

Looking Back at PPBS: Image vs. Substance

The Johnson Administration's Planning-Programing-Budgeting System (PPBS) of the 1960s is dead. Or is it? What was it all about? What should we learn from it?

Americans have a fondness for technological solutions to problems. It is an attachment which is easy to understand because over the years technology has served us well.

Sometimes, however, we find ourselves looking for technical fixes for problems which are not really amenable to technical solutions. Problems of social policy often fall into this category. We look for people to invent ways of providing clear, simple, and certain answers to questions for which such answers do not exist.

Budgeting, or the process of deciding how to allocate resources in the public sector, is a perfect example. It is hard to conceive of a more complex set of questions than those related to public-sector resource allocation. But with our confidence in technology, we keep looking for solutions which are (or look like) technical fixes.

The Black Box Syndrome

There is a predictable life cycle in these things, and it goes something like this: Someone comes up with an interesting and useful idea on improving the resource allocation process. He convinces others of its utility. In an effort to gain acceptance, however, the idea must be oversold. The rhetoric takes on an evangelical flavor. "If you accept this idea, and live by its rules, it will solve all your problems." The idea gains official acceptance and implementation is pushed. Suddenly some of the official sponsors begin to discover that the new technique doesn't quite live up to the promises. Somehow the answers are still a little fuzzy and uncertain. Disillusionment sets in and we criticize the new technique for not doing things which intelligent people should never have expected. We forget the things which the new technique really did accomplish.

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Our experience with PPBS is a classic example of this pattern, which I call (with no particular originality) the "black box syndrome."

Popular History and Reality

The usual summary of PPBS' history at the Federal level in the United States is that it started in the Department of Defense in the early 1960s, was adopted by the Budget Bureau in the mid-1960s, enjoyed a brief period of acclaim, and then was discarded. The "death" of PPBS is attributed by some to the ineptitude of those who promoted it. Others suggest that it was too sophisticated for use in the real world, that it was too much of a paperwork exercise, or that it was too divorced from the political realities of Government decisionmaking.

There is some merit in each of these explanations, but it really wasn't—and isn't—as simple as this.

The roots of PPBS go back well beyond Robert MacNamara, Secretary of Defense (1961-68), and, to paraphrase Mark Twain, reports of its death are highly exaggerated. This difference in view is not just an idiosyncrasy on my part. Rather, it represents a differing idea of what PPBS is all about—what it represents and what is important about it.

This difference can be understood and reconciled if one conceives of PPBS as having two separate components. There is an analytical concept and there is an administrative process. The two parts were (and are) important to different people for different reasons.

The PPBS Administrative Process

The administrative process is what most people are thinking about when

they speak of PPBS. It encompasses procedures and requirements set forth in a series of Budget Bureau instructions to Federal agencies.

Those instructions mandated such things as 5-year plans (updated annually), issue papers analyzing major policy alternatives, and crosswalks between the program structure in the 5-year plan and the account structure in the budget. Real decisions were supposed to be made in the 5-year planning context (with issue papers as the decision document). The first-year slice of the 5-year plan would then be translated into the account structure of the budget and forwarded to the Congress as the President's budget for the ensuing fiscal year.

Problems and Lessons Learned

Most of the criticisms of PPBS have been directed at this administrative process—and most of them are valid. The process was initiated without adequate planning. Insufficient consideration was given to the nature and requirements of the existing budget process. The two processes were never really linked up. Those managing the existing process felt threatened by the new one. They were often excluded from participation with a not-too-subtle hint that budgeteers really aren't competent to do policy analysis and should stick to counting beans.

Unfortunately, when the budgeteers were excluded, they took with them a vital source of knowledge and understanding of the real world of resource allocation. It was partly because of this sharp distinction between PPBS and the existing budget process that PPBS sometimes was surrounded by an aura of unreality.

Incidentally, there was more wrong with this distinction than a tactical mistake. It reflected a serious misjudgment of both what was required to implement PPBS and what budgeteers were capable of doing. The sort of elitism and parochial outlook which underlay that misjudgment is all too common in other areas. It is one of the most serious impediments we face to the broad-scope, interdisciplinary analysis which may well be the only way we can ever find solutions to the complexities of present-day problems.

Death and Revival of the Process

Faced with these sorts of difficulties, it would have been surprising indeed if the administrative process of PPBS survived—and it didn't. The instructions were canceled and, superficially at least, the process stopped.

But that really isn't the end of the story. It would probably be more accurate to describe ensuing events as a metamorphosis of PPBS, rather than its death. Rhetoric and labels changed, but much of the content remained. Budgeteers in OMB and the agencies had learned that it could really be useful to require explicit analysis of costs, benefits, and tradeoffs and of outyear implications. They began doing it routinely. More importantly, they began doing it as part of the regular budget process rather than as a separate, disconnected process. PPBS became an effective part of decisionmaking just when (and partly because) people stopped talking and thinking about it as something special and different.

The story goes even farther than this, however. Lo and behold, elements of the

process have started reappearing in all sorts of unlikely places. In the Congressional Budget Act of 1974, for example, there is a requirement to project the results of action 5 years ahead. This is not a 5-year plan, but it has some of the necessary ingredients. If one looks closely at the Congressional Budget Act, one finds a great deal that looks suspiciously like PPBS.

The phoenix-like character of the PPBS administrative process is even more evident if one takes account of what management by objectives looked like, and what would be necessary to implement the current proposals for periodic zero-based review of Federal programs. The resemblances are great enough to be more than coincidental. They are all variations of the same central theme.

The PPBS Analytical Concept

That theme—the analytical concept—is important enough that we keep looking for a perfect way of implementing it. Given the nature of our society and political system, we will never find that perfect way; but given the nature of our society, and particularly our fondness for technical solutions, we will keep looking.

The analytical concept underlying PPBS is nothing more than a fully rational way of deciding how much of the taxpayers' money should be spent on what.

This is certainly not a new concept. It is quite explicit in the utilitarianism of John Stuart Mill (the greatest good for the greatest number) and with a little effort the idea could undoubtedly be traced back further than that.

The Myth of the Ultimate Black Box

The administrative process of PPBS was a means of getting some of the information necessary to implement that concept. It involved an effort to determine systematically the effectiveness of programs across the board. This information was to be used as a major element in the decisionmaking process of deciding on funding levels. Some people expected this ultimately to evolve into a system in which all the costs and benefits of all programs would be fully quantified.

In this ideal world, the computer would automatically spit out the distribution of funds among programs which would produce the greatest good for the greatest number, equitable distribution of income, maximum economic growth, minimum inflation, and all those other good things we expect from our Government. The computer would replace all human judgment and constitute the ultimate black box.

Let me hasten to add that the number of people who really expected this ultimate evolution was quite small. The responsible people may have been a little naive in their thinking about PPBS, but they weren't that naive! Most of the people involved in the PPBS effort understood full well that there are very few programs in which either the costs or the benefits can be computed with precision. They understood that in many cases there isn't even consensus on which elements are costs and which are benefits.

Even more importantly, the central actors in the drama were acutely conscious of the fundamentally political nature of the resource allocation process. The thought of Lyndon B. Johnson

espousing a system in which his freedom of action in the political arena would be constrained by technicians and computers is mind-boggling, to say the least. Unfortunately, however, some earlier advocates of PPBS left the impression that they really did expect political choice to give way to technocratic decisionmaking and we are still burdened with that image.

Information Versus Decisions

But if this image is wrong, what was the right image—what was PPBS really all about? Here it is important to make another conceptual distinction, this time between making a decision on the one hand and providing the information necessary for decisions on the other.

Nobody was going to take away Lyndon Johnson's prerogative to make decisions, but he knew full well that his base of information for making those decisions was not adequate. Johnson's thirst for information was reputedly almost unquenchable. His ideal was a situation in which he had access to all the information which was relevant to a subject (and he would define the limits of relevance) before he made a decision. In the end, however, the decisions were political. Information, while vital, was an adjunct to the exercise of political judgment.

Seen in this light, one can think of the central objective of PPBS as having been to take another step in the direction of giving decisionmakers the information they need in a form that is usable and at the time it is needed.

PPBS was one of many such steps taken over the years. The most obvious starting point was the creation of a single, more or less integrated budget in

1921. Until quite recently, most of the initiatives toward improving the information base for decisions came from the executive branch (PPBS, for example). Historically, those initiatives have been heavily oriented toward strengthening the President's ability to understand and direct the activities of the executive branch and to convince the Congress that his proposals should be enacted.

Information for Congressional Decisionmaking

Within the past few years, however, it has become quite clear that the need for better information on which to base decisions is not unique to the President and the executive branch. As the Congress has sought a more active role in making policy—especially with respect to the allocation of resources—it has turned to some of the same tools used by the executive branch. Many of these tools, and the thinking behind them, look a lot like PPBS because the analytical concept is the same—the search for a rational way to allocated public resources.

The similarities are quite evident if one reviews the Congressional Budget Act of 1974. First, the Congress has established a single, integrated structure in which it will make aggregate resource allocation decisions in a coordinated fashion. Second, the Congress has recognized the need for a systematic flow of relevant information to support its decisionmaking process. Third, the Congress has recognized the need for special analytical studies structured around the specific decisions facing it. Fourth, the Congress has recognized the need to consider the implications of decisions in a time frame well beyond the traditional

1-year budgeting horizon. Finally, the Congress is recognizing the need to depart from the incremental approach to budgeting and to examine methodically the need to continue existing programs.

What Do Decisionmakers Need?

The similarities are not accidental between what the Congress is trying to do now and what the executive branch was trying to do with PPBS. But neither is the Congress slavishly copying the executive branch.

Both efforts are prompted by a fairly simple truth: Society, and government's role in it, are just too complex today for fundamental policy choices to be made in a hit or miss fashion. And the choices are too interrelated to be made in isolation of each other.

We elect our political leaders to make decisions on our behalf. We expect—at least we hope—that they will make those decisions wisely. To make an informed decision, any decisionmaker needs answers to the following general questions:

- What happened in the past?
- Why did it happen?
- What are the options for the future?
- What are the implications of each of those options?

PPBS represented a systematic effort to supply answers to those questions. The formal administrative process of PPBS was flawed in many respects, but the need to answer those questions remains. We will continue to look for better ways to supply the answers. With a little luck, and learning as we go along, each effort will be better than the one which preceded it.

We learned many things from the experience of PPBS, but two lessons stand

out in my mind. First, I think we learned that these analytical processes work better if the participants bring a wide range of skills. No single academic discipline is uniquely qualified to do this work. Second, it is a lot easier to talk about doing good analysis than it is to do the work. Producing reliable, rele-

vant, timely analysis involves a lot of hard work and we still have a lot to learn about doing it. The PPBS experience taught us that it is not as simple as the more naive supporters may have thought. But the experience also taught us that it is possible to do good analysis and important to try.

Mismanaging Instructions

... miscellaneous instructions, like comets, usually blaze across the departmental sky and then fall to rest in some correspondence file. There they lie, quiescent, to be revived only when they have been violated and are used to bludgeon the violator, or when they are vaguely remembered and take hours to locate.

Lawrence B. Sawyer

in "The Practice of Modern Internal Auditing"