

# Executive Leadership in Anglo-American Systems



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## OMB: Professionalism, Politicization, and the Presidency

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Though the Bureau of the Budget was created by the Budget and Accounting Act of 1921, BOB really came into its own as a general staff arm of the presidency when it was transferred from the Treasury Department to the newly created Executive Office of the President in 1939. The move was made in response to the Brownlow Committee's judgment that "the president needs help," and in accordance with its operating assumption that "Strong Executive Leadership is essential to democratic government today."<sup>1</sup>

Under the leadership of Harold Smith, appointed in 1939, the Budget Bureau grew in size, stature, and power. "Smith saw himself as the prospective "chief" of a general-utility "institutional" staff, mainly a career group, quite distinct from personal aides, but tackling in depth, at another level, a range of concerns as wide as theirs."<sup>2</sup> In 1939 the Budget Bureau had forty-five employees; by 1945 it had about 600, roughly its present size.

The Bureau of the Budget, renamed the Office of Management and Budget in 1970, has grown to be the cornerstone of the Executive Office of the President. It is the EOP's most institutionalized component, but in recent years critics have charged that it has become too politically responsive to the president.

This chapter will examine the development of BOB/OMB with respect to professionalism, including its budget-making power, central legislative clearance, and its management role. Next examined will be *politicization*, a term that has been used by critics of the development to denote an increasing number of political appointees and the responsiveness of the agency to the personal political interests of the president rather than to institutional interests of

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the presidency. Finally, OMB's development will be fit into the broader contours of the presidency in the past five decades.

### Professionalism

From the beginning, BOB's role has been to offer nonpartisan service to the president in the pursuit of economy and efficiency. According to its first director, Charles Dawes (who turned down an offer to be secretary of the treasury in order to be budget director):

The Budget Bureau has no control of policy and is concerned simply with economy and efficiency in the routine business of government. The Bureau of the Budget is simply a business organization whose activities are devoted constantly to the consideration of how money appropriated by Congress can be made to go as far as possible toward the accomplishment of the objects of legislation.<sup>3</sup>

The term *professionalism* includes expertise, continuity, and responsiveness to the president. One of Dawes's "principles" was: "The Budget bureau must be impartial, impersonal and nonpolitical."<sup>4</sup>

The Budget Bureau's workhorses have been the budget examiners, the people with the green eyeshades, the bean counters, who scrutinize carefully all agency expenditures. They know where the bodies are buried, which skeletons are in which closets, and where the soft spots are in each agency's budget. The bureau's role of responsiveness to the president was expressed by a career staffer in the 1980s:

We always talk in this institution first about accountability to the president. We work for him. We are all fed with stories about the beginning of this institution when the first director asserted that if the president said you have to shovel garbage on the front steps of the White House you do it; . . . what we're trying to do is give the president the best information possible . . . to keep the president out of trouble. We are supposed to be a career service which provides . . . a continuity of government.<sup>5</sup>

Traditionally, BOB had also played an important role in transitions from one president to another. Career staffers used to follow campaign promises and analyze the cost implications and present the analyses to the winning candidate after the election. There is an old OMB story that if Martians invaded the earth, everybody would leave Washington except the OMB career staff who would stay to prepare for an orderly transition.<sup>6</sup>

OMB staffers' self-image has remained remarkably consistent over the years. Nevertheless, there has been a constant stream of criticism that OMB has been too responsive to individual presidents and their personal political agendas and in the process has become less able to fulfil its traditional role of service to the institutional presidency.

### Budget Making

The main source of the Budget Bureau's power has always been its control over the budget of the executive branch. With respect to agencies, it has had virtual final say over funds, with very occasional appeals to the president. With respect to Congress, the president's budget has, since 1921, set the agenda and framework for consideration of budgetary matters. Until the Congressional Budget Office was created in 1974, BOB had a monopoly on the technical information necessary to make informed budgetary decisions. But the way BOB has exercised its power over the budget has changed over the decades.

In the past, OMB's power was based on the budget examiners' intimate familiarity with their agencies and their program expertise. This knowledge was born of many years of examining agency budgets; the examiners brought the perspective of the presidency to agency budgets, and presidential priorities rather than agency wishes prevailed. The traditional formulation of the executive budget was an iterative, bottom-up process conducted within an annual budget cycle: OMB general policy guidance in the spring, agency requests in the summer, final OMB mark and any appeals in the fall. The combination of guidance from the top and details from below has always existed, but the balance has shifted over the years.

The bottom-up process predominated from 1921 to the 1960s, when the emphasis began to shift to a top-down perspective. The 1960s were marked by a Keynesian perspective on fiscal policy, and economic expertise was highly valued in OMB. Initially, the macro approach of the 1960s was accompanied by economic growth; then, in the 1970s, the need to fight inflation spurred the continuation of OMB's concern with aggregate spending. The careful scrutiny of agency budgets continued to play an important role, given the need to reduce federal spending.

In the 1980s the imperatives of deficit reduction and formula budgeting profoundly reinforced top-down budgeting. The focus on fiscal policy, and budget aggregates, overwhelmed OMB's traditional concentration on agencies and programs. The Reagan administration came to power determined to make massive cuts in the domestic budget. The main concern was not to prune programs carefully, but to cut budget aggregates and eliminate domestic programs whenever possible. Budget Director David Stockman focused on the aggregate effect of all spending decisions and was not interested in programs except in trying to cut them. OMB staffers strained to be responsive to Stockman, and OMB was reoriented. Budget examiners began to focus on their own aggregates and to emphasize budget cutting (which came naturally) at the expense of program analysis (which they also had traditionally done).

In order to achieve the type of budget cuts he wanted, Stockman had to negotiate constantly with Congress. He needed "real time" answers to his "what if" questions about changed economic assumptions or program levels. The Central Budget Management System was developed to give the director the on-line information necessary for his negotiations. This included the ability to track the status of legislation on the Hill in each committee and in the congressional process. It also included "scorekeeping" ability, that is, to tell what the effect of each successive change in a spending bill would mean to the totals.

This sophisticated capacity was developed in OMB under Stockman's leadership and gave the director the information he needed to conduct his negotiations on the Hill. The Stockman era accelerated the change in the budgetary process from an annual exercise with defined stages to a state of virtually continuous budgeting in which economic projections, assumptions, and program estimates changed constantly. As a result of the budget stalemate between President Reagan and the Congress, appropriation bills were often not passed before the beginning of the fiscal year, and it was necessary to use continuing resolutions to fund the government, sometimes for a full fiscal year.

David Mathiasen, assistant director for budget review in the Reagan administration, describes OMB's institutional reaction to budget developments in the 1980s:

The recession-induced deficits or the changes in budget priorities proposed by the administration would have been enough to alter the institutional focus of OMB. Together they made it inevitable. The tradition of focusing on many small and large individual pieces was supplemented by top-down, across-the-board budgeting; by negotiated budget agreements in some years; and by intense concern with legislative outcomes. . . . Formula budgeting finally became enacted in the two versions (1985 and 1987) of Gramm-Rudman-Hollings. To carry them out, highly complex, across-the-board formulas needed to be analyzed and calculated in ways that literally had no programmatic content and for which normal policy analysis was irrelevant.<sup>7</sup>

The emphasis on bill tracking and scorekeeping and the development of the Central Budget Management System drew staff resources from OMB's traditional functions of building the executive budget from the bottom up. With the emphasis on aggregates, the importance of detailed program knowledge declined, since examiners were more concerned with saving dollars than with program effectiveness.

OMB has also become much more involved with getting the president's budget through Congress. The trend began before Stockman, with OMB Director James McIntyre adding four staffers to the congressional liaison section of OMB. But the trend was drastically accelerated with the priorities of David Stockman. Career OMB staffers were expected to play a much more active role in negotiations on the Hill than before. In the past, much of the advocacy for legislation was done by departments and agencies who were affected by the legislation, but since 1981 OMB has taken the lead and the legislative liaison staff has taken on more responsibility and importance.<sup>8</sup>

The norms for career staff have changed to meet the new role expectations of active engagement in lobbying Congress. When BOB officials went to the Hill to testify in the past, career staffers generally provided facts and data, but were careful not to advocate policies or negotiate with congressional staffers.<sup>9</sup> In the Stockman era, both of these norms have shifted to support a more active role for career OMB staffers in advancing the president's budget.<sup>10</sup>

The thrust of these developments has been to shift the focus of OMB's efforts from the development of the executive budget to the shepherding of the president's budget through the congressional budgetary process. Career staff expertise and efforts have shifted from detailed knowledge of agencies and programs to fo-

cus on the aggregate, while legislative tracking has overshadowed the traditional OMB budget analysis role.<sup>11</sup>

### *Central Legislative Clearance*

One of the Budget Bureau's most important sources of power has been its power of central legislative clearance. The power was established in 1921 in Budget Circular 49, which stated that all agency proposals for legislation, "the effect of which would be to create a charge upon the public treasury or commit the government to obligations which would later require appropriations," must be submitted to the Budget Bureau before legislative action was sought.<sup>12</sup> After some initial resistance from executive-branch agencies and selective enforcement, it became an important tool for economy under President Coolidge, who used it actively to limit spending.

Central clearance was used primarily to save money through the 1930s. But in 1934 President Roosevelt decided to use the clearance mechanism for legislative matters of substantive policy as well as for fiscal savings. The decision was formalized in Budget Circular 336 in 1935, and the clearance was conducted through the National Emergency Council. In 1937 Budget Circular 344 provided that substantive legislative proposals, even without fiscal implications, would be routed to the Budget Bureau for clearance. In 1938 Director Bell allocated a full-time staff to coordinate legislation.

The central legislative clearance function became firmly established in the 1940s under Harold Smith, when the Legislative Reference Division was created and the process was routinized. During this period the division was staffed by career civil servants, and legislative clearance as well as the enrolled bill process were carried out by career staffers through the Truman and Eisenhower administrations. During that time, the directors of the Legislative Reference Division (LRD), Roger Jones (1949–57) and Philip (Sam) Hughes (1958–65) made most final determinations as to whether legislative proposals were in accord with the president's program. They had regular contact with White House staff members to ensure that their policy decisions accurately reflected the president's preferences.

In the 1960s Presidents Kennedy and Johnson took a much more active approach to policy initiation and each felt that the career agencies were not as creative as they would like. With the

emphasis on new presidential initiatives the White House became more involved in legislative clearance, and a "two-track" system developed whereby legislation that involved issues of special interest to the White House was taken out of the routine system.<sup>13</sup> This development was reinforced by the new head of legislative reference, Wilfred H. Rommel, who distinguished carefully between routine and policy decisions and felt that the latter were clearly the province of political officials.<sup>14</sup>

This trend was reinforced with the creation of OMB in 1970 and the creation of program associate directors in OMB. Legislative reference decisions of a nonroutine nature were shifted to the PADs, who were in closer touch with White House preferences. These developments signified "a gradual erosion in the scope and influence of the clearance process over time. The LRD, no longer the haven for generalists led by a career executive aggressively pursuing the presumed institutional interests of the Presidency, is now comfortable with a less visible, less controversial staff role."<sup>15</sup>

Centralizing decisions about legislative clearance contributed to blurring the distinction between the merits of legislation and the president's personal political stake. The trend was intensified by the expansion of domestic policy-making function in the White House. The Legislative Reference Division still handles a large volume of matters, but its policy role and power has declined significantly since the days of Jones and Hughes.

### *Management*

The Budget Bureau's claim to play a major role in federal management lies in section 209 of the Budget and Accounting Act of 1921, but its interest in management issues, aside from a narrow focus on economy and efficiency, did not come to the fore until the late 1930s. It began with the concern of the Brownlow Committee for the administrative role of the president in the constitutional system and the necessity of consolidating administratively the plethora of programs spawned by the New Deal.

BOB's prominent role in managing the federal government began with the creation of the EOP in 1939, shortly after which FDR appointed Harold Smith to be its director. Smith created the Division of Administrative Management (AM) and appointed Donald C. Stone to lead it. The AM division had about seventy-five people in 1942 and over one hundred by the end of the war. Smith built

the Budget Bureau into a general staff arm for the presidency, and the Administrative management Division was the core of BOB. The duties of the division included government-wide organizational and procedural matters, setting up and improving management systems within individual agencies, initiating new programs, revamping old ones, and putting out administrative fires.<sup>16</sup> "Through its reputation and prestige, it was able to recruit top-grade personnel. Furthermore, it became a major source of managerial know-how and information as well as a bastion of qualified personnel available for detail or transfer to other parts of the bureau and to other federal agencies, not excluding the White House itself."<sup>17</sup>

A number of factors accounted for the success and dominance within BOB of the Division of Administrative Management during this unique period in the Budget Bureau's history.<sup>18</sup> The institutional capacity in number of personnel, but more important the high quality of personnel, allowed the division to act effectively. The division was led by Donald Stone, with the full support of Director Smith. Smith had President Roosevelt's confidence and a mandate to play a major role in managing the federal government. He headed the bureau from 1939 to 1946 while the economy was in a stage of expansion after the Great Depression, and mobilizing for World War II required an emphasis on positive managerial skills rather than economy and efficiency.

BOB had a virtual monopoly on management expertise in the federal government at this time. But most important, the president felt that good management was essential to his political and governmental leadership, and he assigned high priority to the Budget Bureau. Another reason for BOB prominence during this period was that the White House staff was so small that if the president wanted staff resources for his priorities he had to rely on BOB.

After Smith's tenure, James Webb, a strong advocate of the AM division, took over and injected new energy into the agency.<sup>19</sup> During Frederick Lawton's term as director of BOB, however, the AM division began to decline in influence and management became a less important function of the Budget Bureau. Lawton's reorganization of BOB in 1952 merged its management functions with other parts of the agency, and its staff was significantly reduced. But these were merely symptoms of the major cause of the decline of administrative management: presidential priorities were

changing. Though President Eisenhower had a sophisticated appreciation of organization and management and used them very effectively in organizing his White House and cabinet, he did not value giving BOB a broad role in managing the federal government. He felt that management of departments and agencies fell within the proper sphere of his cabinet officers to whom he delegated the responsibility. But more important, Eisenhower was very concerned with saving money and bringing the budget into balance, and his use of BOB reflected this priority. Eisenhower valued the role of BOB in the federal government, but gave top priority to budget-cutting, not management.

The thrust of the Kennedy and Johnson administrations was initiating programs to solve the great problems in American society. Neither thought the Budget Bureau had the creative energy needed to develop New Frontier or Great Society initiatives.

Richard Nixon believed that the organization and machinery of government made a difference. In implementing the Ash Council's recommendation to reorganize BOB into the Office of Management and Budget (which was almost named the Office of Executive Management), he decided that management should become a major concern of the Bureau. But Nixon's approach to management stemmed from his antibureaucratic strategy and his distrust of the civil service. He wanted to bring the agencies of the executive branch under tighter White House control. His vision of management became one of presidential control of the government, particularly during his second term.

On the surface, the intention of Reorganization Plan No. 2 of 1970 was to separate policy from administration. "The Domestic Council will be primarily concerned with *what* we do; the Office of Management and Budget will be primarily concerned with *how* we do it, and *how well* we do it." Frederick Mosher points out the irony that what in fact happened after the reorganization was that the distinction between the roles of policy making in the White House and administration in OMB were further blurred. John Ehrlichman, the head of the Domestic Council, increasingly called upon career members of the OMB staff to work on special projects, and George Shultz, director of OMB, took an office in the West Wing. He was primarily an advisor to the president rather than a manager of OMB.<sup>20</sup>

President Carter came to office with an avowed interest in man-

agement and promised that reorganizing the government would be one of his primary objectives. The management staff of OMB was beefed up and headed by a newly created Executive Associate Director for Reorganization and Management, Harrison Wellford. While the Carter reorganization effort had a number of successes, most notably the Civil Service Reform Act of 1978, the whole effect did not result in a major reorientation of the federal government, nor did the management side of OMB resume the prominence and power of its glory days in the 1940s.

The Reagan administration undertook a number of management initiatives, including the President's Management Improvement Program—Reform '88, the President's Council on Integrity and Efficiency, the President's Council on Management Improvement, the Cabinet Council on Management and Administration, and the President's Private Sector Survey on Cost Control (the Grace Commission). These efforts made progress on a number of important issues, including credit control, cash management, and financial control; but they did not add up to a broad and coherent approach to managing the government. The Reagan approach was criticized by Comptroller General Bowsher for overemphasizing central control of the executive branch by the central management agencies rather than focusing upon management issues in departments and agencies.<sup>21</sup> It was also criticized by the National Academy of Public Administration for emphasizing central control rather than decentralization and support for program managers in departments and agencies.<sup>22</sup>

One of the major objectives of the Reagan administration was to limit federal regulation of business. The actions of OMB in this area have been significant and amount to a major increase in presidential control over the executive branch. Through Executive Orders 12,291 and 12,498, OMB can review all potential executive branch regulations (except for those of independent regulatory agencies) to assure that they are in accord with the president's priorities, and it can prevent many of them from being formally proposed or implemented.<sup>23</sup> While these initiatives are certainly concerned with management, it is management with a very narrow focus of control.

In summary, there has been only one period in the history of BOB, the ten years under Harold Smith and James Webb, in which

the management function has been highly valued and powerful.<sup>24</sup> On the other hand, management in the sense of tight centralized control over the executive branch has, along with budget control, been highly valued by most presidents. The Budget Bureau has consistently been the president's primary arm in the search for control. Ronald Moe makes a crucial distinction:

If management is principally conceived of as "control," then most observers agree that OMB appears to be managing many agencies and programs reasonably well through its regulatory review processes. However, if management is principally conceived of as providing the organizational planning, human and material resources, and leadership to assist agencies and managers to accomplish their statutory mission, then critics assert that OMB is falling short.<sup>25</sup>

### Politicization

The Budget Bureau has always been put to political uses in the broad sense of the term. It was used to achieve economy and efficiency in the 1920s and to consolidate the New Deal and coordinate the war effort in the 1940s. It was used to implement the Reagan budget objectives in the 1980s. It has always been responsive to presidential priorities which is its *raison d'être*. But critics of recent developments have argued that OMB has become increasingly politicized in recent decades and that this has been detrimental to OMB as an institution and to its role as a presidential staff agency. They have focused on the development of OMB in three major areas: the blurring of the distinction between an institutional staff and a personal staff, the increasing number of political appointees, and the use of OMB leadership for political advocacy.

#### *From Institutional to Personal Staff*

Richard Neustadt argues that Franklin Roosevelt made an important distinction between his personal staff and the institutional staff of the presidency. His White House staff represented him personally and interacted with him on a day-to-day basis.

The things he personally did not do from week to week, the troubleshooting and intelligence he did not need first-hand, were to be staffed outside the White House. The aides he did not have to see from day to day were to be housed in other offices than his. This is the origin of the

distinction which developed in his time between "personal" and "institutional" staff. The Executive Office was conceived to be the place for "institutional" staff; the place, in other words, for everybody else.<sup>26</sup>

What Roosevelt wanted from the Budget Bureau as the institutional staff of the presidency was as follows:

*First*, he wanted cool, detached appraisals of the financial, managerial, and program rationality in departmental budget plans and legislative programs. *Second*, he wanted comparable appraisals of the bright ideas originating in his own mind, or the minds of his political and personal associates. *Third*, he wanted the White House backstopped by preliminary and subsidiary staff-work of the sort his own aides could not undertake without forfeiting their availability and flexibility as a small group of generalists on his immediate business.<sup>27</sup>

James H. Rowe, Jr., one of Roosevelt's personal White House aides, explained that his job "was to look after the President," and the Budget Bureau's job was to protect the interests of the presidency.<sup>28</sup>

Though contemporary critics cite the 1940s and 1950s as a period of professionalism at BOB, it was Director James Webb (1946-49) who first began moving the agency closer to the White House. According to Larry Berman, Webb "believed that the fundamental difference between himself and Harold Smith was his predecessor's protectiveness of the Bureau, whereas Webb thought that the Bureau was strong enough to stand on its own feet and swim in perilous waters."<sup>29</sup> So Webb proceeded to get the bureau more involved with congressional relations and program development.

Despite this increased involvement with presidential concerns, by the 1960s the bureau was criticized for not being flexible enough to take the positive role in program development that Presidents Kennedy and Johnson wanted. According to Allen Schick, "The Bureau's failure to orient itself to the service of the President was due largely to its institutional status. As it became the institutionalized presidency, the Bureau became separated from the President."<sup>30</sup> Ironically, this period is what later critics were to point to, along with the management era in the 1940s, as the "golden days" of the Budget Bureau. William Carey, an assistant director of BOB, describes the lack of responsiveness to presidential desires: "Lyndon Johnson spent the better part of a year badgering the Budget Director to assign 'five of the best men you have' to drag advance information out of the agencies about im-

pending decisions and actions . . . but the Budget Bureau never came anywhere near satisfying him because its own radar system was not tuned finely enough."<sup>31</sup>

This concern for responsiveness to presidential concerns and thus a concern for the power of the bureau was also expressed by the career staff of BOB. In a 1959 self-evaluation there was strong support for recommending that political appointees be placed in lower-level line positions.<sup>32</sup>

In 1967 an internal study by the "steering group" advanced similar arguments that the bureau was not politically relevant enough and thus not of maximum use as a general staff agency to the president. The steering group's report identified the elements of a presidential staff agency, including defending administration positions, providing managerial intelligence, and early warning about potential problems.<sup>33</sup> It concluded that in order to best fulfill its primary mission of serving the president, BOB had to change its traditional style and to subordinate all functions that were not essential to responding to presidential priorities.

A staff paper for the study concluded, "The Bureau is almost completely without people who have political sensitivity and who read the signals."<sup>34</sup> By the end of the Johnson administration, the "problem" was solved, and LBJ used the bureau for all sorts of special projects. According to Berman, this was the end of the bureau's function as an institutional staff arm of the presidency. After this it became difficult to distinguish institutional from personal staff support. There is an irony here: the politicization that has recently been decried by OMB staffers and alumni was, in part, initiated by career professionals in trying to make the Budget Bureau more responsive to the president.

The problem of lack of responsiveness was attacked structurally in 1970 by President Nixon's reorganization of BOB into OMB, with politically appointed Program Associate Directors and use of the OMB director as a personal adviser to the president. When OMB was created, Nixon replaced Robert Mayo as director with George Shultz, who took an office in the West Wing to be more available to the president. Stockman's tenure as director was to exhibit even more the director's role as political advisor to the president rather than as leader of an institutional staff of the presidency.



*Political Appointees: The Rise of the PADs*

Another aspect of the "politicizing" of OMB is the increase in the number and role of political appointees. From its beginning in 1921, the director has been a presidential appointee, and with the change of the presidency to another party each director and most deputy directors have also changed. Almost all directors until President Carter had prior federal experience, and most deputies were drawn from the career ranks.<sup>35</sup> All others in the bureau were career civil servants, and even in the Eisenhower administration which appointed four or five assistant directors, most of these appointees were career civil servants.

The major change toward political direction came with the Nixon reorganization when the positions of Program Associate Directors (PADs) were created to place political appointees directly in charge of the examining divisions. The Carter administration created the positions of Executive Associate Director, of which there were two, one for budget and one for reorganization and management. By the 1980s there were about twelve line political positions among thirty to forty total noncareer positions.

The purpose of these political appointees was to make the bureau more directly responsive to presidential political priorities. But their creation has been criticized for undermining the professionalism of the bureau. "Critics charge that the Pads are too political, possess too little program knowledge, remain in OMB too short a time to obtain that program knowledge, do not trust careerists, and, by handling the political interface which the Director used to handle, have eroded the independence of division chiefs and the decision-role of the Director."<sup>36</sup> A career OMB official put it this way: "The PADs, for the most part, are people who come and leave within a year and a half or two years. The good ones get an institutional feel for things; most of them don't. Therefore, they tend to see issues on a case-by-case basis, almost a personal basis. They are impatient with the history of an issue, the lessons that have been learned and so on."<sup>37</sup>

One of the problems with the political orientation and responsiveness of the PADs is that the professional and analytical perspective of career OMB staffers may not be available for presidential consideration. The argument is not that career perspectives should prevail; policy decisions are legitimately the domain of the presi-

dent and his agents, the political appointees. The point is that the president will be able to make a more fully informed decision if he has institutional as well as political input.

The question then arises: at what point is political, as opposed to institutional, input most appropriate and useful? It used to be that the career staff of BOB would present their best analysis of the interests of the presidency. Then White House staffers would insert their political judgment, and the president would decide the appropriate balance. With the PADs, the political spin of what is best for *this* president is put on issues *before* they are brought up for higher-level decision.<sup>38</sup> According to Elmer Staats, President Truman would say: "Give me your best professional analysis, I'll make the political judgement."<sup>39</sup>

These criticisms of the increasing number of political appointees are not shared by all OMB alumni. Dale McOmber, former assistant director for budget review, argues that the changing role of OMB in the 1980s requires a greater political sensitivity at lower levels than in the 1950s and 1960s, and that the increased number of political appointees is thus appropriate. James T. McIntyre, President Carter's OMB director, argues that more, rather than fewer, political appointees at OMB would be preferable.<sup>40</sup>

*Public Advocacy and Visibility*

The third element of politicization is the extent to which OMB has become a public advocate for the president's political priorities and the director has played a visible partisan role. The 1970s saw the beginning of a more public role for OMB directors, partly because of the importance of their roles as presidential advisers and partly because of the controversial policies they were implementing. According to Hugh Heclo, "There has been a fundamental shift in OMB's role from wholesaling advice to the Presidency and towards retailing policy to outsiders. The Bureau of the Budget had carefully shunned public visibility and served as an administration spokesman only infrequently and in specialized areas."<sup>41</sup> Bert Lance played a highly visible role during the transition and early months of the Carter administration not because of his budgetary expertise, but because of his close relationship with the president.<sup>42</sup> But the extreme case of the public visibility of an OMB director was David Stockman during President Reagan's first term.

Stockman was a highly visible advocate for the Reagan agenda even before his designation as OMB director; after his appointment, he became the lead administration official directing Reagan policy priorities for the first year of the administration.<sup>43</sup> In addition to Stockman's visibility, his style of leadership of OMB was a major departure from all previous directors. Despite his nontraditional approach to the office his qualifications were impeccable. Senator Pete V. Domenici, the ranking Republican on the Budget Committee, said: "Stockman was a bamboozler and a conniver, but in terms of knowledge he was totally and absolutely the epitome, the essence of a budget director."<sup>44</sup>

In Hugh Heclo's analysis, Stockman treated OMB as an organizational tool to accomplish his short-run objectives at the expense of the longer-term interests of OMB as a presidential staff agency.<sup>45</sup> In the words of one OMB staffer: "He bangs on you for information on the day that he needs it. He doesn't think about how to strengthen the agency's general ability to provide what is wanted. He gets what he wants when he wants it and wherever he can. He doesn't say to himself, 'I'd better get an organization and process in motion to be able to supply what is needed.'"<sup>46</sup>

One of the effects of OMB's politicization has been its loss of credibility with Congress. Sam Hughes, who was in charge of Legislative Reference from 1958 to 1965, says that since 1970 OMB's credibility as a source of neutral competence has been undermined and that it is viewed as more of a political tool than the source of neutral expertise it used to be.<sup>47</sup>

This lack of credibility has come in part from the controversial nature of the policies of the presidents for which it has worked. During the Nixon administration, OMB defended and implemented Nixon's impoundment policies that withheld funds provided in law from programs that the president wanted to eliminate or scale back. In a series of more than seventy court cases culminating in a Supreme Court decision, the Nixon administration was rebuffed in its impoundment of funds.<sup>48</sup>

OMB's credibility was also undermined by the consistently optimistic economic assumptions with which it defended the past several presidents' budgets. The projections were optimistic and predicted the elimination of the deficit by the end of the president's term. The projections were invariably proved wrong by economic events. OMB's credibility was challenged by the Con-

gressional Budget Office, a nonpartisan agency created by the 1974 Budget Act. CBO's less optimistic economic projections consistently turned out to be more accurate than OMB's.<sup>49</sup> The optimistic projections and "rosy scenario" of the supply-side theory of fiscal policy that dominated OMB in the early months of the Reagan administration did severe damage to OMB's economic credibility.<sup>50</sup>

Another element of politicization, according to OMB's critics, has been the downgrading of career staff. This slighting of the expertise, professionalism, and experience of the career staff has been a continuing problem at least since the White House staff began to take a more active role in policy development in 1960. Harold Seidman, a senior BOB official for twenty-five years, said of the Johnson White House: "They didn't use the Budget Bureau as an institution. They used individual Budget Bureau staff as legmen to do pick and shovel work. This was not using the Budget Bureau."<sup>51</sup>

The *Budget of the United States*, the budget proposal sent to Congress by the president each year, has always been a defense of the president's budgetary agenda, but it used to be also a relatively objective statement of the best professional judgment about the state of the economy and the federal government's budgetary situation. In recent years, however, it has become a more blatant advocacy document. In Allen Schick's judgment, the "Major Accomplishments" section of the 1981 Carter budget "was the first time that the president's budget office incorporated a campaign tract into its budget documents."<sup>52</sup> Bruce Johnson, however, traces the beginning of this trend to President Ford's budget director, James T. Lynn. According to Johnson, this practice was carried to new heights in the Reagan administration. "The agency began using a new document that attempted to 'sell' rather than just describe the budget. The 'advocacy papers' contained in this document had a more argumentative tone and plainly contrasted with the explanatory language of the traditional budget documents."<sup>53</sup>

Under Budget Director James Miller, OMB became more actively engaged in selling the president's budget priorities to the public. This took the form of writing speeches and preparing op-ed pieces for placement in newspapers. These were written by both political and career OMB staffers. In addition, career staffers under Miller prepared a set of more than fifty documents that

were intended to illustrate the "wasteful" nature of congressional spending. These "pork pieces" were written not in support of any particular presidential policy initiative, but rather merely to criticize Congress.<sup>54</sup>

It is tempting for career OMB staffers to move beyond professional analysis and toward advocacy of policy positions, but this is dangerous because their credibility as objective analysts can easily be undermined both at the institutional and the individual level. In the words of one OMB career official, "The organization is becoming more vulnerable the more it gets associated with particular public positions. By doing things for this and not that group, selling this and not that deal, we become more politically identified with one administration."<sup>55</sup>

### OMB and the Presidency

OMB has not been the only presidential institution to undergo these developments; they are part of a broader historical trend over the past several decades to increase centralized control of the executive branch in the White House. OMB is only one part of that trend.

According to Terry Moe, the trends of centralization and politicization have been caused by the incongruence between voters' high expectations of presidents and the inability of presidents to fulfill these expectations because of the fragmentation of power in the U.S. system. "The expectations surrounding presidential performance far outstrip the institutional capacity of presidents to perform; . . . politicization and centralization have grown over time not because of who presidents are or what they stand for, but because of the nature of our institutions and the role and location of presidents within them. The basic causes are systemic."<sup>56</sup>

As a result, presidents tend to be less concerned with governance than with popularity and control of the government. The permanent institutions of government are seen as obstacles to their success, and career civil servants are treated as enemies to be vanquished rather than as allies in an enterprise. Presidents often feel that their personal political success cannot be entrusted to civil servants or even to their own political appointees in the departments and agencies. This has led to efforts to centralize power in

the White House, including the formulation of domestic policy and national security policy.

This centralizing trend has led to an increased number of political appointees throughout the executive branch and the domination of the selection of all political appointments in the White House in unprecedented ways.<sup>57</sup> The development of OMB fits into this general pattern of increasing presidential control of the government and centralization of power in the White House, and we should not expect major reversals of the situation in the near future.

The major political and budgetary reality of the 1990s will be the necessity to deal with the huge national debt accumulated during the 1980s. For OMB, this will ensure the continued domination of aggregates at the expense of fine tuning or good management of programs. Focusing on aggregates will ensure the continuation of top-down control of the budget from OMB. Thus OMB's management function will continue to take a back seat unless a new president feels that he has a stake in the long-run management of government programs and agencies. On the other hand, presidents may discover that good management is as essential in a steady-state or cutback mode as it is when the government is expanding.

With the focus on aggregates, the congressional budget process will continue to be of primary concern to presidents, and OMB's new capacity to follow closely the ins and outs of congressional budgeting will continue to be valued.

Presidents will find OMB's new ability to control the regulatory decisions of executive branch agencies to be a useful tool of control, and they will be unlikely to abandon the new powers developed in the Carter and Reagan years and fought through the courts. An administration, however, without the ideological orientation of the Reagan administration may use the power in a more selective manner.

Presidents will hesitate to give up the newly created political positions of the past two decades, but they might be convinced that competence and continuity will be of greater use to them than merely having their own people in positions. In the words of Aberbach and Rockman:

Politicization and centralization are appropriate presidential responses in efforts to define the terms of the relationship—to a degree. Beyond that unspecifiable point, however, strategies for achieving presidential respon-

siveness turn into tactics for exclusive presidential rule. Efforts to achieve that level of aggrandizement are ruinous for governance in the American system; that is, they are collectively irrational. They also are ultimately ruinous for presidents whose political well-being probably is essential for effective governance and are thus likely to be individually irrational as well.<sup>58</sup>

The Office of Management and Budget, with its traditions of professionalism and service to the presidency has continued to adapt to the needs of the president. Despite the misgivings of some of the career staff and its alumni, it has had no choice. As Heclo argues, "Lacking any outside clientele in Congress or interest groups, OMB can resist only through inactivity; its choice is to be of use to the President of the day or to atrophy. OMB preferred to be of use."<sup>59</sup>

In 1985 an associate director of OMB was asked whether the career staffers could be counted on to support fully Reagan administration priorities. PAD Constance Horner replied:

The decisions my career staff and I make are surprisingly consensual. To exaggerate, but not by much, they would kill for the president. Any president. They are often accused of being rigid and lacking in political sensitivity. But they consider themselves the technical keepers of the president's policy. . . . In so far as [OMB] has a bias, I'd say that the examiners live for efficiency and abhor sloppiness; . . . even if the political types were quite different, the examiners would be applying their same set of basic standards.<sup>60</sup>

This sounds strikingly similar to the traditional role the Budget Bureau has played over the years. OMB's role may be changing, but Charles Dawes would recognize it.

## Notes

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1. The President's Committee on Administrative Management, *Report with Special Studies* (Washington, D.C.: GPO, 1937), p. 6.

2. Richard Neustadt, "Roosevelt's Approach to the Budget Bureau," Attachment B to his memo, "Staffing the President Elect," October 30, 1960, p. 3.

3. C. W. Dawes, *The First Year of the Budget of the United States* (New York: Harper and Brothers, 1923), p. 178.

4. Dawes, in U.S. Bureau of the Budget, *Report of the Director of the Bureau of the*

*Budget to the President of the United States* (December 5, 1921), pp. xxi-xxii, quoted in Frederick C. Mosher, *A Tale of Two Agencies* (Baton Rouge: Louisiana University Press, 1984), p. 40.

5. Quoted by Colin Campbell, *Managing the Presidency: Carter, Reagan, and the Search for Executive Harmony* (Pittsburgh, Pa.: University of Pittsburgh Press, 1986), p. 165. There is an irony in how the relative constitutional places of the executive and legislative branches have changed in organization mythology. The "garbage" reference is to Charles Dawes's statement in his book on the first year of BOB: "We have nothing to do with policy. Much as we love the President, if Congress in its omnipotence over appropriations and in accordance with its authority over policy, passed a law that garbage should be put on the White House steps, it would be our regrettable duty, as a bureau, in an impartial, nonpolitical, and nonpartisan way to advise the Executive and Congress as to how the largest amount of garbage could be spread in the most expeditious and economical manner" (*The First Year of the Budget of the United States*, p. 178).

6. Interview with Dale McOmber, Washington, D.C., July 21, 1983. McOmber was deputy director for budget review from 1973 to 1981.

7. David Mathiasen, "The Evolution of the Office of Management and Budget Under President Reagan," *Public Budgeting and Finance* 8 (Autumn 1988), 10.

8. See David G. Mathiasen, "Recent Developments in the Composition and the Formulation of the United States Federal Budget," *Public Budgeting and Finance* 3 (Autumn 1983), 103.

9. Interview with Samuel Cohn, July 28, 1983.

10. See Shelley Lynn Tompkin, "Office of Management and Budget—Congressional Relations During the Reagan Administration," presented at the annual convention of the American Political Science Association, New Orleans, 1985.

11. See Bruce Johnson, "The Changing Role of the OMB Budget Examiners in the Reagan Era," presented at the national conference of the Association for Public Policy Analysis and Management, October 30, 1987, p. 21.

12. Quoted in Richard E. Neustadt, "Presidency and Legislation: The Growth of Central Clearance," *American Political Science Review* 48 (1954), 644.

13. See Stephen Wayne, *The Legislative Presidency* (New York: Harper and Row, 1978), pp. 80-82.

14. See Joel Havemann, "OMB's Legislative Role is Growing More Powerful and More Political," *National Journal*, October 27, 1973, p. 1596.

15. Ronald C. Moe, "Central Legislative Clearance," in Senate Governmental Affairs Committee Print, *OMB: Evolving Roles and Future Issues* (Washington, D.C.: GPO, February 1986), p. 182.

16. Memorandum from Donald Stone to the author, October 26, 1988.

17. Mosher, *A Tale of Two Agencies*, p. 104.

18. An authoritative analysis of the reasons for the rise and decline of the Administrative Management function in BOB is contained in Donald C. Stone, "Lessons to be Derived from BOB/OMB Experience," preliminary draft, December 3, 1980. Valuable advice on how OMB can play a positive role in government management is also contained in a letter from Stone to Dwight Ink, then assistant director for executive management of OMB, dated October 30, 1970. These manuscripts were provided by their authors, whose generosity is gratefully acknowledged.

19. Memorandum from Donald Stone to the author, October 26, 1988.

20. Mosher, *A Tale of Two Agencies*, p. 133.

21. Charles A. Bowsher, "Building Effective Public Management," *The Bureaucrat* 13, no. 4 (Winter, 1984-85), 26-29.

22. NAPA, *Revitalizing Federal Management: Managers and Their Overburdened Systems* (Washington, D.C.: NAPA, 1983). For a summary of criticisms, see Peter M. Benda and Charles H. Levine, *The Reagan Legacy* (Chatham, N.J.: Chatham House Publishers, 1988), 129–31.

23. For analyses of OMB's new regulatory powers see: William F. West and Joseph Cooper, "The Rise of Administrative Clearance," in *The Presidency and Public Policy Making*, ed. George Edwards, Steven Shull, and Norman Thomas (Pittsburgh, Pa.: University of Pittsburgh Press, 1985); Cooper and West, "Presidential Power and Republican Government," manuscript; National Academy of Public Administration, "Presidential Management of Rulemaking in Regulatory Agencies," NAPA Panel Report (January 1987); Morton Rosenberg, "Regulatory Management at OMB," in Senate Governmental Affairs Committee Hearings, *OMB: Evolving Roles and Future Issues* (Washington, D.C.: GPO, February 1986), pp. 185–234; Peter M. Benda and Charles H. Levine, "Reagan and the Bureaucracy: The Bequest, the Promise, and the Legacy," in *The Reagan Legacy* (Chatham, N.J.: Chatham House, 1988).

24. There was a brief resurgence of management from 1969 to 1972 that included the Federal Assistance Review program and the proposed reorganization of the executive branch, but White House interest declined with the opening to China and the coming of the 1972 elections. Interview with Dwight Ink and Alan Dean on November 3, 1988.

25. Ronald C. Moe, "Assessment of Organizational Policy and Planning Function in OMB," printed in Senate Governmental Affairs Committee Print, *OMB: Evolving Roles and Future Issues*, p. 147.

26. Richard Neustadt, "Roosevelt's Approach to Staffing the White House," attachment A to the memo: "Staffing the President Elect," October 30, 1960.

27. Richard Neustadt, "Roosevelt's Approach to the Budget Bureau," attachment B to "Staffing the President Elect," October 30, 1960.

28. Quoted in Harold Seidman, *Politics, Position, and Power* (New York: Oxford University Press, 1988), p. 74.

29. Larry Berman, *The Office of Management and Budget and the Presidency: 1921–1979* (Princeton, N.J.: Princeton University Press, 1979), pp. 41–42.

30. Allen Schick, "The Budget Bureau that was: Thoughts on the Rise, Decline, and Future of a Presidential Agency," *Law and Contemporary Problems* 35 (1970), 532.

31. William Carey, "Presidential Staffing in the Sixties and Seventies," *Public Administration Review* 29 (1969) p. 453.

32. See Hugh Heclo, "OMB and the Presidency," p. 87.

33. Berman, *The OMB and the Presidency*, p. 91.

34. Quoted in *ibid.*, p. 120.

35. See Mosher, *A Tale of Two Agencies*, p. 130.

36. Berman, *The OMB and the Presidency*, p. 118.

37. Quoted in Stephen Wayne, *The Legislative Presidency*, p. 100.

38. Statement of Herbert Jasper at the Presidency Project Panel meeting of the National Academy of Public Administration, May 17, 1988.

39. Statement at the Panel meeting of the Presidency Project of the National Academy of Public Administration, May 17, 1988. Elmer Staats was the chair of the panel.

40. Interview with James T. McIntyre, May 9, 1986.

41. Hugh Heclo, "OMB and the Presidency—The Problem of 'Neutral Competence,'" *The Public Interest* 38 (Winter 1975), 89.

42. Interview with Bert Lance, Calhoun, Georgia, June 21, 1983.

43. For an analysis of Stockman's role in 1981, see James P. Pfiffner, "The Reagan Budget Juggernaut," in *The President and Economic Policy*, ed. Pfiffner (Philadelphia: ISHI Press, 1986).

44. Judith Havemann, "The Man Who Isn't David Stockman," *Washington Post National Weekly Edition*, September 8, 1986, p. 6.

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47. Statement at a the panel meeting of the Presidency Project of the National Academy of Public Administration, May 17, 1988.

48. For an analysis of the political, institutional, and legal aspects of the impoundment issue, see James P. Pfiffner, *The President, the Budget, and Congress: Impoundment and the 1974 Budget Act* (Boulder, Colo.: Westview Press, 1979).

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50. See William Greider, "The Education of David Stockman," *The Atlantic*, December 1981; Hugh Heclo and Rudolph Penner, "Fiscal and Political Strategy in the Reagan Administration," in *The Reagan Presidency*, ed. Fred I. Greenstein (Baltimore: Johns Hopkins University Press, 1983). See also John Gist, "The Reagan Budget: A Significant Departure from the Past," *PS* 14 (Fall 1981), 745.

51. Quoted in Berman, *The Office of Management and Budget and the Presidency*, p. 80.

52. Allen Schick, "The Problem of Presidential Budgeting," in *The Illusion of Presidential Government*, ed. Hugh Heclo and Lester M. Salamon (Boulder, Colo.: Westview Press, 1981), p. 105.

53. Bruce Johnson, "OMB's New Role," *Journal of Policy Analysis and Management* 3 (1983–84), 507.

54. Bruce Johnson, "The Changing Role of the OMB Budget Examiners in the Reagan Era," presented at the Ninth Annual Research Conference of the Association for Public Policy Analysis and Management, October 30, 1987, p. 26.

55. Quoted in Hugh Heclo, "OMB and the Presidency," p. 90.

56. Terry Moe, "The Politicized Presidency," in *The New Direction in American Politics*, ed. John E. Chubb and Paul E. Peterson (Washington: Brookings, 1985), p. 269.

57. See James P. Pfiffner, *The Strategic Presidency: Hitting the Ground Running* (Chicago: Dorsey Press, 1988), ch. 4; *Leadership in Jeopardy*, National Academy of Public Administration, 1985. See also the report of the National Commission on the Public Service (the Volcker Commission), and its task force report, "Politics and Performance: Strengthening the Executive Leadership System," 1989.

58. Joel Aberbach and Bert Rockman, "Mandates or Mandarins?: Control and Discretion in the Modern Administrative State," *Public Administration Review* 48 (March/April 1988), 609.

59. Hugh Heclo, "OMB and the Presidency," p. 88.

60. Quoted by Suzanne Garment, "Budget Process Is Just Fine. Thank You," *The Wall Street Journal*, February 2, 1984.