



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

PAJ
GAO 00230 8650

B-161740

December 19, 1978

[Comments on Draft "Improving Public Policy and the Market System"]

Mr. Robert C. Holland, President
Committee for Economic Development 00429
1700 K Street, N.W.
Washington, D.C. 20006

Dear Bob:

We have now had a chance to review CED's October 26 draft "Improving Public Policy and the Market System" in some detail. The body of the paper presents a well reasoned and well written argument--one that should make a valuable contribution to the current discussion of the appropriate relationship between the Federal Government and the economy.

My general comments are contained in this letter. Specific points, dealing largely with matters of detail, are in the enclosed appendix and are being discussed in ongoing contacts at the working level between our staffs. I hope you find these comments helpful, and we are happy to assist in this important project in any way that we can.

The draft reflects an inclination to recommend government intervention if, and only if, there is simultaneously a market failure and a clear demonstration that government action will effectively remedy that failure. We support regulatory reform and have furnished your staff with several of our reports and other material advocating less regulation. However, while consideration is also given to achieving desirable social goals, this side of the equation is given only limited attention in the draft. Some greater balance could be given to the report by adding some additional discussion about the benefits of regulation for workers, consumers, and society in general.

One point concerning alternative policy instruments with which the government can achieve its goals struck me as somewhat unclear. On page 4, the draft says that "...using economic decisions as an indirect means of achieving social goals in the long-run (sic) is costly and inefficient." The draft then indicates a clear preference for direct rather than indirect government action. However, it is not clear to me what is considered in the report to be indirect as opposed to direct actions. The confusion is increased by a section in Chapter VI which discusses the advantages of indirect government actions and supports their use. The draft suggests creating financial incentives through taxes in order to control pollution rather than relying upon direct controls.

Letter

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We strongly agree with you that the Sunset Bill (S.2) which passed the Senate in October clearly warrants support in principle. We have testified in support of this matter on several occasions and your staff has been furnished copies of the testimony. There are, however, several differences between the Senate proposal and your recommendations, particularly in regard to the timing of the review cycle of oversight hearings. The bill passed by the Senate reflects the considerable progress made over the past three years in developing a congressional consensus. If CED desires to see the principles of S.2 passed into law, then your support should be strengthened rather than diluted. We believe that your support is diluted by taking exception to points on which congressional consensus has been reached. For example, we suggest that you either not specify the precise frequency with which the oversight hearings should be held, or that if you do, you call for a frequency of at least once every 10 years in order to be compatible with S.2.

My reaction to your suggestion that GAO be renamed the Congressional Office of Audit and Evaluation (COAE) is negative for several reasons. I realize that it is put forward in the context of a role for GAO with which I fundamentally agree. The change, however, seems unnecessary. In my view, we already have adequate authority for this role under our basic statutes-- the Budget and Accounting Act of 1921, the Accounting and Auditing Act of 1950, and the Legislative Reorganization Act of 1970, as amended by the Congressional Budget and Impoundment Control Act of 1974. As Mr. Henry Eschwege of our Community and Economic Development Division pointed out at the November 9 meeting, we have made considerable progress in the area of program evaluation. Over half of our work is now in that category. A number of representative reports have been furnished to your staff. We have also been successful in attracting a wide range of disciplines to GAO which has enabled us to broaden the perspective of our evaluations. Our current recruiting efforts are directed to hiring at least 50 percent non-accountants. Additional capabilities are provided by our use of recognized scholars and experts in a consulting capacity to assist us in our evaluation work.

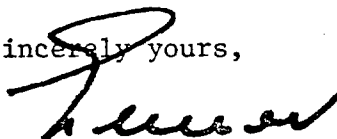
I am also concerned that the connotation of the proposed new name might suggest that the independent role assigned to us by the Congress would be modified. This independence is essential for GAO's mission, including our expanded role in the program evaluation area. Finally, the initials GAO are well known and I believe, widely respected. A change to COAE would forfeit this valuable identity based on a tradition going back more than 50 years.

As a last point, your draft might recognize recent Administration efforts to limit the adverse impact of government regulation, such as the recently established Regulatory Council headed by Doug Costle, and OMB efforts to implement Executive Order 12044 "Improving Government Regulation."

I hope that my comments are useful to you and your colleagues. Let me repeat that I consider this draft a fine paper and an important contribution to the improvement of Federal policy-making processes. My staff and I will be glad to continue to assist you in whatever way we can.

With best personal regards.

Sincerely yours,



Comptroller General
of the United States

Enclosure

APPENDIX

DETAILED COMMENTS ON CED DRAFT DATED

<u>Page</u>	<u>Paragraph</u>	<u>Line</u>	
6	1	6	The figure \$130 billion was put forth by President Ford. Our analysis suggests that this aggregation is in error.
102	1	8	"process" might better read "processes".
103	1	1-5	This passage might be more consistent in labeling the kind(s) of evaluation used in the budget and legislative development processes. We suggest that "evaluation and analysis" be used in place of "program evaluation" and that "(known as impact evaluations)" be deleted, since other types of evaluation and analysis may be used in budgeting and legislative development. Since the time limits of these processes are well known, you may wish to consider deleting the sentence beginning on line 2.
103	2	7-9	As far as we know, there is no evidence to suggest that the organization of evaluation makes a difference.
103	2	9-15	The distinction between process and impact evaluation is not clear.
103	3	20-26	GAO does not use the term "process evaluation". You may wish to substitute "fiscal compliance and efficiency and economy". It might be more accurate to say "During the 1960's instead of "Only more recently," and you might add at the end of the paragraph "In recent years over half of GAO's resources have been devoted to these evaluations."
104	1		In our experience evaluations and analyses are used by committees and legislators not only to assess legislative proposals but also in oversight, foresight and legislative development.
104	2	12	"inadequate" -- in what sense? Do you mean by the standards set out in this draft?

Page Paragraph Line

104 4 "outcomes sought or expected" While Congress should attempt to specify expected outcomes, for a variety of reasons, it seems difficult to achieve this end. You might add a paragraph suggesting that Congress should authorize a process by which the agency develops and the agency and Congress mutually understand specific definitions and measures of performance expected from programs. (see PAD-78-3)

105 2 "Require...evaluations" Impact evaluations are desirable when Congress and the Executive expect a program to achieve measurable results. Otherwise these evaluations may fall into the 'nice to know' area and waste scarce evaluation resources.

107 3 You may wish to highlight the point that some programs or policies, while exempt from periodic termination, should not be exempt from periodic evaluation aimed at improving their economy, efficiency or effectiveness.

113 2 "2) Direct that..." You may wish to add a requirement for a statement of how the program will be overseen - that is, the procedure to be used in monitoring, evaluating and reporting.

115 2 "5) Requiring..." You may wish to add the phrase "once it is implemented" or words to that effect.

115 3 "6) Reporting..." If you accept our other suggestions, you may wish to change this paragraph to read "Reporting to the President, in accordance with the oversight requirements, the implementation and actual results of a program or policy, including an appraisal of how well actual results conformed with those anticipated."

116 1 You may wish to refer to the Legislative Reorganization Act of 1946.

117 2 8-11 This passage is unclear to us.

Page Paragraph Line

118	5	You might consider our earlier comments upon oversight. (see PAD-78-3)
118	6	You may wish to revise the timing suggested here, if you agree with our point on S. 2.
120	13	You will have noted our comments on changing GAO's name.