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01/15/1984, Volume I of II (9 of 9)

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V. A BASIS FOR HOPE

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PPSS findings with respect to the state of Governmental machinery, the exorbitant costs of operation, and the overall financial picture provide no room for optimism that these problems will be solved without very difficult reversals in the trends of two decades.

When first requesting that this survey be undertaken, the President charged the members to scrutinize the Government with the same careful attention that they might give to a potential acquisition of another company. With the full results now in, what are the prospects?

As detailed in the preceding chapters, PPSS found that the Federal Government can be made a great deal more efficient. Costs can be contained and brought into line with revenues.

Most importantly, there are early indications, PPSS has found, of an eagerness on the part of the Executive Branch to move the PPSS recommendations into action.

Let us review the hopeful signs.

### Executive Office of the President Response

The Executive Office of the President has developed a strategy, a structure, and a system to review and implement the PPSS recommendations. Specifically, the strategy is to hold each responsible agency accountable to review and act on each recommendation contained in the reports, stating either when implementation has or will take place or defending why it cannot.

The structure for reviewing the PPSS recommendations is as follows:

Following the PPSS Subcommittee hearings, the data are released in final form to the White House Office of Cabinet Affairs. The Office of Cabinet Affairs distributes the reports to each affected department or agency, Office of Policy Development, and Office of Management and Budget (OMB) for review and comments.

1. The lead department/agency is asked to evaluate each issue and recommendation, indicating whether the item can be implemented as recommended or whether it, in the judgement of the department, requires modification.

2. The department/agency response is coordinated with OMB and the Office of Policy Development (OPD) prior to a meeting of a White House review group.
3. White House review groups have been established to consider department/agency responses. Cabinet members and agency heads as well as PPSS representatives are invited to participate in all review groups considering matters affecting their departments/agencies. It is the intent that most implementation decisions be made in these meetings.
4. Any issues which cannot be resolved by the review group may be appealed and later considered by the Cabinet Council on Management and Administration (CCMA) or in the budget review process.
5. It is the responsibility of the lead department/agency evaluating the individual issues and recommendations to present an implementation plan and schedule to the White House Office of Cabinet Affairs, so that progress can be monitored.

The system for keeping track of where the thousands of recommendations stand is a comprehensive automated data base developed by the PPSS Management Office. Initial classifications include the affected agency, program, function, savings potential, and implementation authority required. The White House then adds the agency implementation timetable and milestones.

Thirteen PPSS reports have been evaluated by the White House review process. There are approximately 250 issues in the 13 reports. The Executive Branch is in the process of implementing nearly 85 percent of these issues at some level. Implementation began in some cases during FY 1984. Others are incorporated in the proposed budget for FY 1985.

Thus, real progress has been made in the review of recommendations, and the pace of the review process should pick up now that the FY 1985 budget has been formulated and the PPSS Final Report has been submitted.

The strategy, structure, and system that have been set in place have established a viable mechanism for the review and implementation of PPSS recommendations. With its focus

on the Cabinet Council on Management and Administration and the White House Office of Cabinet Affairs, the implementation process is institutionalized in the key management structure of the Government.

In addition, OMB, in response to a PPSS recommendation that its functions of management and budget be integrated, conducted for the first time the FY 1985 budget review process with participation from the management review group. Significant OMB resources were applied to a management review of the PPSS recommendations as part of the FY 1985 budget review process. Decisions reached and actions taken are to be incorporated in the President's Budget Report to be released later this month or early next month. The OMB management group involvement in the budget process is viewed as a permanent and institutional change that will be carried out beyond the FY 1985 budget process and will provide an ongoing mechanism to assure follow-up and implementation of PPSS recommendations in the years ahead.

#### Agency Response

When PPSS Task Forces initially approached the agencies to begin their surveys, they encountered in nearly every instance a spirit of cooperation and support from agency officials. Agencies' attitudes throughout the survey have overwhelmingly reflected a basic and genuine interest in considering any proposals that might make their operations more efficient and effective.

PPSS, in turn, took on its task in the spirit of providing high quality professional analyses and recommendations of direct practical use. PPSS gave careful attention to agency declarations, but nonetheless exercised its own independent judgment of what was wrong or what was needed.

That professional relationship aided in formulating constructive solutions. Now it is furthering the implementation of the proposed solutions. Agencies already have accepted and are implementing many of the PPSS recommendations. Here are some examples:

- o A series of PPSS cash management improvement recommendations are being carried out Government-wide, with estimated savings of \$4.7 billion by FY 1985.

- o A reduction of over 1,400 employees in the Department of Health and Human Services, as recommended by PPSS, is being made, with an estimated \$172 million savings over three years.
- o The Department of Education is implementing a PPSS recommendation for collecting delinquent student loans, with initial focus on 41,000 current or retired Federal employees owing more than \$65 million in delinquent student loans.
- o The Administration has initiated action to reduce the number of employees in grades GS/GM 11-15 by 40,000, as recommended by PPSS. Total estimated savings through FY 1988 is \$1.4 billion.
- o An aggressive Government-wide debt collection program which has been under way for nearly two years was reinforced by PPSS recommendations. Savings targets were established for FY 1983 - FY 1988, with projected total collections of over \$20 billion.
- o GSA solicited bids from leading food service chains to set up a restaurant at its headquarters in Washington, D.C. If this test is successful, then competition for food service contracts is to be broadly extended, as recommended by PPSS.
- o Recently, GSA announced that Federal employees would utilize Government-issued credit cards to pay for official travel, as recommended by PPSS. This is expected to save the Government \$23 million annually through reduced processing of travel documents and elimination of the need to make cash advances.
- o In conformity with PPSS recommendations, the Administration has announced the closing of 229 printing plants and duplicating centers, with estimated savings of \$51 million.

In summary, the healthy attitude of agencies towards carrying out cost reduction actions is a favorable indication.

#### Congressional Response

Although PPSS is a commission established by Presidential Executive Order, 73 percent of its



recommendations require the approval of Congress before they can be implemented. Congressional support for PPSS cost control efforts is, therefore, critical if the full savings impact is to be realized.

At the same time, projections of annual budget deficits of \$200 billion a year and more over the foreseeable future have helped prompt the Congress as a body and members as individuals to take more than a passing interest in PPSS recommendations -- which contain savings on the order of \$120-140 billion a year and which over the 17 years to 2000 will prevent cumulative deficits and an increase in the national debt of \$10.5 trillion.

Over the course of the past several months numerous hearings and briefings have been held at which PPSS representatives have discussed their findings and recommendations and responded to questions from members of Congress and their staffs. These sessions have in nearly all cases been marked by expressions of willingness to give a fair hearing to the recommendations and to consider how Congress might be involved in their implementation. Coming across clearly was a deep-seated concern with the burgeoning costs of Government and consequent openness to initiatives that give promise of moderating the problem.

The PPSS Chairman and his staff have provided testimony to both the Senate and House Budget Committees and other committees as well. Other senior Survey officials have appeared before the House Budget Committee Task Force, the Subcommittee on Military Personnel and Compensation of the House Armed Services Committee, and staff members of the Senate Republican Policy Committee.

Representatives of many of the PPSS Task Forces have also briefed Committees and Subcommittees in both houses of Congress. The House Committee on Science and Technology, for example, invited representatives of the PPSS Task Forces on the Departments of Transportation, Commerce, and Energy, as well as those dealing with the Environmental Protection Agency and with the Government-wide functions of research and development, to present briefings. All of the military department Task Forces (Defense, Army, Navy, and Air Force) briefed the House Armed Services Committee's Subcommittee on Military Personnel and Compensation, while the Senate Budget Committee has been briefed by representatives of seven Task Forces and has plans to hear from nine more.

In addition to the receptivity to PPSS views indicated by the scheduling of these numerous hearings and briefings, many individual members of the Congress have taken a personal interest. A few examples follow.

- o Representative Bob Livingston, a member of the House Appropriations Committee, wrote last autumn that "perhaps the largest potential budget savings for the government will derive from the President's Private Sector Survey on Cost Control." "What we've always thought, is true," he went on to say. "The government can be run more efficiently. The Reagan Administration, with its inspectors general and cash management programs, is beginning to achieve major savings. The Grace commission's cost control survey has given us a blueprint to achieve much more."
- o Calling projected deficits "outrageous and unacceptable," Senator William Roth went on to point out in a recent article in The New York Times that the Grace Commission had "identified billions of dollars in possible savings over three years" and offered his opinion that "even if only a few of the commission's suggestions were implemented, the savings would be substantial."
- o Senator William Armstrong has proposed that there be promulgated a Joint Congressional Resolution providing that each committee of the Senate consider and hold hearings on PPSS recommendations within its jurisdiction, then report on those hearings and any proposed implementing legislation.

While the major results cannot, of course, be expected until the Final Report has been transmitted to the President and the Administration accelerates its implementation activities, some Congressional actions have already taken place. A few examples follow.

- o Senators Pete Domenici, Chairman, and Lawton Chiles, Ranking Minority Member, of the Senate Budget Committee jointly requested the Congressional Budget Office (CBO) to make a complete evaluation of all PPSS recommendations which require legislative action. Also they requested the General Accounting Office (GAO) to conduct a careful analysis of all major PPSS



recommendations and related budgetary savings estimates. Both the CBO and GAO were to report their findings for Congress' use in the FY 1985 budget deliberations.

- o Representative Delbert Latta, a member of the House Budget Committee, requested the Congressional Budget Office to publish and make available to every member of Congress a compendium of all PPSS recommendations. He indicated that the House Budget Committee would work with the Senate Budget Committee, CBO, and GAO to review these recommendations, declaring, "It is now our task in Congress to ensure that these recommendations are implemented to the maximum extent possible."
- o Senator Robert Dole, while on "Meet the Press" a few months ago and in response to a question seeking his reaction to the need for establishing a Commission on budget deficits, responded that the Grace Commission recommendations provide sufficient basis for reducing costs without establishing a new commission.
- o Representative Joseph Addabbo recently told the Service press that the House Appropriations Subcommittee on Defense, which he chairs, had adopted some of the cost-cutting recommendations of the PPSS.
- o The Senate Appropriations Committee, acting to cut \$100 million from the permanent change of station (PCS) account in the FY 1984 Defense Appropriations Bill, cited PPSS findings and further instructed the Department of Defense to consider these recommendations and report action taken to reduce PCS costs.

What final Congressional action will take place on the vast majority of PPSS recommended savings and revenue enhancements requiring action by that body remains to be seen, but it is clear from the activity that has already taken place that there is great interest in Congress -- in both houses and on both sides of the aisle -- in opportunities for economy in Government. This is consistent with the high level of interest in cost control elsewhere in society and provides the basis for a productive approach to solving this all-pervasive problem.

## Public Response

As noted earlier, the implementation of any specific PPSS recommendation depends on whether the President and/or the Congress choose to exercise their authority to make the proposed changes in Federal Government operations. While they have the power to dismiss or accept the PPSS recommendations, in the end these two branches of Government are accountable for their actions -- or their inaction -- to the public that elects them, and they are necessarily responsive to the views of that public. In such a context, the extent to which PPSS recommendations are realized will depend greatly on the public's reaction to PPSS findings and conclusions.

There has been encouraging response from the media, the business community, and the general public as evidenced by the following.

### a. Media

During the almost two years of the PPSS activity, there has been an apparent and growing media awareness of the unprecedented deterioration in the Nation's financial condition, for example:

U.S. News and World Report -- July 25, 1983 issue cover story: "A City Without Guts - Why Washington is Losing the War on Waste."

Time -- July 11, 1983 article on PPSS recommendations for "Rooting Out the Waste."

Barron's -- Editorial Commentary in November 14, 1983 issue: "Structural U.S. Deficits? A Huge Amount Is Built-In Inefficiency and Waste."

Reader's Digest -- January 1984 issue feature article: "How to Save Taxpayers \$100 Billion a Year."

Newsweek -- January 16, 1984 article on "Congressional Encroachment" titled "Congress in Dis-Grace."

The "\$200 Billion Deficit" awareness has brought about greatly increased press coverage of spending, deficit, and tax issues, in the full spectrum of political and economic opinion. The ordinary citizen is being offered a wide range of commentary and advice, and often from the most expert journalists in the field. The ordinary citizen is becoming more knowledgeable in complicated economic areas.

Paul A. Volcker, Chairman of the Federal Reserve Board, has been quoted as saying, "I do not share the comfortable assumption of some that working forcefully and steadily toward better budgetary balance is a task that can wait a year or more."

In a more specific sense, concerning the efforts of PPSS itself, the various Task Force reports were made publicly available periodically starting in April 1983, and were presented at a series of well-attended press conferences. Many of the issues dealt with by PPSS are controversial and arouse opposition from special interest groups. PPSS expected opposition as well as approval; that PPSS has received some of each attests to the fact that our efforts did not flinch from some of the most contentious issues of the day.

b. Business Community

Private sector businesses are nearly unanimous in support of efforts to increase efficiency and reduce costs of the Federal Government. This is explained in part by the fact that businessmen know that business can thrive only in a climate of economic well-being, and that the current excessive costs of Government threaten the national economy. Their interest might also be explained by the fact that businessmen, as a group, are personally and occupationally attuned to efficiency and cost savings; they would like that same attention to be given to Government operations.

The business community has been enthusiastically behind the PPSS survey from the beginning. This is evidenced first by the strong commitment of the 161 appointed members of the executive committee, by their willingness to contribute key personnel in their organizations for long periods of time to conduct the necessary investigations, and by their companies' generous contributions exceeding \$75 million. In addition there have also been cash contributions to support the Survey from numerous businesses not actively engaged in the Survey.

The major business organizations also are committed to supporting cost saving proposals. A letter to PPSS dated April 18, 1983 from Robert T. Thompson stated, "In my role as Chairman of the U.S. Chamber of Commerce I am going to push hard for early implementation of your recommendations."

Small businesses, as well as large, are supportive of this effort. Another letter received by PPSS states, "There are thousands of small businessmen such as myself who applaud you and ... hope you ... will pursue the initial objective since there is so much at stake in our economy and in our country."

It is important to note that businesses are willing to accept their fair share of the impact that far-reaching reforms would have. PPSS, composed mainly of business executives, looked at all Federal programs with the same objective eye and adopted numerous recommendations which might have a direct adverse financial impact on the private sector. A few such recommendations, showing the financial impact over a three-year period, include:

- o Reduce progress payments to DOD contractors by \$9.4 billion.
- o Reduce operating subsidies to shipping companies by \$75.4 million.
- o Increase user fees paid by marine companies by \$1.6 billion.
- o Increase timber-cutting fees to logging companies by \$99 million.
- o Increase publication fees and document production fees; pharmaceutical firms, for example, would be charged an additional \$13.5 million for documents obtained from the Government.
- o Increase premiums charged corporations for Federal retirement benefit insurance by \$324 million.
- o Impose special assessments of \$3.2 billion on corporations which underfund their own retirement benefit plans.
- o Increase landing fees to airlines by \$57 million.

It is a measure of the deep support in the business community for reducing Federal costs that it would endorse such actions as part of a major drive in the interest of good government and the overall economy.

c. Public

The cost-cutting proposals of PPSS have also attracted surprising public support. Thousands of letters have been received from the public. Some of them contained small donations, completely unsolicited, to advance the Survey goals. Most, however, simply expressed appreciation, urged continuing efforts to effect adoption of the recommendations, and in many cases offered personal assistance.

A representative statement from one of those letters declared: "We want you to know there are many, many of us out here in the silent majority who are applauding and urging you on in your great efforts on our behalf."

There have also been numerous public requests for speakers to address meetings and outline the major findings and recommendations of the Survey. The audience response at such meetings has been overwhelmingly supportive of eliminating waste, fraud, and abuses in Government.

Numerous specific PPSS recommendations would impact many Americans, including the salaries, annuities, or benefits that many receive and the rates, prices, and fees that many would pay. Because of this specificity, PPSS was braced to receive criticism. But, surprisingly, most of the public response has been favorable. There is a growing perception that our Government is in deep trouble and that some major reforms are essential.

The very fact that PPSS was mandated to survey the entire Governmental scene operated in its favor. Few citizens would willingly give up a benefit if they were in a small minority called upon to bear the cost. But a cut in benefits is easier to accept when one knows that all Americans are sharing in the same belt-tightening exercise, and that the result will be greater prosperity for all.

President Lincoln admonished us never to underestimate the basic intelligence of the American public. Implementation of many of PPSS's and other proposals for cost savings will ultimately depend upon the public's active participation in making the choices facing us as a nation. Perhaps the public receptivity to cost-cutting is founded upon a recognition that, if our Government can be made more efficient, smaller, and less expensive, then all of us will, in the long run, share in the far greater personal benefits that this will afford.

We are faced with a crisis, as PPSS findings have documented in detail. But, as the support for reform that exists in many quarters indicates, there is hope. Crises involve dangers, but also opportunities. Hopefully, the opportunities offered by PPSS will be fully explored and provide future generations of Americans with a basis for continued growth and well-being.





