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Abstract/Proposal

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Performance Measurement and Performance Budgeting in the United States in the 1950s and 1960s

(Preliminary Version)

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Performance Measurement and Performance Budgeting in the United States in the 1950s and 1960s

(Preliminary Version)

This paper continues the study of performance measurement that I have undertaken and published in “Before Performance Measurement” (Williams 2002), “Performance Measurement in the Early Twentieth Century” (Williams 2003a), “The Evolution of Performance Measurement Until 1930” (Williams 2004), and “The Role of Performance Measurement in the Public Administration Discipline: Then and Now” (Williams 2003c), as well as several unpublished manuscripts. The object of this research is to examine the rise and evolution of performance measurement from roughly 1900 to 2004.

Evidence presented in earlier research shows that the preconditions necessary for performance measurement to arise was met until the late 1800s, so the practice arose in the late 1800s or early 1900s. While other developments are relevant, the most specific beginning of performance measurement is the rise of government research at the New York Bureau of Municipal Research. The practice narrowed substantially in the late 1920s and became associated with proto-performance budgeting in the early 1930s, while it became associated with the specific practice of performance budgeting in 1949.

Thus the period of the 1950s and 1960s reflects the rise of performance budgeting. It also reflects the rise of the post-war generation of academic social scientists, which is roughly the second generation of statistical social scientists within the United States.
This is the period of expanding program evaluation and the rise of policy analysis. While policy analysis is fairly distinct, program evaluation is largely the same thing as performance measurement, but as practiced by social scientists with a different skill set than public administrators.

This paper will examine the continued evolution of performance measurement practices and other closely related practices including those of productivity improvement and program evaluation as they developed through the 1950s and 1960s. As this is a period of performance budgeting, there will also be an examination of the link back to budgeting, planning, and policy analysis.

This historical analysis is focused on the intellectual developments, not on the diffusion of the practice. It is based primarily on the intellectual literature. For the earlier periods there has been an attempt to examine a 100% sample of identified performance measurement literature. For this more modern period, it is likely that the literature will have to be sampled. The sample will focus on principle representative intellectuals.
Performance Measurement and Performance Budgeting in the United States in the 1950s and 1960s

What happens in the primordial idea soup before a discipline forms any strong paradigm? Do the same two or three proto-paradigms churn around in endless variation? Do proto-paradigms get introduced, entertained and tossed out? Does the para-discipline grope through quasi-existence as it introduces practical ideas that are nonetheless ununited through discipline-wide theory? We could go on speculating for some time. In the Public Administration discipline there is a literature of faddism in ideas and a hint that what goes on is some form of cycling of ideas. Faddism might reflect a groping through a series of quasi-paradigms that never quite fit the bill. Cycling, on the other hand, looks a little like churning through same handful of proto-paradigms in variation.

During the 1990s the analytic side of Public Administration has offered us a couple of fads, or have they been a new iteration of a cycle? What I am talking about, of course, are performance measurement and performance budgeting, all wrapped into New Public Management. These popular techniques look a bit like fads because they could follow on to the TQM business of the late 1980s. But their link to New Public Management and its theme of management discretion suggests a recombination of the proto-paradigms in the US in the early- to mid-20th century.
The current era of performance measurement has been incubating since the 1970s with critical threshold events have increased the significance with the popularity of *Reinventing Government* (Osborne and Gaebler 1993) and the associated *National Performance Review* (1993) and *Government Performance and Results Act of 1993*. In a slightly delayed phase, modern popularity of performance budgeting is essentially entirely post-NPR/GPRA.

The first era of performance measurement and performance budgeting in the United States stretches back to the beginning of the 20th century. There is scant evidence of any substantial modern developments anywhere else prior to these developments. If one suspected they were there, nonetheless, the place to look would be Germany or possibly France. However, some of the technical antecedents of performance measurement are not substantially older than performance measurement itself. As I have shown elsewhere, the building blocks of performance measurement are found primarily in cost accounting, the “social survey,” government statistics, scientific management, pragmatism, and the individuation of political science. These antecedent practices arose in the United States and in Europe, principally Germany (Prussia), France and England. Performance measurement and, particularly the early theory of performance budgeting, served a useful political device to answer the question: how can the Executive act with broad discretion and still be subject to legislative oversight? This question was of special interest in the United States, which may contribute to the reason performance measurement and performance budgeting arose here (Williams 2000, , 2002, , 2003a, , 2003b, , 2003c, , 2004).
A typical account of early US budgeting practice shows a succession of practices beginning with line item control budgeting promoted by the New York Bureau of Municipal Research, followed later by a decision focused budget, and later yet, around 1950, the creation of the first performance budget (Kelly and Rivenbark 2003). While this account is loosely correct in broad dimensions, it leaves out a lot. The Bureau of Municipal Research implemented its variant of budgeting developed by Frederick Clow and promoted by the National Municipal League and its colleagues at the local government division of the Census Bureau. This was a rationalization of budgeting, not the invention of it. Budgeting, or at least appropriating with some prior deliberation, had been with the appropriating bodies in the United States since they had gained appropriating power. However, there is some evidence that many legislatively dominated appropriating bodies were focused on local interests for many years prior to 1900.

The literature of the Bureau of Municipal Research makes it very clear that the line item budget (the segregated budget) did not begin its life as a control budget. This function was a secondary use. Its primary use was as a universal cost accounting device, which is another way of saying as a performance budget. The objective of the line item budget was to align costs with the functions of government, which could then be used to decide on which functions of government to fund. Segregating the budget soon got out of hand, partly because the cost accounting device was also serving as the control device and in less than a decade the Bureau of Municipal Research proposed a second form of the budget known as the Executive Budget, which was again aimed at focusing attention on
the purposes of government. How it fared at the state and local level is outside the scope of this paper, at the federal level it did not fare too well because the first director of the Bureau of the Budget took more of a cost cutting approach. Something like the Executive Budget emerged again in the mid-1960s under the name program budgeting.

Performance measurement incubated and matured in the 1910s and 1920s. In the late 1920s it gained a critical champion in Clarence Ridley, who soon became the executive director of the International City Managers Association (ICMA, now International City/County Management Association) and a professor at the University of Chicago. At that time, “international” meant the United States and Canada (Vogel 1967). Ridley wrote the first doctoral dissertation on performance measurement (Ridley 1927), developing close ties to Lent Upson, who himself had close ties to the Henry Bruere, Frederick Cleveland and William H. Allen, the originators of the practice and the original leaders of the Bureau of Municipal Research. Upson’s connection to them was through his attendance in the first or second class at the Training School at the Bureau of Municipal Research. With the resources of the Spelman fund and the connections of Louis Brownlow and Charles Merriam behind him, Ridley developed performance measurement during the late 1920s and continued through the early 1950s.

**Core Antecedents**

Ridley’s associates are the who’s who of performance measurement and performance budgeting from 1920 to 1950. First of all, Lent Upson remained active in performance and productivity until approximately 1940. He was the director of the Detroit Bureau of
Municipal Research where he conducted a number of studies that would now be considered government-wide performance audits. But his special interest was police work and he served on the committee of the International Chiefs of Police that created the monthly Uniform Crime Report that is still used in the United States. This report was initiated in 1930. Ridley’s 1927 dissertation shows a familiarity with the rationale behind the final decisions in this report process. In 1927, the only two broad areas of public activity that had better quality performance measurement than police work were health and fire protection.

Out of Uniform Crime Report task force, Ridley gained another associate, Donald Stone. Stone worked on a number of task forces related to sanitation and street cleaning reporting (Ridley 1929, ; Stewart 1950, ; Stone, Moe and Ridley 1930, ; Stone, et al. 1931a, , 1931b). These projects were eventually taken over by the American Public Works Association. In any history of performance budgeting these reports are of critical interest, so I will return to them later on. Stone went on to become a Deputy Director of the Bureau of the Budget, where he was in a critical role related to implementing the recommendations of the first Hoover Commission.

Another associate in the same task forces on sanitation and street cleaning was Arthur Eugene (A. E.) Buck (Ridley 1929, ; Stewart 1950, ; Stone, Moe and Ridley 1930, ; Stone, et al. 1931a, , 1931b). Buck was the representative from the Institute of Public Affairs (IPA), which was the renamed New York Bureau of Municipal Research. Ridley had worked there briefly before becoming the director of the ICMA and, in fact, the IPA
had put in a bid to co-control the ICMA, before Charles Merriam won out through his superior connections to Louis Brownlow and the Spelman Fund (Vogel 1967). Through Buck and the IPA, Ridley is, of course, indirectly associated with Luther Gulick, who through longevity if nothing else, became the face of traditional American Public Administration. Buck was also the frequent co-author of texts with Frederick Cleveland. Most importantly, Buck was a principal author of the budget section of two major reports, that of the Brownlow Commission (although he dissented to the recommendation to put the budget office in the Executive Office of the President), and the first Hoover Commission.

Back at the ICMA, Ridley had two other performance measurement related associates. First, there is Orin Nolting. Nolting was Ridley’s assistant director for nearly 30 years and he became the director on Ridley’s retirement. He and Ridley wrote a number of government efficiency texts together, particularly during the Depression years. One of these is *How Cities Can Cut Costs* (Ridley and Nolting 1933) published in the height of the Depression. While there is adequate evidence that Ridley was interested in efficiency even before the Depression, its occurrence during his watch as the executive director of the ICMA appears to have increased his interest in management efficiency initiatives during the 1930s.

The last associate is Herbert Simon. Simon was Ridley’s student at the University of Chicago and followed the age old path of mentoring with the more senior scholar. This relationship led to a series of 13 joint articles published in *Public Management*, which
Ridley edited (Ridley and Simon 1937a, 1937b, 1937c, 1937d, 1937e, 1937f, 1937g, 1937h, 1937i, 1937j, 1938a, 1938b, 1938c). These articles were then collected into *Measuring Municipal Activities* (Ridley and Simon 1938c), which is an update and expansion of Ridley’s dissertation. *Measuring Municipal Activities* was the state of the art in 1938 and was still the state of the art when reissued in 1943. The ICMA published a scaled down version of this text in 1949 under the title *Specifications for the annual municipal report: suggestions for the content, preparation, design, publication and distribution of the annual municipal report* (Ridley and Simon 1948). This last title reflects a refocusing on reporting rather than measuring.

**More distant antecedents**

These activities constitute the core antecedents of more recent performance measurement because they are directly linked to the performance budgeting of the 1950s, PPB of the 1960s and the return to productivity and performance measurement after 1970. There are, however, a few other antecedents that are worthy of brief mention.

William Munro and Louis Head are the end of the line for an effort to measure the performance of government broadly. This effort also traces back to William H. Allen and has some link to Charles Beard and even Lent Upton. Munro proposed 25 criterion for the judgment of government, only one of which is the efficient performance of government service (Munro 1926). Head actually implemented these criteria for Dallas, Texas (Head 1927). While it is dangerous to engage in counterfactual reasoning in history, we might wonder what sort of performance measurement system Louis Head
would have championed had he been the executive director of the ICMA for nearly 30 years. While there is controversy over Munro, his criteria ask questions about how well government governs, not just how well government employees deliver services.

William Bracy, Edison Cramer and Mabel Walker represent the effort to compare governments on service delivery and, perhaps, quality of life (Bracy 1924, ; Cramer 1929, 1934, ; Walker 1930). Bracy and Cramer were with the Colorado Municipal League and Walker wrote a dissertation at Johns Hopkins University. Walker, in fact, had a career that is somewhat parallel to Ridley’s except that she was the executive director of a tax association centered in Princeton, New Jersey. Bracy and Cramer conducted three successive comparative studies at five year intervals of principle Colorado towns and cities. Walker conducted a study of all the major cities in the United States. All tried to establish an index of government service based on government performance data, similar to the sort of data that might be found in a performance report. While these studies are interesting, there is no evidence that anyone followed them on in successive years.

Herman Beyle and Wyle Kilpatrick took special interest in government reporting (Beyle 1928, ; Kilpatrick 1928, ; Kilpatrick and Stone 1928). Interest in government reporting can also be traced back to William H. Allen. Kilpatrick was associated with IPA and with Donald Stone, while Beyle completed graduate work at the University of Chicago before taking a teaching appointment at Syracuse University. They are, therefore, reasonably close to Ridley’s associations. Their work is somewhat later in time than
Ridley’s and reflects his influence. Still it might have led to independent developments. There is some evidence that they, particularly Beyle, originated the practices that led to the citizen satisfaction survey. Beyle moved on to public opinion research within a few years. Kilpatrick went to the federal government then to Florida where he continued to work in public finance, but appears to have lost any interest in reporting. Subsequent work on reporting was carried on by the ICMA, particularly Nolting and others. Their publications in the late 1950s and early 1960s are much more oriented to report format and the attractiveness of the annual report. However, Mordecai Lee has done much more work in this area than I have.

The sociological studies, as represented in the early days of performance measurement by William Ogburn (Ogburn 1917), continued in the 1930s and 1940s through the work of such individuals as Edward L. Thorndike whose works included *Your City* and *144 Smaller Cities* (Thorndike 1939, , 1940). These sociological studies may continue to crop up from time to time, but are no longer contenders for measuring governmental functions.

The business of citizen surveys of government, that is studies or audits of government and community by citizens, continued on into the 1950s (Warren 1955, ; Williams 1931, ; Wisconsin Conference of Social Work 1927). In general these guides got longer and longer without attaining a central focus. They became 1000 questions you might ask about your government, or even more. It is not clear what function they served or who they influenced.
The last of the lesser antecedents is the practice of governmental competitions. In the United States, this practice is known as the All American Cities competition. The National Municipal League created this competition in 1950 under the leadership of Alfred Willoughby, a relative of WW and WF Willoughby. Its aim is to recognize the best governed cities in America ("All American City: History" 2004). It goes on today and is at least vaguely associated with many other comparative practices such as the business of magazines that compare the livability of various communities. It bears a weak resemblance to the work of Bracy, Cramer and Walker. However it is a juried competition, nothing else, and cannot be put on the same level as measurement and indexes however constructed.

The only apparent antecedent left out of this list is early program evaluation. It, too, arose in parallel with performance measurement during the 1920s. Whether it is a separate practice, or the other end of a continuum with performance measurement is a matter to be discussed in another paper. There is evidence that the early use of the term evaluation in its modern role is associated with education research (Mills 1935, ; Reeder 1941), however, more research is needed to resolve this matter. From early on, the term appears to imply a social science design in looking into questions of government or program performance. How this fact interacts with the language of government management and its “science” is not clear at this point.

New Developments
By 1950, the ICMA had been pushing performance measurement and management efficiency programs for 20 years. These were constant themes of *Public Management* and the *Municipal Yearbook*. The typical city manager, who was the *sine qua non* of Public Administrator in 1950, could hardly have missed the topic. Leonard White’s third edition of *Introduction to the Study of Public Administration* specifically reviews Ridley and Simon (White 1949, 67-68) and Simon, Smithburg and Thompson’s just out *Public Administration* contained a chapter “Evaluating Administration: Efficiency” (Simon, Smithburg and Thompson 1950, 488-512).

These, of course, were overshadowed by the big development. That development was the 1949 Hoover Commission Report which recommended Performance Budgeting. Exactly what was performance budgeting? The most likely candidate to tell us this is the author of the report, A. E. Buck. He says there is nothing new to performance budgeting except the name. He first tried performance budgeting in Richmond County (Staten Island), New York in 1913 or 1914 and would have continued developing it had it not been for a change of mayors (Buck 1949). Performance Budgeting is just budgeting where you have analyzed the sources of your costs. With a little more examination, you learn that A. E. Buck’s, that is, the Hoover Commission’s, performance budget is a budget that is built out of a fully developed cost accounting system. Costs are driven by cost sources, that is service units, which are analytically overlaid onto programs to determine program needs. Curiously, this is the idea that William H. Allen, Henry Bruere, and Frederick Cleveland thought they had brought to the New York City Department of Health in 1907. Buck claims that Hoover labeled this form of budgeting “performance budgeting” in
order to give it a distinctive title. Thus, in 1949, Herbert Hoover and A. E. Buck
conspired to bring into the world the fully cost justified budget under the name
performance budget. Few people outside the federal government (if they can) can place
their finger on anything else brought to life by the first Hoover Commission.
Performance Budgeting, however, has been with us to stay.

The year 1950 brought us something else, as well. It brought a change of the guard.
Upton had died. Ridley’s focus changed to providing information services to the
membership of the ICMA. Simon moved on to other research. Beyle and Kilpatrick
moved out of the business of reporting. Buck neared retirement. Nolting stayed on as a
loyal second to Ridley, following him into information services. Stone had the whole
federal budget to work with.

The new guard included Frederick Mosher (Mosher 1954) and Frank Sherwood
(Sherwood 1954). Sherwood represents the continuation of the performance
measurement and performance budgeting trend. During the 1950s Public Management
(the ICMA) was particularly active in promoting performance budgeting. Sherwood
wrote articles on how to implement performance budgeting, particularly in the absence of
solid cost accounting data. The idea was to impute cost accounting information without
too much risk or concern (depending on your perspective). There was a period of time
during which there were numerous testimonials from city managers or senior staff who
implemented performance budgeting throughout the country. Similar articles could be

Mosher, on the other hand, represented the resource rich end of government, the Department of the Army, which went beyond performance budgeting to “Program Budgeting.” Whether program budgeting was then, or ever became a separate type of budgeting has been subject to debate (Axelrod 1974, ; Schick 1974). However, at the very minimum at the Department of the Army, program and performance budgeting gained access to every possible resource for an appropriate underlying accounting basis. In this variant, budgeting was used in the way analysts had been dreaming for the previous half century, as a device for driving through every decision based on full cost knowledge and the weighing of comparative value of anticipated results based on the best possible estimate of unit driven costs. Ten years later, this became the model for reform of the entire federal budget system. According to Schick, Novick and possibly Mosher the distinctive feature of program budgeting is its planning perspective (Mosher 1954, ; Novick 1968, ; Schick 1966). This would probably come as a surprise to the early proponents of performance budgeting, who were, by the late 1960s, conveniently no longer on the scene. Nonetheless, just as performance budgeting was getting its start with the Hoover Commission’s endorsement, this alternate version was getting a leg up with the endorsement of the Department of the Army and RAND. Consequently, it appears that performance budgeting practices began to get established in state and local government and internationally in countries receiving aid through the Marshall Plan. But, the big client, the United States Federal Government was no longer interested in
dowdy old Performance Budgeting, it wanted a date with Program Budgeting, or PPBS as she was know.

What happened to performance measurement during this period? Did it go away? Did it slink off into the back room and start breaking down? Did it get distorted into other purposes? This is the story still to be told. Uniform Crime Reporting is still going strong, getting more sophisticated as time goes by. There is still evidence that it can be manipulated. During the late 1990s, a division head in the New York City Police Department was fired or reprimanded because he was having the subway police tail suspects out of the subways onto the street so that crimes would be reported in the Precincts rather than in the subway system.

During the Ridley years, performance measurement had moved away from the use as a citizen communication tool about the objectives of government, towards a management tool concerning the responsiveness and achievement of low ranking employees to the demands of their hierarchical superiors. There is evidence that this movement was deliberate (Ridley) 1943). Considering the needs arising during the depression, this reorientation towards management effectiveness might be understandable. Nonetheless, the loss of communication on government objectives, particularly when combined with declining interest in government reporting (Lee …), suggests that performance measurement did indeed move to the back room, that is, it ceased to be an instrument of governance. Instead it became an instrument of management, used by government managers.
Government managers also took a great deal of interest in performance budgeting, at least in the early and mid-1950s. However, it is not apparent that they used this method for governance either. The literature suggests a tight hold on the information. Early performance budgeting was to provide budgeting information to managers. It was a technique that allowed government managers a better insight into how they optimized the use of resources. But the literature does not show how this insight was passed along to the citizens.

The literature falls relatively quite during the late 1950s. In the early 1960s, it picks up again around technique. Then there is a huge burst around PPB(S). This burst makes it very difficult to see what else might be going on. It is, however, in the early 1960s that the word “productivity” begins to come into vogue (Kendrick 1963, ; Lauterbach 1964, ; Lytton 1961). Later in that decade Senator William Proxmire took special interest in government waste. In the middle of the next decade he began to lampoon wasteful decisions with the “Golden Fleece” award. Between Proxmire and President Nixon, there was considerable pressure to find ways to increase federal government productivity and reduce waste. These activities launched the modern interest in productivity improvement.

Interim Conclusion
At the moment this paper is still an historical account, not an analysis of the history. And the history remains incomplete in the 1960s. PPBS is such a loud noise, it drowns out
much else that was going on during the late 1950s and the entire 1960s. The 1960s are a rich period of development, partly because of the rush of energy arriving after the GI bill in the United States. However, American political science education became reoriented after World War II. In particular, there was more interest in European political theory consequent from the huge influx of Europeans into American Universities. During the third and fourth quarters of the 20th century, far fewer presidents of the American Political Science Association were directly and principally involved in Public Administration than in the first two quarters. These changes are likely to have had substantial impact during this period. It is also during this period, or in the early 1970s that citizen surveys and various satisfaction instruments began to develop into their current form.

The modern era of American performance measurement is almost directly tied to the origin of the National Center for Public Productivity, the union of the interests of the Urban Institute and the ICMA, and the introduction of a new set of players around 1970. What of performance budgeting? Donald Axelrod argued that it never died. During the PPBS years, it went underground, but remained. On the other hand, the literature from the 1950s suggests that the US did a better job exporting performance budgeting than it did implementing it at home. There is much that remains to be examined.
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