

be closer to the fellow whose bid was next higher than his. I have in mind a particular instance of a man who submitted a bid, under bond, that was over \$100,000 lower than all the rest. When he discovered that he hired a political lawyer to get the bond discharged, submitted a new bid under bond and got the contract at \$100,000 more than his first bid. We cannot very well prevent this sort of thing because we find it necessary to build up cumbersome protections against both the politician and the private individual in governmental work. Another reason why we cannot have the same economy and efficiency in government as in business is that we do not have long-time planning in governmental activities because of shifting political conditions. A prison may be started under one commissioner, for example, and the next one will think he wants something different. We have such an instance in our Harlem Valley Hospital. We started out to build a prison and spent a great deal of money. Then the Governor thought it was not needed as a prison, the commissioner thought it was in a bad location for a prison, with the result that it became a State hospital. I do not know what was the loss in shifting plans but it must have been considerable.

Another reason why the spirit of economy and efficiency does not prevail is that they are not rewarded. When I was chairman of various commissions I frequently turned back as much as 20 per cent of my appropriations, and what was the result? They gave what I saved to someone else and cut me down to my latest figure on the next job I was asked to do. Since there is no reward for efficiency we all try to find some way of getting rid of our extra money before it goes back into the treasury.

But the picture is not all black. A good many people are interested in governmental efficiency, but they do not know "how" to accomplish it. President Hoover says that taxation on real estate must be reduced, but he does not say "how." Governor Roosevelt says the same thing, but he does not say "how" to bring about the change. Governors Roosevelt and Smith, county and municipal officials, are criticized for high costs; consolidations and changes in law are suggested, but no one says "how" they are to be brought about. When you try to arrive at the "how" you run into difficulty,

because someone is going to profit by the expenditure of the money.

I have been working very hard to reform the tax system of this State—to equalize taxes, and find some way of keeping them equalized. I have collected volumes of figures and have a pretty good idea of the sources of revenue in this State. I want to suggest some things that *might* be done and then some that *can* be done.

We might establish limits of taxation. That would tend toward efficiency because it would give us a true budget. Our budgets now are largely estimates of expense. We decide what we would like to spend for necessities and for the new things suggested by propaganda. We put over against these items the amounts expected from various sources of revenue and the balance is put on real estate. If we could limit the tax on real estate, we could know what our deficit would be for each period.

I have operated a factory on my own account and a munitions plant for the Navy. I did not have to show a profit in the Navy, while I was expected to show a profit in my own establishment. In one case I had a fixed limit set by my stockholders within which I could work; in the other I had no limit at all, provided I could get the appropriation. In both cases I tried to work efficiently, but in one I had a very present reward in the bank and in the other I had to look to my reward in heaven.

A uniform system of budget making is essential.

Another thing that might be done is to set up a form of outside control of expenditures. No such control exists at present. The people are constantly demanding things and at the same time asking for reductions in unnecessary expense. The problem is to find out what is unnecessary. From a political point of view anything proposed by a sufficient number of voters is necessary. If there was someone not responsible to the electors of a particular community who could pass on these expenditures, as is done successfully at present in three states that have this form of control, it would act as a check on unnecessary expenditures. This of course infringes on the principle of home rule which is, I believe, a good principle in small communities. It is not so wise, however, where the home does not rule. People have the same power in larger areas but do not exercise it, with the re-

sult that a tremendous tax bill piles up with nothing to pay it. I doubt if this outside control is a possibility in our present state of political thought in New York, but it is a thing to look toward.

We can, however, expect better specifications and a better educated personnel than we now have. We can get tighter and wiser specifications than we now have in New York. We are learning a little more about how to accomplish this all along. We can also have a better educated personnel. Those at the top are pretty able and well equipped for their work, but the workers on whom they have to depend are not always from the educated group.

The Mayors Conference is, I understand, establishing schools for policemen and firemen, as the State has done for its assessors, in an effort to bring these employees up to a higher standard. When standards are raised efficiency will be greater. If higher standards were demanded by the public greater improvement could be effected. We are prone to criticize destructively but not constructively. The public could demand better education for its servants through improvements in Civil-Service requirements. There should be in addition to the original Civil-Service examination, an interim examination, say every five years. These would show whether or not the workers were keeping up to standard or improving on their jobs. Actuaries have to pass some seven or eight examinations at different periods and each passing of an examination means a promotion.

Above all things we must have economically- and efficiently-minded executives. When you have such an executive that spirit will permeate his whole organization. When you have one who is not so minded the looseness of his thought and method will also permeate his whole organization. To have an efficiently- and economically-managed government it is necessary to have an efficiently- and economically-minded executive at its head.

W. H. Leffingwell.* I have a great deal of sympathy with Admiral Craven. To endeavor to coordinate such a huge agglomeration of people is most certainly a man-sized job. In that connection I am sure he has heard, as we have in industry, all the reasons given by the Senator why it cannot be done. They can be elaborated upon *ad infinitum*, but we are

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particularly interested in what *can* be done and should concentrate our attention on those things.

I suppose I was selected to discuss this subject because I know nothing about it. I have, however, had some experience. In 1925 Mr. Hoover, the then Secretary of the Department of Commerce, invited three members of the Taylor Society, L. W. Wallace, Wallace Clark and myself, to study the Patent-Office procedure. I personally went to Washington with a great deal of trepidation because I did not know anything about patents or anything about the government, and I was concerned as to whether I should have any suggestions to offer. It reminded me of my first job a good many years ago in the automobile industry. I believed all I had read in the papers about the efficiency of the automobile industry and I had stage fright. I had not been in the factory twenty minutes, however, when I saw things on every side that could be improved. I had the same impression after I got into the Patent Office. I want to read you a few words from the introduction to our report. They were put down only after long discussion with all the people concerned.

"The wastefulness, the unsanitary conditions and the risks due to the inadequate and intolerable housing conditions are generally recognized and understood.

"Likewise in many respects the equipment is obsolete and inadequate. Under the present conditions of housing and equipment, economy of operation is unattainable. In order to secure a proper understanding of any case, an examiner must be able to concentrate his attention without interruption for a sufficient time to thoroughly grasp it. In rooms containing several examiners almost every word spoken by one distracts the attention of the others. When an examiner has an interview with an attorney or applicant, the attention of the other examiners in the room is attracted and they either join the discussion or interrupt their work until the interview is over. The operation of a typewriter in a room with examiners is distracting."

That was only one little thing, but one common to business.

I do not know that it is a valid criticism, but I should like to question the method by which the Co-ordinating Service works. I gathered from Admiral Craven's paper that they work through committees. That involves an educational process which takes a long time. I doubt if it is the real way to operate. I am not, of course, acquainted with the staff with which Admiral Craven has to work, but I believe a set of standards