information on the state of the Union and to recommend to their consideration such measures as he shall deem necessary and expedient."

Notwithstanding these specific constitutional requirements there has been relatively little attention given to the working out of an adequate and systematic plan for considering expenditures and estimates for appropriations; for regularly stating these in such form that they may be considered in relation to questions of public policy; and for presenting to the Congress for their consideration each year when requests are made for funds, any definite plan or proposal for which the administration may be held responsible.

Regular committees on expenditure have been established by the Congress for the purpose of obtaining knowledge of conditions through special investigations. During the last century over 100 special congressional investigations have been authorized to obtain informa-

## *The Journal of Accountancy*

tion which should have been regularly submitted, and much money as well as much time has been spent by the Congress in its efforts to obtain information about matters that should be laid before them as an open book; many statutes have been passed governing the manner in which reports or expenditures shall be made; specific rules have been laid down giving the manner in which estimates shall be submitted to the Congress and considered by it. From time to time special investigations have been made by heads of executive departments. During the last century many such investigations have been carried on and much money has been spent in the conduct of these, as well as by the Congress for the purpose of obtaining facts as a basis for intelligent consideration of methods and procedure of doing business with a view to increasing economy and efficiency. From time to time Executive orders have been issued and reorganizations have taken place.

Generally speaking, however, the only conclusions which may be reached from all of this are that—

No regular or systematic means has been provided for the consideration of the detail and concrete problems of the Government.

A well-defined business or work program for the Government has not been evolved.

The reports of expenditures required by law are unsystematic, lack uniformity of classification, and are incapable of being summarized so as to give to the Congress, to the President, or to the people a picture of what has been done, and of cost in terms either of economy of purchase or efficiency of organization in obtaining results.

The summaries of expenditures required by law to be submitted by the Secretary of the Treasury, with estimates, not only do not provide the data necessary to the consideration of questions of policy, but they are not summarized and classified on the same basis as the estimates.

The report on revenues is not in any direct way related to the expenditures, except as the Secretary of the Treasury estimates a surplus or deficiency and this estimate is based on accounts which do not accurately show expenditures or outstanding liabilities to be met.

Instead of the President being made responsible for estimates of expenditures, the heads of departments and establishments are made the ministerial agents of the Congress, the President being called on only to advise the Congress how, in his opinion, expenditures may be reduced or revenues may be increased in case estimated expenditures exceed estimated revenues.

The estimates do not raise for consideration questions which should be decided before appropriations are granted, nor does the form in which estimates are required by the Congress to be presented lay the foundation for the consideration of: Subjects of work to be done; the character of organization best adapted to performing work; the character of expenditures to be made; the best method of financing expenditures.

The present law governing the preparation and submission of estimates, requiring them to be submitted each year in the same form as the year before, was passed without due consideration as to what information should be laid before the Congress as a basis for action, the result being that the unsystematic and confused method before in use was made continuous.

The rules of the Congress do not provide for the consideration of estimates in such manner that any Member of Congress, any committee, or either House of Congress as a whole may have at any one time the information needed for the effective consideration of a program of work done or to be done.

The committee organization is largely the result of historical development rather than of the consideration of present needs.

Inadequate provision is made for getting before each committee to which appropriations are referred all of the data necessary for the con-

## *Editorial*

sideration of work to be done, organization provided for doing work, character of expenditures, or method of financing.

Following the method at present prescribed the estimates submitted by each organization unit may have to be split up for consideration by appropriation committees of the Congress and be made the subject of several different bills; in few places are all of the estimates or appropriations asked for by a single organization unit brought together.

The estimates for appropriations requested for a single class of work are similarly divided, no provision being made for considering the amount asked for, the amount appropriated, or the amount spent for a single general class of governmental activity.

Generally speaking, the estimates for expenses (or cost of each definite class of services to be rendered) are not separately shown from estimates for capital outlays (or cost of land, building, equipment, and other properties acquired).

While the classification and summaries of estimates do indicate a proposed method of financing, these summaries do not show classes of work or the character of expenditures provided for and therefore cannot lay the foundation for the consideration of methods of financing as a matter of governmental policy, as is contemplated under the Constitution.

The appropriations are just as unsystematic and incapable of classification and summary as the estimates—in fact, follow the same general form, making it difficult and in many cases impossible to determine what class of work has been authorized, how much may be spent for each class, or the character of expenditures to be made; nor does any one bill cover the total authorizations for any particular general class of work.

Bills for appropriations (the authorizations to incur liabilities and to spend) are not considered by the committee to which measures for raising revenues and borrowing money are referred, nor are revenues and borrowings considered by committees on appropriations in relation to the funds which will be available.

So long as the method at present prescribed obtains, neither the Congress nor the country can have laid before it a definite understandable program of business, or of governmental work to be financed; nor can it have a well-defined, clearly expressed financial program to be followed; nor can either the Congress or the Executive get before the country the proposals of each in such manner as to locate responsibility for plans submitted or for results.

Although the President has the power to install new and improved systems of accounts and to require that information be presented to him each year in such form that he and his Cabinet may intelligently consider proposals or estimates; although the President, under the Constitution, may submit to the Congress each year a definite well-considered budget, with a message calling attention to subjects of immediate importance, to do this without the cooperation of the Congress in the repeal of laws which would be conflicting and in the enactment of other laws which would place upon the heads of departments duties to be performed that would be in harmony with such procedure, would entail a large expenditure of public money in duplication of work.

The purpose of the report which is submitted is to suggest a method whereby the President, as the constitutional head of the administration, may lay before the Congress, and the Congress may consider and act on, a definite business and financial program; to have the expenditures, appropriations, and estimates so classified and summarized that their broad significance may be readily understood; to provide each Member of Congress, as well as each citizen who is interested, with such data pertaining to each subject of interest that it may be considered in relation to each question of policy which should be gone into before an appropriation for expenditures is made; to have these general summaries supported by such detail information as is necessary to consider the economy and efficiency with which business has been transacted; in short, to suggest a

*The Journal of Accountancy*

plan whereby the President and the Congress may cooperate—the one in laying before the Congress and the country a clearly expressed administrative program to be acted on; the other in laying before the President a definite enactment to be acted on by him.

President Taft has summed up in the foregoing extract a categorical condemnation of existing methods, and anyone who has the faintest notion of what we call business sense must endorse every word in the accusation. It is absolutely preposterous that a vast organization employing thousands upon thousands of men and women, expending millions upon millions of dollars a year, should have been allowed to proceed so far in the haphazard way with which we are familiar. Naturally there will be a storm of protest in the future as there has been in the past against any movement for the betterment of financial administration. There are always numerous accumulations in the dark corners which would vastly prefer to remain undisturbed, and there is a kind of public servant which dreads nothing so much as light, but that is the sort of servant for which the public has no further use and the time is very near at hand when in every department of governmental work the idle and the useless will be eliminated.

These people, of course, can be counted upon to oppose any improvement but they are not the only obstacle in the path of progress. The members of congress themselves, charged with the legislation and to a certain extent with the administration of the country, are exceedingly jealous of their prerogatives. They do not see why the president of the United States should interfere when they express the need for a certain amount of money and those of them who are most narrow will steadfastly oppose any such improvement as could be brought about by a national budget.

Against these forces of opposition however, the entire business community of the country—which after all must have the final word—will stand; and any proposal so convincingly for the benefit of the country will have the approval of every business man.

Of course it would be folly to assert that we have never had anything in the nature of a budget. The trouble has been that we have had so many budgets that no human being has been able to understand the situation. Each department and each bureau in each department has prepared its own little budget—although sometimes running into millions of dollars—and these separate and individual budgets have been sent along to congress in the

### *Editorial*

belief (which was generally correct) that they would be passed without serious question, particularly if the house and senate happened to be of the same party as the president.

But what the commission on efficiency calls for is something entirely different. The commission suggests and urges that before any estimates of expenditure and revenue are submitted to congress they be submitted to the executive branch of the government, which in turn will have an opportunity to form from these various minor budgets an estimate of national income and expenditure, in which unnecessary duplications can be avoided, and will give the country as a whole a chance to see where it stands.

President Taft, strongly imbued with a sense of the need for betterment, has called upon the several departments to submit to him estimates of their requirements for the fiscal year, and it is reasonable to suppose that as a result he will be able to submit to congress a national budget, which although not yet perfect because of the present lack of information within the departments themselves and to some extent the lurking unwillingness of officials and clerks to comply with his demands, will nevertheless be a considerable step forward toward that absolute publicity which the public rightfully demands. It now remains to be seen what course of action will be pursued by congress. Will there be a manifestation of eagerness to adopt the progressive policies which the president advocates? Will there be a frank confession that there is need for improvement? Or will congress go on its old way, ignoring the national rights, and prefer to listen to the professional politicians of that class which has been all too common in the past?

The nation needs a budget. The president has done his best to provide for that need. It now rests with congress to act for or against the welfare of that people whose interests it is supposed to serve.