



Munich Personal RePEc Archive

## **Performance budgeting: Its rise and fall**

Nguyen, Hoang-Phuong

Maxwell School of Citizenship and Public Affairs, Syracuse  
University

November 2007

Online at <https://mpra.ub.uni-muenchen.de/9415/>  
MPRA Paper No. 9415, posted 03 Jul 2008 14:20 UTC

# MAXWELL REVIEW

---

*A Journal of Scholarship and Opinion*

MAXWELL SCHOOL OF CITIZENSHIP & PUBLIC AFFAIRS

---

SYRACUSE UNIVERSITY

*Published by the Maxwell School of Citizenship and Public Affairs,  
Syracuse University, Syracuse, NY 13244-1090.*



The Maxwell Review is a peer-reviewed, interdisciplinary journal edited and distributed by Maxwell doctoral students. Its mission is to provide graduate students from all Maxwell disciplines the opportunity to publish scholarly work and serve as peer reviewers. We aim not only to make contributions to specific fields of study, but also to promote interdisciplinary dialogue within the Maxwell community.

*Electronic copies of the journal may be accessed at  
<http://student.maxwell.syr.edu/maxreview>.*

## **Performance Budgeting: Its Rise and Fall**

Phuong H. Nguyen, Public Administration

*Abstract: Among various budgeting theories and practices at the federal level, performance budgeting has played an important role with its long developmental history. Performance budgeting was short-lived as it was replaced by program budgeting in the early 1960s. Looking at the period between the first decade of the twentieth century and the mid-1960s, the present paper seeks to investigate two major questions to which budgetary literature has given short shrift: 1) What forces led to the emergence of performance budgeting and its earlier forms?, and 2) Why did the budgeting practice fall into disfavor at the federal level shortly after a prolonged period to get institutionalized? The paper's investigation of the first question reveals three major factors that gave rise to performance budgeting and its forerunners: the rise of scientific management by Frederick Taylor, increasing public pressure on the government's role and practices, and the expansion of government responsibilities. Three principal opposing forces attributed to the long gestation of performance budgeting and its premature decline are its inherent weaknesses and limitations, the legislature's hostility to it, and the rapid rise of a new budgeting practice.*

### **INTRODUCTION**

Budgeting theories and practices at the federal level have endured multiple reforms ranging from traditional line-item budgeting to performance budgeting to program budgeting to management by objectives to zero-based budgeting (Pilegge 1997). The official name "performance budgeting" originates in the Report by the Commission on Organization of the Executive Branch of the Government (commonly referred to as the first Hoover Commission) in 1949. Together with other scholars, Schick (1966, 250) argued that performance budgeting was just the official label the Commission attached to what had been known as "functional" or "activity" budgeting. Functional budgeting can be traced back to the early years of the 1900s. Performance budgeting was, however, short-lived; program budgeting replaced it by the early 1960s. Looking at the period between the first decade of the twentieth century and the mid-1960s, the present paper is an attempt to investigate two major questions that budgetary literature has given short shrift to: 1) What forces led to the emergence of performance budgeting and its earlier forms?, and 2) Why did the budgeting practice fall into disfavor at the federal level shortly after such a prolonged period before becoming institutionalized?

Phuong H. Nguyen

To answer the two questions, the paper proceeds as follows. The second section describes what performance budgeting is. Then comes a thorough discussion on the first question. I focus on three major factors that led to performance budgeting and its forerunners: the rise of scientific management by Frederick Taylor, increasing public pressure on the government's role and practices, and the expansion of government responsibilities. The common thread running through the three factors was the goal of improved efficiency. The fourth section seeks to provide answers to the second research question. I identify and discuss three principal opposing forces attributed to the long gestation of performance budgeting and its premature demise: the inherent weaknesses and limitations of the budgeting practice, the legislature's hostility to it, and the rapid rise of a new budgeting practice – program budgeting – which proved to be superior to performance budgeting. The final section concludes with a suggestion for future research.

### **PERFORMANCE BUDGETING - WHAT IS IT?**

While a few budget scholars do not even make a distinction between performance budgeting and program budgeting (Smithies 1855, Kong 2005), some scholars do (Schick 1966, Pilegge 1997). Although there is no precise definition of performance budgeting (Burkhead 1956, 139), researchers agree on important aspects of performance budgeting. Specifically, performance budgets present public managers and policy makers “with detailed breakdowns of the unit costs of agency and outputs” (Pilegge 1997, 280) with a focus on “the things which government does, rather than the things which government buys” (Burkhead 1956, 133). In other words, performance-based budgets pay substantial attention to “the *ends to be served by the government* rather than [to] the dollars to be spent” (Seckler-Hudson 1954) or to what is to be accomplished rather than to human and material inputs (Lewis 1952, 54). Unlike the traditional control-oriented line item budgeting, performance budgeting is more management-oriented (Schick 1966, 250). Performance measurement is the critical distinctive feature of performance budgeting (Williams 2004b).

These features of performance budgeting yield some potential benefits. Kelly and Rivenbark (2003, 11-2) identify four of them: 1) alignment of service priorities and service spending, 2) adding an information dimension to budget deliberations, 3) motivating program managers and employees with their recorded progress, and 4) showing to citizens public service providers' interest in service quality improvement. Performance budgeting is a tool to combine operational and financial accountability. Operational accountability refers to the economy and effectiveness of the delivery of public services, while financial accountability means accurately reflecting “where tax money comes from and where it goes” (Kelly and Rivenbark 2003, 4). In addition, Schick (1966, 250) also emphasizes that this budgeting practice helps administrators assess the work-efficiency of operating units and facilitates the efficient performance of prescribed activities.

## THE RISE

The institutionalization of performance budgeting did not come out of nowhere; it had a long developmental history. The influence of Taylor's scientific management, increasing public pressure for more efficient government activities, and the growth of government activities all contributed to the rise of functional or activity budgeting – the forerunner of performance budgeting – and of performance budgeting itself. Although these three influential factors did not take place in a clear-cut sequential order, I will attempt to separate them as much as possible. This section ends with a brief description of the adoption of performance budgeting by some federal government agencies during the early decades of the twentieth century.

### *Scientific Management*

In the latter half of the Progressive Era, which lasted from the 1890s through 1920s, scientific and technological advancement led to substantial improvements in the quality of life and boosted productivity and efficiency in various sectors, namely industry, manufacturing, and transportation. The rise of Frederick Taylor's scientific management in 1911 and the introduction of the assembly line for the mass production of Ford Model-T automobiles created optimism about the role of science in the improvement of management efficiency in the private and public sectors. The trend of applying scientific principles to public administration emerged in earnest. Public budgeting as a subfield of public administration was not immune to the influence of the trend. As Schick (1966, 251) notes, performance budgeting derives its ethos and much of its technique from scientific management. The connection between budgetary resources and specific outcomes resonated with the search for efficiency underlying scientific management (Cozzetto et al. 1995, 24).

This scientism in public budgeting did not begin at the federal level. Historically, Taylorism-influenced federal budget reform originated in the reforms adopted at the city level. In his address at the luncheon of the Economic Association in 1911, President William Taft (1911, 44) mentioned the need for an executive budget system: "I suppose that every other Government in the world – certainly all conducted on any modern principles – has a budget. We have *not*" (emphasis added). However, more "advanced" budgets had been tried and used in several major cities by the early 1900s. Bureaus of municipal research, which were formed by citizens for local government reform in the early 1900s, promoted budgets as tools for improving efficiency. The functionalized municipal budget was first adopted by the City of New York (specifically, in the Borough of Richmond) with the New York Bureau of Municipal Research (NYBMR) in 1906 and by the government of Chicago in 1910. The contribution of the NYBMR to public budgeting cannot be overstated. Although the NYBMR did not create the concept of the budget, it was widely regarded as the origin of modern public budgeting. The NYBMR was able to distinguish between accounting – a summary of expenditures during the past year – and the prospective nature of budgeting – a plan for revenues and expenditures for the next year (Kelly and Rivenbark 2003, 24). Sands and Lindars (1912, 147) elaborated on this point by

Phuong H. Nguyen

indicating that the NYBMR's budget process included "careful consideration of results accomplished the previous year with the funds allowed, unit costs, and the quantity and quality of service needed to be rendered the ensuing year." More importantly, what the NYBMR did in its budget process was to use performance measurement and link data with intended government objectives – a form of performance budgeting (Williams 2004b, 132).<sup>ii</sup>

Performance-based or "functionalized" budgeting practices originally developed at various municipal government bureaus, especially at the NYBMR, ended up getting in the door of federal budgeting offices. Several advocates of the NYBMR and performance budgeting concepts went on to work for the federal government on the budgeting front. For instance, as one of the founders of the NYBMR, Frederick Cleveland<sup>iii</sup> became chairman of President William Taft's Commission on Economy and Efficiency. Arthur Buck – who represented the Institute of Public Affairs, the renamed NYBMR – frequently shared authorship with Cleveland on several texts. Buck was also a principal author of the budget section of the two reports by President Franklin Roosevelt's Committee on Administrative Management (often known as the Brownlow Committee) and by the first Hoover Commission (Williams 2004a, 8). Donald Stone, an adherent of performance budgeting in the 1930s, later became a Deputy Director of the Bureau of the Budget. In this capacity, Stone played a critical role in implementing recommendations of the first Hoover Commission (Williams 2004a, 7).

Given that efficiency is one of the principal purposes of scientific management (Taylor 1991), the heavy emphasis on efficiency as an ultimate objective in both earlier and later budgeting documents or activities reflects Taylor's influence on performance budgeting. First, the initial series of articles written by municipal reformers, especially founders of the NYBMR, were published in the *Annals of the American Academy* in the 1910s. The publications coincided with the emergence of Taylor's scientific management. "Scientific budget-making," or functional budgets, sought to promote "government's usefulness and efficiency" (Bruere et al. 1912, 10). Echoing President William Taft's call for an executive national budget,<sup>iv</sup> his Commission on Economy and Efficiency stated that the administrator "must be able to measure quality and quantity of results by *units of cost* and *units of efficiency*" (emphasis added) (CEE 1912). In his classic 1918 book, Willoughby advocates for using the budget as a democratic instrument to promote popular control, to enhance legislative and executive cooperation, and most importantly, to secure "administrative efficiency and economy." The legislature's approval of the Budget and Accounting Act of 1921 reflected the concern among members of Congress over lost efficiency.<sup>v</sup>

Second, efficiency as an end also permeates the work of subsequent budgeting scholars. Adamant that "budget procedure had stopped halfway in its development," Upson (1924, 72) suggests substituting activities for functions as the unit of appropriation. Upson also recommends that the budget be expressed "in terms of work to be accomplished" to make sure that the programs are carried out "with economy and efficiency." About a decade later, Kilpatrick (1936, 20) elaborated on the classification of public services for budgeting. His fourth and fifth major categories emphasize the appraisal of "the *quality* of functional performance and expenditure" and the "analysis

of the *results* of services.” Insisting that “the ultimate justification of any expenditure is in functional services,” Kilpatrick gives a detailed account of what was meant by the term “functional.” Of the three applications of the term, the third one refers to a service or activity unit within a function, which is consistent with Upson’s recommendation.

Despite the decline in the optimism about the potential for scientific public administration in the 1930s and early 1940s,<sup>vi</sup> scientific management significantly influenced on the rise of performance budgeting.

### ***Growing Public Pressure***

The push for greater efficiency came not only from the influence of scientific management on budgeting practices, but also from the mounting pressure from the general public and business community. In the early 1900s, government expenditures surged rapidly. Federal outlays increased faster than economic activity (Burkhead 1956, 28). People became more aware and concerned about such an increase in the cost of government activities. Cleveland (1915, 22) described the hostility of the public toward government affairs:

“It was the uncontrolled and uncontrollable increase in the cost of government that finally jostled the public into an attitude of hostility to a system which was so fondly called the “American system.” This growing hostility to doing business in the dark, to “boss rule,” to “invisible government,” became the soil in which the “budget idea” finally took root and grew.”

Citizens’ concern over government cost increases led to their demand for enhanced efficiency in government operations. Their demand manifested itself in two related, but distinct, aspects. On the one hand, citizens who were concerned about graft and corruption in the government demanded major reforms of federal budgeting practices to make sure that scarce resources were spent where they were supposed to be (Burkhead 1956, 15). On the other hand, citizens wanted to ensure that the scarce resources were used efficiently. Performance budgeting was considered better suited to respond to the public pressure than the traditional method of line-item budgeting.

Citizens did not arbitrarily demand more government efficiency. In 1913, the Bureau of Internal Revenue<sup>vii</sup> began to levy and collect personal income taxes. The citizens wanted efficiency so that they could enjoy greater benefits from government activities in return for paying more in taxes. Given the increased perception of government as a source of benefits, Schick (1966, 249) contends that the task of budgeting was redefined as a tool to effectively marshal “fiscal and organizational resources for the attainment of benefits.” Under this re-definition of budgetary tasks, performance budgeting proved superior to traditional budgeting methods.

The pressure for budgeting reform also came from the business community, which had been relatively indifferent to governmental affairs before 1900. Like individuals, U.S. businesses started to pay more taxes during the early 1900s. Before this time, businesses had concentrated on earning profits and on accumulating wealth



Phuong H. Nguyen

with little or no interaction with government bodies; however, the 1913 Income Tax Law and the 1916 Revenue Act fundamentally changed this relationship (USDOT 2008). Higher tax burdens made businesses call for a budgeting system that could help reduce government expenditures and, in turn, lower taxes. Unlike previous reformers who wanted more efficient conduct of social welfare programs, businesses in this period upheld the slogan “more business in government” (Burkhead 1956, 15). The pressure from the business community resulted in the application of two major business practices to government: 1) data gathering through accounting, record keeping, and needs assessment and 2) conversion of data into useful information for budgets and productivity improvement (Williams 2003, 645).

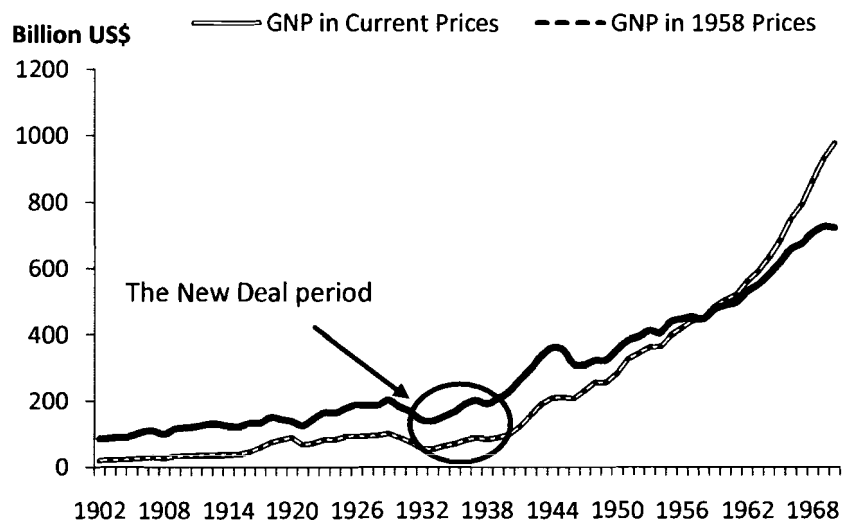
### ***Expansion of Government***

The expansion of government required a dramatic change in budgeting practices. The New Deal period from 1933 to 1936 after the Great Depression witnessed an enormous growth of government. In this period, federal expenditures soared as dozens of new agencies were created and a multitude of social programs were introduced. While Figure 1 shows that the U.S. Gross National Product (GNP) steadily increased, Figure 2 indicates a substantial surge in government expenditures during the New Deal period. According to Schick (1966, 249), federal expenditures rose rapidly from \$4.2 billion in 1932 to \$10 billion in 1940.

The New Deal expansion of government responsibilities and the greater structural complexity of public agencies made the traditional line-item budgeting irrelevant. Multipurpose agencies and programs surfaced and thereby led to the entanglement of programs and organizational lines (Burkhead 1956, 138). The budget methods that were carried over from the 1920s with relatively small and single-purpose government agencies were no longer of great use (Burrows 1949, 275).

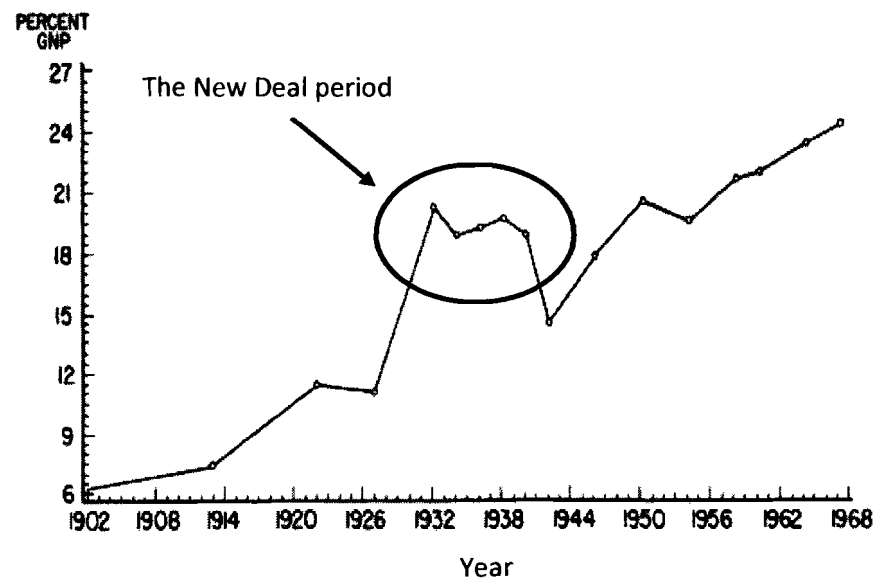
The expansion of government necessitated a management function in public budgeting processes. The function of management was better served by performance budgeting than by the traditional budgeting practices. The focus on management, rather than control associated with traditional line item before the 1900s,<sup>viii</sup> can be construed as a product of both scientific management and government growth. As Lee (1995) indicated, the New Deal period was “the high point of social scientists’ participation in scientific planning for the government.” One of the three members of the Brownlow Committee, Luther Gulick, coined the abbreviated term of POSDCORB, where ‘B’ stood for ‘Budgeting’ (Gulick 1937). Budgeting now involved “fiscal planning, accounting and control.” In fact, the Brownlow Report developed out of President Franklin Roosevelt’s need for national scientific management (Graham 1976, 59) with the Bureau of the Budget as his agent in the field of management (Smith 1944, 184).

**Figure 1. GNP in United States, 1902-1968**



*Source:* Wattenberg (1976, 224).

**Figure 2: Total Non-Military Government Expenditures as a Share of GNP, 1902-1968**



*Source:* US Department of Commerce (1969, *Historical Statistics on Government Finances and Employment*). Cited in Wallis (1984, 140).

### ***Performance Budgeting in Action***

Along its developmental timeline between its practical incubation at the NYBMR and its official birth in 1949, a few federal agencies adopted performance budgeting techniques. The US Department of Agriculture developed a Uniform Project System with a budget structure that “convey[ed] an understanding of financial needs in terms of work to be done and ends to be achieved” (Roberts 1960, 75). Another attempt to employ performance budgeting was the government corporation of the New Deal-born Tennessee Valley Authority (TVA). One of the important elements of the TVA’s highly successful administration was its program-based decentralized budgeting (Kull 1949, 30). The U.S. Department of Army also adopted performance-based budgeting shortly after World War II, which was then encouraged with the enactment of the Title IV of the National Security Act in 1949 (Burkhead 1958, 163).

Despite those adoptions of performance budgeting, it was not until the 1949 that the first Hoover Commission’s Report officially recommended performance budgeting at the federal level. Criticizing the federal government budget’s focus on inputs, the Report recommended a performance budget

“...based upon functions, activities, and projects; this we designate as a performance budget. Such an approach would focus attention upon the general characteristic and relative importance of the work to be done, or upon the service to be rendered, rather than upon the things to be acquired, such as personal service, supplies, equipment and so on. Under performance budgeting, attention is centered on function or activity – on the accomplishment of the purpose.”  
(COE 1949, 176-7)

The Report’s recommendations paved the way for performance budgeting to be codified into the Budget and Accounting Procedures Act of 1950. The Act essentially required performance budgeting for the entire federal government (Lee and Johnson 1977, 70). However, the Act did not prevent performance budgeting from facing “indifference and neglect” at the federal level, despite its popularity among municipal governments (Pilegge 1997, 280).

### **THE FALL**

What has been discussed suggests that performance budgeting indeed has a long history beginning in the early 1900s. However, only a few federal agencies adopted this budgeting practice. Becoming institutionalized in 1949, it had a short life of about ten years between 1949 and the mid-1960s. The paper’s second question is why, given its potential benefits and institutionalization, performance budgeting fell out of favor so quickly. Although one could find various factors leading to this outcome,<sup>ix</sup> the paper will discuss three salient factors that contributed to the delayed birth and premature demise of performance budgeting: 1) its inherent weaknesses, 2) the legislative hostility and opposition, and 3) the rapid rise of a new budgeting practice of program budgeting.

### ***Inherent Weaknesses and Limitations***

I identify five inherent weaknesses of performance budgeting that inhibited its growth and longevity. The first important weakness is that performance budgeting is a tool for management, planning. It falls short of determining objectives, evaluating alternative courses of action and, authorizing select programs which are all needed to facilitate planning (Schick 1966).

Second, performance budgeting fails in instances where there is intergovernmental provision of public services (Cozzetto et al. 1995, 197). It is a daunting task to demand accountability from a project or program when its performance is contingent upon multiple stakeholders' quality of service delivery.

Third, the complexity of maintaining voluminous data and records is a grave problem that gives rise to several corollaries. Data needed for budgeting calculations accumulate to a point where only people with expertise can understand them. They are then likely to "play budget games" (Cozzetto et al. 1995, 186). The sheer amount of accumulated paperwork might overshadow the budget system's original value of management efficiency – a goal that performance budgeting was designed to achieve (Roberts 1960, 78). Also, detailed data are of little help to the "policy maker whose function is to map the future course of action" (Schick 1966, 253).

Fourth, it is always difficult to determine appropriate performance measures. Some performance measures, such as customer satisfaction, are harder to quantify. Would output or outcome measures be more appropriate measures? Output measures refer to operational activities involved in providing a product or service; whereas, outcome measures refer to whether the service has met its proposed goals (Kong 2005, 97). Importantly, the inability of performance budgeting to solve "the greatest problem in budget decision-making - a comparative evaluation of projects, functions, and activities"<sup>x</sup> stems from inconsistency in which performance measures are chosen and how these measures are constructed.

Fifth, most federal agencies were easy targets for various reorganization plans, making them reluctant to adopt any new budgeting approach (Stonich 1977). Between two World Wars and the New Deal, federal government was not structurally stable during performance budgeting's gestation period from the early 1900s to the 1950s. Amid heightened uncertainty, federal agencies were even more reluctant to embrace performance budgeting, which required a clear classification of functions. As Roberts (1960, 77) indicates, this classification made it hard to select "appropriate, adaptable functional categories" that were in line with "organizational and management lines of responsibility." It was more difficult when the lines of responsibility shifted remarkably among federal agencies during this period.

Kelly and Rivenbark (2003) also identified several limitations of performance budgeting. First, performance budgeting cannot solve fiscal crises because they rarely result from poor budgetary decision-making. Second, this budgeting technique is not immune to the influence of interest groups. Third, poor managerial decisions cannot be completely prevented using performance budgeting as a management tool. It is often

Phuong H. Nguyen

easier to continue to fund an ineffective program than to discontinue it. Finally, since citizens may disagree with the criteria used to assess performance or have different priorities, performance budgeting can hardly refocus citizen priorities.<sup>xi</sup> Although not unique to performance budgeting, these limitations together with the weaknesses earlier discussed undermined the popularity of performance budgeting.

### ***Legislative Hostility and Opposition***

The struggle between the legislative and executive branches also helped explain both the long delay before the official adoption of performance budgeting and its rapid decline. Performance budgeting and its earlier forms were proxy victims of the turf battle between the legislative and the executive branches of government. Budgets under democratic governments were indeed originally designed to tighten the legislative control of the executive (Smith 1944, 181). There are several specific instances where we clearly see how hostile the legislature was to the idea of losing its tight grip on budgeting processes to the executive branch. For instance, the argument for executive management via budgeting tools in the United States began in earnest with President William Taft's 1911 call for an executive budget supported by the 1912 Report delivered by his Commission on Economy and Efficiency. As previously shown, the report incorporated many features of functional budgeting adopted by the NYBMR in 1906. Although the report received the near-unanimous support of public opinion, it met with strong resistance from many leading members of Congress (Cleveland 1915, 28). Congress basically ignored the Report's recommendations until 1919.<sup>xii</sup> The legislative resistance was understandable because the Report did not elaborate on the role of the legislature in the executive budget system. Given the legislative opposition, the Report took nearly ten years to be signed into the Budget and Accounting Act of 1921 (Kelly and Rivenbark 2003, 27).<sup>xiii</sup> Roberts (1996, 7) regarded the act to be "a delicate compromise between the President's desire to rationalize budgeting and Congress's desire to oversee the administrative branch."

Another example of congressional opposition is the case of the Brownlow Committee consisting of Louis Brownlow, Charles Merriam, and Luther Gulick, who were arguably the leaders in the young field of public administration. Two of the controversial proposals in the Committee's Report, or the Brownlow Report, were to put the Bureau of the Budget under the direct control of the President and to establish a budget process that linked inputs to outputs. Roberts (1996) contended that the Committee's mismanagement of the process of drafting reform proposals<sup>xiv</sup> was the principal reason that all of the proposals advocated in the report were rejected in the Congress. However, one could argue that the prospect of losing control of the Budget Bureau to the President must have contributed largely to the legislature's resistance to the report.

The legislative opposition to performance budgeting also manifested itself after the official introduction of performance budgeting in 1949. Members of Congress and senior managers at the federal agencies did not feel "attracted" to performance budgeting because it required them to relinquish more power to subordinates.

Politicians did not want bureaucrats to reach value-laden political decisions that they themselves would otherwise have made because an acceptable performance was determined by both technical considerations and value choices (Cozzetto et al. 1995, 197). In brief, it took a long time for the Congress to accept Smith's (1944, 181) argument that "a budget which serves as an effective instrument of executive management also serves as the most effective instrument of legislative control."

### ***Rapid Rise of a Conceivably Better Alternative***

In the wake of the first Hoover Commission Report, there were plenty of writings on the administrative advantages of performance budgeting (Schick 1966, 251). The writings about and support for performance budgeting were soon dampened by other inhibiting factors, especially its inherent weaknesses, as discussed previously. In the late 1950s and early 1960s, program budgeting, or PPB,<sup>xv</sup> surfaced and was introduced into the Department of Defense in early 1961. PPB met with tremendous enthusiasm while nascent in the 1960s at the expense of performance budgeting; however, Lee and Johnson (1977, 79) indicated that by the end of the decade, the early enthusiasm was replaced by disenchantment.

Two major reasons accounted for the enthusiasm among public policy makers toward PPB. First, it inherited some strengths of performance budgeting. The premature decline of performance budgeting was an important foundation for PPB to develop. Specifically, PPB emphasized the integration of program information and budgeting (CBO 1994, 23) in the way performance budgeting had.

Second, PPB seemed to overcome inherent weaknesses of performance budgeting. As indicated earlier, one of the weaknesses undermining performance budgeting is that it is not a tool well-suited for planning. By contrast, program budgeting served, or at least professed to serve, the planning function. The ascendancy of program budgeting was supported by the rise of several analytical tools facilitating the inclusion of the planning function<sup>xvi</sup> into federal budgets. Budgeting scholars have slightly different views on what those tools were. All of them unanimously agree on the influence of economics, though. In fact, economic analysis had been involved in the public finance issues regarding Key's (1940) question about how to allocate "x dollars to activity A instead of activity B." During the late 1950s and the 1960s, budgeting was as quick to embrace economic theories as it had been to borrow from management literature in the decades before (Kelly 2005, 99). In addition to economics, Lee and Johnson (1977, 80) identified five other related fields that helped the PPB carry out its planning functions – namely operations research, general systems theory, cybernetics, computer hardware, and systems analysis – whereas Schick (1971, 32) pointed to two other sectors: new data sciences and planning.

Not only was program budgeting thought to better function as a planning tool, but it purported to eliminate, or at least diminish, another weakness of performance budgeting. While performance budgeting failed to consider competing claims made on funding resources, program budgeting could do so. This feature was thought to improve allocative efficiency in budgeting practices.

## CONCLUSION

This paper has discussed primary factors ascribed to the prolonged rise of performance budgeting and its premature decline. The scientific management movement, public pressure for more efficient government, and the expansion of government responsibilities contributed substantially to the emergence of this budgeting practice. This paper has also identified three factors that prevented performance budgeting from being institutionalized sooner and having a longer life: its inherent weaknesses and limitations, the struggle for power between the legislative and executive branches, and the rise of program budgeting. Notably, the decline of performance budgeting in the middle of the twentieth century does not mean that it is a complete anachronism in the context of modern federal budgeting practices. On the contrary, performance budgeting has been revived at the federal level.<sup>xvii</sup> Particularly, Vice President Al Gore's National Performance Review reinstated performance budgeting in federal government agencies in the mid-1990s. The comeback of performance budgeting could be attributable to Frederick Taylor's "ghost" of public sector efficiency, which still haunts present-day government (Schachter, 2007). This indicates that performance budgeting is far from a "flash in the pan." As Kelly and Rivenbark (2003, 16) put it, performance budgeting is a concept with staying power. Further research is warranted to account for the "staying power" of performance budgeting.

## NOTES

- ii. Ridley and Simon (1938) identified five types of measurement – needs, results, costs, effort, and performance. The latter three are combined into a measure of administrative efficiency (Schick 1966).
- iii. The other two founders were William H. Allen, and Henry Bruere.
- iv. The call was itself indicative of the President's desire to "cut down the expenses of the Government, and at the same time improve its efficiency" (Taft 1911, 43).
- v. As discussed in later sections, given the legislature's hesitation to lose its traditional grip on budgeting issues, the enactment of the 1921 Act was "probably the greatest landmark of our administrative history" (Emmerich 1971, 40).
- vi. As noted in Roberts (1998, 263), the promotion and defense of public administration as a science by the Brownlow Committee members, especially Luther Gulick, met with resistance from both outside the field (opponents of municipal reforms in Chicago, Knoxville, and New York, Rockefeller trustees, academics in other disciplines) and inside the field of public administration (Schuyler Wallace, the Brookings Institution).
- vii. The Bureau was then renamed the Internal Revenue Service in 1953.
- viii. Schick (1966, 250) noted that the format of traditional object accounts were retained in performance budgeting, but management advanced in importance.
- ix. For instance, Williams (2004a, 6) points out that the first director of the Bureau of Budget preferred a cost-cutting budgeting approach to a performance-based one.

- x. Roberts (1960, 77-8).
- xi. See Kelly and Rivenbark (2003) for further discussions.
- xii. Debates over the recommendations were really intense. They took eleven days of hearings held by committees in both the House and Senate in September and October of 1919, and four days of hearings in the Senate in December 1919 and January 1920 (JCOC 1993).
- xiii. Some could argue that World War I might have deflected the attention of Congress to the Act.
- xiv. Specifically, Roberts thought that the report cast too broad a net in terms of the range of issues covered.
- xv. PPB stands for planning-programming-budgeting.
- xvi. Schick (1966, 244) identifies three functions of budgeting: control, management and planning.
- xvii. That is not to mention the more prevalent adoption of performance budgeting has at the state level. By 1999, 47 states out of 50 have officially required performance budgeting (Melkers and Willoughby 2001).

#### REFERENCES

- Bruère, H., et al. (1912). Efficiency in city government. *Annals of the American Academy of Political and Social Science*, 41, 3-22.
- Burkhead, J. (1956). *Government budgeting*. New York: John Wiley & Sons, Inc.
- Burrows, D. (1949). A program approach to federal budgeting. *Harvard Business Review*, 27, 272-285.
- Cleveland, F. A. (1915). Evolution of the budget idea in the United States. *Annals of the American Academy of Political and Social Science*, 62, 15-35.
- Commission on Economy and Efficiency (CEE). (1912). The need for a national budget, House Documents, 854. Cited in R. Lee & R. Johnson (1977). *Public Budgeting Systems*. Baltimore: University Park Press, p. 65.
- Commission on Organization of the Executive Branch of the Government (COE). (1949). Report. Cited in J. Rabin (Ed). (1988). *Handbook of Public Administration*. New York: Marcel Dekker, Inc.
- Congressional Budget Office (CBO). (1994). *Using performance measures in the federal budget process*. Washington DC: Congressional Budget Office.
- Cozzetto, D., et al. (1995). *Public budgeting: Politics, institutions, and processes*. New York: Longman Publishers.
- Graham, O., Jr. (1976). *Toward a planned society: From Roosevelt to Nixon*. New York: Oxford University Press.



Phuong H. Nguyen

- Gulick, L. (1937). Notes on the theory of organization. In L. Gulick & L. Urwick, *Papers on the Science of Administration*. New York: Institute of Public Administration.
- Joint Committee on the Organization of Congress (JCOC). (1993). Retrieved December 20, 2007, from Organization of the Congress: <http://www.rules.house.gov/archives/jcoc2w.htm>
- Kelly, J. (2005). A century of public budgeting reform: The "Key" question. *Administration and Society*, 37, 89-109.
- Kelly, J., & Rivenbark, W. C. (2003). *Performance budgeting for state and local government*. Armonk, NY: M.E. Share.
- Key, V. O., Jr. (1940). The lack of a budgetary theory. *American Political Science Review*, 34, 1137-1144.
- Lee, E. W. (1995). Political science, public administration, and the rise of the American administrative state. *Public Administration Review*, 55(6), 538-546.
- Lee, R., & Johnson, R. (1977). *Public Budgeting Systems*. Baltimore: University Park Press.
- Lewis, V. (1952). Toward a theory of budgeting. *Public Administration Review*, 12(1), 42-54.
- Kilpatrick, W. (1936). Classification and measurement of public expenditures. *Annals of the American Academy of Political and Social Science*, 183, 19-26.
- Kong, D. (2005). Performance-based budgeting. *Public Organization Review: A Global Journal*, 5, 91-107.
- Kull, D. (1949). Decentralized budget administration in the Tennessee Valley Authority. *Public Administration Review*, 9(1), 30-35.
- Melkers, J., & Willoughby, K. (2001). Budgeters' views of state performance-budgeting systems: Distinctions across branches. *Public Administration Review*, 61(1), 54-64.
- Pilegge, J. (1997). Budget reforms. In R. Golembiewski & J. Rabin (Eds.), *Public budgeting and finance*. New York: Marcel Dekker, Inc.
- Ridley, C., & Simon, H. (1938). *Measuring municipal activities*. Chicago: The International City Managers' Association. Cited in D. Williams 2004b. Evolution of performance measurement until 1930. *Administration & Society*, 36, 131.
- Roberts, Alasdair. (1998). The unassailable principle: Why Luther Gulick searched for a science of administration. *International Journal of Public Administration*, 21(2-4), 235-274.
- Roberts, A. (1996). Why the Brownlow Committee failed: Neutrality and partisanship in the early years of public administration. *Administration & Society*, 28(1), 3-38.

- Roberts, R. (1960). USDA's pioneering performance budget. *Public Administration Review*, 20(2), 74-78.
- Sands, H., & Lindars, F.W. (1912). Efficiency in budget making. *Annals of the American Academy of Political and Social Science*, 41, 138-150.
- Schachter, H. L. (2007). Does Frederick Taylor's ghost still haunt the halls of government? A look at the concept of governmental efficiency in our time. *Public Administration Review*, 67(5), 800-810.
- Schick, A. (1971). *Budget innovation in the states*. Washington DC: The Brookings Institutions.
- Schick, A. (1966). The road to PPB: The stages of budget reform. *Public Administration Review*, 26(4), 243-258.
- Seckler-Hudson, C. (1954). Performance budgeting in the government of the United States. *Public Finance*, 7, 328). Cited in R. Lee & R. Johnson. (1977). *Public Budgeting Systems*. Baltimore: University Park Press, p. 67.
- Smith, H. (1944). The budget as an instrument of legislative control and executive management. *Public Administration Review*, 4(3), 181-188.
- Smithies, A. (1955). *The budgetary process in the United States*. New York: McGraw-Hill Inc.
- Stonich, P. (1977). *Zero-base planning and budgeting: Improved cost control and resource allocation*. Homewood, IL: Dow Jones-Irwin.
- Taft, W. (1911). Address of President Taft: At the luncheon of the Economic Association, at the Raleigh Hotel, Washington DC, December 28, (1911). *American Economic Review*, 2(1), Supplement, Papers and Proceedings of the Twenty-fourth Annual Meeting of the American Economic Association.
- Taylor, F. W. (1991). *The principles of scientific management*. New York: Harper & Row.
- Upton, L. D. (1924). Half-time budget methods. *Annals of the American Academy of Political and Social Science*, 113, 69-74.
- U.S. Department of the Treasury (USDOT). (2008). *Fact sheets: Taxes*. Retrieved March 10, 2008, from History of the U.S. Tax System: <http://www.ustreas.gov/education/fact-sheets/taxes/ustax.shtml>
- Wallis, J. (1984). The birth of the old federalism: Financing the New Deal, 1932-1940. *The Journal of Economic History*, 44(1), 139-159.
- Wattenberg, B. J. (1976). *The statistical history of the United States: From colonial times to the present*. New York: Basic Books, Inc., Publishers.
- Williams, D. W. (2004a). Performance measurement and performance budgeting in the United States in the 1950s and 1960s. Conference of the European Group of Public Administration.

Phuong H. Nguyen

Williams, D. W. (2004b). Evolution of performance measurement until 1930. *Administration & Society*, 36, 131.

Williams, Daniel W. (2003). Measuring government in the early twentieth century. *Public Administration Review*, 63(6), 643-659.

Willoughby, W. (1918). The movement for budgetary reform in the States. New York: D. Appleton and Company for the Institute for Government Research. In J. Shafritz, A. Hyde, & S. Parkes (Eds.) (2004). *Classics of Public Administration*. California: Thompson Wadsworth.