52-13

1952 (over)

The Whole and the Parts

The other day this newspaper ran a story about spring clips, clipping pennies and the price of pins. It happened to be a story from Schenectady about a big electric company. It ought to have been a story from Washington about a big government.

The General Electric Company deals in billions, too, although not quite so many as the Federal Government. The General Electric Company, like the Government, has found its budget mounting. In 1950 its cost of doing business was $1.8 billion. In 1951 it was $2.2 billion. And the stockholders of GE, like the stockholders of the Government, think something ought to be done about it.

But there the resemblance ceases.

If you mention the word "economize" to anyone in the Federal Government the only reaction you get is a wringing of hands and a wail that the budget is so big nobody can do anything about it. You will be told that the only way you can make any appreciable saving is to knock out essential items—you will be asked disdainfully, for example, if you want to fold up the Air Force, or something equally ridiculous.

When a business sets out to economize, it sets out to economize. It is not intimidated by the size of its whole budget—or, if it is, it is not long for business. Nor is it disdainful of small savings on small items. It will tackle its budget item by item, and on each item it will ask first whether the benefits received from this expenditure justify its cost, and if the expenditure is worthwhile, whether the same results can be achieved more economically.

In a business venture—as the GE story showed—a saving of a few thousand dollars a year on a spring clip, or some other thousands saved on making cheaper-than-a-penny steel pins is not considered useless merely because it seems swallowed in a billion dollar budget. More importantly, it is not enough for a project to be desirable or beneficial; it must be enough so to justify the cost.

There is a reason, of course, for this difference in attitude. A business must cut its costs to fit its revenue. The Government these days thinks all it has to do is raise its revenue to fit its costs. If its purse runs dry it just ups your taxes.

Why should an Air Force officer, say, fret over the cost of clips or the price of taper pins, or even bigger items? Should you question his budget, you are jeopardizing the national safety. Anyway, what's a handful of dollars in a billion dollar basket?

And why should a Government planner hesitate to toss in the budget a few millions for giving electric lights to farmers? Who would argue that it is not desirable for farmers to have electricity? And anyway, what does it amount to when we are giving billions to Europe?

The great reason why we have not Government economy even in the face of a desperate public desire for economy is that Congress, and the rest of us, are only allowed to swallow the budget whole. Congress has no machinery for examining the parts of the budget; the Administration which has the machinery doesn't care. As for the rest of us, we have been bamboozled into paying taxes for the whole without ever thinking that we are really paying taxes for the parts.

Editorial

in

The Wall Street Journal

on

VALUE ANALYSIS ARTICLE

June 2, 1952