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# MUNICIPAL ADMINISTRATION

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# MUNICIPAL ADMINISTRATION

BY

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NEW YORK
PRENTICE-HALL, INC.
1942

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PRINTED IN THE UNITED STATES OF AMERICA

# PREFACE

THIS VOLUME differs from others bearing the same title, not only in organization but also in the treatment of the subject matter. No attempt is made herein to discuss thoroughly the various services and agencies engaged in municipal housekeeping functions; nor are the relative merits of fire apparatus, paving materials, methods of water purification, the disposal of sewage and garbage, and the like, discussed in any detail. Instead, the work is confined chiefly to a discussion of those agencies and departments which are most concerned with the controls of administration. Emphasis is placed upon the tools of management.

No separate chapter deals with the interrelation of governmental units. The subject is treated throughout the volume as the various problems are presented for discussion. No attempt has been made to stud this work with footnotes to substantiate statements which are matters of common knowledge; however, citations are given when it is deemed desirable. No list of selected readings appears at the end of each chapter, for such lists may be found in any similar text now in print.

I have enjoyed so much help and stimulation from the discussions of numerous Texas municipal officials before and during the period this book was in the making that it would be impossible to prepare a suitable memorial to each person. Special mention, however, should be made of a few. I owe a debt of gratitude to E. E. McAdams, Executive Secretary of the League of Texas Municipalities, who has spent hours instructing me in some of the practical aspects and problems of municipal administration. To my students, past and present,

I owe a great deal; they endured much during the time this work was taking form. To Mrs. Margaret Davis Webb, special acknowledgment is made for her assistance and help in making available and preparing much of the material used in the earlier chapters. Similar assistance was rendered by Sam H. Field, Research Assistant in the Bureau of Municipal Research at The University of Texas, on some of the chapters treating of finance; and by Gus Levy, Personnel Director for the City of Austin, and Robert H. Gregory, Instructor in Business Administration at The University of Texas, on Chapters XVI and XIX. Aldro Jenks, staff member of the Bureau of Municipal Research at The University of Texas, read most of the manuscript, criticized it, and commented upon it; sincere appreciation is expressed to him. To Mrs. Helen Blackburn Rylander, who typed the manuscript and also criticized it, I am greatly indebted.

Appreciation is also expressed to the National Institute of Public Affairs, which gave me an opportunity to make a final review and check of the manuscript before it went to press. This was done while I was on leave from The University of Texas, serving as Visiting Educational Counselor with the National Institute.

STUART A. MACCORKLE

# CONTENTS


CHAPTER PAGE

PREFACE . . . . . v

I. INTRODUCTION . . . . . 1

*Part I*

*A BACKGROUND OF THEORY*

II. ORGANIZATION . . . . . 11

III. FUNCTIONS OF ADMINISTRATION . . . . . 34

*Part II*

*MUNICIPAL ADMINISTRATIVE PRACTICES*

IV. MUNICIPAL ADMINISTRATIVE FORMS . . . . . 67

V. EXTERNAL INFLUENCES ON MUNICIPAL ADMINISTRATION 80

*Part III*

*AUXILIARY SERVICES*

VI. MUNICIPAL OFFICERS . . . . . 99

VII. THE MUNICIPAL CIVIL SERVICE . . . . . 118

VIII. THE PERSONNEL AGENCY . . . . . 134

IX. FUNCTIONS OF THE PERSONNEL AGENCY . . . . . 149

X. FUNCTIONS OF THE PERSONNEL AGENCY (Continued) . 165

XI. ORGANIZATION FOR FISCAL MANAGEMENT . . . . . 181

XII. THE BUDGET . . . . . 188

XIII. TAXATION . . . . . 210

XIV. BORROWING AND INDEBTEDNESS . . . . . 238

XV. ACCOUNTING, AUDITING, AND REPORTING . . . . . 256

CONTENTS

*Part IV*

*MAJOR PURPOSE FUNCTIONS*


| CHAPTER | | PAGE |
|---|---|---|
| XVI. | Protective Functions | 279 |
| XVII. | Welfare | 307 |
| XVIII. | Physical Services | 326 |
| XIX. | Public Utilities | 347 |


*Part V*

*PUBLIC RELATIONS*


| | | |
|---|---|---|
| XX. | Reporting to the Public | 375 |
| | Index | 400 |

# MUNICIPAL ADMINISTRATION

# I

# INTRODUCTION

Among the controversial bills appearing during the second term of President Franklin D. Roosevelt was one proposing to reorganize the administrative departments of the Federal Government. Perhaps this measure might have passed in its original form with little question had members of the Congress and their constituents better understood the logical bases for the proposals included in it. In state and even in local government, desirable changes in administrative structure are similarly hampered by a failure to understand the fundamentals of all administration. At the same time, the study of administration has grown apace in recent years. Perhaps it is not too much to hope that in time this area of the field of government will be in large part withdrawn from dispute, thus relieving the electorate and their representatives of many problems which now exist.

Perhaps on no other point has there been so great a meeting of the minds of business and government as on the opinion that there are techniques adaptable to the purposes of both. There has grown up in this century what has come to be referred to as the study of the "science of administration." About the status of this study as a science some doubt may exist; even so, much can be learned through a perusal of material, both theoretical and practical, regarding the subject.

Because administration is capable of various definitions, there has come about a looseness in terminology concerning it which, in part, justifies the exclusion of its study from the sciences.

One writer refers to administration as "the phenomena of getting things done through co-operative human endeavor."[1] Elaborating, he states:

> . . . The science of administration is thus the system of knowledge whereby men may understand relationships, predict results, and influence outcomes in any situation where men are organized at work together for a common purpose. . . .[2]

An eminent French industrial administrator, Henri Fayol, pointed out some years ago that certain activities—"planning, organization, command, co-ordination and control"—are required for the proper functioning of all enterprises, and concluded that "We are no longer confronted with several administrative sciences but with one alone, which can be applied equally well to public and to private affairs. . . ."[3] The five functions listed above form the core of Fayol's conception of administration; and while they are subject to certain theoretical expansions, they will indicate to the student the area of activity included in the study of administration.

By definition, then, public administration is only a part of a larger field—that part which deals with the affairs of governmental entities. It is "essentially the process of carrying out the public will as expressed in law."[4] Like other subjects, public administration has various phases. Here again we encounter the looseness of terminology mentioned before. One writer indicates no less than three aspects of public administration, each progressively more restricted than the other. These are: (1) an aspect which includes all activities engaged in the fulfillment of law—military and judicial administra-

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[1] Luther Gulick, in "Foreword" to Luther Gulick and L. Urwick, editors, *Papers on the Science of Administration* (New York, 1937), p. v.

[2] Gulick, "Science, Values, and Public Administration," Ibid., p. 191.

[3] Henri Fayol, "The Administrative Theory in the State," Ibid., p. 101.

[4] Harvey Walker, *Public Administration* (New York, 1937), p. 61.

tion, production activities, maintenance of airports, and other widely diversified activities; (2) a narrower concept including organization, finance, personnel, nonjudicial law enforcement, and responsibility; and (3) the most technical conception of administration as special functions of overhead management, contrasted with responsibility for established operations and clerical and routine work.[5] Obviously, a treatment of the broadest concept of public administration is beyond the scope of one volume; indeed, perhaps of any one undertaking. On the other hand, to limit the study to overhead management in the municipal field would be to exclude many of the most important aspects of municipal administration. Hence, the body of this volume will be devoted to a consideration of the problems of the executive branch of municipal government, acting on the command of the people through their elected councils and within the limitations imposed by the hierarchy of law in the United States. Consideration will be given at appropriate times to both the broadest and the most technical aspects of administration.

Comment has already been made upon the essential unity of all phases of administration. Despite the fact that it is the intent of this work to draw out from the total field of administration that phase relating to municipal government, nevertheless it is not amiss to couch in general terms some preliminary discussions. These will relate to recent growth in the scope of administration and in the study of the subject, and to the theory of administrative structure and functions. An application of these general discussions to the specific area under consideration, municipal administration, will follow. Subsequent chapters will be devoted to fiscal and personnel management, which make up the body of public administration.

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[5] Leonard D. White, *Introduction to the Study of Public Administration* (New York, rev. ed., 1939), pp. 3–6. This is a very clear discussion of the aspects of public administration.

## Growth of Administration

The growth of the study of administration finds its roots in the expansion of the field of administration itself. This expansion in turn is based on the development of enterprises, both public and private, in this as well as in other countries. The number of organizations has increased, and the scope of their operations is larger than in earlier decades of our history. While it is scarcely possible to discover in detail the causes of expansion, it is interesting to observe some of its influential factors.

Perhaps the most readily noted influence on expansion of enterprises is the actual growth of population. Students are familiar with citations of the increase of population, amounting to 95 per cent between 1890 and 1930, when the official census figure exceeded 122 million. As the country became more populous, social contacts became more numerous and more complex, and organization became necessary for the accomplishment of the many purposes of man's activities. Even more significant from the point of view of municipal administration, and equally familiar to the student, are statistics indicating the trend toward concentration of the population in urban centers. Between 1890 and 1930 population in places of 2,500 and over increased 209 per cent; in cities of 30,000 and over, 276 per cent.[6] Comparison of the last figure to the rate of increase of the population as a whole indicates the astonishing drift to the cities characteristic of this century. Furthermore, while the population of the entire country in 1940 had passed the 130 million mark, the trek to the urban areas has continued.

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[6] These and many other figures bearing on urban trends may be found in *Urban Government*, Supplementary Report of the Urbanism Committee to the National Resources Committee (Washington, 1939), part I.

The effect of such growth and concentration on administration is apparent. Social contacts are so numerous and so complex that the individual is confused; conflicting influences so common and so strong that many social impulses are negated. Anonymity, and hence irresponsibility, are so easily attained that individual action is at best aimless, at worst anti-social. A semblance of order has been brought into this otherwise chaotic condition by organizations engaged in administering affairs ranging from production and sale of commodities to bridge parties.

Not only has administration evolved to meet the needs of a complex situation; it might also be said that administration has grown with the increase of functions and activities, public and private. Business has taken on many new activities and has found many new commodities to produce and sell. Government, on the other hand, has taken over service after service from private agencies, and within the broad outlines of these functions has set up numerous new activities. Control of agricultural production, increasing controls in the fields of finance, the production of power, research and educational services, social security, and the like—all these represent departures from earlier ideas of the sphere of government. Such departures have been made as the result of national emergencies, or in recognition of slowly growing needs, or as the result of a combination of both. Whatever the causes, many activities formerly engaged in independently, if at all, are now carried on by organized groups, and all kinds of administration have increased enormously in recent decades in the United States.

The place of mechanistic and scientific advancement in the expansion of administration is an important one. On the one hand, improvement of transportation and communication has increased the mobility of the population, contributing first to the spread and later to the concentration of people. The estab-

lishment of large manufacturing industries has helped to draw people to the cities and has thereby augmented the complexities of social life. On the other hand, the tasks of administration have been immeasurably facilitated by the selfsame technological improvements.[7]

Organization and administration were in an earlier day highly informal; largely unconscious. As the field enlarged, however, and the complexities increased, men turned to a study of the problem of realizing the full effectiveness of this device of administration—a study which proved useful in accomplishing their purposes. In an earlier day, private outran public administration in the study and application of the logic of organization and administration.[8] Lately, however, the two have joined forces in an effort to discover underlying principles which are universally helpful in accomplishing the aims of administration.[9]

## Administration as a Science

As mentioned earlier, efforts have been made in recent years to place the study of administration on the level of the sciences. While most students of the subject have not made outright claim to such a classification, they have on occasion implied

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[7] Social effects of mechanical inventions receive able treatment by W. F. Ogburn and S. C. Gilfillan, "The Influence of Invention and Discovery," in *Recent Social Changes* (London, 1927), ch. III; and by J. G. Thompson, *Urbanization* (New York, 1927); both of which works also take cognizance of social inventions as represented by such developments as the city manager form of government and tourist camps.

[8] Frederick W. Taylor, an American engineer and industrialist, was among the first to enter on experiments for the improvement of administration. The routine accepted theories of scientific management have long been taught in schools of business management.

[9] See the titles by James D. Mooney and Alan C. Reiley, L. Urwick, and Edgar W. Smith, cited in the following chapter, for examples of industrialists who have contributed to the literature used by students of public administration. A brief but excellent statement of the similarity of public and private administration is found in an editorial, "Reorganization in Public Administration," in *Bulletin of the International Management Institute,* VIII (Geneva, June, 1933), p. 79.

its existence.[10] An eminent American writer in the field has this to say:

> . . . the process of administration in its present stage of development is more wisely described as an art rather than as a science.[11]

Other American writers appear to take a similar position.[12] Agreeing with them is L. Urwick, one of the most prominent English students of administration, who approaches the subject through business and industry. His conclusion is well worth consideration:

> The fact . . . that a particular science cannot be comprehensive in its results in no way implies that the study of the subject concerned from a theoretical standpoint may not be of great utility for practical life, provided that the underlying assumptions on which the theoretical structure is built up are not too far removed from the probabilities indicated by general experience of human behaviour. . . .[13]

"On the other hand," he states, administration "can use the scientific temper and the scientific method."[14] More recently, Charles A. Beard, dean of American political scientists, has come out in emphatic support of administration as a science.[15]

Whatever the status of such a study as administration, the fact remains that since the early work of Frederick W. Taylor,

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[10] The title, *Papers on the Science of Administration,* contains such an implication. Neither the editors of this volume nor the contributors to it, however, strongly claim scientific standing for the subject.

[11] White, *op. cit.,* 16n.

[12] John M. Pfiffner, for example, in his *Public Administration* (New York, 1935), says that no claim is made to having worked out "a fool proof answer to every administrative problem," but that "The scientific approach, not the rule-of-thumb, characterizes the methodology of the new public administration." Pp. 8–9.

[13] L. Urwick, *Management of Tomorrow* (London, 1933), p. 53.

[14] *Ibid.,* p. 20.

[15] Charles A. Beard, "Philosophy, Science and Art of Public Administration," *Proceedings of the Twenty-Eighth Conference of the Governmental Research Association* (Princeton, 1939), pp. 127–133.

at the turn of the century, the subject has received much attention from both students and practitioners. As a result, a body of rules which have come to be regarded as principles of administration has been built up.[16] In this system, those rules relating to structure, or organization, have come to play an important part, and it is to them that we turn our attention in the next chapter. Succeeding chapters will deal with the work of the chief administrator and with an application of theory to the municipal organization.

[16] One recent writer who has had much practical experience in public administration objects to the use of the term "principles," conceiving it to connote more absolutism than can be given to the characteristics of administration. He prefers the use of the word "factors," as more flexible and tentative. Lewis Meriam and Laurence F. Schmeckebier, *Reorganization of the National Government* (Washington, 1939), pp. 48–51. Perhaps such an objection partakes of casuistry. Other writers proclaim the existence of these principles in the most elementary forms of administration. See, for example, James D. Mooney, "The Principles of Organization," in Gulick and Urwick, editors, *op. cit.*, p. 91. The variations between organization and organization occur in the greater differentiation of the functions expressing these principles, and in the interrelations of the principles in application.

# Part I

# A BACKGROUND OF THEORY

# II

# ORGANIZATION

REFERENCE has been made to the importance of organization as a part of administration. Before a discussion of organization can have value, however, it must be clearly distinguished from administration. As the term is employed here, organization is a part, a phase, of administration. Organization is commonly taken to mean structure or form, and in general this is its meaning in writings on administration. Used in this manner, "it connotes the system or methods established."[1] From a really technical point of view, however, the term is either deliberately or unconsciously used by students in the sense of a process: that of *"dividing up all the activities . . . necessary to any purpose and arranging them in groups which are assigned to individuals."*[2] Discussing this question of the relation of organization and administration elsewhere, Urwick repeatedly expresses the idea that administration has two aspects: the structural or mechanical aspect, which is organization; and the dynamic, which is co-ordination.[3] Other writers have similar concepts.[4]

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[1] L. Urwick, *Management of Tomorrow* (London, 1933), p. 52.

[2] *Ibid.*, p. 53; italics in the original. James D. Mooney and Alan C. Reiley, in *Onward Industry!* (New York, 1931), pp. 12–14, liken organization to the human body together with its vital processes.

[3] Urwick, *op. cit.*, p. 23.

[4] Mooney and Reiley, *op. cit.*, p. 13, set up an "organic" and "psychic" dichotomy which is applied to the various organizations covered by their volume. Meriam employs a concept of "continuous reorganization" which implies a dynamic characteristic for organization. Lewis Meriam and Laurence F. Schmeckebier, *Reorganization of the National Government* (Washington, 1939), pp. 19–21, 143–168.

One who reads the works cited in these notes must, of course, take care to become familiar with the definitions employed by the respective writers. As previously mentioned, the terminology in this field is not yet standardized.

Organization, then, is the framework in which and through which functions are fulfilled and duties performed. It involves the arrangement of duties and personnel in such a manner that the aims of the organization are realized with the greatest possible satisfaction to those doing the work. Much has been said pro and con on the question of the relative importance of structure and personnel in administration. While little on either side is susceptible of proof, the opinion seems justifiable that, although good personnel can accomplish the job in spite of poor organization, failure to provide proper working relationships places a handicap on any group of workers. Especially is organization important when the personnel is large. From this point of view, the attention given to the study of organization is defensible. An effort will be made here to set forth the logical steps of organization, drawing from them the principles of organization, and indicating the expression of principles in formal structures.

## Division of Labor

All organization has its inception in the desire of a group to achieve some purpose. The desire may be unconscious; the group ill-defined; the purpose unexpressed or even unrecognized; but they are there, and similar processes will follow despite the degree of deliberateness or the size or desire of the group. However, in order to throw more clearly into relief the elements to be considered, this discussion will assume the existence of a significant purpose, a conscious desire, and more than a handful of participants. The task to be undertaken, then, is a large one, and constitutes more than one person can do alone. Furthermore, it calls for several types of activity: for example, in one phase it calls for physical agility; in another, for strength; and in yet another, for artistic expression. Clearly, the intelligent thing to do is to designate suitable types

of men for the different types of work. The division of labor is a principle as old as group activity.

Several points are to be observed in allocating work. In the first place, it is clear that in the more routine type of work a man who does one thing well will produce better results if he works at that thing all the time than if he undertakes tasks for which he is not fitted. Even if he is able to do more than one type of work, his energy is put to better use when he does not have to transfer from one duty to another and back again. The principle of homogeneity directs that workers be assigned, in so far as possible, to single tasks—in a dressmaking factory such a task might be the sewing on of buttons. The second point to be observed is closely related to the first and holds that tasks should not be divided to such a point that efficiency is defeated. For example, it would defeat the aim of efficiency, which involves both speed and quality, to require that one person place the button on the cloth and that another perform only the sewing operation.

The division of labor has been related to the primary divisions of work; but it also has a broader meaning. The elementary work divisions are grouped together on the basis of similarity of duties, and as organization proceeds it is found that related functions fall into rough divisions which emerge as the familiar departments. The public works department provides an example, including duties relating to construction of streets, bridges, and public buildings, and also sometimes to building inspection. A different type of department, based also on related duties, is the legal department. Each of these departments takes into account both homogeneity and division of labor. At the same time, they are not constructed on identical bases. This fact brings up the subject of criteria for determining how the total purpose shall be divided into its phases.

In general, writers in the field seem to have accepted four bases for differentiation of departments: the dominant purpose, process, persons or things dealt with, and place. The fire department provides a simple example of division on the basis of purpose. The legal department, on the other hand, is based on process, as are the occasional stenographic pools. Persons or things (the French *clientele* and *matériel*) are the criteria for setting up such departments as relief and motor service. The once prevalent precinct divisions of police departments were established on the basis of geographic area, or place. Many of the departments of the Federal Government, as well as those of the states, are subdivided on a geographic basis. Except in large units such as these, the most common bases of departmental differentiation in public administration are purpose and process, the latter being the more recently developed.

The practical mind immediately raises the question of what is to be done when two or more of these criteria are represented in a single instance. Where in the organization, for example, shall the legal adviser to a district division of child welfare be placed? While this question is not nearly so important in municipal government as in the larger units, it is pertinent. The only solution that can be offered is for the distinction to be made on the basis of the dominant criterion. The task of integrating a position having two or more of these characteristics with other positions is one of co-ordination, and can be accomplished through both formal and informal provisions. This is but another illustration of the fact that the principles of organization must be adapted to the demands of a situation.

In an interesting discussion of the problem of co-ordinating the departments set up on the various bases, the apt figure of a "tangled fabric" is used.[5] Charts are set up which indicate in a suggestive manner the interlacing of personnel from the vari-

[5] Luther Gulick, "Notes on the Theory of Organization," in Luther Gulick and L. Urwick, editors, *Papers on the Science of Administration* (New York, 1937), pp. 15–21.

ous departments. For example, the purpose departments of health, education, police, and parks are shown in vertical position, and are interrelated with the process departments of engineering, finance, and clerical and secretarial service, which are placed horizontally; with the *matériel* department of motor service, which is also placed horizontally; and with several regional subdivisions. Dr. Gulick points out that each department will be found to have: (1) a central core of management —the head and his staff; (2) a group of skilled workers peculiar to the department, such as policemen; (3) a number of important trained workers common to all departments, as for example secretarial and finance personnel.[6] These characteristics of a department are worth while. They will be found to apply to any type of department considered, and imply the interrelationship among all departments.

What has been said here of division of labor and homogeneity may appear to imply that the establishment of departments proceeds from the bottom upward. As a matter of fact, the actual process is usually the reverse. For example, an organization may be undertaken with large responsibilities and limited personnel. It is customary, and logical, to consider the work to be done, to divide it up into broad fields, and to subdivide these into bureaus, divisions, and so on down to the individual worker. That this procedure may be followed does not mean that the principle of homogeneity is to be ignored. Indeed, it is possible to see the relation of particular tasks more clearly under this procedure than when the organization is built up from the bottom. Another factor favoring an approach from the top is the necessity of limiting the immediate subordinates of the administration to such a number as may be effectively controlled by one person. This factor is discussed later under the "Span of Control."

Perhaps a word is in order as to the designation of depart-

[6] *Ibid.*, p. 16.

ments and their supervisors. Professor Porter sets up the following terminology, in descending order: department, bureau, division.[7] Except in the Federal Government, further subdivision is probably unnecessary. In municipal government the men in charge of departments are given such titles as director, superintendent, supervisor, head, chairman, or commissioner. Chief is the title usually given to a bureau administrator, but the style varies. It is apparent that there is little standardization in these matters.

## Co-ordination

It is assumed that a number of people are engaged in the several tasks which aim at the achievement of the real purpose of an organization. The mere accumulation of tasks, however, does not necessarily bring about such an achievement. There must be guidance, balance, and direction from some source. That is to say, unless there is some control other than that of the workers engaged in their separate tasks, the project is likely to be thrown out of balance. One aspect, for example, will be emphasized to the detriment of others, or one process will far outrun other processes, and the net result will fall short of, and perhaps be quite unrelated to, the primary purpose of the organization. It is possible for these functions of guidance to be performed either by the group as a group or by individuals to whom they have been delegated. In the first case, which Gulick labels "co-ordination by the dominance of an idea,"[8]

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[7] Kirk H. Porter, *State Administration* (New York, 1938), pp. 18–19. This sequence is not followed uniformly in the Federal Government where, indeed, there is little consistency in terminology. Meriam and Schmeckebier, *op. cit.*, p. 184.

[8] Gulick, "Notes on the Theory of Organization," in Gulick and Urwick, editors, *op. cit.*, p. 6. The same concept is implicit in the work of other writers and is expressed by James D. Mooney and Alan C. Reiley in *The Principles of Organization* (New York, 1939), pp. 10–12. (This volume is a revision of the earlier work by the same authors, cited before.) None of these men would limit the means of co-ordination to the authority of the administrator. The familiar "morale" requires

several disadvantages make their appearance: groups seldom achieve unity on matters of detail, even though they may be agreed on larger questions; when groups can reach agreement, time and energy are taken from other things; and in a task of any size, with a large personnel, group direction of details becomes altogether impracticable. Note that nothing has been said about removing the determination of larger aims from group control; and that no intention has been expressed of detracting from the importance of domination of the whole by a central idea. However, if the function of guidance, balance, and direction are delegated to persons who already have specific duties to perform, the principle of homogeneity is violated. As indicated earlier, it is not held that the principles of administration are not subject to adaptation; nevertheless they cannot be ignored. At best, then, the functions of guidance should be laid upon a person, or small group, in sympathy with the purpose of the organization but not engaged in any of its elementary duties.[9] Thus is the principle of co-ordination evolved.

Mooney and Reiley designate co-ordination the "first principle," stating that

> this term expresses the principles of organization in toto. . . . This does not mean that there are no subordinated principles; it simply means that all the others are contained in this one of co-ordination. The others are simply the principles through which co-ordination operates, and thus becomes effective.[10]

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that the whole body be conscious of the end toward which they work, and is an essential element in truly successful co-ordination.

[9] Most students of organization appear to assume that the co-ordinator, or administrator, is a single person—the principle of "unity of command"; and as a theoretical matter the assumption is logical. American experience has indicated, however, that the board type of administrator may have its place. This fact may be kept in mind, but the discussion here assumes one person acting as administrator.

[10] Mooney, James D. and Alan C. Reiley, *Onward Industry!* (New York, 1931), p. 19.

Other writers accord a similar position of importance to co-ordination.[11] This function holds a dominant place in the lists of functions of administration which will be dealt with in the next chapter.

While co-ordination is always of supreme importance, the obvious place which it has in the organization varies rather widely, depending on the size and type of agency. In the small village, for example, the means of co-ordination are highly informal. Often they involve no more than a chat across the mayor's desk. In highly routinized activities, co-ordination may be reduced in large part to routine, so that the workers are almost unconscious of its action. As a matter of fact, such a condition is in a sense the ideal toward which the executive works. Since organizations are composed of human beings, however, and since the work of many organizations undergoes frequent and even constant development, such an ideal is scarcely to be realized except in unusual cases. Indeed, structural arrangements for co-ordination may be perfected, so far as the jobs are concerned, but the uncertainties of the impact of personality on personality require the executive to be constantly at his task of correlation. Since the job exists first, co-ordination of jobs is logically the first step and is more easily formalized; but in the final analysis co-ordination must include both jobs and incumbents, and must be not only formal but also informal.

To say that co-ordination is the task of the executive is but to repeat what has been said more than once. Neither the task nor the mode of its accomplishment, however, is so simple as to be dismissed thus lightly. It must be noted that in an or-

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[11] For example, one well-known writer on business organization illustrates the need for co-ordination in this: ". . . a number of strands, however strong in themselves, do not make a rope, unless all are firmly twisted together." Oliver Sheldon, "How Far Can Functionalization Go?" *Administration* (New York, February, 1923), pp. 199–206, at p. 203.

ganization of any size at all, co-ordination and its tributary functions become too great for the physical abilities of the executive. He must be given assistance. Thus, the aids that have been developed for him, and that are usually labeled "staff," are in a sense an extension of his person.

Co-ordination itself is variously broken down by different writers. Fayol, Urwick, Graicunas, Mary Parker Follett, and contemporary American academicians and industrialists, have all made contributions to the study of the elements of co-ordination. Since these matters will be considered in some detail in the chapter on functions of administration, there is no need to give them more than passing attention here. It should be pointed out, however, that some control of results is necessarily implied by co-ordination. Similarly, examination of or investigation into processes and results contributes toward co-ordination, and effective planning is an aid in its realization. These elements are merely aspects of the total function of co-ordination, and will be dealt with more thoroughly later.

## Hierarchy

The task of the co-ordinator, or administrator, is that of working out the interrelationships of the various functions and personnel in order that the final purpose may be realized. Obviously he cannot do this without the authority to effect such changes as the needs of the organization dictate. The administrator, then, appears in a central or, better, topmost position. He surveys the work being performed and directs alterations in procedure and balance, always with the purposes of the group in mind. Now, the number of persons engaged in minor duties may be so great that the co-ordinator cannot possibly keep up with their work. He cannot have contact with each worker, nor can he issue his directions in person or directly. Hence he may designate other persons to oversee stated portions of the work, and through these receive reports of

work done, and issue instructions for adjustments. Thus is discovered the system of hierarchy, which is the arrangement of levels of responsibility and authority, extending from the chief down through successive levels to the individual worker. This is sometimes called the scalar chain or the scalar process; it derives from the military line in reference to responsibility and authority for operations as opposed to planning and other staff activities. Links are added to the chain in conformity with the dictates of the situation—types of duties, number of workers, and so on. These divisions, it must be noted, are in terms of authority rather than in terms of specific duties performed; the phrase "line functionalization" might be applied to the process. It must also be noted that the authority delegated at each level carries a corresponding responsibility for the work at lower levels. At the same time, the administrator, in delegating authority and responsibility, does not add to nor subtract from his own, the highest, authority; he merely designates one to use that authority, retaining for himself both the authority and the responsibility.

Hierarchy is one of the most obvious characteristics of organization and was among the first to be recognized. Not until comparatively recently, with the tremendous expansion of administration and especially with the increase in specialization, were such concepts as functionalization and staff, although implicit in older forms, developed among the rank and file of organizers. The line of authority, however, is found to exist in such old and simple forms of organization as tribe and clan, and is especially apparent in the military forms, where discipline (the result of hierarchy) is a prime consideration.

Although other principles have come in to modify the concept of the scalar process, hierarchy retains its important position in considerations of organization. Mooney and Reiley consider hierarchy an essential process, "formal in character, through which . . . co-ordinating authority operates from the

top throughout the entire structure. . . ." [12] The relationship of the scalar chain to co-ordination is immediately apparent. It extends into every area of the organization, of whatever nature the area, as the means by which the leader is enabled to handle the personnel and materials for the accomplishment of the final aim. It operates with equal force in purpose and process departments, in *matériel* and regional divisions, in staff, line, and auxiliary service agencies. Though the police department with its semimilitary setup may provide the most striking illustration of hierarchy, the principle is no less significant in a planning agency, purely staff, attached to the executive's office.

It has already been mentioned that the co-ordinator keeps the final aim always in mind. He will do well, however, to see that the group as a whole also keeps this purpose in mind. By so doing he will increase the enthusiasm of the workers for their tasks, and will make his own task easier by adding to his authority the "dominance of an idea." Leadership is the means by which this may be accomplished. "Leadership is the form that authority assumes," say Mooney and Reiley, "when it enters into process." [13] Leadership is an aspect of co-ordination, and it operates through the delegation of authority in the hierarchical system. To follow delegation down through the scalar chain is to reach at last the elementary duties, the responsibility for their performance, and the authorities for their direction. The final participant in the scalar process is the individual worker, to whom is delegated not authority but duties. His responsibilities and his duties are assigned at the direction

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[12] Mooney and Reiley, *Onward, Industry!*, p. 31.

[13] Mooney and Reiley, *The Principles of Organization*, p. 15. While modern writers decry the lack of systematized study of the form of organization, it would seem that the "psychic" aspect of co-ordination has also been neglected in so far as domination of the organization by a single idea is concerned. Often the demagogue uses this technique more effectively than the otherwise better trained administrator.

of the leader, whose authority and responsibility are by this method extended into every area of the organization.

Not only is hierarchy a basic principle and one of the earliest to be apparent in organization, but it is also most quickly observed in modern organization charts. The familiar boxed organization charts have the general form of a pyramid, and it is in this form that we are accustomed to think of organizations. It may be pointed out that in many respects this form is misleading, tending as it does to oversimplify relationships. From the point of view of the scalar chain, however, the pyramid is helpful in showing hierarchical relationships. The type of organization resulting from application of the principle of hierarchy is known as integrated organization.

## Span of Control

The inability of the man at the top to oversee directly the work of numerous individuals has been mentioned. It was stated that he might well select individuals through whom to direct the work, the individuals in turn each overseeing a portion of the workers. It must be noted, however, that, in the case of a large organization, these intermediate individuals may also increase to numbers too great to be observed closely by the leader. In recent years this fact has received the attention of numerous students, although in application it has often been ignored. One writer has worked out an elaborate formula for the number of relationships involved in various numerical setups, and has concluded that "the number of lateral divisions in each descending level of responsibility should be restricted to a maximum of five, and most probably, only four." [14] Not all writers agree to this limit, but there is general agreement that

[14] V. A. Graicunas, "Relationship in Organization," *Bulletin of the International Management Institute,* VII (Geneva, March, 1933), p. 39. The article is prefaced by an editorial comment that it is "essentially of a speculative rather than a directly practical nature." The same article is reprinted in Gulick and Urwick, editors, *op. cit.,* p. 185.

most governmental organizations exceed the practical limits of the leader's abilities.

The concept which develops from this line of thinking is called "span of control," and is derived from the psychological "span of attention." The latter phrase refers to the limited number of factors or relations possible for the average human mind to deal with easily at one time. The same idea has been adopted to designate the number of subordinates that one man can handle conveniently, and the amount of work that he can keep sufficiently in mind to oversee with comprehension.

Graicunas' formulas take into account direct single relationships, direct group relationships, and cross relationships; that is, direct relationships of the administrator with each subordinate (single) and with department heads as a body (group), and the cross relationships within the group. Force from another source is lent to this writer's observation by tests which indicated the effects of "spontaneous social organization" in groups of industrial workers.[15] Those tests brought out the point that the total spirit of the group, as well as specific cross-relationships within it, had considerable influence on the output of individuals.

Even though the fundamental idea of the span of control be accepted, it can only be a guide, not a final determinant, in setting up an organization. For example, Graicunas points out that the nature of the work has an effect on the complexity of the relationships involved. Routine work is more easily coordinated than highly changeable duties; in fact, Graicunas excepts routine work from his conclusion that at most five, or better, four, subordinates is the largest number that should be allowed at each level of the hierarchy. It should be noted,

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[15] See F. J. Roethlisberger and W. J. Dickson, *Management and the Worker* (Boston, 1939). A summary of the study was issued, under the same title, as "Business Research Study No. 9," Harvard Graduate School of Business Administration, before the appearance of the complete report.

however, that the Graicunas formulas take into account the potential relationships. It seems quite apparent that in most cases the potentialities are never realized; that is, the situation is seldom as complex as it might be. At the same time, the increasing specialization in all fields of knowledge, and the corresponding tendency to set up specialized divisions in administration, give good reason for careful consideration of the span of control in its effect on a particular organization.

Another point to be made in favor of careful consideration of the span of control is that the executive need not be greatly concerned with intradepartmental co-ordination, since proper subordinates at the heads of the departments will take care of internal matters. Obviously the administrator is not always blessed with proper department heads in public administration; and often the fault is not his own. If he is unable to appoint his own subordinates, he probably has little choice other than to assume added duties of co-ordination. In general, however, he should be concerned chiefly with the department administrators, individually and as a group. It may be noted, in passing, that each department presents a miniature administration, its chief having problems and duties similar to those of the major executive.

It is not possible, either here or in any other general work, to set up an arbitrary number of subordinates for the various levels. Almost every task of organization, especially in public administration, is in reality one of reorganization; and it is often easier to adapt an existing setup than to tear down the structure and defy tradition and habit with a new and strange framework. In new or old organizations, the number of personnel at the different levels and in different departments will be varied by the comparative routine nature of the work, and to a certain extent by personal relations. In any case, a setup requiring fifteen or twenty men to report to a single administrator is to be avoided, except for the most routine types of work

when even larger numbers can be handled. Ordinarily, however, half a dozen or less is preferable.

When the limits of the span of control are kept well in mind in building up the scalar chain, there is a tendency to combine departments under subordinates of the chief executive. In a large organization it is generally found that such combinations frequently appear to violate the principle of homogeneity. The well-known combination of fire and police departments in municipal government is one of these, although as a matter of fact administrators have generally been unaware of any inconsistency. The conflict is not so serious at the higher level, however, as when it occurs lower in the chain. This is true because generally the men immediately under the chief executive are occupied with administrative duties—chiefly co-ordination in its numerous aspects—more than with duties related specifically to operation. Such men are the noted administrative class of the English governmental system who are being much discussed in this country. The drawing out of administrative duties in this fashion goes back in part to the work of Frederick W. Taylor, who set up as many as eight separate foremen for the various aspects of work done by a single group. Where the work is of scope broad enough to warrant a full-time administrator at the second level, the span of control-homogeneity conflict is not serious, provided, of course, that the subordinate administrator is not required to supervise too many bureau and division heads. Below him, however, at those levels where the primary duties of the department are drawn together into divisions and bureaus, the conflict may be very real and may present difficult problems to the chief administrator who sees the need for and the value of complete co-ordination.

### Line, Staff, and Auxiliary Services

Two limits on the abilities of the administrator have been mentioned: those in the functions of command, and those in

the functions of co-ordination. In the first case the scalar chain or hierarchy is set up to aid the administrator; in the second, a plan of limiting his immediate subordinates is followed in order that minor matters may be winnowed out and only the most important carried to him. There are still other limits on the abilities of both the administrator and his personnel.

The functions of the administrator have been listed as investigation, planning, organization, co-ordination, command, and control, all of which may be summed up in the basic function of co-ordination. If the organization embraces more than two or three people, the single function of investigation, for example, consumes a large part of the administrator's time and energy; planning would consume much more time and energy, and would involve, in addition, knowledge of facts perhaps not easily accessible. Investigations could be made, however, and necessary facts gathered for the administrator by assistants, without at all weakening his position as the leader. In fact, such devices soon become imperative if the administrator is to be left free for other duties. The device of staff has been developed to serve this purpose. The administrator's staff consists simply of a group of people set up to assist not only in investigation and planning, but also in all of the administrative functions assigned to the chief. Unlike the members of the hierarchy of the major purpose divisions, however, the members of the staff have no functions of command. They may aid the administrator in issuing commands by taking care of details such as those of recording and transmission, but to all intents and purposes they are a part of the person of the executive.

As the range of knowledge increases, specialization becomes more necessary and hence more prevalent. It is impossible for the chief administrator or any member of his staff to be a specialist in every field within the scope of the organization. First-class accounting, for example, requires special training. It can be used to discover costs and relate them to income, and

is of value to the organization in numerous other ways. Personnel management likewise calls for specialized techniques, and can be an invaluable aid in accomplishing the purposes of the organization by providing qualified, satisfied personnel throughout the divisions. Other specialized or auxiliary services develop, depending on the nature of the organization. The question soon arises as to where these services shall be placed in the structure.

In addition to the classes just mentioned there exist still, and primarily, the major purpose divisions of the municipal structure: police, fire, health, utilities perhaps, and others. It is for the accomplishment of these purposes that the organization was originally designed, and they must always be viewed as the ends of all effort. Other functions may be highly important, but only as they aid in a realization of the major purposes. The fundamental divisions are known in military terminology as the line, and correspond to the fighting troops of the army. The term "staff" derives from the same source and refers to the staff of the chief commander, the members of which serve as his aides in matters of planning, advice, distribution of orders, and the like—in other words, in the co-ordination of all the army's branches. In the same military setting the auxiliary services include supply, equipment, medical service, and so on.

The concepts "line," "staff," and "auxiliary services," then, have gradually been taken over by civil administration from the military; but in the process of transfer some confusion has resulted. As a matter of fact, considerable controversy has developed from time to time over different uses of the terms, and especially over different expressions of the concepts in terms of actual structural systems. For the sake of perspective, it is perhaps well to review the evolution of the emerging threefold concept.

The work of Frederick W. Taylor has already been referred to. His first significant contribution to the theory of organi-

zation was made when he demonstrated the benefits to be gained by separating planning from performance. He found that when a few men were withdrawn from active labor and allowed to devote their time to planning the work and working conditions for others, the total job went forward at a faster rate. Quality was not sacrificed but was, on the contrary, improved, since both the workmen and their supervisors had more clearly in mind the job to be done. This development brought out the primary distinction between the staff and line functions, which, although already known in some military organizations, had received no formal recognition in industrial enterprises. Indeed, it was not until about the same time, 1903, that a similar development took place, through the work of Elihu Root, in the American military organization.

Pitman's *Dictionary of Industrial Management* points out that the staff-line division was the second step in a logical evolution of industrial organization; it succeeded the traditional system in which each broad department carried on all activities related to its work with only vague differentiation of functions, although the scalar chain of authority was well-known.[16] As industry expanded and became more complex, however, and as specialization increased, it became apparent that the staff-line division, following Taylor's plan, was itself inadequate. The next step was functionalization, or functional differentiation throughout the whole organization. Thus, departments were set up on the basis of the types of duties they included, whether production, for example, or medical. The result is an interlacing of departments in the manner of Gulick's "tangled fabric."[17] Mooney and Reiley use the term "cross-departmentalism."[18]

In public administration a similar development has taken

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[16] Pitman, G. P., *Dictionary of Industrial Management* (New York, 1919).
[17] See footnote 5 of this chapter.
[18] Mooney and Reiley, *Onward Industry!* p. 17.

place, with recent tendencies suggesting that the stage of functionalism will be replaced by the three-way division under line, staff, and auxiliary services. Students of public administration are only now turning from the controversial staff-line phase.

Perhaps the most patent reason for the conflicts over staff and line is that the terms were taken from the military vocabulary without a complete understanding of their use. Some writers have attempted to cling to the strict military sense, while others have insisted that the terms may be given a new meaning in civil administration and at the same time prove useful.[19]

Recently there has appeared to be a renewal of interest on the part of students of administration in the logic behind the military division, and in an attempt to clarify the question for civil administration. It would seem that while there is no need for public or industrial administration to be bound by military concepts suited to different demands, nevertheless, help may be found in that quarter. It must be noted here, and constantly kept in mind by the student, that the day of simplicity in organization probably has passed. This is true in both military and civil administration. The conditions of the modern world and the problems it confronts are so complex as to render useless the simple structures sufficient for an earlier era.

It seems fairly clear that the functions performed by the personnel of any organization, in so far as their relation to the total aims is concerned, can be divided into three groups: First there are the duties which contribute more or less directly toward a realization of the major purposes of the organization.

[19] Gulick, for example, holds that staff functions are those of "knowing, thinking and planning," and that when a function calls for "doing" it ceases to be staff in nature and becomes line. He lists the budget director, purchasing agent, controller, public relations secretary, and, by implication, the personnel director, all as line officers. Gulick, *op. cit.*, pp. 30–31.

In 1930 Professor Elliott Smith of Yale presented another view with regard to this point: "I think we make a mistake if we look upon military organization as anything but a point of departure for industrial organization." See the discussion section of Edgar W. Smith, *Organization and Operating Principles* (American Management Association, New York, 1930), p. 36.

Then there are the administrative duties directed toward command and co-ordination—the administrator's staff, whose control functions are strictly in the name of the administrator. Lastly, there are numerous specialized and technical functions auxiliary to the major purposes; these are distinguished from the staff by a degree of control based in part on the "authority of ideas," and in part on independent powers provided by law or by administrative orders. In American military terminology, the personnel of the latter would be called technical and administrative staff; in British, specialized services. In civil administration in both countries the term auxiliary services has been suggested for these functions, and that designation is adopted here.[20] Considered from the military viewpoint, these groups may be said to fit into the familiar line-staff dichotomy in the sense that the major purpose functions comprise the line, and the other types of functions the staff, the latter being aids and assistants to the chief and the line divisions in carrying out their work. Since an attempt to classify administrative staff and auxiliary functions together may at times prove confusing, there is much to be said in favor of maintaining the three-way division mentioned, especially since the auxiliary services in public administration tend to have more formalized control than the "authority of ideas" imputed to the traditional staff. At the same time, it is useful to recognize the relation of the two types of advice and assistance functions, since in many organizations some of them are merged into one agency.

At this point it is well to note that while a particular position or function may be clearly staff in nature, staff agencies are seldom found exclusively in public administration. That is to

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[20] See Urwick, "Organization as a Technical Problem," in Gulick and Urwick, editors, *op. cit.*, pp. 47–89; R. Weldon Cooper, *Municipal Police Administration in Texas* (Austin, 1938), pp. 68–86; and Leonard D. White, *Introduction to the Study of Public Administration* (New York, 1929), pp. 41–42. See also a review of Gulick and Urwick, editors, *op. cit.*, by John M. Gaus in *The American Political Science Review*, XXXII (Evanston, February, 1938), pp. 132–134.

say, the function must be distinguished in the mind of the student, and certainly in that of the incumbent, from the agency in which the position is located. Auxiliary service and staff functions are frequently, and with perfect logic, combined in a single agency. Again, officers performing these functions are placed in the line agencies, a procedure which is necessary to the proper functioning of all types of service. At the same time, the question of when and to what extent functions are to be combined in a single agency presents difficult problems, which, in many cases, might be clarified by a better understanding of functional differentiation. The executive assistant or private secretary, for example, is, when properly regarded, a staff officer. As such, it is his duty to take over as many as possible of the routine activities of co-ordination and command. These activities include the distribution of orders, by authority of the chief executive, and the formulation of many minor policies of co-ordination. Such functions correspond to those of a military chief of staff, leaving the administrator free to visit the line agencies and to have immediate contact with his subordinates. The mere conferring of a title, however, does not make a person or his duties truly staff. For example, the executive assistant should not have turned over to him a group of line activities with responsibility for their operation. As a staff officer his work is to assist the chief executive in his functions of co-ordination.[21] Planning and other staff functions may require a trained staff and a degree of institutionalization, but their purpose is always the same—to relieve the chief executive of the pressure of co-ordinative duties just as major purpose department heads relieve the pressure of operations.[22]

[21] Urwick, *op. cit.*, p. 75.

[22] Urwick makes the point that an effective criterion of the staff nature of functions is whether they actually increase or decrease the co-ordinative activities of the administrator. *Ibid.*, pp. 60–61. Personnel, for example, tends to increase requirements for co-ordination. It is classed as an auxiliary service, giving advice and knowledge to both staff and major purpose officers, but subject to co-ordination by the staff with all other branches of the organization.

It is in point here to note the well-known clashes that occur between line officers and experts. The line officers often greatly resent the experts, for they feel not only that their own functions represent the real reason for the existence of the organization, but also that they should not be subjected to direction from anyone except that surpreme line authority, their chief executive. Such resentments may be partially cleared up by pointing out that the auxiliary service expert exercises his control on the basis of knowledge and facts, and by encouraging frequent, thorough, and patient explanations and discussions of auxiliary and staff data to line officers. Beyond this, the problem is one in co-ordination and personnel for a skillful administrator.

The increasing complexity of organizations, then, has given rise to first a two-way and more recently a three-way distinction among functions, based on the relation of those functions to the major purposes of the organization and the administrator. The justification for these divisions is found in the facility which they may, when properly used, provide in accomplishing the aims of the group. The grouping used in this work will be: major purpose functions, such as police, health, fire, streets; administrative staff functions, such as planning and secretarial work; and auxiliary service functions, as represented by personnel, reporting, and purchasing.

In general, the agencies established on the basis of purpose correspond to the major purpose functions; those set up on the basis of process, to the auxiliary services or staff functions. Persons-or-things agencies may correspond to major purpose or auxiliary functions, while regional or geographic divisions tend to include all functions.

An effort has been made here to develop the logic on which current theories of organization are based. It is desired to give the student a survey of existing ideas, especially those around which disputes are waged, and at the same time to point out the emerging tendencies in terminology and concepts. From

time to time illustrations have been mentioned in order that theory and actuality might be related in the mind of the student. The subject of administration is incomplete, however, without a discussion of the duties of the administration, which in a sense tell the whole story of organization and administration. These duties will be discussed in the next chapter.

# III

# FUNCTIONS OF ADMINISTRATION

IT WAS indicated, in the introductory chapter, that neither the extremely broad nor the narrowest of the possible definitions of administration was to be the central topic of study here. That is to say, in the theoretical discussion no attempt will be made to deal with all the ramifications of public activities, although in later portions of the volume an effort will be made to touch on almost every type of duty; nor will the discussion be limited to overhead management—the work of the administrative corps in public administration. Especially in the present chapter will administration be considered in the sense of governing an undertaking; of setting up the goals and guiding the organization toward them. Viewed from this angle, administration is participated in by all who have any voice or action in the undertakings of the organization. Thus, in private corporations, the stockholders, directors, managers, regional representatives, and individual workmen are all parts of the administration; while in public administration the electors, legislative body, central administrative officer, department heads, and so on, including the worker on the street and the stenographer in the license division, are the participants.[1]

[1] Urwick lists the following levels of authority and responsibility in an enterprise: criticism and review; governing authority; liaison between policy and operation; operating authority; supervision of operation; operation; and jurisdiction. *Scientific Principles and Organization* (American Management Association, New York, 1938), pp. 10–11. Fayol earlier set up a similar serial division, using, however, designations relating more specifically to the industrial organization with which he was familiar. See his *Industrial and General Administration* (The International Management Institute, Geneva, c. 1930; translated by J. A. Coubrough), p. 47.

Obviously, however, not all of these participants in administration play similar roles. The larger group is of necessity proscribed from taking part in the day-to-day work of the organization, but its members have opportunity to pass upon the activities of the organization and to indicate approval or condemnation. This they do through their elected representatives, the governing authorities. The latter group has the responsibility of articulating the desires and needs of the total group in the form of statements of major policy. In many cases this same group, after stating policy, attempts to carry it out, supervising the day-to-day operations. The objections to this course are several and potent. In the first place, the attributes which make one a good policy-determining agent do not always contribute to first-class administration. Especially is this true in the modern age of specialization, when the uninitiated cannot, for example, know the best procedures by which to keep the city free of dirt and disease, however quick he may be to recognize the need for these aims and to express the desire of the taxpayers for these services. Again, a formal structure allocating to the elected representatives certain administrative supervisory or directory duties seldom provides for proper co-ordination. Unless there is a single co-ordinative agent, it is unlikely that the individual officials will be able to act together in such a manner as to achieve a well-balanced administration. For reasons such as these, it has long been recognized that a line must be drawn between the formulation of policy, or politics, and its execution, or administration. The pioneer and classic volume on that subject in this country appeared almost half a century ago and has been followed by others on the same thesis.[2]

The line between politics and administration cannot always

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[2] Frank J. Goodnow, *Politics and Administration* (New York, 1900). See also Marshall E. Dimock, *Modern Politics and Administration* (New York, 1937), and Leonard D. White and T. V. Smith, *Politics and Public Service* (New York, 1939).

be clearly discerned. The twilight zone is large and seems to be broadening with increasing specialization. Often what appears to be a routine matter of procedure to the professional, may be one of policy to the layman. In the matter of law enforcement, for example, the police chief may see no alternative to following the course laid down by law, while the city council may wish to vary the strictness of enforcement to conform with developments in the political situation. In such a case, literal interpretation of the law becomes to the elective official a matter of policy, to be taken out of the hands of the administrative agency. On the other hand, wherever there is room for real discretion, the process of decision partakes of administration. Mary Parker Follett expressed perhaps the extreme possibility when she said, "Wherever labour uses its judgment in planning, that is perhaps management" (namely, administration).[3] Despite the problem of gradation, the important aspects of policy-formation and administration can, on the whole, be delineated. The governing body, acting for the larger group, sets up the main lines of policy. They are advised by the management, in the person of the chief administrator, who, in this function, may be said to serve in a staff capacity to the political representatives. Minor policies are inevitably the responsibility of the chief administrator but are kept within the areas outlined by major policy.

With this general discussion as a background it is possible to proceed to the enumeration of functions of the whole administration and to the narrower overhead management of the chief administrator and his aids.

Fayol, in his significant *Industrial and General Administration,* sets out six basic functions of an organization which have found corroboration from later, and more theoretical, writers. Fayol's work was largely empirical, and his terminology relates

[3] Mary Parker Follett, *Scientific Foundations of Business Administration,* as quoted in Pitman, G. P., *Dictionary of Industrial Organization,* p. 163.

to the industrial organizations with which he was familiar. The basic functions which he lists are:

> Technical operations (production, manufacture, etc.).
> Commercial operations (purchases, sales, etc.).
> Financial operations (finding and controlling capital).
> Security operations (protection of goods and persons).
> Accounting operations.
> Administrative operations (planning, organization, command, co-ordination, and control).[4]

These may be translated into terms more familiar to the student of public administration. In effecting such a translation there is perhaps a tendency to list functions in terms of their purposes, but a grouping to the types of duties performed would appear more desirable because it leads to a logical grouping rather than to a mere enumeration of functions. Hence, in public administration, the technical operations do not concern production and manufacture but such services as health, housing, fire, police, streets, and buildings, which call for special training in given techniques. Thus, the technical functions of public administration coincide in large part with the major purposes. There are exceptions; accounting and statistics, for example, are highly technical, and yet they are auxiliary to the chief purposes of government. These, however, are treated separately in this discussion. The commercial functions apply to purchasing, to the maintenance of adequate central stores which supply the numerous agencies, and to certain aspects of publicly operated utilities. Likewise they may be considered to refer to the maintenance of human supplies, that is, to personnel, especially in the upper levels of the organization.

Financial operations in public administration, as in industry, apply to the furnishing of funds for operation. This covers such major undertakings as setting tax rates, issuing bonds,

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[4] Fayol, *op. cit.*, pp. 8–9.

making appropriations, and control in the form of external auditing. Accounting, on the other hand, constitutes the routine bookkeeping and accounting, and budget control under a formal budget system. Security includes insurance, provision of watchmen, and the like. It is not so important a function in public as in industrial administration and will not receive detailed discussion here. The last basic function, administrative operations, includes the elements found in Fayol's enumeration and also others inserted by Urwick. A full discussion will be given to this function. The reinterpreted list reads:

| | |
|---|---|
| Technical operations: | by and large, the major purposes. |
| Commercial operations: | purchases, stores, human and material supplies. |
| Financial operations: | levying taxes, issuing bonds, making appropriations, auditing. |
| Security operations: | watchmen, insurance. |
| Accounting operations: | including budget control. |
| Administrative operations: | investigation, forecasting, planning for action, organization, coordination, command, and control. |

## Technical Operations

In an earlier day many of the major functions of government could be accomplished without employing highly trained personnel. Today scarcely any aim of public organization can be accomplished without relying on specially trained workers. Provision of a pure water supply, now almost universally a public function, involves chemical training as well as training in engineering. The laying of streets calls for well-trained planners and supervisors, and those jurisdictions that have paid for poorly constructed streets are aware of this fact. Fire fighting has its special techniques and, with the increase of scientific knowledge and its broader application, police and traffic functions are becoming more specialized. Physical planning in

anything but the most elementary sense depends on a number of specializations, such as statistics for use in forecasting trends of population movement, knowledge of land uses, and so on.

If the technical operations are considered as corresponding to the major purpose functions, the technician is not the only person to play an important part in carrying them on. The role of the governing authority is a primary one. It is this group which, in the name of the electors, determines just what functions shall be pursued. As problems arise and the goals must be redefined or clarified, this body has the final word. Its action precedes that of the technician, and continues throughout the prosecution of his specialized duties. The extent to which it enters the twilight zone on either side of the line of demarcation between policy and execution depends on many factors: on tradition; on personal relations between its members and members of the management staff; on the degree of understanding among its members of the technical nature of a particular task; and on such other and perhaps unpredictable elements as might arise in any situation.

### Commercial Operations

Commercial operations include those having to do with such matters as purchase and sale. In public administration the term is applied chiefly to the purchasing of supplies, whether this is done by individual departments or by a central purchasing agent. Thus it tends to embrace some of the auxiliary service functions of government. The amount of attention accorded commercial operations depends on their significance in the work of the organization as a whole. In a manufacturing industry, for example, the efficiency and economy with which raw materials are purchased has a direct bearing on the financial success of the undertaking as well as on selling the finished product. In retail business both buying and selling operations are of the utmost importance. Most public admin-

istration agencies have little concern with selling products. Even when they have materials to sell, the success is seldom measured in terms of profit; and so, in such an organization, the actual selling operation has less significance than it has in private business. At all levels of public administration, however, commercial operations are receiving more and more attention. The National Government has entered many diverse fields of operation, in some of which both buying and selling activities play an important part. State governments, with their eleemosynary institutions, highway departments, and huge clerical forces, have a tremendous problem of supply. But it is, perhaps, in municipal government that the largest per cent of total expenditures is devoted to the purchase of materials and supplies. The manner in which finances are handled in these commercial operations affects the amount of service which the citizen receives in return for his investment in government. Therefore, the governing body may well take an interest in the handling of purchases and central stocks, in methods of distribution of supplies, and in efficient personnel management. This does not mean that the council need approve each purchase before it is consummated, or each transfer of supplies. It does mean, however, that the governing body has a responsibility for seeing that proper arrangements are made to safe guard public investments. This involves the setting up of adequate structural devices for making known to the proper officer the needs of the organization, as well as the selection of capable personnel. The governing body may play its part by authorizing the basic form of organization, while the selection of personnel and the day-to-day supervision of all commercial operations come within the scope of administrative duties.

### Financial Operations

The financial functions loom large in the consideration of almost any organization. As indicated in the earlier listing,

financial operations as here discussed exclude the routines of accounting and budget preparation and control. They relate rather to the arrangement of sources of revenue and to the appropriation of operating funds. For these matters the governing body, together with the people, assumes great responsibility. It is true that preliminary estimates of requirements are made by the chief administrator and his staff. These are without value, however, until the council has authorized the expenditure of funds. Perhaps even more basic are the matters of tax rates and bond issues. Here again the council is assisted by members of the various departments, who gather data and offer plans and advice. The council levies the tax, the assessment and collection of which are handled by the finance department. In the assumption of indebtedness, which provides immediate funds but involves future obligation on the part of the electors, the people usually must express approval. Thus the governing body and the electorate play important roles in the basic financial matters.

One of the most important financial operations, and one related to control, is the periodic post-audit. This is an audit of all financial transactions and records, and is made preferably by an independent firm under the direction of the governing body. It gives that body an opportunity to obtain an overall view of the accounting procedures of the various departments through the eyes of a disinterested corps of experts unaffected by personal loyalties or bias. The governing group must maintain some such independent check on financial matters so that all persons may be informed as to the conduct of public affairs.

Such financial duties as keeping up with bond retirement requirements, informing the governing body of these claims, collecting the tax, and reporting delinquencies to the council, are matters for the organized agencies and departments.

## Accounting Operations

After the governing body has indicated the broad outlines of financial affairs, a large number of detailed matters fall under the head of accounting operations. These include functions varying from the routine recording of receipts, expenditures, and accounts to more elaborate systems of cost accounting, budgetary control, and the like. It involves also the internal audit, which provides a type of running check on such matters as correctness of procedure and accuracy of computation. Most of the activities are carried on by the financial departments and involve the council only as they are checked by the external audit or are worked into major reports to the governing body and the people. Yet, these operations form in public administration, no less than in business, a fundamental aid in guiding the undertaking toward its goals in the most economical manner.

Refinements in methods and subjects of accounting in recent years have opened the door to greater possibilities in the field of measurement. Thus, it is no longer only the sum of money expended for, say, streets, that is considered significant, but also the cost per given unit of street construction or maintenance. Measurement relies on statistics other than financial ones, but ordinarily it falls to the accounting division to collect many of the data used in measuring any service or activity.

Where a true budget is utilized, accounting procedures are essential in order that the organization may know where it stands, at a given time, with respect to its budget allowances. Through the use of such procedures, the activity of a governmental unit may be prevented from moving at alternately dizzy and crawling tempos, and kept approximately even throughout the fiscal period. As a result, the protective and other services may be depended upon to function as efficiently at the begin-

ning of the fiscal period as at its end. In these and many other controls over operations, accounting is an invaluable aid.

### Administrative Operations

The administrative operations embrace numerous types of physical activity and contact with many persons and employees. They touch on finance, personnel, organization, and all the other operations included in Fayol's classification. They are classed together because they are the activities which consume the time and energy of the administrator and his major department heads, and because they relate primarily not to the major purpose or technical phase of the job but to the mechanics of getting the job done. In the small organization, it is true, the chief administrator, as well as his important division heads, will be required to take active part in some of the line activities. He may, for example, do some actual engineering in the small city; many city managers, in fact, have started in just such a manner. Or he may do a part of the bookkeeping, or assume responsibility for directing certain police or custodial activities. As the organization becomes larger, however, the duties of the chief administrator become more and more those of arranging duties and relationships for others, of keeping in touch with financial conditions, in short, as expressed in the preceding chapter, of co-ordination in all its aspects.

It is not enough, however, to dismiss the duties of the administrator with such a phrase, which, though it may answer the purpose of brevity, lacks specificity. The work of the administrator cannot be completely comprehended until it is broken down to a greater extent than has been done so far in this work. It seems that every writer on the subject of administration sets up his own classification of administrative duties; while this is a natural procedure, it does not help greatly in the standardization of terminology. An effort will be made here not to set

up new classes, but rather to look at some that have already appeared and so explain them that the student may feel he has a clear understanding of what occupies the time of the chief administrator of an organization.

Since Fayol's classifications have already been used, it is not amiss to look at his breakdown of administrative operations.

CHART I *

HENRI FAYOL'S ELEMENTS OF THE FUNCTION OF ADMINISTRATION CORRELATED INTO A COMPLETE LOGICAL SCHEME

Forecasting, Planning are the two parts of Fayol's *Prévoyance.*
Organization, Co-ordination, Command, Control, are the other four original elements.
(Investigation), (Appropriateness), (Order), are principles found or implicit in other parts of Fayol's exposition.

| The function of: | 1. Principle | 2. Process | 3. Effect |
|---|---|---|---|
| 1. Administration must depend on the basic principle of Investigation | (*Investigation*) which is implicit in Fayol's discussion of Planning, and enters into process with Forecasting | *Forecasting* which is part of Fayol's "Prévoyance," and results in Planning | *Planning* which is the other part of Fayol's "Prévoyance" |
| 2. Forecasting has its own principle in Fayol's 2nd Administrative Duty (Appropriateness) | (*Appropriateness*) "See that the human and material organization are suitable." It enters into process with Organization | *Organization* which has the effect of securing co-ordination | *Co-ordination* Cf. "The internal objectives of Organization are co-ordinative always." (Mooney and Reiley) |
| 3. Planning finds its principle in Fayol's 10th Principal and 14th Administrative Duty, viz.: (Order) | (*Order*) "Ensure material and human order." It enters into process with Command | *Command* and its effect is Control | *Control* |

* Taken from L. Urwick, "The Function of Administration," Luther Gulick and L. Urwick, editors, *Papers on the Science of Administration* (New York, 1937), p. 125.

These he lists as: planning, organization, command, co-ordination, and control.[5] As indicated before, English translators

[5] Fayol, *op. cit.*, pp. 8–9, 35–78.

appear to agree that Fayol's *prévoyance* cannot be rendered simply by our "planning" but becomes rather "forecasting" in addition to "planning," that is, looking ahead, determining the probable course of events, and setting up a plan of action on such a basis. Fayol was essentially a man of action rather than a theorist; his time was so completely consumed with activities that he was able to devote very little of it to working out a theoretical system. However, the foundation he laid has been praised and corroborated by later and more philosophical writers, among them the Englishman L. Urwick who has been referred to repeatedly in this volume. Urwick combined the groundwork of Fayol and the logical scheme used by the American writers Mooney and Reiley, and devised the accompanying chart (I) of administrative functions. He asserts that all of Fayol's work is based on an assumption of continuous investigation, which obviously is fundamental to any effort to keep in touch with developments in an organization. On the basis of Urwick's development of Fayol's list, the administrative duties may be enumerated as follows:

Investigation.
Forecasting.
Planning.
Organization.
Co-ordination.
Command
Control.

Professor White, in his 1939 volume, devotes several pages to an enumeration of administrative functions of chief executives.[6] These may be summarized as follows:

1. Main lines of administrative policy.
2. Orders, direction, and command.
3. Co-ordination.
4. Details of organization.
5. Finance.

[6] See Leonard D. White, *An Introduction to the Study of Public Administration* (New York, 1939), pp. 53–58.

6. Personnel (especially in higher brackets).
7. Supervision and control of administrative operation.
8. Investigation.
9. Public relations.

Another present-day writer, Luther Gulick, has done much to draw attention to a word coined some time ago by a group interested in delineating the duties of an administrator.[7] This word is made up of the initial letters of the following words indicating activities of the executive:

P lanning.
O rganizing.
S taffing.
D irection.
C o-ordination.
(O)
R eporting.
B udgeting.

Mr. E. W. Smith, Assistant to the President of the General Motors Export Corporation, has presented another and rather general list.[8] He states that the functions of administration are:

Planning.
Execution.
Results control.

The accompanying chart (II) presents the lists side by side.

It is immediately apparent that Fayol has used an approach somewhat different from that employed by White and Gulick, and that Smith's list is so general as to consitute little more than a suggestion of processes. Fayol's list may be distinguished

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[7] Quoted by Gulick in "Notes on the Theory of Organization," Luther Gulick and L. Urwick, editors, *Papers on the Science of Administration* (New York, 1937), pp. 12–14.

[8] E. W. Smith, "Executive Responsibility: Staff and Line Relationships," *The Society for the Advancement of Management Journal*, III (Chicago, January, 1938), pp. 29–33.

## Chart II

### FUNCTIONS OF ADMINISTRATION *

| *White:* | *Fayol-Urwick:* | *Gulick:* | *Smith:* |
|---|---|---|---|
| 1. Main lines of administrative policy | 2. Forecast & | 1. Planning | Planning |
| 2. Orders, direction, command | 3. Plan | 4. Direction | Execution |
| 3. Co-ordination | 5. Command (personal and finance) | 5. Co-ordination | Results |
| 4. Details of organization | 6. Co-ordination (including finance) | 2. Organizing | Control |
| 5. Finance | 4. Organize (including personnel) | 7. Budgeting | |
| 6. Personnel (especially higher) | 7. Control (including personnel) | 3. Staffing | |
| 7. Supervise and control administrative operation | 1. Investigate | | |
| 8. Investigate | | | |
| 9. Public relations | | | |

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| | | | |
|---|---|---|---|
| Investigate | 1. Investigate | | |
| | | Plan | Planning |
| Main Policies | 2. Forecast | | |
| | 3. Plan | | |
| Detail of organization | 4. Organize (including personnel & finance) | Organize | |
| Co-ordination | | | |
| | 5. Co-ordination (including finance) | Co-ordination | Execution |
| Orders, direction, command | 6. Command (including personnel & finance) | Direct | |
| | | | Results |
| Supervise and control | 7. Control (including personnel) | | Control |

* Adapted from the lists found in sources quoted in the text. The numbers indicate the order in which functions are found in the original sources.

from those of White and Gulick as dealing with general processes rather than with specific duties. There is some overlapping among the lists, and as a matter of fact they cover in general the same content. The revised section of the chart referred to reveals an attempt to arrange all these lists to correspond as nearly as possible with one another. In order to make clear the basis of some of the rearrangements, it is necessary to call attention to the fact that under Urwick's logical charting of the Fayol list of administrative functions, the various duties connected with management of personnel and finance are covered by the general types of functions, especially organizing, coordinating, command, and control.

When such a rearrangement has been effected, it appears that the Fayol list stands out as the most comprehensive. It does not list mere duties, but it includes all administrative duties. Paradoxically, in the light of Fayol's generally empirical attitude, it is more theoretical than the other lists. It appears justifiable, therefore, to use this listing as the basis for a theoretical discussion. Such a use of the listing does not mean that the other compilations included here, or found elsewhere, are to be ignored; rather it means that they are to be related to this fundamental enumeration.

*Investigation.* Investigation is, in a sense, basic to further activity on the part of the administrator. He must know what is taking place before he can evaluate it or act upon it properly. Investigation involves numerous activities, in many of which the administrator is assisted either by line officers or by his staff assistants. The keeping of adequate accounting records facilitates investigation into financial matters. A considerable amount of the investigation may be formalized through routine reports which come up from the lowest levels of the organization and are presented in concentrated form to the administrator. Special reports or complaints may call particular conditions to his notice. He can be relieved of most of the routine

of investigation, but there remains an important part which he himself must carry on. This includes familiarizing himself with the various departmental offices and to a reasonable degree with the personnel, hearing and understanding personal reactions of those within and without the organization to its policies and procedures, examining other organizations and talking with other administrators in order to obtain an objective view of his own undertakings, and carrying on many other activities designed to inform the administration of actual situations and needs.

The part that the governing body takes in investigation varies. Ideally it is a part largely formalized through procedures that offer adequate checks on conditions: the audit, for example, and regular reports from department heads, as well as occasional special investigations.

*Forecasting.* Forecasting is one part of Fayol's *prévoyance,* and simply means looking ahead. It seems fairly obvious that it is necessary for those guiding any undertaking to look ahead, to forecast probable developments, in order to shape the organization and its policies toward the ends desired. Forecasting must deal not only with the organization itself, but also with external conditions having a direct relation to it. It is intimately linked with the activity of planning and is carried on by the same agencies.

*Planning.* As a matter of fact, planning is effective forecasting. On the basis of material gained through investigation and of trends and tendencies noted in forecasting, the plan of operations for a given period may be set up. Much has been said in recent years about governmental planning. It is difficult to distinguish, from the point of view of government today, just where the area for which planning is undertaken shall be delimited. The city plan once referred to a layout of building restrictions, use areas, and the like, which was closely related to, and often found its sole use as a basis for, a zoning ordi-

nance; actually the term is much broader than that. For a unit expecting to operate economically, it must include a harmonious process of finances and services. Thus it forms the basis for the budget and for long-time plans for a given unit. Whether, however, planning in the technical administrative sense shall be taken to include such new concepts as community planning, county planning, co-operative planning, and the like, is a question involving too many conflicts of opinion to be settled here. It seems fairly certain that relations with other units of government must have a place in any single plan. A final answer to the more involved aspects of this question may be provided by the processes of time and social evolution.[9]

Fayol sets up characteristics for a plan of operations that have perhaps not been surpassed. A good plan must, he says, have the characteristics of unity, continuity, flexibility, and precision.[10] In a plan involving many elements, unity is a basic essential. This is of interest in relation to municipal administration because the plans and services of the various departments must be co-ordinated into a unified plan of action. Each must dovetail with the others, or else the organization will lose its balance and risk failing in its purpose. Continuity refers to the relation between the long-time plan of operations and the annual plan. In terms of financial planning, for example, it means that the annual budget must fit into the long-term plan rather than include inappropriate departures that will defeat its aims. At the same time, it must be kept in mind that the over-all, long-time plan must be revised and modified as new information becomes available and as conditions change. This last statement reflects the need for flexibility in the plan, that is, adjustment to changing conditions. Without such adjustment

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[9] For an interesting discussion of one phase of planning see Comstock Glaser, "A Note on Executive Planning," *The Society for the Advancement of Management Journal,* II (Chicago, July, 1937), pp. 111–117.

[10] Fayol, *op. cit.,* p. 36.

not only the plan but the organization which depends on it must fail. Precision as a necessary element of any plan of operations needs no emphasis; it depends on adequate and dependable forecasting and investigation. The certainty with which administrators may know their relation to the plan depends in large part on the precision of that instrument.

As intimated before, Fayol is not the only person who has emphasized the value of planning. Taylor was the pioneer in pointing out the value of such procedures in the workroom, and those who have come after him have broadened the application of the technique. A standard reference work on industrial management lists the master plan as one of the basic mechanisms of co-ordination. Practically every text in either public or private administration gives space to planning, and increasing recognition has been given this function in recent years. It will be recalled, also, that in the POSDCORB list planning occupies an important position.

An important aspect of planning which deserves special mention here relates to personnel. If the purposes of the organization are continuing, there rests on the whole administration a responsibility for developing men to take over duties and leadership as older members pass on. All the plans for financing the organization, for providing it with equipment and buildings, and even for the goals it is to work toward are useless unless provision is made for staffing the machine in such a way that materials will be put to proper use. Thus, the planning officials must take a long-time view of the need for recruiting and developing adequate man power for the requirements of the future.

Planning resembles financial operations in that it is divided among all levels of administration. The routines and often the initiation of ideas fall to the administrator's staff; indeed in no other activity except co-ordination is that group so important. The broad vision of the plan is the administrator's,

and he communicates to the governing body reports, estimates, and other data in the form of a plan or plans. That group then exercises its privileges of criticism and reviews and indicates broad outlines of future activity.

*Organization.* So much has been said of organization in the previous chapter that no more than a brief reference is necessary here. Organization groups activities and determines their relations within the structure. The major phases of organization are participated in by all groups, though upon the governing body falls the chief responsibility. In municipal administration, for example, preparation of a charter may be undertaken by a special group, the charter commission. This commission is responsible to the governing body, however, for it is this body which submits the document to the electors. Subsequent major steps in organization or reorganization are handled by the governing body through the passage of ordinances. The procedure in industrial and other organizations is somewhat different in detail but generally similar. The day-to-day aspects of organization fall to the administrator and his chief aides. It is they who plan the routing of reports and the channels of everyday relationship and communication. It is they who see that these routes and channels are kept open and that the mechanism of organization is well oiled and in repair.

*Co-ordination.* The duties of the administrator and his chief aides in regard to organization consist in large part of co-ordination, which is, in reality, only effective organization. The importance of co-ordination has been stressed elsewhere. There is, nevertheless, a place here for some further remarks about this highly significant aspect of administration.

If an organization disregards some of the other principles of administration and retains co-ordination, it is still possible for it to exist and to accomplish something. Without co-ordination, however, its aims can be realized only through chance;

and the more complex those aims and the processes through which they may be attained, the more force there is in this statement. While all elements of administration participate almost constantly in co-ordination, the administrator is chiefly responsible for its realization. True, the governing body through provision of funds must make possible the activities incidental to co-ordination and must set up a framework to facilitate it. But it is the administrator who takes the initiative in devising and using means of co-ordination, and especially in seeing that every member of the organization also utilizes facilities directed toward it. At lower levels of employment, co-ordination among the workers is effected in most cases by the immediate and higher superiors; but at every level where the employee exercises control over the relation of his work with that of other persons, or control over the relation of the work of people below him to that of others, co-ordination is a feature to be given prime consideration. The idea of co-ordination must permeate the organization to its furthest reaches; it is the purpose for which authority and hierarchy exist; and unless those devices result in co-ordination, they are empty forms.

Mary Parker Follett, in a lecture some years ago in London, gave co-ordination a primary place among the principles of organization, naming as four fundamental principles the following:

> 1. Coordination as the reciprocal relating of all the factors in a situation; that is, a recognition of the interacting relation of many factors and a parallel effort to harmonize or dovetail them in a given direction.
>
> 2. Coordination by direct contact of the responsible people concerned; this needs little elaboration, since it means merely the provision of frequent contacts among those whose efforts must be coordinated.
>
> 3. Coordination in the early stages, which is to emphasize the necessity of bringing workers and ideas together before

> projects have proceeded so far along divergent lines that psychological barriers are created; this idea lends color to the need for the planning of coordinative devices and routines.
>
> 4. Coordination as a continuing process.[11]

It may be argued that the word "principle" is used loosely here, but it may also be said that Miss Follett has drawn into these four concise statements the kernel of the meaning of co-ordination and its importance to all forms of group activity.

To indicate more specifically some of the operations involved in co-ordination, let us quote Fayol. "To co-ordinate," he says, "is to harmonize all the operations of a concern so as to lead to the smooth working which makes for success."

> (Further, it is) to give the right proportions to the material and human organization of each function, so that it may play its part with certainty and economy, to allow for the needs and consequences which every operation . . . will impose upon all the functions of the concern; to proportion expenditure to financial resources; . . . to make the important point take precedence over details. It is, in a sentence, to give things and actions their proper proportions and to adapt the means to the end.

The following conditions will, according to Fayol, be found in a well co-ordinated unit: (1) harmony among the departments; (2) clear delineation of functions and relations within each subunit; and (3) a current, up-to-date program of work for the entire organization and for each division.[12]

It was mentioned earlier that co-ordination is almost wholly the responsibility of the chief and his employees. It may be

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[11] Mary Parker Follett, "The Process of Control," in Gulick and Urwick, editors, *Papers on the Science of Administration* (New York, 1937), pp. 161–169. Urwick has an excellent discussion and elaboration of these points, made before the lecture was published in this compilation. See L. Urwick, "The Problem of Organization: A Study of the Work of Mary Parker Follett," *Bulletin of the Taylor Society and of the Society for Industrial Engineers*, I (July, 1935), pp. 163–169.

[12] Fayol, *op. cit.*, p. 74.

pointed out and emphasized, further, that a large part of the co-ordinative activities may be left to the administrator's staff, as the technical meaning of that term was explained in Chapter II. Urwick, in fact, lists co-ordination as "the staff function *par excellence*," and indicates that approximately 90 per cent of the executive's functions may be assumed by the staff, though the chief administrator retains full authority and responsibility.[13] Regardless of actual percentages, there is no doubt of the fact that a great many of the activities concerned with correspondence—planning of routines, transmission of orders and even compilation of routine orders, facilitation of contacts between departments, and the like—can be carried on by the administrator's staff. Nor can there be much doubt that, in many organizations, such possibilities are overlooked either through ignorance on the part of the administrator or through jealousy in turning over work to others. The fact that the efficiency of the organization is seriously impaired by a failure to utilize the full abilities of the staff in administrative functions is too often ignored.

*Command.* The function of command deals in large part, as one would imagine, with personnel. Many of the problems falling under the function of command will be handled by the personnel division in its capacity as an auxiliary service. Thus, while this function is actually that of the administrator carrying out the major policies laid down by the governing body, he is aided by other agencies. Success in the function of command depends in part on the choice and management of persons to work together efficiently and in harmony, and most of this task is delegated to a central personnel agency in those organizations where one exists. True, that agency may not

[13] Urwick, "Organization as a Technical Problem," in Gulick and Urwick, editors, *op. cit.*, pp. 47–88. This chart shows how much of the routine and many of the duties of administration may be undertaken by the staff and therefore removed from the immediate concern of the chief administrator. Only in this way is the executive in a large concern able to carry his responsibilities.

have complete authority over all personnel management; many higher officials are chosen either by the administrator himself, the governing group, or sometimes by the electorate. Problems of compensation, leaves, absences, discipline, retirements, and the like, in a large organization consume so much time that if the chief administrator attempted to handle them, he would never accomplish the numerous other tasks for which he is responsible. They are intimately related to the effectiveness of command since a dissatisfied or overworked personnel will not respond to the instructions handed down from the top. The staff, too, assists in co-ordination of activities at all levels throughout the organization, and in this manner, as well as through the distribution of instructions, plays its part in the function of command. No effort is made here to discuss the many aspects of personnel administration, since these will be dealt with elsewhere in this volume.

In addition to the aspects of command already indicated, there is also to be considered the need for certain personal qualities on the part of the administrator in dealing with all his personnel. Especially is such a need apparent in his associations with the higher personnel, since it is chiefly through them that his influence is felt. It is perhaps trite to state again the necessity for tact and sympathy on the part of the executive; trite though the statement may be, the necessity remains. The man who commands must be able, in order to achieve best results, to inspire respect on the part of his inferiors. The personal element is a highly important one in the accomplishment of the aims of the organization, and it is in terms of those aims that all qualities and efforts must be evaluated.

*Control.* In view of such bases of evaluation, the control of results plays a vital part in administration. Unless the results achieved are those desired, all other aspects of administration become empty and meaningless. This function of administration runs throughout the organization, touching every activity.

It is closely associated with the personnel and financial functions; with personnel because discipline is necessary in order to have each employee content to be in his place and performing his duties so that the aims of the group may be realized; with finance because it is at least partially in terms of finance that results are calculated. Control may be said, generally, to be taken over by the auxiliary services; one criterion of their success is the degree of effective control which they exercise over activities. Herein lies a large part of the cause for the constant conflict between the line officer and the expert exercising control in auxiliary services. In this respect the latter services have in part, at least, departed from the strict military concepts. In public administration the auxiliary services—accounting, budgeting, personnel administration, and the like—have come more and more to mean to the line officer a control not directly related to the major purpose with which he is concerned.

Most of the control exercised by the auxiliary service agencies is, in the last analysis, the responsibility of the administrator. In many setups, however, some of these agencies derive their authority directly from the governing group, and in extreme cases from the electorate, rather than from the chief executive. Much has been said and written about the disadvantages of such practices, since they mean that matters vitally affecting the success of the organization cannot be controlled by those largely responsible for its operation. At the same time, such devices as independent personnel bodies have done great service in this country, though it must be noted that their greatest value has been, perhaps, in effecting a transition from a situation in which personnel administration was largely unknown to a stage of general acceptance of the need for such an administration.

Intermediate but vitally important controls are in the hands of the governing group through the post-audit, appropriation

of funds, proposals of bond issues, passage of ordinances, sometimes the appointment of personnel, and numerous other activities. The governing group can also exercise a definite control in the matter of morale by building up or undermining the mutual confidence of administration and public.

Final controls, however, must be in the hands of the people. It is, indeed, the need for working out the parallel but sometimes paradoxical problems of efficiency and democratic control that challenges public administration in this country today. The public needs experts in its government, but it also needs controls over the government. In the past the use of the elective device for numerous offices was considered a sufficient means of control; but as government has expanded its services and the number of its employees, it has become apparent that too numerous elective offices only serve to confuse the voters. They need instead a compact group that can be held directly responsible for the conduct of government and that can be commended, reprimanded, or removed periodically at the polls. It can hardly be said that any one method or device solves this problem perfectly. There is still much searching for forms that will aid the electorate to retain control and at the same time receive efficient service; there is, too, a growing recognition of the need to educate the public to use such controls as come to hand. This larger problem of control has not been solved completely; it occupies the attention of some of the leading minds of this age.

This section has dealt with the duties of administration, although certainly the treatment has not been exhaustive. It must be emphasized that the administrative functions, as well as the principles of organization, should not be considered singly except as a matter of convenience, and that they should never be isolated in the mind of the student. They are characterized by a great deal of interaction one on another and are all modified and influenced by the current and ever-changing

environment in which they exist. They have been broken down into parts here for the purpose of discussion, but actually they interlace and entwine to form the moving, dynamic process which is administration. The student who thinks of them piecemeal or in isolation performs merely an interesting but meaningless intellectual exercise.

A large part of the responsibility for all functions of administration rests upon the administrator himself, and for this reason it is desirable to take note of qualities and training required for the discharge of such responsibilities.

## The Administrator

The motion pictures in this country have built up a stereotype of the executive which has become fairly well fixed in the mind of the public. This person, as pictured to us, barks successive orders at numerous underlings, meanwhile answering telephones and pushing buttons with confusing rapidity. He treads heavily, with little regard for the sensitivities of others, but when brought out of his preoccupation usually proves to have the proverbial soft heart beneath a rough exterior. Although this pattern is not altogether inexact, most administrators do not, as a matter of fact, fit into it. True, the administrator of any large undertaking is exceedingly busy; and it is necessary, for the sake of the organization, that every personal and mechanical aid possible be made available to him. Seldom, however, is even the busiest administrator actually such a bustling and temperamental whirlwind as the motion pictures portray him; seldom is he so prone to ignore the important factors of personal relationships in the office. It is true that he must be able to keep in mind the major undertakings of the organization and their relative stages of progress; to see the essential outlines of the whole and to keep them well defined and their various parts balanced. But he must at the same time be sensitive to more intangible elements throughout

the entire setup, so that he may meet the demands of leadership and the responsibility laid upon him.

Fayol was among the first to take the position that as an organization becomes larger the requirements for technical training on the part of the administrator become less important and administrative training more significant. He went to some pains to indicate the approximate proportions of training in finance, technical line operations, and the like, which should be required of administrators in organizations of various sizes.[14] On the other hand, he points out that even in the large organization the lower officials must have more technical than administrative ability, the former ability decreasing and the latter increasing in importance as the scale of officialdom is ascended, so that at about the center of the scalar chain they are approximately equal. In other words, the general manager needs no intimate training in the various line functions, but he must have broad administrative abilities; the foreman, on the other hand, must have chiefly technical training and ability; while the division chief, approximately halfway between the two, must participate almost equally in both processes. In terms of city government, for example, the chief executive need not be an expert in fire fighting nor in engineering, although he should be familiar with administrative requirements in these fields and in the methods of fulfilling them. It should be noted, of course, that in any small organization the chief administrator will in all probability have some immediate line, staff, or auxiliary function as his responsibility, since administrative duties probably will not consume all of his time and energy.

Later experiments have tended to corroborate Fayol's judgment in this matter. The opinion is widespread that technical and administrative requirements vary with the degree of hierarchical authority. A number of years ago a chart made under

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[14] Fayol, *op. cit.*, pp. 10–15.

the direction of Municipal Administration Service (now Public Administration Service) indicated that in cities of 10,000 or less population, technical ability on the part of the department head should approximate 75 per cent and executive capacity 10 per cent, while in cities of 500,000 and over, the same qualities should rate 5 per cent and 50 per cent respectively, general business, economic and experience qualifications together growing from 15 to 45 per cent with the change from a small to a large city.[15] While these figures may perhaps not be taken as final, they tend to substantiate the opinion of Fayol and others which have been based on long experience and observation of the workings of organizations. In the city manager field it will be noted that a large percentage of men who have made a career of this profession began as engineers.[16] This is true because much of the work of present-day municipalities deals with construction of streets, parks, public buildings, and the like. The findings also reveal the lack of training in managership in the early decades of city manager government. It may be noted, however, that in the larger cities with managers, abilities and experience have been broad enough to include much of finance and general administration in addition to single line functions.[17]

Now, all of this does not necessarily make clear just what administrative ability is. What are the qualities that make an administrator? What is the training that best fits a man for such a career? No final answer can be given to these questions, but at least some suggestions that have proved useful in the past may be made. Earlier in this chapter reference was made

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[15] C. E. Ridley, *The Public Works Department in American Cities* (Municipal Administration Service Publication No. 13, New York, 1929), p. 49.

[16] C. E. Ridley and Orin F. Nolting, *The City Manager Profession* (Chicago, 1934), and Leonard D. White, *The City Manager* (Chicago, 1926), bring out this record.

[17] John N. Edy and Clarence A. Dykstra are outstanding examples of this recent tendency.

to some of the qualities required in an administrator, but these were in more or less common-sense terms and based on common-sense observations. Some work has been done in the direction of attempting to discover what qualities are essential to the successful administrator, although the argument is still being waged over whether executives are born or made. One student, after investigation, has reached the conclusion that executive ability consists of (1) mental alertness or general intelligence; (2) social intelligence—tact; (3) energy or drive; and (4) loyalty or enthusiasm for the purposes of the organization.[18]

It may be said in passing that the requirements for the administrator and the organizer are not necessarily the same. The born organizer is perhaps best typified by the promoter type who shows more interest and ability in the bustle and rearrangement characteristic of the organization or reorganization stage than in the more routine, day-to-day demands of administration. Although apparently no direct studies have been made of this type of person, it would appear that he has a great deal of energy and a quick grasp of structural relationships.

From the point of view of training, the administrator should have a speaking acquaintance with most of the technical fields occupied by the work of the organization, though no more than is necessary for a general grasp of needs and aims. Since it is necessary for the administrator to work closely with the staff and auxiliary services, it is highly desirable that he have an understanding of their processes and techniques. Modern training courses for administrators are set up along the lines indicated by such a viewpoint. These courses deal largely with finance, personnel, accounting, public relations, and general

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[18] Fred A. Moss, "Preliminary Report of a Study of Social Intelligence and Executive Ability," *Public Personnel Studies*, IX (January–February, 1931), pp. 2–9. Taken from John M. Pfiffner, *Public Administration* (New York, 1935), pp.185–186.

economic and social subjects rather than with the immediate line services.[19] The view is also generally held that the administrator should have broad cultural education instead of narrower skills along any exclusive line. The training of England's administrative class is based on this fundamental outlook and has apparently served quite satisfactorily in meeting the demands made on the group. No such well-defined class has been developed in this country, despite some agitation in that direction. It is perhaps best that we work out our own answer to the problem here.

[19] In the last two decades a number of large industrial organizations have taken active interest in training executives within the organization along the lines of administrative procedures. See, for example, Harold B. Bergen and Garret Lawrence Bergen, *Executive Training Program* (American Management Association, New York, 1929); and A. B. Gates, "A New Technique in Executive Training," *The Society for the Advancement of Management Journal*, I (Chicago, January, 1936), pp. 9–14. A later volume relating to the same general subject is Frank Cushman, *Training Procedure* (New York, 1940).

# Part II

# MUNICIPAL ADMINISTRATIVE PRACTICES

# IV

# MUNICIPAL ADMINISTRATIVE FORMS

THE chapters in the preceding section have dealt with theories of organization and administration as they are generally accepted today. From time to time, by way of illustration, reference has been made to officers, employees, and functions of cities, but on the whole the approach has been general. At this time it appears to be appropriate to superimpose on this background a brief discussion of forms of municipal government as they relate to administration, in order that the student may evolve a conception of actual practices in terms of theory. In this discussion it is presumed that the student has at least a general acquaintance with the ordinary forms of municipal government;[1] hence the descriptions here are brief and largely in terms of administration.

Forms of city government fall into three major types. The oldest of these is the mayor-council form, which generally consists of a mayor and council, usually elected separately, the mayor being charged in a greater or lesser degree with responsibility for administrative duties. The variation in this degree of responsibility is, in fact, so great that the two extremes are distinguished as "strong-mayor" and "weak-mayor" types of mayor-council government. Under the strong-mayor type the mayor is given a considerable amount of power and control,

[1] A number of textbooks are available which set forth the structure of city government. See, for example, Charles M. Kneier, *City Government in the United States* (New York, 1934); Austin F. Macdonald, *American City Government and Administration* (New York, 1941); Roger H. Wells, *American Local Government* (New York, 1939); Harold Zink, *Government of Cities in the United States* (New York, 1939).

having perhaps some veto power over council action, fairly complete authority in the employment and discharge of personnel, with perhaps a rather highly integrated structure under his command. The weak mayor, on the other hand, has no control over action by the council, is forced to work with a personnel largely elective or perhaps appointed by the council, and finds himself hampered at every turn by an array of independent or semi-independent officers or boards; and in addition the council may be legally charged with close supervision of administrative detail. It must be noted that few cities have either form in a pure state; various combinations exist, so that strict duplication of form is seldom if ever found. Most cities, however, lean toward one of the extremes.

A second type, popular for the first two or three decades of this century, is known as the commission form of city government. A municipality acting under this form elects a group of commissioners-at-large—three, five, or seven in most cases. A mayor, chosen from their own number, acts as the ceremonial head of the city, exercising, however, little more authority than his fellows. The commissioners as a group determine policy and confer on administration; as individuals they are assigned direct responsibility for the administration of the various departments. If a city has more departments than commissioners, and it usually has, then two or more departments must either be consolidated or handled separately by the same official. In many larger cities the commissioner appoints full-time administrators for those departments responsible to him; but in the medium-sized city, finances often will not permit such action. Hence, the commissioner may attempt direct administration of his departments, with a resulting instability of top personnel that is harmful to the work of the department.

The council-manager or city-manager type of government is the newest arrival on the scene. Under this form an elective

council represents the electorate on matters of policy, while a full-time, trained manager is employed to assume responsibility for the administration of most municipal functions. It is most nearly approximated by the strong-mayor type of mayor-council government, although in the newer form an effort has been made to separate management from politics. Ideally, the manager is given fairly complete control over his major personnel and is placed at the head of an integrated structure.

Note must be taken of the fact that so many variations of the types of city government occur that only in a general way can the government of any city be said to fit one type or another. Perhaps council-manager cities have slightly more uniformity of structure than any of the other general types, but even among these the variations are great. For example, in these cities there may be found a number of semi-independent boards acting on personnel, parks and recreation, libraries, and other functions sometimes regarded as being on the fringe of municipal responsibility. Such variations have an important effect on administrative arrangements. Practical variations from the theoretical type may be so great as to mean that a city operating under a charter setting up one governmental type may actually have a government approximating another of the general forms; manager government may, for example, through day-to-day administration, approximate the mayor-council type.

## Organization

The principles of organization apply with equal force under any form of government adopted. It must be kept in mind that they do not dictate any particular, rigid structure; they must, however, be taken into account in every structure if best results are to be obtained. It may well be that when these principles are considered they will almost automatically outlaw some specific structural arrangements. With these cautions

in mind it is possible to turn to a consideration of some of the principles or factors discussed in Chapter II.

*Division of labor, hierarchy, and span of control.* In terms of city government, division of labor has the same meaning regardless of the general type of government, and finds similar expression in all of them. It means, for example, that certain major departments are set up to do the important jobs for which the city is organized. One department has charge of fire protection and prevention; another of police protection and more recently of some phases of juvenile delinquency prevention; another of parks and playgrounds and perhaps other recreational activities, including libraries; another of street construction, repair, and maintenance; another of sewage disposal and water supply; and so on down the list of municipal activities. Even within these departments there is a division of labor. There is an office staff, members of which have no technical training or ability in fighting fires, for instance, or laying pavement—stenographers and clerical workers, these. Further down the line are the manual laborers, the beat patrolmen, the concrete mixers, each performing a job for which he has some natural or acquired ability. These are the final units of work, the ultimate expression of the division of labor.

Hierarchy is sometimes termed another form of the division of labor; it is division in terms of authority and responsibility. A man high in the hierarchical chain has, in a sense, not a job to do but a job to get done; he is given not physical work but the authority and responsibility for getting work done. Thus, the foreman is given a job and a group of men to do it; he best fills his function not by taking up and using the tools himself, but by directing his men in the work. His superior bears the same relation to him and to several other foremen that he does to each of his own men. And so it goes up the ladder. Each man does best if he is subject to the direction of but one

other; and so as the structure rises higher it takes on the form of a pyramid. Internally, each form of municipal government may take cognizance of this principle. Each department has its hierarchical scale. In a few cases an employee will be found taking orders from more than one superior, and as a practical matter the situation is almost always difficult for all involved in it. In the commission and weak-mayor types, there is some danger of difficulty on this point, especially in the staff or auxiliary services which may be under the direction of the group rather than of a single individual.

The span of control is perhaps the least recognized principle in most city governmental structures, and the results are most clearly seen in lack of co-ordination. As has been shown, the span of control cannot be taken to set a single, definite limit to the number of subordinates a man may attempt to direct; such a limit depends, in any given situation, on many factors.[2] Certainly, however, the large numbers of subordinates, sometimes ranging upwards of twenty, who are found dealing directly with a chief executive in many of our larger cities, are subject to definite criticism on this score. On the whole it may be said that the council-manager form tends to provide fewer subordinates reporting to the chief administrator; this is not, however, necessarily inherent in council-manager government, but results perhaps from the fact that this form appeared simultaneously with a quickened interest in scientific management. It can hardly be doubted that the application of this principle

[2] In the opinion of one writer ". . . in practice . . . the extent of the span of control is determined almost wholly by the mental outlook, habits of thought and action, and capacity for organization, possessed by the person charged with the responsibility of exercising control. Some executives express themselves vertically, others horizontally. . . ." Harry Arthur Hopf, in a discussion following E. W. Smith, "Executive Responsibility: Staff and Line Relationships," *The Society for the Advancement of Management Journal*, III (Chicago, January, 1938), p. 33. This very realistic expression reflects the extent to which psychological studies may be an aid to effective organization, as well as the difficulty of operating an organization without regarding personal traits.

to any one of the other forms would result in improved administration through greater freedom from routine on the part of the chief executive.

*Line, staff, and auxiliary services.* The line-staff dichotomy, like the span of control, does not belong exclusively, or even necessarily, to any of the characteristic structural forms. It is a much more recent concept than the original mayor-council form of government, but it preceded the rise of the commission form. Nevertheless, it cannot be said to prevail in one form more than in another. It has perhaps found more favor in the sight of city managers under the council-manager form, but here again the explanation may be in terms of the awakened interest in scientific management that rose coincidentally with the manager form. Thus there are found in all forms the unwise mixture of staff and line functions, the city managers having tended, however, to draw about themselves individuals not devoted to a specific line function but engaged in preparatory and informational activities. Few cities, regardless of the form of government employed, have gone so far as consciously to distinguish line, staff, and auxiliary services, although as a matter of fact the functions exist, sometimes in more or less formalized arrangements, in every organization of appreciable size. On the basis of logic, it would appear that this three-way distinction among functions is valid; the armies have found it necessary to make such a distinction as they have grown and become more complex. In the light of this concept, there would be a definite distinction, in the mind not only of the administrator but of each member of his corps, among such line activities as construction of streets, culverts, and bridges, or traffic regulation; the auxiliary services such as budget control and personnel administration; and the purely staff functions of planning, investigation, research, and the like. Attention to these distinctions is needed regardless of the form of government the city may have. While in organizations of medium size the volume

of work is often too small to warrant complete segregation of staff and auxiliary services, conscious notice may well be taken of the differentiations in function between them. Such distinctions are especially important in working out the relation between line and other officers, since the staff officer has authority only as he acts for and in the name of the chief administrator, while the auxiliary service officer in public administration has come to have a control function based on ordinances or rules and regulations, and at the same time is actually subject to the authority of the administrator.

*Co-ordination and integration.*[3] Unlike the considerations discussed above, co-ordinative arrangements are inherently better in some than in other forms of city government. In the commission form, for example, unified action on the part of the various commissioners is not guaranteed, nor is any force designed to engineer co-ordination among them. It is notoriously true that commissioners have in the past evidenced a tendency to act each for his own department rather than for the good of the whole city; that friction in their group meetings is common, and that, except by virtue of good will, no effort has been made to overcome it. Rivalry among departments is the frequent result. Under the council-manager form the same rivalries, the same blindnesses, may exist; but the manager is in a position to force, or, better, to engineer, co-operative action, so that the services of the city may not become overbalanced. This he does by establishing contacts between appropriate officers, not only at the top but throughout the whole structure; by encouraging staff and intradepartmental discussions of problems and routines; by arranging for transfer of personnel, not only for the sake of economy, but also in order to promote mu-

[3] It should be noted here that this discussion applies to the municipal level; it is not intended to apply to national or even to state administration. Conditions in those units are sufficiently different from city government to warrant separate treatment. The principles of administration apply at those levels also but are affected by other influences than are characteristic of the subject under consideration here.

tual understanding of departmental work; and by making other arrangements which are always possible but are not ordinarily accomplished except under the direction of one with an over-all view of the organization and the authority to effect his will.

The mayor-council form falls between the extremes, varying degrees of co-operation being found between the council and mayor and between the mayor and the other elective or council-appointed officials. The mayor may or may not have the authority to command virtually all major department heads. If he does not possess such power, the council, and in turn the people, must look not to one person or to a small group, but first to this person and then to another in order to place responsibility for the proper conduct of municipal business. The electorate is generally not in a position to judge of professional ability, for example, of engineers, policemen and marshals, or health officers. Voters are better able to hold one person or a compact group responsible for the conduct of all line activities, and thus for the staff and auxiliary activities which support the line.

It may be said, in general, that from the point of view of co-ordination, a highly significant aspect of organization, the council-manager form offers perhaps the best guarantee of success, with strong-mayor, weak-mayor, and commission forms following in the rank named. Integration, too, is most often found in the manager form.

*Leadership and professionalization.* Provision for integration and co-ordination offers possibilities also in terms of leadership, since the eyes of the employees as well as of the citizens can be focused best on one person. That person holds a position of professional and personal leadership, and his influence is potent. An elective mayor of high caliber is often able to fill the demands of such a position creditably.[4] He has the dis-

[4] A recent editorial in a periodical relating to municipal government comments

advantage of a short term, however, and the whole administration suffers from it. Even though he may have professional, capable department heads, he must lose time in becoming acquainted with possibilities, methods, and advances in the auxiliary services with which he must be closely associated. The same applies to commissioners, even when they have full-time, professional department heads under their direction. It is to be admitted that numerous cases may be cited in which mayors and commissioners in both mayor-council and commission government have overcome the structural difficulties of their positions and have performed capably and with excellent results. Nevertheless, they have thus performed in spite of, rather than because of, assistance from the formal setup of the organization. No attempt is made here to present a case for any particular form of government. But it is to be seen that the manager form offers a stable, professional leader whose business it is to be informed and to keep abreast of current developments in administrative techniques, and to possess a progressive attitude that will communicate his enthusiasm to his specialized aides, thus giving a higher tone to the whole organization. This characteristic becomes inherent since the theory of council-manager government includes a permanent, professional manager as head of the administration.

### Administration

Administration in municipal government is inevitably, if sometimes intangibly, affected by the structure of that government. Efficient and successful administration may be found in inefficient forms, but it is efficient because of good personnel and high morale rather than because of its organizational ar-

humorously on a newspaper account of mayor-council government in which a mayor is praised as having attained the professional attitude of the usual city manager. Remarks the editor, ". . . the world does move when, to pay a mayor a high compliment, you tell him he acts more like a city manager every day." *National Municipal Review,* XXIX (New York, April, 1940), p. 227.

rangements. Conversely, good administration is not guaranteed by good form. Both proper form and capable personnel, however, are necessary to effective administration in pursuit of definite goals. Given a logical structure and high quality personnel, good administration may reasonably be expected to follow. The elements of administration, considered in the preceding chapter, must be taken into account in setting up organizational arrangements in order to achieve proper functioning. Thus it is seen that organization, personnel, and administration are closely interrelated and that they interact one upon another. The concern here, however, is with the elements of administration in relation to the generally accepted forms of municipal government.

*Forecasting and planning.* If forecasting and planning are important to administration, they must be recognized as functions in setting up an organization. This does not necessarily mean that the city charter or general laws controlling city government must make specific provision for a planning agency, although of course the city must have, through some source, the power to exercise this function. Provision for this activity may be made either by ordinance or through the authority of the chief executive to allocate functions and appoint personnel. That is to say, planning may be assigned to the administrator's staff. The important thing is that the function be recognized and that certain officials be charged with the responsibility of performing its duties.

Such an arrangement may be made regardless of the form of government under which the city operates. In the commission form, however, there arises a problem as to what officers shall have responsibility for the planning function. Shall the person engaged in that activity be attached to a single commissioner, or to the group as a whole? If to one only, how shall the others be served? If to all, what shall be done in case of disagreements? These problems become significant when

they arise in the practical situation. The organizational form that helps most in working them out is to be prized highly. It can be seen, then, that organization may have an important practical effect on specific administrative function.

*Organization and co-ordination.* It is pertinent to note again that organization is a process. That process must continually be going on in order to adjust the formal structure to varying demands upon it; to changes in personnel, to expansion of functions and activities, to changing resources, and so on. Thus organization—the processive, dynamic side of organization—is a significant aspect of administration. So also is co-ordination, which in a sense is itself the dynamic aspect of organization. Co-ordination, formal and informal, continuous, permeating all levels, is the lubricant at the stiff joints of the machine; and the administrator who understands its effectiveness is usually rewarded by a smoothly running mechanism.

No type of government has a corner on this dynamic aspect of organization. It inheres not so much in the form as in the mind and training of the personnel, especially of the higher officials. True, the routinization of as much of co-ordination as possible is desirable, for just as any habit conserves energy, so such a process saves effort and thought. Yet, even when the utmost care is taken as to structure, co-ordination is not assured. Tradition is perhaps its strongest support, as tradition is a habit of thought or action passed on from one generation of officials to another. Again it may be concluded that a progressive, alert attitude of mind, not exclusively the attribute of the officials of any one governmental form, contributes to successful co-ordination.

*Command and control.* More dependent than co-ordination on structural arrangements for effectiveness, and therefore more tangibly related to forms, is the administrative function of command. The hierarchical scheme, one of the most universal characteristics of organization, is admirably suited to the issu-

ance of orders. By means of that device, comprehensive commands issuing from the highest level are transmitted in greater and greater detail until the final, specific duty effects their realization. Command is most effective when unity of management—"one manager and one plan," and unity of direction —"a man cannot serve two masters," are provided. Hence the single administrator is most likely to be successful in this regard. This statement applies not only to the organization as a whole, but also to specific departments and divisions. It offers objections alike to the old-style council committees and the modern administration by boards, of which excessive use is frequently made. On the score of command, then, criticism may be leveled against some aspects of mayor-council government, commission government, and the excessive use of administrative boards. That there are exceptional circumstances is not to be denied. In library management, for example, the use of administrative boards has at times been found to be acceptable; and this is also true in the fields of recreation and of other functions. As a rule, however, it can be said that where speed and fidelity in the carrying out of commands is important, form is significant. It must not be overlooked, however, that the personal leadership of the executive plays an important part in effective command.

Control as an administrative function depends in part on formal arrangements and in part on a synthesis of all the other aspects of administration. Through reports, personnel administration, audits, budget systems, and the like, it can be formalized. Such formalization, however, results from organization on the part of the administrator more than from basic, legal structures. Except as the general form of city government is reflected in such matters as the short ballot, unity of command and management, and co-ordination, which make easier public control and council control of administration, the function of control cannot be said to inhere in any general type. As the

type encourages professionalization and alertness, however, it does have significant bearing on the important function of control.

In light of this discussion, it may be concluded that, while Steffens and Pope may not be taken literally in their declaration of the insignificance of forms, still, no one form can be depended upon to guarantee perfect local government. On most counts, when compared with theory, the council-manager form attains perhaps the most creditable rating, due in part to actual superiorities of structure and in part to more skillful administration by trained, permanent personnel. In the other forms it is possible for excellent administration, especially when combined with a local tradition of permanency of employment, to compensate structural deficiencies. Perhaps the commission form offers the fewest possibilities in this direction.

Whatever the form or quality of administration, both are influenced by numerous external forces. The following chapter deals with some of the external influences which act on the city to prohibit perfect forms and to hamper efficient administration.

# V

# EXTERNAL INFLUENCES ON MUNICIPAL ADMINISTRATION

IT HAS been said that city government and administration are subject to external influences over which municipal officials have little if any control. This is true to an extent perhaps not realized by the casual observer. Some of the forces acting on the city are regular, conventional, and legal; others are intangible, indirect, almost imperceptible. In almost every case they call for adjustment, more or less difficult, on the part of the administration.

From the point of view of the city officials, one of the most potent external forces arises from the fact that the municipality is legally a creature of the state and as such is subject to the will of the state, whether expressed in the constitution, in action by the representative legislature, or by direct legislation through initiative, referendum, and recall.[1] The principle of self-government to which the American people are devoted is apparently to be expressed through the state and not through lesser divisions, as the modern tendency among the majority of courts is to concur in the opinion that the right to municipal self-government is not inherent but is granted by the state. The familiar right of home rule, the right of citizens of an urban area to determine their own form of government and

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[1] A rather detailed discussion of all phases of state control over municipalities may be found in Charles M. Kneier, *City Government in the United States* (New York, 1934), chaps. III–VII, in which a number of fundamental references are cited. The treatment here, however, is more in the nature of a general survey than a close examination.

certain of its functions and activities, is, then, available to cities only when granted through some agency of the state, whether legislative, administrative, or constitutional. The municipality, although to a lesser degree than the county, is an agency of the state for effecting its purposes. This is true, for instance, of the law enforcement function. Some municipal functions are considered purely local in character and are performed at the option of the electorate. The line between state and local functions is not necessarily the same from state to state and valid generalizations are therefore difficult.

## State Legislatures

Perhaps the most familiar and certainly one of the most haunting influences over the city is that exercised by the state legislative body. The degree of such control varies, among the states, from almost constant supervision by administrative agencies to occasional and intermittent legislation of a general nature. Various modes of legislative action are considered here.

Legislative action takes various forms. In some states laws of broad scope are passed and apply to all cities. Limits by population groups may be placed on the cities covered. One practice, for example, may be set up for cities of a certain population range, while other procedures may be provided for larger or smaller cities. In other states, cities are closely supervised by such means as may be provided by special legislation. This may take the form of a charter granted by the state or may consist of isolated bills applying to individual cities. These practices are generally unsatisfactory because it is impossible for the state legislative body to have adequate knowledge of all the problems and needs of every city within its boundaries. It has considerable popularity, however, since legislators almost universally enjoy the opportunity of exercising detailed control over any governmental affairs. In such cases the city may become an unfortunate pawn in state politics. Possible lines of

action by the state are: appointment of certain officials, delineation of functions and designation of the departments to exercise them, requirement of reports to and co-operation with specified state departments, and the abolition of offices and functions.

In many cases an effort has been made to limit the power of the state legislature over municipalities by setting up constitutional limitations on the legislature and safeguards for cities. Discussion of some constitutional approaches will be found below. In some cases, states have contrived to circumvent these restrictions by passing statutes ostensibly applicable to a population group, but in reality limited to only one or two cities through the use of a very narrow population range. This practice is often successful, although it has been outlawed by the courts in those cases where the population limits are so set as to preclude the possibility of other cities coming within them.

It is clear that the administration of municipal affairs may be seriously affected by the actions of an unrestrained state legislature. Offices may be and have been set up and abolished arbitrarily for purely political reasons. The effect on municipal services is devastating, and on personnel, demoralizing. No administrator can do his best if he labors under the constant fear that what he has built up may be torn down and his labors set at naught by legislative mandate. Such a fear exists most definitely in those cities subject to special legislation in some form or another. It is less paralyzing in its effect when municipalities are subject only to laws of general applicability. Even in those cases city budgets and plans have more than once been turned topsy-turvy through the action of the legislature in response to pressure of one sort or another.

While the city officials often feel hampered by the inconveniences of their inferior position, it is not to be argued that they should nevertheless be freed from the restraints of the state. Doubtless the most satisfactory arrangement thus far has been through the use of home rule for cities of certain classes.

Home rule for a city means that it may adopt its own charter, within rather broad limits; choose its form of government; determine its functions and activities; provide for its own officers and the method of their selection; and provide for amendments to its charter. Within reasonably extensive limits the citizens enjoy freedom to govern themselves. Even when home rule is established, however, cities may still be subject to general statutes enacted by the legislature.

It must be pointed out that in a sense the legislature does not necessarily have the final word even in enactment of general and special laws. These are always subject to interpretation by the courts. The influence of judicial action is strong and is felt not only in connection with the statutes but also with constitutional provisions. It is by means of court decisions, for example, that restrictions have been placed on legislatures in the matter of excessively narrow population ranges specified in statutes passed in some states.

It can be seen, then, that while the power of the state over local government is plenary, the legislature is not always nor alone the agency of the state. The city may have certain constitutional safeguards; by these and their interpretation the legislature may be further restrained.

### Constitutional Provisions

The insertion of constitutional safeguards for cities originated as an effort to counter the inclination of legislatures toward meddling in local affairs for political reasons without particular regard for the welfare of the local citizens. The motive for seeking constitutional protection is justifiable, but the results have not been entirely satisfactory. During the nineteenth and early twentieth centuries there has been a tendency for writers of state constitutions to include excessively detailed provisions, so that current practices have been perpetuated in a document not susceptible to easy amendment. Such an influence toward

rigidity is apparent in the field of state-city division of powers as well as in numerous other matters. Ideas have changed, new procedures have been developed, and in many cases cities are now hampered by what were originally intended as safeguards for them—long, specific, and intricate statements of procedures and relations which in an earlier day were appropriate but are now unwieldy and outmoded. This is especially true in the field of finance, where debt limits, tax limits, and other minute restrictions are often found. On the other hand, some state constitutional provisions were directed toward specific abuses suffered in the past, and thus in time have come to be inadequate as the legislative bodies have discovered other avenues of action.

A number of state constitutions provide for municipal home rule; these may be more or less detailed and may or may not call for enabling legislation. Modern students prefer broad constitutional permission for home rule, leaving state and local enactment to work out details. Critics of home rule, however, submit that too great freedom on the part of the local agency negatives in significant fields the proper control of the city as an agency of the state. Broad or narrow, constitutional provisions are subject to judicial interpretation, which may enlarge or circumscribe the sphere of power of either state or locality. In many cases the necessity of judicial interpretation has made the scope of municipal action somewhat uncertain, and among the different states there is considerable variance because of dissimilar court opinions.

### Charters

The extent to which charter provisions cannot be changed by the municipality, and are therefore to be considered external influences on administration, varies with the position taken by the state in regard to local affairs. In states having no home rule practices, the state itself writes or approves all city charters;

they may be in the form of general laws or written for each individual municipality. In either case a law passed by the state serves as a charter. The legislature, then, must pass amendments to the charter. Thus the action of the state may have a direct and important bearing on the administrative organization of the city. It has already been brought out that administrative organization can have its effect, in turn, on the quality and effectiveness of administration. One case in which the influence of the state can be very strong is demonstrated when provision is made for the appointment of local officials by state officers. This practice was formerly widespread; and although it has declined in recent decades, it is not unknown today. The establishment and abolition of local positions and even departments are still undertaken by state legislatures, and their effects on morale and other aspects of administration are powerful.

In states having nonconstitutional home rule the superior unit still plays an important role. Home rule set up by statute is subject to action of the legislative body at any time, and it may be and often is amended on slight provocation, to the confusion of municipal administration. The city in such a case is forced to be continually adapting itself in response to arbitrary external commands rather than to the commands of internal needs.

Constitutional home rule offers somewhat more protection to the cities, but in no case does it guarantee excellent charters. Charters may be drawn up by ill-advised or uninformed laymen, embodying traditional frameworks and relationships not suited to the modern demands made upon them. In such a case it is possible that more strict state control would be beneficial to the citizens. At any rate, a detailed charter of whatever nature, or a charter comprising unsuitable structural arrangements, offers difficulties by reason of the general and natural reluctance of the citizenry to change its fundamental law; for

the charter is, in a sense, the constitution of the municipality, even though it is subject always to state and federal constitutions. From the point of view of good city government, the home rule charter offers significant possibilities but few guarantees. Rightly used, it may open the way for local government of high quality.

It must be noted that even in some states with constitutional home rule the state has by court decree been declared able to pass general laws which apply not only to the cities acting directly under legislative control on all matters but also to cities acting under home rule charters. This fact reveals an important impact of state control on local self-government, and illustrates the force of judicial decision in all aspects of municipal government.

### Administrative Control

In recent years the field of state-municipal relations has been characterized by two distinct tendencies which appear to be almost opposite in direction although they offer possibilities of being harmonized. These are the tendencies toward centralization on the one hand and home rule on the other. Some attention has been given to the arguments favoring and objecting to home rule for cities. The somewhat conflicting tendency toward centralization is the counterpart of a similar development in state-national relations and of a general movement toward standardization in all lines. The increasing complexity of modern life, together with the important developments in communication and transportation—both an aid and a source of difficulty to government [2]—results in an effort on the part of the superior governments to standardize procedures and measurements throughout their jurisdictions. Since state legis-

[2] See chapter I.

latures are often prone to partisan action which ignores local needs, and since specific constitutional provisions have the disadvantages indicated in the preceding section, control by a state administrative agency has been offered as a desirable and flexible alternative. Through such a means, the state retains its control and is able to effect considerable standardization, while at the same time partisan action and too rigid constitutional restriction are avoided.

The agency designated to exercise control functions on the part of the superior government may vary from state to state. In some states a board or commission or other agency is set up with a broad grant of power to supervise municipal activities. In such cases the city may have responsibility to few, if any, other state agencies. The supervising division may act in one field only—as, for example, finance—or may have authority extending over other municipal activities. It may act in a ministerial capacity under detailed statutes, or under a general outline of its power with the authority to formulate rules and regulations on the basis of varying needs among different types of cities. In the latter case the administration tends to be more flexible and perhaps more realistic, while the former method approaches purely legislative control.

In many states, however, the supervision of local government is not centralized in a single agency. Frequently it is scattered among various state departments and boards, each acting more or less independently of the others. Supervision of local health administration, for instance, may be assigned to the state health officer, while a welfare division exercises control functions in regard to local welfare activities. There may be little or no relation between the two agencies, although at the municipal level the functions are necessarily in close contact. Precisely this lack of co-ordination at the control level is sometimes cited as the reason for a single state department supervising local

government. This is not to say, however, that such a step should be taken by all states exercising control over phases of municipal administration.

Whether through a single agency or several agencies, the actual control may be effected by numerous devices which vary in their strictness and in their effectiveness. The use of inspections is one of the stricter methods. A state general law may be set up, the local officers being indicated as agents of the state in their jurisdictions. The state may then provide an extensive system of inspections, which are the sole means of control in unincorporated areas and which act as a check of municipal adequacy. Variations of this basic pattern have been developed.

Grants-in-aid are a fairly recent development in intergovernmental relations and may be used to provide a close check on activities of the inferior unit. Under this system the state makes funds available to the municipality, with the provision that certain standards be met and certain procedures followed. The position of the state in such an arrangement is a powerful one: if agreements are ignored, funds can be withdrawn. This device has been employed in the field of education, among others, with considerable effectiveness; and in state-municipal relations it may be expected to find wider use, while in federal-state relations it has already become a commonplace and trusty basis for relations.

A less strict means of control is found in the requirement of reports from the inferior to the superior agency. If action can be or is taken, after receipt of such reports, to require or coerce specific action on the part of the city, then reports may contribute to effective control. They are used in such fashion under the grants-in-aid system. If, however, no action is taken after the filing of the reports, such a system becomes a mere form, providing at best statistics for use by the state. In such a situation the state can hardly be said to exercise any real administrative control over its cities.

Still another basis of state-municipal administrative relations offers little actual control but may, nevertheless, be highly useful. This is the use of question and advice. Often one or more state agencies may have as a part of their function the collection of information on proper procedures, effective practices in other cities, and similar information capable of use by local officials when they have access to it. The municipality may then maintain contact with the state agency and through it receive advice and suggestions which aid in the solution of immediate and continuous municipal problems. The method offers no real control, and backward communities are under no compulsion to take advantage of the services it makes available. For progressive officials, however, such an advisory arrangement is a boon.

These represent a few of the methods by which the state may refer its control over cities to one of its regularly constituted administrative agencies, in preference to depending on direct statutory control or constitutional provisions. It is an approach which is gaining favor as governmental problems become more complex, and it offers solutions to some of the troublesome problems of intergovernmental relations. Like the other methods, it is subject to judicial interpretation of laws and constitution, but it offers the opportunity of settling many difficulties before they reach the state of litigation. It can easily be realized that the various forms of state administrative control can have direct bearing on the day-to-day administration of municipal activities, involving as it does a balance between funds and activities and the co-ordination of municipal functions under state supervision.

## Extralegal Influences

In recent years students of public administration have become increasingly aware of intangible influences which bear down upon government at all levels. From the time of the Revolu-

tion onward, the American people have placed great confidence in the adequacy of forms of government for the assurance of justice and efficiency; the idea still prevails, and it is true that form is important. Some few decades ago, however, students began to realize that what Lincoln Steffens characterized as "paper government" is not all that must be considered. Such a realization inevitably opened up a new field of study and research, which, although it has not been exhaustively explored, nevertheless has led into the discipline of sociology and psychology, and has found in them contributions to the study of these intangible, extralegal influences on legal governments. These forces fall into general classes which are closely interrelated; they are described as political parties, pressure groups, and public opinion.

*Political parties.* Most modern students of government are familiar with the important place ascribed to political parties in connection with national and state governments. Political organization has made possible the smooth working of the tripartite form originated in the national constitution. Parties, whether in higher or lower governmental units, represent the synthesized opinion of large or small groups on questions of public policy.

At the municipal level there are wide variations in the degrees of importance of political parties, and generalization on the subject is difficult. In small cities, for example, political parties of any kind whatsoever may be practically nonexistent; while in large cities the operations of definite parties, either affiliated with the large national parties or purely local in character, may constitute a practical phase of the government. Between these extremes may be found various mixtures with numerous political possibilities. In a state divided between the larger national parties it is likely that municipal politics will take on the color of the national controversy, even though the actual operation of the city has comparatively little relation to state and national

affairs. The interrelation of municipal and state political machines invites more detailed discussion than may be given here.

Where political parties are active, they can and do exercise considerable influence on municipal administration. Patronage constitutes the promptest answer to the question of methods of influence. Pressure from party leaders or the party boss, usually himself not in the city hall, leads to many appointments on a basis of political affiliation alone. Although sometimes such appointees may also be capable and trained, it is very probably true that ordinarily they are not; certainly they are not necessarily so. The result of such a system is almost inevitably administration of an inferior quality.

There are, however, other means than patronage through which municipal administration may be influenced. The political leaders have many opportunities to exert political pressure in such matters as enforcement of building codes and other inspection laws; to confer with the corporation judge and extricate offenders from the threat of a fine or sentence to the city jail; or, it is said, to call particular attention of welfare and relief workers to a destitute family, some member of which, incidentally, has the privilege of voting. Considered individually, these things are small and humane; but in the mass they have a telling effect on the quality of administration. When they occur frequently, they undermine morale in the city hall, where some conscientious underling is repeatedly restrained by a superior from doing his routine duty, and as a result develops indifference toward his work. Whether dangerous or dishonest, partisan influences are, unfortunately, likely to decrease the efficiency of the administration and thus deprive the taxpaying citizen of his just due.

The organization of political parties in cities varies with the type of city. A few writers have given close attention to the various manifestations of political action in our cities, and their

works may be referred to for complete discussions.[3] It is enough here to mention that precinct and ward leaders play a significant role in building up party lines and in keeping them in order against the day when votes will be the grateful return of satisfied citizens. The same literature has given space to the neighborly services, the good turns, the real Samaritan deeds of the local political leader for his constituents. It is natural that these things should gain votes, and it can hardly be said that he who gets or gives ballots on such a basis is to be despised. At the same time it must be granted that give and take of this nature clouds the actual issues of local (as well as national) politics and places men in office on false bases.

It should be noted again that in small towns, or in cities in the one-party states, local politics take on more of a factional nature. Party lines in such cases are more shifting and unstable, and the issues change with the changing conditions of local affairs. In a sense, such an attitude on the part of the citizens is more realistic than when national party lines are followed; but where leading politicians play for power, it is likely that they will soon become allied with the dominant parties in state and nation. The local factions are more informal in organization than the affiliated parties, and usually are without continuing leadership. They arise to meet a need, and decline with the solution or abandonment of the problem.

Thus it can be seen that political parties in municipalities vary in scope, purpose, and organization. One thing all types have in common: a tendency to exert a definite influence on the nature of administration at the city hall.

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[3] R. C. Brooks, *Political Parties and Electoral Problems* (New York, 1933); Frank R. Kent, *The Great Game of Politics* (New York, 1930); J. T. Salter, *Boss Rule* (New York, 1935); Harold Zink, *City Bosses in the United States* (Durham, N. C., 1930). A recent compilation includes work portraits of a number of well-known politicians. See J. T. Salter, editor, *The American Politician* (Chapel Hill, N. C., 1938).

*Pressure groups.* The pressure group is similar to the political party in that it is composed of a number of people with a common attitude on governmental policy. The difference lies in the reason for the attitude, which, in pressure groups, is likely to be directly and avowedly economic. In political parties, however, the fundamental economic desires are expressed in terms of tradition and political theory, in the relatively small number of people appealed to by the sentiment of the group, and in the type of action taken.[1] Grocers or other businessmen may form a pressure group to pass or defeat certain measures having a direct effect on their business. People along a single street may form a temporary pressure group to demand pavement, or perhaps better traffic control, on their street. Such interests appeal to a small number of citizens, and as a consequence the pressure group is more compact and less unwieldy than the political party. Being more compact, and having usually a single definite and immediate aim (though national groups are fairly large and unwieldy and tend to have long-time and more unselfish aims), the pressure group attempts to exercise positive pressure on the government to effect certain ends. Its members may write to legislators, and have their friends write, urging a vote for or against a specific measure. In city government the members of a pressure group are likely to make frequent trips to the city hall and to the offices of the councilors in order to insist on action which will be of advantage to them; or, perhaps more often, that will overcome disadvantages imposed upon them.

The effects of pressure groups on administration are not always apparent. They may object to strict enforcement of laws, or they may demand emphatic action of one type or an-

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[1] For more detailed works on the subject of pressure groups, see E. P. Herring, *Public Administration and the Public Interest* (New York, 1936); and W. B. Munro, *The Invisible Government* (New York, 1928).

other which upsets the balance between funds and services as worked out in a long-time plan by a staff attempting to take an objective view. On the other hand, they often insist on beneficial actions to which the citizenry as a whole are indifferent. Here again, the individual adjustments may be slight, but the total effect is significant.

The pressure group is one of the most recently recognized phenomena of government. Its presence in a democracy is especially significant, even if it is the voice of a militant minority. In many cases it has beneficial results; but it may become dangerous when the articulate minority is allowed to impose its selfish will on the inarticulate majority. When such an imposition occurs, the government becomes an oligarchy rather than a democracy; hence it should be permitted only if that development is desired.

*Public opinion.* Public opinion is made up of the synthesized attitudes of pressure groups and political leaders, plus other unclassified opinions, as expressed by the people in the press, in speeches and conventions, in messages to legislators and administrators, and in other articulate forms. At best it is usually vague, the result of a balancing of extreme views which tend to negative one another. The public itself, as used in the term "public opinion," is a huge, ill-defined body, its lines constantly shifting, its opinions more the result of emotional bias than of rational thinking. It does not include all the people nor even all the electorate, but only that portion which finds through some leadership or other an expression of its views. Those views on specific questions are in large part molded by leaders of political and pressure groups through personal contact, propaganda, and similar devices. That is to say, public opinion might be called the contagion by many of ideas disseminated by relatively few.[5]

[5] Classic works in this field are Walter Lippmann, *The Phantom Public* (New York,

Whatever its origin, public opinion is the constant concern of the official, and particularly of the political, leader. He must take it into account in all his actions; by some he may acquiesce in it, but by others he may guide it himself, if he is shrewd. The greatest impact of public opinion is on the political leader, but it also has its effect on the administrative officer and his work. For example, public opinion may demand that certain laws, recorded on the statute books, should not be enforced, or perhaps enforced quite laxly. To the administrator of the law enforcement agency, this is purely a matter of administration; and submission to such public opinion means for him inferior and unconscientious administration. Public opinion may likewise influence methods of appointment of personnel, sometimes in violation of legal provisions. It may, further, dictate the addition or exclusion of activities which cluster around the major functions of the city, as for example, the provision of swimming pools as an activity in the recreation department. Public opinion has been known to give almost whole-hearted support to the operation of illegal institutions, such as gambling houses, when they bring economic advantages to the city. The expansion of public health activities, greater financial support for necessary but sometimes neglected services, stricter law enforcement, also, are subjects of strong public opinion. Such cases usually reflect the activities of pressure groups and their contribution to public opinion.

It may be seen, even from this brief discussion, that municipal administration and municipal organization are subject to many influences, acting from many directions, which preclude the likelihood that the administrative organization will be per-

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1927), and *Public Opinion* (New York, 1922). Among other volumes on the subject are P. Odegard, *The American Public Mind* (New York, 1930); and Graham Wallas, *Human Nature in Politics* (New York, 1921). The School of Public Affairs of Princeton University publishes interesting reports of studies and experiments, as well as other articles, in *The Public Opinion Quarterly* (Princeton, N. J.).

mitted to be governed only by the principles and practices of good administration, impervious to irrelevant considerations. Its general course may be outlined on the basis of general welfare and scientific administration, but its day-to-day procedure is a compromise between those principles and the intensely practical and conflicting demands of the citizenry. The administrator works on a legal basis, and he must be guided by legal documents and judicial interpretations. Since he works among people, he must be guided by their opinions, biases, and demands as well.

# Part III

# AUXILIARY SERVICES

# VI

# MUNICIPAL OFFICERS

MUNICIPAL officers and employees, totaling more than one and a quarter million, constitute approximately thirty per cent of all government personnel in the United States. The time and manner of their selection, their tenure of office, their powers, duties, and liabilities, their official oaths and bonds, are determined by the state constitution, general laws, municipal charters, and ordinances. Unless expressly limited by state regulation, the municipal corporation has full control over all its offices and officers; however, the legislature in the absence of constitutional restriction may prescribe the qualifications, tenure, and duties of local officers, agents, and employees.[1]

Generally, there is no common accord as to who is a municipal officer. The distinction between "officer" and "employee" carries considerable uncertainty. For instance, a person occupying a given position in a city and classed there as an "officer" might in another city be ranked as an "employee." Whether one is an "officer" or not is a rather important question because it relates to the manner of obtaining the position, to removal or suspension, to the duration of the term of office, to the meaning of laws forbidding the holding of two offices at the same time, to compensation or salary for duties performed or services rendered, to change of salary during the term, and to personnel regulations.[2]

In nearly all communities, however, certain factors somewhat

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[1] Eugene McQuillin, *The Law of Municipal Corporations* (Chicago, rev. 2d ed., 1940), vol. II, sec. 424 (referred to hereafter as McQuillin, *Municipal Corporations*).

[2] McQuillin, *Municipal Corporations* §435.

distinguish the "office." For example, an "office" is a continuing position, not dependent upon the incumbent. It carries a certain amount of dignity and a varying degree of responsibility as well as of independence. Customarily an oath and frequently a bond are required.[3] One who holds an office has definite powers which may be ministerial in nature, but which usually call for an exercise of discretion in the limited scope of the position. Although an "office" is an employment, an employment is not necessarily an "office." [4] Even the fact that the lawmaking power may have declared the position an office or an employment is not entirely conclusive.[5]

Municipal offices may be created only by legislative authority, express or implied.[6] In the absence of special charter provisions or legislative enactment, such positions may be created by ordinance but not by resolution or appointment.[7] The city, however, may fix reasonable restrictions upon the right to hold office under charter.[8] Furthermore, every city office created by charter is subject to abolition through the right of the people to change or amend the organic law.[9]

The main difference between the municipal "employee" and the municipal "officer" rests in the relative importance of the positions, the "employee" occupying a position of much less importance than the "officer." The following factors are help-

[3] *Ruling Case Law*, "Public Officers" §12 (San Francisco, 1937) (hereafter referred to as R.C.L.).

[4] 22 R.C.L., "Public Officers" §12.

[5] Groves v. Barden, 169 N. C. 8, 84 S.E. 1042 (1915); Ann. Cas. 1917 D 316 and note, L.R.A. 1917 A 228; 22 R.C.L., "Public Officers" §12.

[6] 19 R.C.L., "Municipal Corporations" §210. Benson v. Hines, 144 S.E. 287, 166 Ga. 781 (1928).

[7] Holcombe v. Grota, 129 Tex. 100, 102 S.W. (2d), 1041 (1937); Trout v. Herrin, 245 Ill. App. 346 (1925); Peterson v. Town of Panora, 222 Iowa 1236 (1937); Connors v. Hillman 86 N.J.L. 490 (1914); State v. Kennon, 7 Ohio St. 546 (1857).

[8] Lindsey v. Dominguez, 20 P. (2d) 327 (Cal. 1937).

[9] Bennett v. City of Longview, 268 S.W. 786 (Tex. Cit. App. 1925); Sprister v. City of Sturgis, 218 N.W. 96, 242 Mich. 68 (1928); Roth v. City of Bayonne, 162 A. 129, 10 N. J. Misc. 997 (1932); Simmons v. Elizabeth City, 149 S.E. 375, 197 N. C. 404 (1932); Blinn v. Hassman, 18 P (2d) 881, 162 Okla. 1 (1933).

ful in determining whether a particular service is an employment or an office: (1) relative importance, (2) tenure, (3) supervision, (4) dependence or independence, (5) method of selection, (6) time of selection, (7) manner of filling vacancies, (8) power to remove and suspend others, (9) manner or mode of creating the position, (10) powers and duties, (11) qualifications of the incumbent, (12) number of positions held by the incumbent, (13) applicability of merit system regulations, (14) personal liability, (15) bond, (16) oath, and (17) compensation and source of payment.[10]

The "employee" is supervised by and works under the "officer." He occupies a more or less permanent position and performs a continuous service, the duties being purely ministerial. Judge Cooley states that the "employee" is without power to represent or bind the employer.[11]

The solution of the problem lies in the provisions of charters and statutes; and so, where elective and appointive officers are absolutely named and fixed by charter, all others connected with the city government must be employees, agents, or servants. Such a charter classification cannot be changed by the city council unless the charter makes provision for such action.[12] Municipal officers are sometimes spoken of as being of two classes, governmental and municipal. Police officers are generally held to be state, rather than municipal, officers.[13]

The designation "municipal officer" has been extended to the

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[10] This discussion is a compilation of the elements considered in the following authorities: 43 *Corpus Juris Municipal Corporations* (New York, 1927) §973, and 2 McQuillin, *Municipal Corporations* §§435, 437.

[11] For a discussion of this, see 43 C. J. *Municipal Corporations* §973; 2 McQuillin, *Municipal Corporations* §441. The provisions of a city charter relating to employment become a part of contracts with city employees; furthermore, all contracts for employment are subject to the power of the people to change their form of government. Smith v. City of Port Arthur, 62 S.W. (2d) 385 (Tex. Civ. App. 1933).

[12] McQuillin, *Municipal Corporations* §443.

[13] Roger W. Cooley, *Handbook of the Law of Municipal Corporations* (West Publishing Company, St. Paul, Minnesota, 1914) §55 (hereafter cited Cooley, *Municipal Corporations*).

mayor and city manager, to the councilmen and aldermen, and to the city tax collector. Various courts have frequently differed as to whether or not the following may be classed as municipal officers: attorneys, architects, court officials and attendants, draftsmen, engineers, firemen, harbor officials, members of boards, commissions, or committees, physicians or other medical men, school officials and teachers, policemen and the like, street and highway officials, tax assessors, and others.[14]

Since the powers of the municipal corporation are derived from the charter or act of incorporation, its officers may perform only such duties as are found therein or which have been prescribed by appropriate legislative act. Perforce this includes those duties which are implied or are indispensable to the corporation's performance of the purposes of its creation. In the discharge of their duties the officers cannot go beyond the law, nor can they delegate powers involving the exercise of judgment and discretion. Municipal officers are only agents of the local public in its corporate capacity; they act under defined powers and duties, limited and restricted by law, and, within the scope of their functions, may bind the corporation by their acts; however, if they exceed their authority, the municipality is not liable.[15]

A public or governmental corporation such as a municipal corporation is not estopped by the acts of its officers when they exceed their powers. It can defeat liability, since one dealing with such officers must at his own peril ascertain the scope of the officers' authority. Municipal officers may be authorized to perform executive or administrative, legislative, and judicial functions; and judicial officers may exercise both legislative and executive functions. The state may, under penalty, impose specific duties upon municipal officers relating to law enforcement. In this case the officers act as agents of the state, and the

[14] 2 McQuillin, *Municipal Corporations* §437.1.
[15] *Ibid.* §519.

city is not liable for their negligence in performing such duties. They are required to enforce the law within the range of their duties, but, of course, they may not go beyond it. The court will determine whether or not municipal officers act within the law. In the absence of proof to the contrary, it is presumed that they have acted in the interest of the public and within the authority granted them.[16]

Unless he is authorized by law, the municipal officer has no power to employ subordinates or persons to assist him in performing his public duties. The officer himself must perform the duties of the office. Usually such power is conferred by charter or ordinance, sometimes expressly and sometimes by necessary implication.[17]

City charters and laws usually forbid members of the council or governing body, and all other local officers, to be directly or indirectly interested in any contract with the municipality or any of its departments or institutions. Some laws declare such contracts to be void, and others prescribe criminal punishment. This applies to all public officers, including municipal officials. Officials occupy a position of trust and must act in the utmost good faith. The policy involved here would seem to apply also to partnerships in which the officer is a member or is pecuniarily interested, or to a corporation in which the municipal officer is an officer, director, or stockholder.[18]

### De Facto and De Jure Officers

Often the question arises as to the difference between a *de facto* and a *de jure* officer. A *de jure* officer is one who holds his office by right and has complied with all requirements per-

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[16] *Ibid.*

[17] McLaughlin v. New York, 143 N. Y. S. 819, 158 App. Div. 517 (1913); Colihan v. Miller, 131 N. Y. S. 99, 72 Misc. 140 (1917); Dietzen v. Savannah, 161 Ga. 125, 129 S.E. 653 (1925); Towle v. Mobile, 4 Ala. App. 502, 58 So. 668 (912); Rowland v. Hays, 124 Conn. 129, 198 At. 337 (1938).

[18] 2 McQuillin, *Municipal Corporations* §531.

taining to the position. An officer *de facto* is one who, under claim of right or color of title, holds an office *de jure* and performs the functions thereof with the acquiescence of the public.[19] He has the reputation or appearance of being the officer he assumes to be, but, under the law, he has neither right nor title to the office he assumes to hold.[20] A mere usurper or intruder is not an officer *de facto* because he lacks the essential color of title and the public reputation and acquiescence.[21] There seems to be some conflict on the question of whether there can be a *de facto* officer without a *de jure* office. Justice Harlan said:

> A *de facto* officer may be defined as one whose title is not good in law, but who is in fact in the unobstructed possession of an office and discharging its duties in full view of the public, in such manner and under such circumstances as not to present the appearance of being an intruder or usurper. When a person is found thus openly in the occupation of a public office, and discharging its duties, third persons having occasion to deal with him in his capacity as such officer are not required to investigate his title, but may safely act upon the assumption that he is a rightful officer.[22]

The term "*de facto* officer" can be well applied to those officers who have acted under a statute that has subsequently been declared unconstitutional.[23] But McQuillin states that as a general rule there is no *de facto* officer if there is no corresponding office known to the law. Yet it is often held that an officer may be *de facto* under a void law until that law is adjudged invalid.[24]

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[19] Cooley, *Municipal Corporations* §59.

[20] 2 McQuillin, *Municipal Corporations* §500.

[21] Cooley, *Municipal Corporations* §59.

[22] C. W. Tooke, *Cases on the Law of Municipal Corporations* (1931), 157, quoting Waite v. Santa Cruz, 184 U. S. 302, 322 (1901).

[23] State v. Carroll, 38 Conn. 449, 9 Am. Rep. 409 (1871); Burt v. Winona, etc., R. Co., 31 Minn. 472, 18 N.W. 285 (1884); Lang v. Bayonne, 74 N. J. L. 455, 68 Atl. 90 (1907); State v. Gardner, 54 Ohio St. 24, 42 N.E. 999 (1869).

[24] 2 McQuillin, *Municipal Corporations* §502.

An officer *de jure* and an officer *de facto* cannot be in possession of the same office at the same time.[25] Two officers *de facto* cannot be recognized at the same time.[26] After an office is legally abolished, the officer who formerly held the position is not an officer *de facto,* although public policy may require exception to this. However, when an office is abolished and another substituted in its place, and when the old officer holds over until the new officer is chosen, the former is a *de facto* officer for the period of the holding over.[27]

The acts of *de facto* officers are valid in so far as they concern the public or third persons who have an interest in the thing done. These acts are upheld only from motives of public policy to preserve the rights of third persons and the organization of society.[28] In other words, the title of one who is exercising municipal functions and who is acting as a *de facto* officer cannot be attacked collaterally before title to the office is determined.[29]

## Liability of Municipal Officers

A municipal officer is vitally interested in the question of his liability for acts done in the performance of his governmental duties. Broadly speaking, he is not liable to private suit where he has acted with care in the honest performance of the duties of his office.[30] Courts have made certain distinctions, saying that mere omission to discharge official duty, or nonfeasance, usually creates no liability; but that, if neglect of duty is coupled with wilful negligence, malice, or corruption, the officer may be

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[25] Barter v. Rockland, 114 Me. 466, 96 Atl. 773 (1916); Ardmore v. Sayre, 54 Okla. 779, 154 P. 356 (1916).

[26] Webb v. Williamson, 107 W. Va. 375, 148 S.E. 324 (1929); State *ex rel.* v. Laughlin, 7 Mo. App. 529 (1879).

[27] 2 McQuillin, *Municipal Corporations* §502.

[28] *Ibid.* §504.

[29] *Ibid.* §505.

[30] Cotton v. Oregon City, 98 Fed. 570 (1899); Caldwell v. Prunelle, 57 Kan. 511 (1896); Worley v. Columbia, 88 Mo. 106 (1885); Ross v. Gonzales (Tex. Civ. App.), 29 S.W. (2d) 437 (1930).

rendered personally liable. They have also said that the discharge of official duty accompanied by wilful negligence, malice, or corruption, which amounts to misfeasance, creates a personal liability in favor of the public or the person suffering damage. The doing of an act which the officer should not do at all is malfeasance and also creates personal liability. Some courts, however, do not make any distinction in this respect, and hold the municipal officer liable if he fails to perform some duty imposed upon him by law.[31]

Liability attaches to a municipal officer who causes injury in the commission of some act entirely outside the scope of his official duty. Thus, such an officer will sometimes be held for the injurious results of his discretionary acts when he exceeds his authority;[32] but the general principle still is that a public officer who is legally vested with discretionary ministerial powers and who acts within the scope of his authority, is not liable in damages for an error of judgment or an honest mistake. Usually failure to perform discretionary duties will not impose personal liability on the officer; but if he is required by law to perform a ministerial act and he neglects or refuses to perform it, he is liable and neither his honest intentions nor any misunderstanding as to his duty will excuse him.[33]

When an officer who is in charge of work for a municipal corporation selects the place for the employees to work and invites and directs them to work there, he is under a duty to see that the place is reasonably safe. If he fails to perform his duty, he may be liable for an injury to a workman caused by that failure.[34] A municipal officer may also be liable to third persons injured because of the negligent or unskilled manner

[31] 2 McQuillin, *Municipal Corporations* §556.

[32] Meck v. Santa Rosa, 126 Cal. 330, 58 P. 826 (1899); Bolton v. Vellines, 94 Va. 393, 26 S.E. 847 (1897); Craig v. Bennett, 32 Ala. 728 (1858); State *ex rel.* v. Oklahoma Natural Gas Corp. 177 Okla. 62, 57 P. (2d) 626 (1936).

[33] 2 McQuillin, *Municipal Corporations* §556.

[34] Bowden v. Derby, 97 Me. 536, 55 Atl. 417, 63 L.R.A. 223 (1903); Breen v. Field, 157 Mass. 277, 31 N.E. 1075 (1892).

in which he has performed his duty; the fact that the work was done by him in his official capacity is no excuse.[35] A municipal officer is not liable to individuals damaged by the construction of public improvements, however, if he has acted within the limits of his authority in good faith and without negligence.[36]

Municipal officers are not personally liable on contracts made by them within the scope of their authority and line of duty, unless it is clear that they intended to bind themselves personally. Ordinarily, when a public officer whose authority is prescribed by law contracts in good faith with parties who have knowledge of the extent of his authority, he will not become individually responsible—even though through ignorance of the law he may have exceeded his authority—unless his intent to incur liability has been clearly expressed. Some courts do intimate, however, that if public officers in making contracts go beyond or exceed the authority given them, they may become personally liable.[37]

The decisions of cases which deal with a municipal officer's liability for loss of public funds are not by any means uniform. Where charter, statutory, or bond provisions do not apply, the officer is regarded as a debtor of the municipality or as an insurer, and in either case is liable, irrespective of the cause of the loss. Some courts grant an exception when the loss is by act of God or the public enemy, or hold the officer to be a bailee or trustee and liable only when he acts without proper caution, or diligence, or good faith.[38] Usually charters or statutes require the officer to deposit public funds or moneys in a bank for safekeeping. The city council usually selects the depositary, and the officer depositing public funds is relieved of liability for

[35] Butler v. Ashworth, 102 Cal. 663, 36 P. 922 (1894); Olson v. Cushman (Iowa), 276 N.W. 777 (1937).

[36] Theulen v. Viola Township, 139 Iowa 61, 117 N.W. 26 (1908); Proctor v. Stone, 158 Mass. 564, 33 N.E. 704 (1893); Scovil v. Geddings, 7 Ohio 211 (1836); Parks v. Greenville, 44 S. C. 168, 21 S.E. 540 (1895).

[37] McQuillin, *Municipal Corporations* §560.

[38] *Ibid.* §561.

losses due to the insolvency or failure of the depositary;[39] however, an officer may be liable for loss of funds deposited in excess of the bank's depositary bond [40] or in excess of the legal limit.[41] If the officer selects a bank not designated by the proper authority as a depositary, he and his sureties may be liable for any loss due to the failure of that bank.[42] If no statutes or charter provisions authorize the designation of a depositary, the municipal officer is liable for the safety of the funds entrusted to him,[43] and he may deposit them in a bank he reasonably believes to be safe and trustworthy.[44] The deposit of funds by the officer in a bank which he knows to be unsound or insolvent,[45] perhaps because of his position as an officer or director,[46] or sometimes the mere deposit in a bank of which he is an officer or director, will render him liable for the loss of funds.[47]

An officer of the city may disburse public money only in the manner set forth by law. If he disburses funds illegally, he is liable personally, and his act cannot be ratified or legalized by the council or governing body. Even the fact that the illegal expenditures were made under an honest belief that they were authorized does not defeat recovery against the officer responsi-

[39] Dalhart v. Childers, 18 F. Supp. 903 (1937); Marshall County v. Bakke, 182 Minn. 10, 234 N.W. 1 (1930); Lakeland v. Ballmer, 209 Wis. 636, 245 N.W. 682 (1932).

[40] State v. Carney, 208 Iowa 133, 217 N.W. 472 (1928); Massachusetts Bonding and Insurance Co. v. Steele, 125 Neb. 7, 248 N.W. 648 (1933); Ortonville v. Hahn, 181 Minn. 271, 232 N.W. 320 (1930).

[41] State *ex rel.* v. McCloud, 64 Okla. 126, 166 P. 1065 (1917); Beadle County v. Lloyd, 59 S. D. 33, 238 N.W. 133 (1931).

[42] National Surety Co. v. State, 219 Ala. 609, 123 So. 202 (1929); Overton v. Nagel, 128 Neb. 264, 258 N.W. 461 (1925); New Haven v. Frenesius, 75 Conn. 145, 52 Atl. 823 (1902).

[43] School District v. Aiton, 173 Minn. 428, 217 N.W. 496 (1928); Camp v. Birchett, 143 Va. 686, 129 S.E. 324 (1925).

[44] Danbury v. Riedmiller, 208 Iowa 879, 226 N.W. 159 (1929); Conway v. Conway, 190 Iowa 563, 180 N.W. 677 (1920).

[45] Bessemer v. Korpi, 282 Mich. 190, 275 N.W. 815 (1937); Wessington Springs v. Smith, 54 S. D. 515, 223 N.W. 723 (1929).

[46] Benton School District v. Woodard, 57 S. D. 114, 231 N.W. 288 (1930); Conway v. Conway, 190 Iowa 563, 180 N.W. 677 (1920).

[47] Marshall v. Gregaire, 193 Minn. 188, 259 N.W. 377 98 A.L.R. 711 (1935); School District v. Aiton, 173 Minn. 428, 217 N.W. 496 (1928).

ble. Some courts, however, are lenient and relieve the officer of liability when he has acted in good faith.[48]

Members of a municipal council are not responsible for damages arising out of the passage of an ordinance which they have had authority to enact, and which they have enacted in good faith.[49] A vote for an ordinance or resolution which is void by virtue of a statutory limitation upon the council's power does not make the members personally liable because the act is legislative in its nature.[50] Any other rule would make it exceedingly difficult to obtain competent councilmen. Even when the governing body neglects to perform its duty, the members cannot be held liable, because a refusal to exercise its powers is a refusal of the body and not of the individuals composing it. Thus, "municipal legislative officers while acting in their official capacity are acting on behalf of the public; their acts represent the public will and their duty is solely to the public. They are not liable for an injury to an individual resulting from their acts done in good faith as officers of the public, even though such acts are wholly without authority of law and void for that reason." [51]

Another problem which concerns every municipal officer is that of his liability for the acts of his subordinates. Generally it appears that an official is not liable for the misfeasance or nonfeasance of subordinates legally employed by him. Nevertheless, he may be liable for the wrong if he is negligent by choosing a person who is incompetent, or if he directs the

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[48] 2 McQuillin, *Municipal Corporations* §562, comment (1925) 13 N.C.L. Rev. 248.

[49] Wimbish v. Hamilton, 47 La. Ann. 248, 16 So. 856 (1895); Baker v. State, 27 Ind. 485 (1867); Jones v. Loving, 55 Miss. 109, 30 Am. Rep. 508 (1877); Incorporated Village of Hicksville v. Blakeslee, 103 Ohio St. 508, 134 N.E. 445, 22 A.L.R. 119 (1921).

[50] Southworth v. Flanders, 33 La. Ann. 190 (1881); Martin v. Schiermeyer, 121 P. 248, 30 Okla. 735 (1912); Klander v. Cox 295 P. 323, 145 Atl. 290 (1929); Incorporated Village of Hicksville v. Blakeslee, 103 Ohio St. 508, 134 N.E. 445, 22 A.L.R. 119 (1921).

[51] 2 McQuillin, *Municipal Corporations* II §567.

wrong or fails to supervise properly the person serving under him.[52] Often municipal charters and ordinances set the responsibility of the officer or head of the department in matters of this nature. Liability for the acts of a subordinate may exist, then, because of the language of a charter provision, a surety bond, or a statute,[53] and by the same token officers may be exempt from liability.[54]

Criminal liability attaches to municipal officers—including *de facto* officers—subordinates, agents, and persons in public position for intentional violation of law, for crimes and misdemeanors, and for corruption. Statutes which impose criminal liability vary as to their provisions, but essentially they are designed to punish wilful corruption and neglect of duty in public offices. These criminal statutes deal with the embezzling of city funds, the making of contracts for personal benefit from the deposit of money or securities held by the municipal officer, failure to account for fees officially received, the acceptance of bribes, the wilful oppression or misconduct or abuse of authority in an official capacity, the commission of fraud, and various other offenses. The fact that an officer is exercising his duty does not necessarily defeat his liability for violating laws applicable to the general public.[55]

When a municipal officer has been held personally liable for some act performed in good faith as an official duty, the municipal corporation has the power to appropriate funds to reimburse him—unless this is expressly forbidden.[56] Such an appropria-

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[52] *Ibid.* §571; 43 C. J. *Municipal Corporations* §1199.

[53] Bird v. McGoldrick, 277 N. Y. 492, 14 N.E. (2d) 805 (1938); Chicago v. Southern Security Co., 239 Ill. App. 628 (1926); Adkins v. City of Mission (Tex. Civ. App.), 105 S.W. (2d) 383 (1937); Union Bank and Trust Co. of Los Angeles County v. Los Angeles County, 11 Cal. (2d) 675, 81 P. (2d) 919 (1938).

[54] Bielling v. Brooklyn, 120 N. Y. 198, 24 N.E. 389 (1890); State *ex rel.* v. Swing, 54 Ohio App. 251, 6 N.E. (2d) 999 (1936).

[55] 2 McQuillin, *Municipal Corporations* §573.

[56] Hotchkiss v. Plunkett, 60 Conn. 230, 22 Atl. 535 (1891); Cullen v. Carthage, 103 Ind. 196, 2 N.E. 571 (1885); Pike v. Middleton, 12 N. H. 278 (1841); Sniffen v. New York, 6 N. Y. Super. Ct. (4 Sandf.) 193 (1850).

tion constitutes a public expense.[57] Instances arise in which a town may indemnify its agents even though a legal trial clearly shows that the agents' acts were unlawful.[58] To justify the expenditure of city money indemnifying an officer for a loss incurred in the discharge of his official duty, three things must ordinarily be present: the corporation must have had an interest in the matter, the duty discharged must have been one imposed or authorized by law, and the act must have been done in good faith.[59]

### Salaries and Compensation

Municipal salaries constitute about twenty per cent of all governmental salaries in the United States.[60] For this reason if for no other the subject is deserving of some mention. For the most part a public officer is not entitled to compensation unless there is legal provision for it;[61] where there is such a provision, the exact amount of the stipend should be stated.[62]

The right of a municipal officer to his salary depends upon the law and is incidental to his position. It does not arise out of a contract, and bears no relation to the fact or value of services actually rendered.[63] Thus, merely accepting the office and performing the proper duties will not make the municipal corporation liable; in such a case the officer is regarded as render-

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[57] Babbitt v. Savoy, 3 Cush. (Mass.) 530 (1849); City of Corsicana v. Babb, 290 S.W. 736 (Tex. Civ. App. 1937); Curry v. City of Portage, 195 Wis. 35, 217 N.W. 705 (1928).

[58] Bancroft v. Lynnfield, 18 Pick. (Mass.) 566 (1836); Nelson v. Milford, 7 Pick. (Mass.) 18 (1828).

[59] 2 McQuillin, *Municipal Corporations* §532.

[60] Charles M. Kneier, *Illustrative Materials in Municipal Government and Administration* (New York, 1939), p. 222.

[61] Kinney v. U. S., 60 Fed. 883 (1894); Lewis v. Widber, 99 Cal. 412, 33 P. 1128 (1893); Cook v. Marseilles, 139 Ill. App. 536, 538 (1908); Rockwood v. Cambridge, 228 Mass. 249, 117 N.E. 312 (1917).

[62] Koons v. Mt. Vernon, 245 Ill. App. 165 (1924); Schaefer v. Long Beach, 271 N.W. 81, 2 N.E. (2d) 53 (1936); Cox v. New York, 103 N. Y. 519, 9 N.E. 48 (1886).

[63] Durango v. Hampson, 29 Colo. 77, 66 P. 883 (1901).

ing gratuitous services.[64] Generally, then, no implied promise or liability to pay officers exists.[65] Judge Cooley has this to say regarding the subject:

> The salary prescribed by law for the official services of a municipal officer is considered the full compensation for all such services rendered by him during his term of office, even though his duties be increased by emergency or by law during the term. It is generally recognized that the compensation of an officer cannot be increased or diminished during the term for which he was elected or appointed; the duties of the office may be made more or less onerous by legislation, or may be increased by emergency arising during the term. The officer accepts the office in view of all these possible conditions, and impliedly undertakes to render whatever service may be required, either by law or by emergency, during his official term, for such compensation as the Legislature has provided or may provide during the term. He has no legal claim for additional compensation for additional service though the salary be confessedly inadequate.[66]

Municipal salaries may be fixed by the state constitution, by statute, or by charter. Usually, however, the council or governing legislative body is given the power to set salaries of city officers and employees. This power is not conferred ordinarily by mere resolutions; rather it takes the form of an ordinance which is a legislative act.[67] Even though the legislative body may be authorized to fix salaries of all municipal officials, they cannot, usually, provide salaries for themselves.[68] Such a

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[64] State v. Brewer, 59 Ala. 130 (1877); Goud v. Portland, 96 Me. 125, 51 Atl. 820 (1902); Perry v. Cheboygan, 55 Mich., 250, 21 N.W. 333 (1884); Smitham v. Wichita Falls (Tex. Civ. App.), 93 S.W. (2d) 791 (1936).

[65] Woods v. Potter, 8 Cal. App. 41, 95 P. 1125 (1908); Garnir v. St. Louis, 37 Mo. 554 (1865); Tulsa v. Melton, 175 Okla. 581, 54 P. (2d) 159 (1936).

[66] Cooley, *Illustrative Cases on Municipal Corporations* §61.

[67] 2 McQuillin, *Municipal Corporations* §535.

[68] Terrell v. Tempe, 35 Ariz. 120, 274 P. 786 (1929); Meeks v. Fink, 82 Fla. 244, 89 So. 543 (1921); State v. Smith, 149 Wash. 173, 270 P. 306 (1928).

provision would be equivalent to "a man being a judge in his own case." [69]

To whom does the salary for a particular position belong, the *de jure* or the *de facto* officer? As a general rule the *de jure* officer is entitled to the salary, and an action cannot be maintained for it by the officer *de facto*. The officer *de jure* may sue the municipal corporation for his salary if it has not been paid to the *de facto* officer, even though the latter performed the services. The officer *de jure* may also sue and recover from the *de facto* officer the amount of the salary paid to him, and insolvency is about the only grounds upon which such payment might be defeated. Much conflict prevails on the question of whether the officer *de jure* may recover from the municipality the salary already paid to the officer *de facto;* some courts have held that he may, others that he may not.[70] The more reasonable view would seem to be that which would favor recovery from the city. Some statutes, however, settle this question by provisions directing the municipality to withhold payment until final determination. Payment before that time is at the city's own risk.[71]

### Officers Holding Two Offices

Charters and laws usually prohibit an officer's holding two offices at the same time.[72] Hence, a municipal officer, such as a member of the city council, is not eligible to become a member of the state legislature or to hold another state office,[73] or

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[69] State v. Shea, 106 Iowa 735, 72 N.W. 300 (1897); Diedrich v. Warren, 210 N. Y. S. 49, 213 App. Div. 406 (1925); Kendall v. Stafford, 178 N. C. 461, 101 S.E. 15 (1919).

[70] Cooley, *Municipal Corporations* §61.

[71] 2 McQuillin, *Municipal Corporations* §537.

[72] Abbott v. McNutt, 218 Cal. 225, 22 P. (2d) 510 (1933); People v. Blake, 144 Ill. App. 246 (1908); Lilly v. Jones, 158 Md. 260, 148 Atl. 434 (1930); Jones v. Alexander, 122 Tex. 328, 59 S.W. (2d) 1080 (1933).

[73] People v. State Board, 129 N. Y. 360, 29 N.E. 345 (1891); State v. Gillen, 112 Ohio St. 534, 148 N.E. 86 (1925); Gulick v. New, 14 Ind. 93, 77 A. Dec. 49 (1860); Phillips v. Jefferson, 13 Ga. App. 376, 79 S.E. 222 (1913).

even another municipal office either in the same or in different municipalities.[74] This prohibition extends to any public office which is not excepted by law.[75]

In explaining this prohibition against holding two offices at the same time, reference is often made to salary or compensation. It is felt that one person should not hold two lucrative positions simultaneously,[76] but that one person could hold two offices if he received no compensation from one of them.[77] Statutes do, nevertheless, sometimes provide that two or more offices can be held by one individual, and that he may receive compensation for performing the duties of the several offices.[78]

The prohibitions against holding two municipal offices at the same time apply to the situation at the time when the individual is qualifying to perform the duties of the position, and not at the time of his election or appointment. Thus if an officer, while holding one office, is elected or appointed to another, he may resign the first and qualify for the second. But, if the law makes him ineligible for another office during his term, he may resign before the end of his term in order to be elected or appointed to that other office.[79]

The acceptance by a public officer of another office which is incompatible with the first, vacates the first. That is to say, the mere acceptance of the second incompatible office in and of

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[74] State v. Bowman, 184 Mo. App. 549 (1914); Darling v. Brunson, 94 S. C. 207, 77 S.E. 860 (1913); Attorney General v. Henry, 262 Mass. 127, 159 N.E. 539 (1928); Lail v. Denver, 88 Colo. 362, 297 P. 512 (1931).

[75] State v. Gard, 29 Ohio Civ. Ct. R. 426, Aff'd. 75 Ohio St. 606, 80 N.E. 1133 (1906); 2 McQuillin, *Municipal Corporations* §468.

[76] State v. Wilkinson, 220 Ala. 172, 124 So. 211 (1929); Chambers v. Barnard, 127 Ind. 365, 26 N.E. 893 (1891); Boswell v. Powell, 163 Tenn. 445, 43 S.W. (2d) 495 (1931).

[77] Forman v. Bostwick, 123 N. Y. S. 1048, 139 App. Div. 333 (1910); Wardlaw v. New York, 29 Jones and S (61 N. Y. Super. Ct.), 174, 19 N. Y. S. 6 (1892); Graves v. Griffin O'Neil and Sons (Tex. Civ. App.) 189 S.W. 778 (1916).

[78] Sacramento v. Simmons, 66 Cal. App. 18, 225 P. 36 (1924); State v. Truder, 35 N. M. 49, 289 P. 594 (1930); Sebring v. Starner, 197 N. Y. S. 201, 119 Misc. 651 (1922).

[79] 2 McQuillin, *Municipal Corporations* §486.

itself terminates the officer's tenure of the first office as effectively as a resignation. Constitutions, statutes, and charters usually include this principle. The question as to whether or not the offices involved are incompatible, is a judicial one.[80]

Two offices may be said to be incompatible not merely when it is physically impossible for an officer to discharge the duties of both at the same time, but chiefly when there is inconsistency in the functions of both. Incompatibility results when one office is subordinate to the other, or when an antagonism would be produced through the attempt of one person to perform faithfully and impartially the duties of two. If the holder cannot, in every detail, discharge the functions of each of two offices, those offices are said to be incompatible. They are said to be incompatible, also, when public policy renders it improper for one person to retain both. "The real test, then, is whether the two offices are incompatible in their natures, in the rights, duties or obligations connected with or flowing from them." [81]

The following are illustrations of some of the numerous offices which have been declared to be incompatible: governor of the state and mayor of a municipal corporation, mayor and police judge, city marshal and councilman, alderman and school trustee, alderman and representative in Congress, selectman and superintendent of streets, town clerk and police magistrate, and secretary of state and recorder of a city or town.[82]

## Bonding City Officials

State statutes generally require the municipal officer to give bond for the faithful performance of his duties.[83] These laws usually specify as to the conditions and amount of bond, to

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[80] *Ibid.* §469.

[81] *Idem.*

[82] *Idem.*

[83] State *ex rel.* v. Christensen, 84 Utah 185, 35 P. (2d) 775 (1934); Aetna Casualty and Surety Co. v. Board of Supervisors of Warren County, 160 Va. 11, 168 S.E. 617 (1933); Butler v. Milwaukee, 119 Wis. 526, 97 N.W. 185 (1903).

whom it is payable, the sureties, when it shall be given, the bond approval, and the time and place of filing.[84] Whether the laws are to be construed as directory or mandatory depends upon their own individual language.[85] If an officer's bond does not comply with the law, or if it is not approved, or even if he fails to give one, he may be held a *de facto* officer.[86]

Official bonds are designed to protect the governmental unit against monetary loss by public employees and officers, and to guarantee faithful performance of duty on the part of those same individuals. Recovering upon the latter objective is a very difficult matter, because it is almost impossible to determine when an official or employee has been unfaithful in the performance of his duties.[87] This type of provision is often limited to such duties as may be prescribed by statute. In some states it is held that liability of an officer under a bond can arise only for breaches of the bond by acts done *virtute officii*[88] and that there is no liability for acts done *colore officii*.[89] In spite of this rule, however, it is said that the sureties may be liable if they assent to the action which makes the loss possible. In other states the rule is that the sureties are liable under the bonds for acts done by the officer *colore officii* in line of official duty, even if such acts are illegal. The conflict among the various jurisdictions, then, concerns only acts done *colore officii;* for perforce, the sureties are liable for acts done *virtute officii* when the bond is broken.[90]

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[84] Somerville v. Wood, 129 Ala. 369, 30 So. 280 (1901); Hecht v. Coole, 93 Md. 692, 49 Atl. 660 (1901); Finney v. Shannon, 166 Wash., 28, 6 P. (2d) 360 (1931); Johnson v. Milwaukee, 147 Wis. 476, 133 N.W. 627 (1911).

[85] 2 McQuillin, *Municipal Corporations* §496.

[86] People v. Paynter, 197 Ill. App. 78, 83 (1915); Holt County v. Scott, 53 Neb. 176, 73 N.W. 681 (1897); Akers v. Kolkmeyer, 97 Mo. App. 521, 71 S.W. 536 (1903).

[87] Mayo Fesler, "A Sound Policy for Bonding City Officials," *Public Management* (1934), vol. 16, p. 49.

[88] Acts within authority but improper exercises of authority.

[89] Acts for which there is no authority.

[90] 2 McQuillin, *Municipal Corporations,* §569.

Formerly, sureties of bonds were responsible citizens who had confidence in the officials; but at the present time they are usually corporations organized to do such business. A personal bond was the form previously used, that is, a bond for the individual named therein; but today a position bond is customarily resorted to. This type of bond, covering the position instead of the individual, is usually acceptable to the agent as it enables him to do more business with less effort; it is also preferred by the authorities because, through its use, rates are reduced and less trouble is encountered in changing the bonds when the personnel changes.[91]

A city is wise to develop a sound bonding policy, for thus it avoids the waste of money and time in bonding officials. Such a policy includes these features: (1) paying for bonds out of official funds, (2) limiting the bonds to the positions in which the officers or employees handle money or valuable property which can be converted into money, (3) having the bond written to cover the position rather than the individual, (4) placing the purchasing of bonds on a competitive basis and providing for an annual or biennial letting, and (5) purchasing bonds only from a surety company whose reputation is good and whose solvency is assured.[92]

The foregoing discussion should better prepare the reader for the chapters immediately to follow in which the various problems of municipal personnel are treated.

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[91] Fesler, *op. cit.*, p. 49
[92] *Idem.*

# VII

# THE MUNICIPAL CIVIL SERVICE

WITHIN the last decade the management of personnel in municipalities has assumed more importance. This is attested by the fact that during this period more than one third of the cities of 30,000 or more inhabitants have established some kind of formal organization for personnel work.[1] The reasons advanced for the awakening interest—which is likewise apparent in state and federal governments—are varied. Not least among them, and perhaps one of the most impressive, is the number of persons now engaged in public service at the various governmental levels. There is no precise listing of the total of public employees, but a safe estimate would place the number of employees in all governments at something over four millions, of which approximately one half are in cities and towns.[2]

The significant place of employees in the whole question of effective local government may also be viewed in terms of cost. Mosher and Kingsley state that "about one-half of the operating public expenditures goes for wages and salaries";[3] in the cities

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[1] Among 137 civil service agencies existing in this group of cities in 1940 and dealing with at least a part of the municipal personnel, 47 had been established between 1930 and 1939. The International City Managers' Association, *The Municipal Year Book, 1940* (Chicago, 1940), p. 112.

[2] See William E. Mosher and J. Donald Kingsley, *Public Personnel Administration* (New York, rev. ed., 1941), pp. 38, 39. Work relief figures would increase these totals considerably. Another estimate may be found in Leonard D. White, "Public Personnel Administration," *National Municipal Review,* XXVII (October, 1938), p. 494. In 1940, municipal personnel exclusive of both school and relief employees numbered some 914,000, according to the Bureau of the Census, *State and Local Government Quarterly Employment Survey,* vol. 1, no. 9, October 22, 1940.

[3] *Op. cit.,* p. 40.

the amount so expended in 1940 approached ninety millions of dollars per month.[4]

Other and more subtle factors have contributed to the increasing interest in the management of public servants. The concern here, however, is not so much with causes as with the fact that the interest is increasing.[5] But it should be noted that this attention to personnel has not necessarily detracted from other aspects of the whole question of administration; all phases have received new emphasis under the impetus of what White terms "the new management."[6] It is realized that the relations among the many phases of administration are essentially interactive; the best personnel, for instance, may be rendered highly ineffective by erratic and wasteful supply practices, or by poor financial management. But as government has become more of a science, personnel has made its way from a position of purely incidental importance to one of prime significance. A committee reporting in 1935 on problems of government service personnel throughout the United States expressed this modern attitude in the declaration that "The success or failure of . . . government, and the kind of service which it renders, will rest in the last analysis upon the capacity and character of the men and women who constitute it. . . ."[7] From quite a different

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[4] Compiled from Bureau of the Census, *op. cit.*, vol. 1, nos. 23–27. See also data from the United States Bureau of Foreign and Domestic Commerce in Edward R. Gray and William R. Divine, "One in Every Nine Works for the Government," *National Municipal Review*, XXVIII (March, 1939), p. 206. Figures for several cities in a single state, 1932–1937, indicated that approximately two-thirds of the total expenses were ordinarily allocated to salaries and wages. Public Administration Service, *Personnel Programs for Smaller Cities* (Chicago, 1940), p. 5.

[5] Some of the most interesting statistics on the growth in personnel administration are found in an article by G. Lyle Belsley, "Developments in 1939," *The Municipal Year Book, 1940*, pp. 97–100. Here, for example, it is noted that between 1883 and 1935 civil service systems were established in our cities at the rate of about nine each year, while since 1935 the rate has been approximately thirty per year.

[6] Leonard D. White, *Trends in Public Administration* (New York, 1933), pp. 43–46.

[7] Commission of Inquiry on Public Service Personnel, *Better Government Personnel* (New York, 1935), p. 15.

source but of similar import, comes the following statement in regard to local government: ". . . men are in the last analysis more important than machinery. . . ." [8]

## History of Public Personnel Practices in the United States

The story of the shift in emphasis on personnel is an interesting one and should be comprehended in general not only by the specialized student but also by the citizen who has an important stake in government. The history may be divided roughly into four periods, representing changing attitudes toward the civil service,[9] and these periods may be summarized under the more or less descriptive terms: competence, spoils, reform, and new personnel administration.[10] Since it is practically impossible to separate the development of personnel practices in the cities from those in other units of government, the discussion here is in general terms. Special emphasis is given, however, to the attitudes in the municipalities.

*Competence.* During the first few years after 1789, the ques-

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[8] "The U. S. Political System," *Fortune,* XXI, February, 1940, p. 90.

[9] It is well at this point to distinguish several terms which will be employed frequently throughout the chapters on personnel. "Civil service," properly speaking, refers to all governmental employees other than those in the legislative, judicial, and military branches; it is so used here. "Merit system" refers to formal provisions for the employment of civil servants on the basis of ability. See the definitions in National Civil Service Reform League, *The Civil Service in Modern Government* (New York, 1937), p. 5. These two terms are often confused and are sometimes used interchangeably, but that practice is not followed in this volume. "Personnel administration" is a broader term and includes all policies and practices, formal and informal, that relate to employment and management of civil servants.

[10] It is of course impossible to assign specific dates to periods in a historical discussion such as is attempted here. Nevertheless, for the guidance of the student the following approximate dates may be suggested: *competence,* 1789–1829; *spoils,* 1829–1883; *reform,* 1883–1925; *new personnel administration,* since 1925. Other divisions are possible. See for example, Henry G. Hodges, *City Management* (New York, 1939), pp. 52–57; Mosher and Kingsley, *op. cit.,* pp. 14–37; Harvey Walker, *Public Administration in the United States* (New York, 1937), pp. 136–138; and Leonard D. White, *Introduction to the Study of Public Administration* (New York, rev. ed., 1939), pp. 277–287.

tion of personnel was a subject of concern more than of controversy among governmental officials. Every effort was bent in the direction of assuring the success of the new governments. This was especially true in the Federal Government, which in a sense sets the style for the constituent units. Office holders were chosen from among the upper classes and frequently served with little or no remuneration; in other words, governmental service was viewed somewhat paternalistically as a duty of the well-to-do, much as it was viewed in England. Rewards were measured in terms of prestige and moral satisfaction, as well as in power and incidental economic advantage.[11]

Washington and his immediate successors chose their officials largely on the basis of ability to render good service; in general the same standards were held in lesser governments. By the time of Jefferson's presidency, however, the rise of political parties made the question of partisan representation in the civil service for the first time a serious one. Jefferson advanced the principle of "due participation," by which, it appears, he meant a balance between the major parties in the ranks of governmental employees.[12] He did not by any means, however, forsake the standards of competence. But as party feelings became stronger, during the second and third decades of the nineteenth century, Jefferson's principle of due participation was re-interpreted to imply that the victorious political party possessed the right to dispose freely of offices and employments among its adherents.

*Spoils.* The advent of Andrew Jackson, champion of a new democracy, placed a public seal of approval on the "spoils" tech-

[11] For a standard treatment of the subject down to the beginning of this century, see Carl Russell Fish, *The Civil Service and the Patronage* (New York, 1905); chaps. I to IV relate to the period prior to 1829.

While ordinarily this period of the American civil service is looked upon as one of generally high quality of administration, one recent writer, referring to it as "caucus management," characterizes the procedures as "undemocratic, . . . secret, entirely extra-legal, and irresponsible." Hodges, *op. cit.*, p. 54.

[12] See the quotations in Fish, *op. cit.*, pp. 29 ff, 35.

nique, already perfected in more than one state.[13] Wholesale dismissals and replacements characterized not only the National Government but states and local areas as well. Although reward for political effort and assurance of future activity were perhaps the chief bases for appointment, there were others, too; family connections, friendship, and charity were sometimes motivating forces. Suitability of the appointee to the job, though not entirely lost from view, was in the early stages of the system only one of numerous factors, and later was frequently ignored.

It must be realized that these developments were not altogether illogical; in a sense they were implicit in doctrines long accepted by American political leaders. Jefferson had advocated direct participation of the citizen in the business of government, for the purpose of education in democracy. Fear of tyranny as a result of lengthy terms of office was not uncommon.[14] The principle of rotation in office, which became integrated with the spoils system, was not unrelated to these ideas. The spoils philosophy had its roots in a period when American culture was predominantly rural and agricultural, and when politics was undergoing democratization. Jackson did no great injustice to conditions of his day when he stated that the duties of government were so simple as not to exceed the ability of the average citizen.[15]

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[13] *Ibid.*, p. 79; chaps. V to IX deal with the spoils period. The classic statement of the philosophy—"To the victor belong the spoils"—is sometimes erroneously attributed to Jackson who did, however, adopt it wholeheartedly. The slogan was originated by an adviser from New York State, already a stronghold of spoils. See Carl Russell Fish, *The Rise of the Common Man* (New York, 1927), p. 41.

Friedrich sets 1801, the year of Jefferson's inauguration, as the beginning of the modern spoils system, in the sense that patronage, as part of the spoils system, was by then a "recognized tool" of party managers. Carl Joachim Friedrich, "The Rise and Decline of the Spoils Tradition," *The Annals of the American Academy of Political and Social Science*, vol. 189 (January, 1937) p. 13.

[14] United States Civil Service Commission, *A Brief History of the United States Civil Service* (Washington, 1933), p. 6.

[15] See the frequently quoted statement on this point in Fish, *op. cit.*, p. 112.

We are not attempting to justify the spoils system in itself, but merely calling to the attention of the reader that the genesis of that system was perhaps not flagrantly inappropriate to the period. The system, however, outlived its day, and the attitudes toward public service that grew up during the nineteenth century are today properly characterized as fallacious. Some of those ideas that are no longer apt are, as listed by the Commission of Inquiry on Public Service Personnel: the basic idea that governmental jobs are the property of the dominant political party; the concept of duties of government as "plain and simple"; the notion that public jobs are forms of charity; and the identification of tenure and tyranny.[16]

The position of municipalities during the spoils period is a subject of interest. Few cities of any great size existed at the time of Jackson's inauguration in 1829, but in those few the spoils system flourished.[17] The ranks of political parties, usually affiliated with state and national parties, were cemented together by a system of patronage; appointive positions were viewed as rewards for political service, while a strict policy of rotation in office was followed for elective positions; and in time full advantage was taken of the opportunities for graft. Toward the end of the century such conditions, which might be described as "lingering on," were publicized by Lincoln Steffens and other muckrakers.[18] The spoils system had a tenacious hold on city, county, state, and federal units of government.

*Reform.* As the area of governmental activity expanded and as the mechanisms of government grew more complex, the effect of the spoils system became more and more serious. Inefficiency was too often the order of the day, and graft and dis-

[16] Commission of Inquiry on Public Service Personnel, *op. cit.*, pp. 16–18.

[17] See Mosher and Kingsley, *op. cit.*, p. 19.

[18] Lincoln Steffens, *The Shame of the Cities* (New York, 1904), is one of the most familiar products of the muckraking period and one of the most pertinent to this discussion.

honesty in various forms were openly practiced. Inevitably a reaction set in, beginning as early as the 1850's and culminating, in the Federal Government, in the passage of the Pendleton Act which in 1883 established the merit principle as the basis of selection of many federal employees. The demands that spoils be outlawed had been formalized by the National Civil Service Reform League, which was established in 1881 and which led the last stages of the educational, propagandistic, and pressure campaign in Congress and in the country at large.[19] Cities fell into line with the new movement, and there were signs of a reaction against the most blatant practices of the spoils system.[20]

It must be noted that the motivations for the reform movement were moralistic and preventive, the methods largely negative. The waste of public funds and resources was looked upon with horror, and indignation was expressed on behalf of the helpless employee who, though not always innocent, was at the mercy of the politicians. The dominant idea in reform proposals was to protect the mass of employees from the whims of the political bosses, rather than to assure a competent and alert civil service. It was advocated that agencies, separate from the regular departments, be established to examine applicants on the basis of merit, that these agencies certify to the appointing authority the names of qualified applicants, that the appointment be made from such a certified list, and that the employee be assured of tenure during good behavior. The current view of personnel administration is a broader one, but in 1883 and the immediately subsequent decades even a restricted reform movement served to influence public opinion, laws, and policies in the direction of mitigating the spoils system.

[19] For a brief review of the origin and history of the League, see H. Eliot Kaplan, "Accomplishments of the Civil Service Reform Movement," *The Annals of the American Academy of Political and Social Science*, vol. 189 (January, 1937), pp. 142–147. A more detailed account will be found in Frank Mann Stewart, *The National Civil Service Reform League* (Austin, 1929).

[20] See William Dudley Foulke, *Fighting the Spoilsmen* (New York, 1919), especially chap. XVI.

Between 1883 and the World War, the merit system gained headway in municipal and national governments; but states and counties tended to lag behind. In municipal government especially the advances in the field were part of a general interest in improved administration and a growing professionalization of municipal services.[21] Near the turn of the century great interest was being taken in the commission form of city government, and by 1915 the city manager form had been developed and was gaining wide recognition. Coincident with the development of these forms came experimentation with "civil service systems," usually modeled on the plan used by the Federal Government. Popular features embodied in typical laws were an independent multi-member commission, the use of competitive examinations for applicants, and the right of the employee to appeal from arbitrary dismissal. Cause for removal was often stated in the law, and the administrative officer was frequently required to offer proof of cause in justifying his discharge of employees. While such practices served their original purpose, they were not adequate for situations that became increasingly complex and for a public service that grew constantly larger and more diversified.

*New personnel administration.* The World War interrupted many developments in public administration, and it was not until the middle of the 1920's that thought and activity in personnel management regained full swing. By that time the initial goals of the reform movement had been generally accepted by the public and among city officials, although in some metropolitan centers spoils still maintained its stronghold. Students had realized, however, that reform was not enough, and agitation was beginning for a broader and more positive outlook in all public administration.

Personnel was caught up in this movement.[22] The goal be-

[21] Mosher and Kingsley, *op. cit.*, p. 23, cite three movements as contributions to the evolution of the American governmental bureaucracy: those for civil service reform, for efficiency and economy, and toward centralization.

[22] The early years of the depression witnessed a slowing up of some of the ad-

came not merely the ousting of the politician from arbitrary control of the civil service, but the assurance of a body of well-trained, alert public servants, able to pursue efficiently the day-to-day work of government under the direction of officials responsible to the public will. The highly technical nature of many governmental activities has made it increasingly obvious that if the public is to receive equal value for its investment, care must be taken not only to choose the most capable applicants, but also to make the best possible use of their skills through all the means at hand.

The improvements in general administration have been furthered in part, both directly and incidentally, by numerous professional organizations of specialized workers, such as engineers, lawyers, and purchasing agents, and of administrative officers.[23] More slowly, the rank and file of employees has organized to protect its merit status and to promote the system.[24] Personnel administration has shared in these developments, although as yet its professionals are few. Present organizations in the interest of public personnel include, among others, the Civil Service Assembly of the United States and Canada, which was formed originally for members of civil service commissions; the National Civil Service Reform League; and the National League of Women Voters, which has in recent years consistently and ably fought for higher personnel standards and for public education in personnel problems throughout the country.[25]

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vances in personnel administration, but apparently the interruptions were short-lived. Leonard D. White, "Municipal Personnel," in the International City Managers' Association, *What the Depression Has Done to Cities* (Chicago, 1935), pp. 7–10.

[23] *The Municipal Year Book, 1940, passim,* lists nineteen "national professional organizations of chief municipal officials" (not including elective officers) in thirteen fields. There are, in addition, numerous citizen and other societies interested in the promotion of good public administration. *Ibid.*

[24] See *The Municipal Year Book, 1937,* pp. 232–236.

[25] See Public Administration Clearing House, *A Directory of Organizations in the Field of Public Administration* (Chicago, 1938), for brief descriptions of these

From a modest beginning in the effort of officials to compensate faithful and capable party workers with patronage, the spoils system grew into a monster of irresponsibility and dishonesty that threatened not only the operation of the government but also the popular faith in democracy. In 1883 the situation was so serious that questions of efficiency were overshadowed by the need for moral reform. By 1925 this need had in large part been met, and students and practitioners of administration alike were free to turn to considerations of a more positive nature. Progress in personnel administration has continued, and the aspect today is encouraging. Nevertheless, many techniques are still unmastered, and there are cities yet untouched by progressive movements. It remains to be seen whether the present international situation will, as in 1917–18, interrupt research and advance in municipal administration or whether it will, instead, prove to be a stimulus.

## Problems of Personnel Administration

It has been stated that the present attitude toward the public service is that the best personnel must be found and that every means must be used to make the most of their services. The implications of such an attitude are numerous and by no means always simple. It is highly desirable that the public, the governmental official, and the student maintain open minds in order that tradition may not blind them to improvements in the means of realizing the most from the civil service. An attempt is made here to suggest the ramifications of problems presented to the personnel administrators, further treatment of the questions being reserved for later chapters.

In the first place, officials are faced with the task of setting

organizations; also *The Municipal Year Book, 1940*, pp. 150–153. In 1935 and 1936 the National League of Women Voters began an active campaign toward improved personnel in government, an initial move of which was publication of a pamphlet by Katherine A. Frederic, *Trained Personnel for Public Service*, a good general survey of current conditions and needs in the public personnel field.

up an agency to conduct personnel work. Who shall make the basic decisions on policy? Who shall have charge of the routine administration? Shall this work be entrusted to one person, or to three or five of co-ordinate rank? What shall be the relation of the agency to the city's council and to the chief municipal administrator? How far into the various departments shall the responsibility of the agency extend? These are matters of organization and form the foundation of the system.

Once an agency is established, it is charged with the responsibility of procuring for the service public servants of high quality. How is it to find the best men? How may it be sure of the relative abilities of applicants and of their potentialities for development? Sometimes there are too few applicants for an important position or too many for jobs in the lower ranks. The problems of finding and ranking applicants are treated under the headings of recruitment and examination.

To what extent can educational standards be set up for the holders of various positions, and to what extent shall the agency itself be required to give specialized training to new employees and to ambitious old ones? The questions of education and training are now regarded as of great significance, and in some respects they overlap the problems already mentioned. They cannot be ignored by the personnel agency but must be faced and decided.

How shall the best employees be selected for promotion to higher positions? What degree of inefficiency shall call for demotion or discharge? How, in fact, shall inefficiency and efficiency be determined? How shall discipline be maintained among the rank and file of workers? Promotion policies, service ratings, and discipline are closely interrelated, although not mutually inclusive.

The city must be fair and democratic in its treatment of its workers. It should attempt to maintain a fair level of pay and have an equitable relation between work done and pay received

within the service. To do this, its officials must be definitely cognizant of the characteristics of each position. How are these goals to be attained? Among many complex jobs, how is a standard of equal treatment to be achieved? Students of personnel administration have assigned the terms position-classification and compensation policy to these problems.

On what basis shall the employee be separated from the service? If he is old or disabled, what provision shall be made for him, if any? In these days when social responsibility is imposed on both private and public agencies, questions of retirement and pensions are frequently the cause of much concern to the local governments and present difficult problems that lead into questions of broad economic significance. Related to them are a myriad of problems which arise during the incumbency of the employee and which may be grouped under the heading of welfare. What allowance, for example, shall be made for sick leaves, for vacations? What of the employee's income during those periods? Are his working conditions healthful? Do those conditions penalize active pursuit of duties or do they stimulate effort?

Since the rise of labor and worker unions, governments have faced, too, the question of the organization of public servants. What attitude shall the local unit take toward such employee organization? To what extent shall it be encouraged, discouraged, or influenced?

Here in broad outline are indicated the questions which rise to confront the local government with regard to its workers. They are not problems of theory. They are very practical, even though the relation between a given problem and the goal of a satisfied and capable personnel is not always immediately apparent. In the realm of some of these problems much is known of satisfactory procedures and standards; in the realm of others, experimentation is still in early stages. Still other problems are as yet just breaking into our consciousness, with solutions

scarcely suggested. City administrators labor under the responsibility of making use of what is known and of attempting solutions of their unsolved personnel problems.

## Career Service

One of the most insistent of the emerging personnel problems at all governmental levels, and one that cuts across the questions just reviewed, concerns the need for making public service a career that will offer to ambitious men and women life-time, satisfactory work. Only by accomplishing a solution of this problem is it possible to attract and retain personnel of the highest quality in public service. Since the publication of the report of the Commission of Inquiry on Public Service Personnel in 1935,[26] this question of a career service system has occupied a prominent place in the deliberations of students of municipal administration, some of whom have concluded that "the time has come when development of a career service should advance from the discussion stage to the field of action." [27]

Recognizing that the municipal service as a whole did not offer real career opportunities, a committee of the International City Managers' Association in 1937 analyzed obstacles to such an aim and recommended action for cities desiring to overcome those handicaps. The difficulties may be summarized briefly in terms of limited recruitment and mobility arrangements: residence and political restrictions, lack of transfer, and low entrance qualifications; lack of systematized, progressive personnel programs; and inadequate compensation in terms of

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[26] *Better Government Personnel;* see especially ch. II, "Needed: A Career Service." The Commission defines a career as "an honorable occupation which one normally takes up in youth with the expectation of advancement, and pursues until retirement," and a career service system as "the aggregation of laws, organization, rules, and procedures by means of which a career service is maintained and developed." *Ibid.*, p. 25.

[27] The International City Managers' Association, *A Career Service in Local Government* (Chicago, 1937). The succeeding discussion in the text is based largely on that pamphlet.

both money and prestige. Significant among the recommendations for surmounting difficulties is an insistence on education of the public in the advantages of a career service system, together with such steps as improving standards of service and pay, training and promotional opportunities, and various intergovernmental arrangements for improvement of personnel.

A career service system involves the opportunity not only for advancement within one division or jurisdiction but also for transferring from one municipality to another, usually a larger one. It must be noted that in some fields the municipal service possesses well-established career services hardly surpassed by the larger units of government. Examples are engineers, librarians, managers, health officers, and teachers. Extension of similar opportunities to other municipal employments would have beneficial results for cities individually and as a group.

## Personnel Administration in Small and Large Cities

Most discussions of municipal personnel administration take for granted a unit large enough for considerable specialization. This assumes not only a city of fairly large population, but also a body of civil servants numbering in the scores or hundreds. Further, it assumes funds sufficient to support a personnel division of one or more persons. The student is aware, however, that this country includes numerous small cities or towns, in many of which it is impossible to support specialized officers in the fields of regular municipal services, not to mention staff and auxiliary officers.

On the other hand, it is to be remembered that many of our municipal corporations equal and surpass in size many counties; it is a familiar situation in which the population and government of a county are made up almost wholly of the urban area and its inhabitants. Among the larger cities several may be found that outnumber the less populous states of the

Union, and in these metropolitan areas the problems of government approach those of the states. New York City, for instance, has some nine or ten times the number of public employees found in the state service of New Jersey.[28]

The fact that such wide variance in population of cities and in the number of their employees exists, makes it clear that the methods of dealing with civil service problems likewise vary. The manager-engineer of a city of 5,000, for example, cannot put into practice the methods recommended for such a city as Chicago or Los Angeles. Nor can a city of even 50,000 follow in the footsteps of her more populous and more wealthy sisters. The question then arises, at what point does specialization in the personnel function become necessary and justifiable? Further, what shall guide the small city in managing its civil service?

Although it is not possible to answer the first question definitively, some suggestions may be made. A recent monograph reporting certain experiments in a group of Michigan cities suggests that the city with 500 or more employees, or of about 75,000 population, needs a full-time, specialized personnel administrator.[29] In a study of municipal police administration made several years ago in another state, it was found that in cities between 40,000 and 100,000 some specialization within the police department existed, while in cities above that upper limit specialization was a common feature.[30] In this latter study, it will be noted, the specialization referred to was within a regular functional department, while in the Michigan study the report was concerned with the establishment of a full-time

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[28] White, "Public Personnel Administration," *loc. cit.*, p. 494.

[29] Public Administration Service, *Personnel Programs for Smaller Cities*, pp. 4–5. This booklet contains an excellent statement of the dilemma of cities of from 50,000 to 100,000 population with respect to personnel management, and a report of the solution undertaken by a group of cities in Michigan through the aid of Public Administration Service.

[30] R. Weldon Cooper, *Municipal Police Administration in Texas* (Austin, 1938), pp. 32 ff.

auxiliary service. Thus the two reports are not contradictory in their tentative conclusions. The student may keep in mind, then, that the discussions of specialized divisions apply most appropriately to cities of 75,000 or 100,000 population or more.

The question still remains as to what course shall be pursued by officials of the smaller cities. It must be emphasized that the problems are in nature the same, regardless of the population level, but that they differ in degree. The smallest hamlet faces the question of retiring its aged workers, which clerk is most worthy of promotion to a vacancy, and so on. These problems have been in the past, and are now, solved chiefly by rule of thumb. In rural and semirural areas such solutions probably have some merit, but they will not suffice for the municipality whose employees begin to be numbered by three digits. The general principles implicit in the highly organized personnel departments of the larger cities may frequently be applied to the smaller units as well, and this should be kept in mind throughout the discussions to follow. Further, for smaller cities inter-city co-operative arrangements or state-city co-operation offer fruitful possibilities.

# VIII

# THE PERSONNEL AGENCY

IN THE preceding chapter an indication was given of the problems which the municipality faces with reference to personnel matters. It has become increasingly apparent that there must be some agency responsible for administering the policies adopted by the governing body and for bringing together the department heads so that their actions in the personnel field may be co-ordinated. In the establishment of such an agency the governing body is called upon to answer several important questions. Not only must the structure of the personnel office itself be outlined but its relation to the council, to the chief executive, and to other municipal departments made clear. Furthermore, the scope of action of the personnel agency, in terms of both employees affected and duties to be performed, must be determined.

The legal basis for a municipal personnel system will be determined in part by provisions of the state constitution and statutes. In some states cities have no power to create their own personnel systems and are constantly subject to legislative action, either in the form of permissive laws, or, as in Alabama,[1] for example, by direct creation of a local system by the state. Home rule cities may usually include a merit system in their charters if desired; in other cities the personnel agency may be established by ordinance; while in still another group merit

[1] The Alabama Legislature has provided city-county systems for two of the urbanized areas in that state. The International City Managers' Association, *The Municipal Year Book, 1940* (Chicago, 1940), p. 98.

principles may prevail without formalization. Charter provisions provide in general the greatest protection for the system, if the original law is sound. Systems established by ordinance have greater flexibility than those fixed by charter, but they are also subject to manipulation by a council not in sympathy with the spirit of merit principles. A majority of the students of public administration today seem to advocate that the basic provisions be fixed by charter, at the same time allowing for the filling in of details by the personnel office with council approval.[2]

One of the first questions raised in connection with the establishment of a personnel agency relates to the employees, officers, and departments to be included in its jurisdiction. The positions over which the functions of the central office extend are usually referred to as the "classified service." They often include only the fire or police department, or both; or they may extend to other specified departments; and in a number of cases they include all municipal employees except elective officers, certain confidential employees (such as secretary to the mayor), and department heads. Day labor is sometimes included but frequently is not. The present tendency, in the municipal field as elsewhere, seems to be toward expansion of the merit system[3] "upward, outward, and downward."[4] Recent movements for extension upward take the form chiefly of recommendations to include department heads in the merit system, the executive to be given a choice from several certified

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[2] See, for example, National Municipal League, *A Model City Charter* (New York, rev. ed., 1933), pp. 63 ff.

[3] In 1940, of 135 cities of over 30,000 population reporting on their civil service systems, 93 (more than 68 per cent) stated that jurisdiction extended to all departments. *The Municipal Year Book, 1940,* p. 112. There are, of course, a great many cities without formal provisions of any kind.

[4] This is the phrase used by the President's Committee on Administrative Management in its recommendations for the federal system, but it applies equally well to cities. See the *Report with Special Studies* of that Committee (Washington, 1937), pp. 7–14, 59–133, for one of the most intensive studies in personnel administration that has appeared.

names. One writer suggests that city managers may soon be placed in the classified service.[5]

A second problem concerns the functions to be performed by the central agency. The traditional duties of the civil service commissions include the preparation and administration of examinations, the establishment of rules and regulations for the classified service, and final decisions on appeals from dismissed or otherwise disciplined employees. Many modern agencies are, however, charged with much more extensive duties, as will be noted in the following chapter.

## Form and Location

When the jurisdiction of the agency has been determined, its form and its place in the organization of the city as a whole must be considered. No single, final answer may be given to either of these questions. Each city presents a special problem, and organization or reorganization must take into account local traditions and public opinion as well as theory. As Pfiffner aptly states, a final determination must "hinge on political environment."[6] American students and sometimes practitioners alike are frequently impressed by the supposed perfection of forms and forget that even the best type of structure may be undermined by unsympathetic incumbents. That "there is no permanent magic in forms"[7] has been realized through sad

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[5] Henry G. Hodges, *City Management* (New York, 1939), p. 65. Recommendations for inclusion of department heads and manager in the classified service are in direct contrast to the theory applied in modern reorganization plans for state and national governments. In those plans, appointment of policy-forming officials by the (political) executive is usually recommended. See, for example, President's Committee on Administrative Management, *op. cit.* The situation in cities is clearly different, however, especially under the manager form. A good case for inclusion of higher officials in the merit system is to be found in Austin F. Macdonald, *American City Government and Administration* (New York, 1941), p. 352.

[6] John M. Pfiffner, *Municipal Administration* (New York, 1940), p. 133.

[7] "The U. S. Political System," *Fortune*, XXI, February, 1940, p. 90.

experience more than once in the history of American governments.[8]

*The independent commission.* The personnel agency of the reform period was almost universally a civil service commission. It was thus plural in form, being modeled after the United States Civil Service Commission and consisting of three or five members appointed, for overlapping terms, by the executive, frequently with consent of the council. It was usually required that the commission be bipartisan, the dominant party having the larger number of members. While commissioners in the federal system may be removed by the President, the municipal agencies were usually not so definitely subject to executive control. Hence they were for practical purposes independent. The commission was customarily given the responsibility of examining applicants and of furnishing to department heads a certified list from which appointments were to be made, and the power to review the appeals of dismissed or suspended employees. It therefore actually controlled the employment and dismissal of municipal servants.

The object of the reformers in establishing an independent agency was to place a check on the administration, which under the spoils system had often shown more concern for rewarding party workers than for the efficient conduct of public business. The independent, bipartisan commission was the form developed, with characteristic American optimism, to put an end to all evils affecting the civil service. The basis of the whole structure was distrust of the administration, but the form devised did not serve to decrease that distrust. Rather, it frequently tended to promote jealousies and to widen the chasm between administrative officers and the commissions, the em-

[8] Well-known examples in recent years include the Colorado State Civil Service Commission, city manager government in Kansas City, and the Chicago civil service system.

ployees generally aligning themselves with the latter. Under these circumstances the administration of municipal affairs might conceivably be brought almost to a standstill by a deadlock between line officers and commission on filling some important position. Further, it was discovered that bipartisanship does not guarantee fair play on the part of the civil service body. For example, with two members of one party and one of another, it is easy for the majority to overrule the minority or, on the other hand, for the three to agree to a division of the spoils.[9]

Despite these difficulties, it cannot be said that the independent commission has never proved successful. During the period of reform it made definite contributions by exploring the field of merit employment and by accustoming the public to a central personnel office when in most cases no single administrator would have been trusted with its functions.[10]

In addition, however, to the handicaps of uncordial relations with the administration and of failure to guarantee nonpolitical action, the independent civil service agency offered all the usual difficulties of the plural body for administration.[11] As additional functions were required of the personnel agency, these difficulties became more apparent, and a search was made for other forms of organization. The three- or five-member commission remains dominant in American cities,[12] but current

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[9] See the comment of Leonard D. White, after experience on two civil service commissions, municipal and federal, in his *Introduction to the Study of Public Administration* (New York, rev. ed., 1939), p. 293.

[10] Mosher and Kingsley cite as the outstanding contributions of the independent commission and the reform movement: (1) the establishment of competitive entrance examinations; and (2) the organization of a central agency for personnel as a function of management. These form a significant part of our present-day concept of personnel administration. William E. Mosher and J. Donald Kingsley, *Public Personnel Administration* (New York, rev. ed., 1941), p. 72.

[11] See the discussion of forms, *supra*, chap. IV. Treatment of advantages and disadvantages of the plural executive may be found in any standard work on administration. Cf. Mosher and Kingsley, *op. cit.*, pp. 57 ff, 636 ff.

[12] See personnel data for cities above 30,000 population, *The Municipal Year Book, 1940*, pp. 113–118.

thought, acknowledging its service where public opinion will not support a single administrator, encourages nonpartisan rather than bipartisan composition of the body.

*The single, integrated administrator.* As merit principles were more widely accepted, concern with reform in public employment systems was superseded by the necessity for administration of high quality and aggressiveness. To meet this need a new system has been advanced. First used by Massachusetts in 1919 but not adopted on a wide scale by cities until later, this system comprises a single administrator for personnel, directly responsible to the chief executive. As a matter of fact, the executive himself may be given direct legal responsibility for personnel.[13] Such a move indicates growing confidence on the part of the public in its local governmental officials. Further, it facilitates integration of the personnel program with other activities under the direction of the mayor or manager, and it may also lead to more effective day-to-day administration. For successful operation, however, this system requires a sympathetic executive and a well-trained personnel officer. Frequently, where this form is used, it is recommended that the personnel administrator himself be placed under merit provisions and be chosen from an eligible list made up by a special examining committee.

It is not uncommon, in the single-administrator, integrated system, to provide a commission or board whose functions are purely advisory to the personnel officer and the chief administrator. Such a body acts only on request of the regular city officials and its findings and recommendations carry no authority. To the administrator, however, the assistance of an alert and willing advisory group can be invaluable. Berkeley provides an example of this type of organization. Since 1923

[13] Of forty-eight manager cities surveyed recently, thirty-five made their managers legally responsible for the selection of personnel. Harold A. Stone, Don K. Price, and Kathryn Stone, *City Manager Government in the United States* (Chicago, 1940), p. 99.

the manager in that city has been charged by the charter with full responsibility for personnel administration. In practice, most duties were delegated to a director of personnel and research. Recently the city established an advisory board to make suggestions in connection with certain personnel problems.[14] A somewhat similar organization is found in Saginaw where the city manager, made responsible in the charter for personnel, is empowered to call on an advisory board for assistance and on the secretary of the board for many administrative duties.[15]

*The combination agency.* A form for personnel administration that has steadily gained popularity in recent years is in effect a combination of the independent, commission type and the integrated, single-head agency. Under this form a commission is appointed to perform quasi-legislative and quasi-judicial functions (namely, rules and regulations, and appeals) while a single person is given responsibility for regular administrative duties.[16] A number of variations on the basic pattern have been developed, but the essence remains the same.[17] To preserve the value of the plan, however, the director of personnel must be made an integral part of the regular city admin-

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[14] *Public Management,* XXII (August, 1940), p. 244.

[15] Maxwell A. DeVoe, "Personnel Programs in Two Manager Cities," *Public Management,* XVIII (July, 1936), pp. 195–200; and Public Administration Service, *Personnel Programs for Smaller Cities* (Chicago, 1940), pp. 8–9. The latter booklet contains a good, brief description of various forms for personnel administration, together with some discussion of their relative values.

[16] See National Civil Service Reform League, and National Municipal League, *Draft of a State Civil Service Law* (New York c. 1939), secs. 3–7, the provisions of which are applicable to larger cities as well as to states. The form proposed in this "model" includes a three-member commission with advisory, rule-making, and appellate functions, a single director being made responsible for regular administration.

[17] In the *Model City Charter* of the National Municipal League (New York, rev. ed., 1933), pp. 63 ff, the personnel director is to be assisted in nonadministrative functions by two commissioners. For an interesting discussion of personnel arrangements in a group of selected manager cities, large and small, see Stone, Price, and Stone, *op. cit.,* ch. 5.

istration and must work closely with the chief executive on administrative matters.

This device satisfies the demands of those who fear the concentration of authority in the executive, and at the same time effects a degree of dispatch and integration. It is possible for a commission given full authority in the law to limit itself by rule, assigning most personnel duties to an executive director or similar officer; but it is seldom to be expected that men will thus voluntarily proscribe their powers. If the commission remains independent, it becomes imperative, especially as the personnel program is broadened, that some provision be made for co-ordination of its work with that of the regular departments. Where commission and director both exist, it is desirable that a clear distinction be made between the administrative duties of the director and the advisory or other functions of the commission. Without such demarcation the commission may tend gradually to take over administrative functions, thereby losing the advantages of the single-head form.

*State and county aid to cities.* A word must be said about those cities which operate under state civil service administrations. A number of states, including California, Massachusetts, New Jersey, and New York, have provided central agencies that may serve the personnel needs of their cities.[18] The system may be either compulsory or optional for cities. Arrangements take various forms and have different effects on municipal personnel management, depending not only on the nature of the legal provisions but also on the attitudes assumed by the state commissions and on the inter-unit relationships evolved. In any case, the technical aid given by the superior agency must be related to local conditions and adequate records must be kept

[18] *The Municipal Year Book, 1940*, pp. 98, 126. In 1940 twenty-four cities of 30,000 population and over reported that their civil service was provided by state or county agencies. *Ibid.*, p. 112.

in the municipal office. In other words, the city faces the task of co-ordination, as well as many duties for which external aid is not necessary. In this situation it is customary for the municipality to combine local responsibility for personnel with that for other functions, such as research, purchasing, or financial duties. The practice of combining personnel with other functions is also necessarily followed in smaller cities even when they are not subject to state supervision.

Los Angeles County offers aid in civil service matters to municipalities within its limits, the program being co-ordinated with that of state aid to local units. In Michigan the Municipal League sponsors a personnel service available to cities. These are but two of the co-operative arrangements possible among agencies seriously concerned with personnel problems.

*Personnel as a tool of management.* Modern experiments reflect the spread of the concept of personnel administration as an administrative tool. In manager cities, for example, where the manager is judged on the basis of results achieved, he naturally feels that he must be given considerable freedom in the realm of personnel if he is to render his best service. In mayor-council cities where the personnel agency is co-operative it is possible to integrate civil service administration with the line aspects of administration. Personnel administration then becomes a tool of the executive and a means to the end of good management; but in a form of city government this is not so easily achieved. Nevertheless, a group of willing administrators may overcome many obstacles by taking planned and concerted action.

Students of administration agree that the use of personnel as a tool of the executive in management is desirable, even though it seldom prevails in local government. One writer comments, for instance, that if any one factor in a forward-looking program for public employees "is more essential than any other it is the personal and continuous participation of the chief execu-

tive in personnel management," and that progress in the field "will be in direct proportion to the interest and the efforts" of that officer.[19] A discussion of personnel management by the Institute for Training in Muncipal Administration concludes that " 'staffing' (the selection of personnel) and the overall control of personnel are essential parts of administrative management" and hence tools of the executive.[20]

To say that personnel serves as a tool of management is not to imply that the welfare of the workers is ignored or that the employees are looked upon as mere machines. Progressives in government and industry alike have in recent decades realized that the greatest employee efficiency is attained when personal needs are adequately met.[21] It is only through wise and proper handling of personnel that any unit of government is able to attain the ends for which it is created.

American municipal officials and citizens alike are learning that no device for personnel administration can assure a satisfied civil service or the proper conduct of public business unless the persons filling the positions of leadership are possessed with the spirit of public service. For this reason, the development of professional organizations and the resultant general improvement in their areas of administration have brought benefits to municipal employees and citizens. Elevation of the personnel administrator to the role of professional will have an increasing influence on the standards of municipal civil service administration.[22]

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[19] William E. Mosher, "Personnel: The Executive's Responsibility," *National Municipal Review*, XXV (May, 1936), pp. 283, 288.

[20] From the correspondence course in "The Technique of Municipal Administration," as quoted in *Public Management*, XXII (July, 1940), p. 195.

[21] See Ordway Tead and Henry C. Metcalf, *Personnel Administration* (New York, rev. ed., 1933), chap. I, especially page 2, for a statement of the position of liberal industrialists on the philosophy of personnel management.

[22] For a statement of possible contributions of professional organizations to municipal administration, see Orin F. Nolting, "Serving the City," *The Annals of the American Academy of Political and Social Science*, vol. 189 (January, 1937), pp. 76–83.

*Relation of central agency to departments.* When the central personnel agency has been established, whatever its form, there arises the question of how to effect its relations with the various departments. Who, for example, shall make note of attendance, tardiness, leaves, and so forth, in the police department or the tax office? If service ratings are maintained, the central office and immediate superiors of employees to be graded must act together. Formalization of central-departmental relationships in larger units makes possible the reduction to routine of many duties that might otherwise be lost in the rush of a day's business; it may also contribute to an awakening of departmental interest in personnel problems and a general toning up of civil service administration. Such formal arrangements are required, however, only in the larger cities where departments attain considerable proportions; as a matter of fact, although they are found in some cities, especially in fire and police departments, formal departmental personnel offices have so far been given consideration chiefly in the Federal Government [23] and in some of the larger industrial organizations.[24]

When departmental personnel agencies are maintained, a determination must be made as to what functions shall be carried on there. As indicated, cities have given comparatively little attention to the establishment of personnel offices within their departments, with the result that practically all functions are allocated to the central agency. In the Federal Government, functions characterized as "the more intimate and morale-building aspects" [25] of personnel administration are assigned to the departmental offices—for example, service ratings, assignment of tasks and supervision of work, most disciplinary measures, safety and welfare programs, and so on—

[23] White, *op. cit.*, p. 291.

[24] For example, the arrangements described in E. W. Smith, "Executive Responsibility: Staff and Line Relationships," *The Society for the Advancement of Management Journal*, III (January, 1938), pp. 29–33.

[25] White, *loc. cit.*

while the more formal duties of central record-keeping, development and maintenance of classification schemes, examinations, and the like, are reserved for the central office.[26] Needless to say, where municipal departmental agencies do exist, there is wide variation in the division of duties; there is as yet no real standardization in this regard.

It may be noted that in small cities little need for departmental offices exists. The simplest course is to allocate to the central office most personnel functions, to be discharged, ideally, on a basis of co-operation between the department head and the central personnel administrator. As the city grows, the department head may find it necessary to designate an aide to maintain contact with the central office and act along lines suggested by it. The position occupied by the aide becomes in the larger unit the departmental personnel office, maintaining direct contact with the central office and superior line officer and effecting *liaison* between them. Whatever the arrangement, it is in the department that many personnel functions are necessarily performed—choosing an employee from the eligible list certified by the central office, determining whether the probationary period shall end in discharge or retention of the employee, checking attendance (although the central office maintains records), and rating the employee as to service and efficiency.

Thus it can be seen that, whether or not central-departmental relations or functions are formalized either by law or by rules and regulations, constant contacts exist which can have a very definite effect on administration. This is essentially a problem in co-ordination and will test that aspect of the administrative ability of mayor or manager, personnel officer, and department head. It is at this point that conflicts between the line officers and the "experts" are most likely to occur, and the blame does

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[26] A. J. Altmeyer, "The Scope of Departmental Personnel Activities," *The Annals of the American Academy of Political and Social Science*, vol. 189 (January, 1937), pp. 188–191.

not always rest solely with the line officer. The personnel agency does have control functions, with either general or specific legal basis, and must discharge its responsibilities. At the same time, it is easy for the department head to feel that his authority is infringed upon or that he is being coerced. If the line officers have not been convinced of the need for a formal personnel program before it is undertaken, the responsibility for working out the resultant frictions falls upon the chief executive. But it should be noted that the establishment of the personnel office as an integral part of the structure, rather than an independent, "outside" agency, tends to lessen the friction referred to here.

### Internal Organization

Personnel agencies in cities vary most widely, perhaps, in internal organization. This is true in part because of the great differences in size among municipalities, and in part because of the innumerable variations in governmental forms adopted by them.[27] In any city not large enough to require a full-time trained personnel director, for instance, the administrative duties may be assigned to any one of several officials—manager, finance officer, purchasing agent, and so on. Or, if a commission is charged with some or all personnel duties, that body may use the mayor's secretary, or perhaps the secretary in the police or fire department, for its routine work.

Obviously the organization of the personnel agency will be determined in the main by the functions assigned to it. In a

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[27] Most general discussions of municipal personnnel agencies have little to say of internal organization, while descriptions of specific city agencies frequently stop short at that point. There is really no body of collected and generally available data on the subject. For a good general treatment, see White, *op. cit.*, pp. 290 ff. *Public Management* and *National Municipal Review* for recent years contain a number of "case studies" which throw some light on organization in a few cities.

Good descriptive material is found in Stone, Price, and Stone, *op. cit.*, chaps. 5 and 9. This work deals, it will be recalled, only with manager cities. Little has been done in the field as a whole, although there is need for further information.

small city, for example, where a formal merit system is provided only for the police department, the arrangements will be very simple, and a clerk working part-time under a civil service commission is likely to be deemed adequate. A city of the same size that undertakes a more ambitious personnel program, however, will require a larger staff and one with more technical training. Much of that technical aid may be obtained through the state agency, where such provisions exist, or through the part-time use of outside experts. Under a civil service commission the work is frequently divided among the members of the group, one having charge of records, perhaps, another of examinations, and the third of retirement, with joint action on appeals. In smaller towns members of the commission may act only part-time, in larger cities full-time, and these conditions affect the distribution of duties.

On the whole, and consistent with good administration, the personnel agency, be it department or commission, is made up of bureaus with functional bases.[28] In small cities the bureaus may perform several functions, but as the volume of work becomes greater they tend toward unifunctionalism. While probably no personnel organization has a separate bureau for the performance of each of the functions treated in the following chapters (especially since most systems do not include all of those functions), such titles as Recruitment and Examinations, Classification, Service Ratings and Retirement, and Records, are not inappropriate.

Like external organization, the internal arrangements of the personnel agency will be determined by local considerations, previous organization, and perhaps available personnel. Thus far no model universal form has been produced.

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[28] One writer suggests six bureaus or divisions: for examination; classification and compensation; training; conditions of service, service ratings, and promotion; disability and retirement; and employee relations. Harvey Walker, *Public Administration in the United States* (New York, 1937), pp. 155 f.

# THE PERSONNEL AGENCY

The traditional form, location, and scope of personnel agencies in American cities are typified by the independent civil service commission. That tradition is now, however, apparently in a state of modification. New forms are being tried; new functions are being added to the customary routine of duties; and a new body of trained administrators is gradually being developed to meet the demands of personnel programs in our cities.

# IX

# FUNCTIONS OF THE PERSONNEL AGENCY

IT WAS stated earlier in this volume that modern public personnel management has its basis in the recognized need of the governmental agency to utilize to the fullest extent all its resources. The original tenets of "civil service systems," namely entrance examinations and guarantee of tenure, were faltering steps in this direction, but as time has passed not only the theorists and practitioners but also large numbers of citizens have realized that implicit in the emerging standards of achievement are numerous activities hitherto unsuspected. The rationalization of specific activities, however, is not always immediately apparent to the layman. It is therefore to a discussion of those activities and their justification that attention is given in this and the following chapter.

A number of approaches to the complicated web of personnel functions are possible. While operations are technical, an understanding of their significance is necessary to even an elementary grasp of personnel administration as a whole. An attempt is therefore made to deal with each of the basic functions of the personnel agency as cogently as possible without dwelling overlong on purely technical aspects. Activities are considered more or less in the order in which they are encountered by a new employee, although such a rule cannot be followed too closely. It should, of course, always be kept in mind that in the personnel office all activities go on simultaneously; they overlap and interweave and seldom occur in isolation.

## Specifications for the Service [1]

Knowledge of the tasks involved in each position and of proper compensation for it would seem to be one of the fundamental characteristics of an agency operating a formalized personnel system. The need for such knowledge, and the methods for obtaining it, are treated here under the headings "Position-Classification" and "Compensation Plans."

*Position-classification.* The classification plan consists in an arrangement of positions into classes on the basis of similar duties and responsibilities.[2] Its uses are several: It aids in the preparation of examinations and in formulating statements of minimum qualifications for various positions; it facilitates service or efficiency ratings, since fair judgments must take into account abilities of the worker in relation to the demands of his job; it is also of definite assistance in effecting adjustments and advancements through transfer and promotion; and again, it is helpful in financial procedures, not only in accomplishing the aim of "equal pay for equal work," but also in the preparation and justification of budget estimates.

But supporting definitions are necessary to a full understanding of the classification plan.[3] In personnel administration, a "position" means a job, vacant or occupied, a complex of specific duties, together with responsibilities both upward and downward; the position is differentiated from the incumbent and is

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[1] The term "specifications for the service" is used by Mosher and Kingsley to refer to the classification plan alone. Its extension here to include compensation plans may perhaps be justified by expediency, especially since in the public service as elsewhere the quality of the service is dependent in part on financial inducements. See William E. Mosher and J. Donald Kingsley, *Public Personnel Administration* (New York, rev. ed., 1941), p. 407.

[2] Position-classification, usually referred to herein simply as "classification," is not to be confused with the term "classified service," used to indicate positions which are covered by merit provisions as opposed to those not so covered ("unclassified service").

[3] A helpful discussion of the characteristics of a classification plan is contained in Ismar Baruch, *Facts and Fallacies about Position-Classification* (Chicago, 1937)

treated impersonally and objectively. A "class" is a group of positions so similar in duties and responsibilities that they may be given common treatment in regard to examinations, compensation rates, or other processes of personnel administration. Position (such as a clerkship) and class (as the stenographic class, extending through all departments) are the units of a classification plan. Larger terms are sometimes used for convenience in grouping classes, for instance, a "service" which includes a broad group of classes similar in some aspects, such as the professional or the fiscal service; while "grades" are divisions on the basis of difficulty and responsibility. There is, however, no real standardization in the use of these latter terms.

While conceivably a classification plan might be developed before an organization is launched, actually it is worked out on the basis of existing arrangements, sometimes long-established, and the process by which it is prepared is not simple. Since it is quite technical, it will be treated here only in the most general terms. In the first place, a decision must be made as to what agency will assume responsibility for the undertaking. The consensus of opinion supports the central personnel office, although in practice the financial office is sometimes designated.[4] It must then be determined who will actually do the work. In large cities the central personnel staff may be qualified to take over this function, but often an outside organization of experts is employed to do the technical tasks or perhaps to train the regular staff members for them. The Michigan Personnel Service offers an example of the availability of an agency outside the city.[5]

According to a recent report, the classification plan results from "an inventory, analysis, and evaluation of all positions"

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[4] See the table in Mosher and Kingsley, *op. cit.*, p. 415, which shows not only the agency made responsible but also the outside technical aid sought in several cities.

[5] Public Administration Service, *Personnel Programs for Smaller Cities* (Chicago, 1939), pp. 4 f, 11–17, gives a description of this service.

and "consists essentially of: (1) *an arrangement of the positions in classes* . . . (2) *written class specifications* . . . and (3) *a list* showing the class title" of each position.[6] Thus it is first necessary to obtain an accurate description of every position in the service. The most common means is the questionnaire which is filled out by each employee and then subjected to review by supervisory officials and to close scrutiny and various checks by the surveying staff.

At this point positions are classified on the basis of similar duties and responsibilities. Difficult decisions on borderline classifications are sometimes necessitated, although most positions fall easily enough into clearly defined groups. The writing of class "specifications" forms the next step. These usually include a descriptive title, a statement of the nature of the work and responsibilities, examples of typical duties, and a statement of minimum qualifications for the position. Sometimes the line of promotion is indicated, and occasionally the applicable salary range.[7]

The next tasks merge into administration of the plan. Existing positions must be assigned to the established classes. Employees may object to the classification of their positions, especially since a man's prestige in the organization and even his salary may be affected by the class in which his job is placed. Other problems arise, and all merit serious consideration; but the staff must proceed as objectively as possible in order that final aims may not be defeated.

The plan must then be presented to the council for adoption, for without adoption it cannot have real and continuing meaning. Once accepted, it must be safeguarded against neglect by provision for its maintenance and for periodic revision.

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[6] Public Administration Service, *Personnel Administration and Procedure* (Chicago, 1938), p. 7; italics in the original. This report describes procedures followed in certain Indiana state services.

[7] *Personnel Programs for Smaller Cities* contains suggestions for a more refined class specification; pp. 14, 43–44.

The progress of American cities in the realm of position-classification is not so encouraging as in some other phases of personnel management. Recognition of the fundamental nature of the process is not universal, and city officials making brave efforts in the field of examinations, for example, fail to see that their endeavors might be facilitated considerably by the development of a classification plan. Nevertheless, a number of cities have adopted classification plans in recent years—Cincinnati, Minneapolis, San Diego, and Seattle, to mention several.[8] Classification problems in small cities are much more simple than in the metropolitan areas. Fewer positions are found in these communities, and they tend to fall into relatively few classes. The principles of classification apply, however, to all organizations, and the benefits of such a plan deserve attention wherever the municipal personnel constitutes any considerable number.

Such a comprehensive survey of the municipal service as is necessitated by preparation of a classification plan may reveal many conditions requiring correction. It may be found, for example, that lines of responsibility are not clear and that friction and inefficiency result. Thus a classification plan may bring about incidental but nonetheless highly beneficial adjustments in other areas of administration.

*Compensation plans.* One such adjustment might be the equalization of compensation of persons doing the same or similar work. The determination of a municipal compensation policy involves many additional problems, including such broad social questions as minimum wages, equitable relations between public and private employment conditions and compensation, and changing costs of living which affect the employee's purchasing power.

Up to the present time, American cities have largely ignored

[8] Mosher and Kingsley, *op. cit.*, p. 412, reported that twenty-seven cities had adopted classification plans.

most of these questions. The bases on which salaries are established have at best been haphazard, rule of thumb adjustments by the council, frequently resulting from pressure exerted by employees singly or in organizations. Such adjustments have been altogether too common. Widely varying wage rates for similar work have been found so frequently as to require no comment here. The municipal civil servant, often typed in the public mind as enjoying a sinecure, may actually be enjoying such a position; but on the other hand he may be forced to exist at a level below that of decency and health.[9] While many minor positions are generously compensated, higher administrative and other offices have been found on the whole to draw relatively less pay in public service than in private employment. Too often capable men are forced to transfer from public to private employment, while the municipality flounders on with some overpaid, some underpaid employees, the morale of the whole and the welfare of some suffering from the lack of a definite policy. Cities that have made pioneer attempts in the development of pay policies are few indeed, one of the most notable being St. Paul, where for nearly two decades a scheme has been used to adjust salaries of most city employees to changing costs of living.[10]

Where salary standardization is undertaken, a primary decision is necessitated as to what agency shall devise and administer the plan. Frequently the fiscal department is designated because of the budgetary aspects of salary administration, but some students recommend the personnel agency, since it already possesses most of the necessary records and maintains contacts with employees.[11] In any case, co-operation between fiscal and

[9] See, for example, League of Virginia Municipalities, *Salaries and Living Costs in the Municipal Service in Virginia* (Richmond, 1933).

[10] A description of that system is to be found in J. B. Probst, "The St. Paul Plan of Adjusting Salaries to Cost of Living," *Public Management*, XV (June, 1933), pp. 163–166.

[11] The argument for using the personnel agency is presented in Mosher and Kingsley, *op. cit.*, p. 460.

personnel offices must be close, since obviously both are concerned.

Some comparison is desirable between conditions within and outside the service, involving leaves, pay, nature of work, and the like, and likewise among similar and dissimilar positions within the service. In the municipal field, comparisons frequently are made to employment and pay in other cities of similar size. Keeping in mind the socially desirable objective of government as a model employer, as well as the financial ability of the city, rates are then set for the classes in the classification plan. Usually each class is assigned a minimum and a maximum rate, with several intermediate rates. These serve the purpose of providing incentives and rewarding meritorious work without imposing more difficult or more responsible duties. Pay rates for the various levels usually merge one into another but ideally do not overlap, since conceivably an employee might then be promoted without receiving increased remuneration. It is often recommended that new employees or promotees be limited by rule to the minimum rate, but on the other hand there is justification for the provision that exceptionally able workers be permitted to receive higher rates even at the beginning of their service. Stipulations vary, too, as to the bases on which increased pay without promotion—namely, advancement—shall be allowed. In some cities the increment is automatically bestowed after a specified time; in others a superior officer must indicate that the employee is worthy before advancement is authorized.

Once the salary plan is drawn up, preferably with co-operation of personnel and fiscal offices, it must be approved by the council. That body must then abide by the plan in making appropriations, or the effort will have been useless. Logically, the administering agency is allowed to formulate rules for application of the plan to individual cases, provision being made for employee appeals. The agency might also be charged with

responsibility for research and for recommending changes in the schedules at appropriate periods.

Since, as was stated earlier, American cities have done little more than scratch the surface of the problem of compensation policies, and since few of them have inaugurated classification plans, the procedure outlined here is largely ideal. The questions involved are not easy of solution, and conceivably the answers will vary for each city. In the field of compensation policy municipalities face a challenge that cannot forever be ignored.

## The Employment Process

Compensation policy and position-classification are perhaps aspects of personnel administration with which few citizens are acquainted; but actual employment processes are more widely known. It is generally accepted that where a merit system exists there are likely to be found notices of examinations, administration of tests, certification by the examining authority of high-ranking names, appointment, and frequently a period of trial or probation for new employees. Not all of the problems inherent in these processes, however, are realized by the citizens; therefore they deserve attention here.

The activities on the part of the civil service agency to attract applicants are known in personnel administration as recruitment.[12] Examination follows, and includes all types of investigation to determine the abilities of the candidate. Certification includes of course the submission of a name or names by the personnel agency to the appointing authority with the assurance that the individuals named have met all requirements. Probation is a trial working period.

[12] This meaning is accepted here even though some modern writers apparently include examining also under the term "recruitment." See, for example, John M. Pfiffner, *Municipal Administration* (New York, 1940), pp. 134–136; but see Mosher and Kingsley, *op. cit.*, chap. VII, and Leonard D. White, *Introduction to the Study of Public Administration* (New York, rev. ed., 1939), p. 313, for uses corresponding to that adopted here.

*Recruitment.* It is in these employment processes that the traditional work of the civil service commission is found; but in at least the recruitment aspect are also found some of the most challenging demands for improvement. The unattractive stereotypes of city hall employees that have dominated the public mind are not altogether without foundation in fact, since traditionally the civil service commissioners have been preoccupied more with reform and negative activities than with recruiting for municipal service the best workers available. Even after the establishment of merit forms, municipal personnel has consisted in many cases of inferior men and women who have turned to public employment after failure in other endeavors.

Various explanations may be offered for the failure of municipalities to attract candidates of the highest rank. Having labored long under the stigma of spoils, the public service has had low prestige values,[13] and there has been no compensating wage policy. Higher positions are still generally exempted from merit provisions, and until recently ambitious youths have seen small opportunity for advancement on the basis of ability in municipal employment. On the other hand, civil service commissions are hemmed in by minute provisions on every hand—severe local residence requirements, demands for practical experience as opposed to general intelligence and education tests, veterans' preference, limited funds, and so on.[14]

It would appear, however, that civil service administrators have done little to combat official and public attitudes. Recruitment activities are limited for the most part to routine compliance with legal requirements; notices of proposed examinations are posted in courthouse halls and on city hall bulletin

[13] Two pioneer studies of the prestige value of public employment have been made by Leonard D. White: *The Prestige Value of Public Employment in Chicago* (Chicago, 1929); and *Further Contributions to the Prestige Value of Public Employment* (Chicago, 1932).

[14] A general discussion of problems and methods of recruiting may be found in William Brownrigg and Louis J. Kroeger, *Toward Effective Recruiting* (Chicago, 1937).

boards, or published in daily or weekly newspapers, often with limited circulation. However publicized, notices are as a rule expressed in dry, official terms, and little information is given on such vital points as nature of the duties involved, salary ranges, and possibilities for advancement.

Despite the prevalence of these conditions, recent years have witnessed the development of new techniques in recruitment as in other personnel processes, and cities have been among the leaders. The increasingly technical nature of many municipal functions has contributed to the emergence of a career service in such fields as engineering and city management, and local residence and similar restricting requirements, once rigidly enforced, are now frequently waived when such positions must be filled. Attractive posters, news stories as well as legal notices in the newspapers, and even radio announcements and programs are becoming familiar as methods of attracting able candidates. Municipal recruitment agencies are developing and maintaining contacts with all types of schools, in order to know of promising graduates; some have established mailing lists of interested and influential leaders and potential candidates who are regularly circularized with announcements. Nevertheless, many cities cling to the traditional ideas and have far to go before their recruitment programs can be said to be enlightened and adequate.

A question that invariably arises in any consideration of recruitment programs concerns the correlation of the public service to the educational system. The British civil service system is cited as exemplary in this regard, and indeed it has many excellent characteristics.[15] In Great Britain various levels of the civil service are closely co-ordinated with the school systems, so that the government has access to and attraction for the best

[15] Descriptions of the English system may be found in Harvey Walker, *Training Public Employees in Great Britain* (New York, 1935); and Leonard D. White, *et al., Civil Service Abroad* (New York, 1935).

products of each class of school. A similar system in this country might mean that routine clerical as well as skilled and unskilled workers would enter public employment after graduation from high school; administrators and some specialized employees after graduation from college; and professional persons after completion of their special preparations. At present, signs of movement in that direction may be observed. Although such a policy is by no means widely adopted, cities have not proved insensible to its advantages.

*Examination and certification.* The use of examinations, generally competitive, is one of the most familiar characteristics of the American personnel systems. This country has made outstanding contributions to personnel management in the constant refinement of examination techniques—a refinement in which all levels of government as well as professional psychologists and private industry have participated. Early civil service tests covered chiefly the fields of general knowledge; but the demand was soon made for examinations related more directly to the duties of the position to be filled. Hence, the rise of the "practical" examinations which, while by no means valueless, have been found to place a premium on narrow training and experience in a specific type of work rather than on general ability and potentialities for growth. Present-day thought tends to recognize the value of experience and skill for many positions, and also to see a definite need for potentially capable young people who may have to be trained in special skills after entering the service. These views on the type of persons desired in the service directly affect the construction of the examinations for entrance. The initial aim of examinations was to eliminate the political factor in appointments. One present aim is to eliminate subjective judgments and supplant them with impersonal, objective statements of the absolute and relative abilities of candidates.

Numerous types of tests have been developed in this country

to meet the needs of industrial personnel management, educational establishments, and governmental agencies. The field of testing is highly technical, but a cursory consideration of the various types and methods used is perhaps justified here.

Tests may be grouped for discussion on various bases.[16] For example, they may be designed to measure different things. In recent years experiments have been conducted to develop adequate tests of aptitudes, such as tests for social, mechanical, or general intelligence. The latter is perhaps most familiar to the average person, and has been much discussed since the first World War. Attaining great popularity for a time, it was frequently misused, and fell under a shadow. At present, however, it is widely used, especially to supplement other tests; and sometimes it is used to eliminate the clearly unfit when large numbers of applicants must be dealt with. Social and mechanical intelligence tests have interesting possibilities but are not yet standardized; when further developed they will doubtless occupy an important place in public examining programs.

Examinations may attempt to measure achievement as well as aptitude—that is, what the individual actually has mastered. Evaluation of experience is a type of achievement test, as are the usual classroom examinations. The physical test measures strength or height and weight.

In similar fashion, tests may be differentiated on the basis of form. The oral test, for example, has had its period of popularity and disfavor. Actually, most modern "oral tests" are simply personal interviews and are not without validity, particularly where the position to be filled requires frequent and important contacts with the public.[17] Both the oral test and

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[16] The general outline of test classifications followed here is that set out by Mosher and Kingsley, *op. cit.*, chaps. IX, X, and XI, which is perhaps the best survey discussion of the subject of examinations from the point of view of public personnel administration.

[17] Two recent publications on oral interviews illustrate different but not altogether opposite points of view. See W. V. Bingham, *Oral Examinations in Civil Service*

the oral interview make large demands in terms of time, money, and high-class personnel, and hence they are used sparingly in many jurisdictions.

The written test is frequently easier to administer, and if short-answer written examinations are used (such as true-false, multiple-choice, or completion tests) the problem of grading is greatly simplified. The construction of these short-answer tests, valued for their greater objectivity as well as for simplified grading, requires much time and demands specialized training and skills. The traditional free-answer or essay type of test is easier to construct (though an adequate one is not so simple as the novice might imagine) but presents serious grading difficulties; not only does the scoring require much time, but it is open to charges of subjectivity. Sometimes, in order partially to overcome the latter disadvantage, separate grading is done by two persons, and a reconciliation is made of the two scores. In addition, the free-answer test handicaps the person who, although intelligent and skilled, is unaccustomed to composition. Hence it is discarded as unsuited to many situations, as, for example, the examination of prospective firemen.

Performance tests call for a demonstration of ability, as when a bricklayer does a sample job. For numerous positions this type of examination is useful. It must be noted, however, that success in the performance test alone, indicates only that the applicant can do one specific job and does not guarantee that he can improve and advance.

Examinations may be classified further on the basis of administration. Most tests, for example, are given simultaneously to a group of persons in one place and are known as assembled examinations. Nonassembled examinations consist usually of ratings of training and experience, submitted work (such as a publication or a written discussion on a subject indicated by

*Recruitment* (Chicago, 1939); and Samuel H. Ordway, Jr. and James C. O'Brien, *An Approach to More Objective Oral Tests* (Washington, 1939).

the examiners), and personal interview. They may be given to absentee applicants, and are employed chiefly for high-grade positions or sometimes for positions for which the supply of candidates is limited. Tests may be competitive or noncompetitive; the latter type is used more than might be realized, even where a formal merit system exists. In accordance with the basic merit principles, however, tests should be competitive whenever possible; but in a few exceptional cases competition may be waived.

For most positions the examination is actually a series of tests. These may include two or more of the following: evaluation of education and experience, oral or written test or both, character investigation, and physical tests. Appeals are sometimes allowed, especially when the subjective oral interview plays an important part in the final score, but such arrangements in American cities are as yet infrequently formalized.

As indicated above, test construction and evaluation are highly technical tasks. They involve careful work based on an understanding of psychology on the one hand and statistical methods on the other. Tests must be shown to be valid—that is, to measure what they are intended to measure; to be reliable —that is, to give substantially the same results on repeated use with the same persons or groups; and standardized, or made up of a normal proportion of difficult, easy, and moderately difficult items. These comments only hint at the delicate tasks involved in the construction and administration of tests.

When the examination process is complete, the personnel agency makes up eligible lists. From these, names are "certified" to department heads or agencies desirous of filling positions. The eligible lists may serve for as long as two or three years, successive certifications including the highest available persons; or new lists may be constructed at stated periods. The general rule has long been that the three highest names be certified, the appointing officer being allowed free choice among

them. Although this practice has been under fire from some sources, there is probably little reason to deny the appointing officer this choice. But the rule of three does not always prevail; in some cities only the top name may be certified, while in others the departmental officer may appoint anyone on the eligible list. Nor does the eligible list of original candidates always provide the basis for appointment. A re-employment list may take precedence, or a promotional list (made up of employees in lower positions who have passed appropriate examinations) may be given first consideration. These are desirable practices, but they necessitate careful thought in the determination of priority of lists and are predicated on a well-balanced personnel program.

In the certification process there are opportunities to violate the spirit of the merit system, as when a politically minded central agency declares an existing list out of date or inapplicable and conducts new examinations in order to get a favored candidate on the list. As the philosophy of the merit system becomes more widely accepted, however, and as personnel agencies are more carefully organized, these abuses will doubtless decrease.

*Probation.* When the appointment is finally made, it is often for a stated trial period during which the employee may be dismissed at any time. The purpose of this trial period, known as probation or working-test, is to provide an opportunity to observe the employee under the actual conditions of the job. In this sense it is a check on the examination process. Probation terms vary from three or six months to a year and sometimes longer.

Unfortunately, few departmental officials take advantage of the trial period; most of them seem to accept the employee as permanent when the initial appointment is made. Personnel officers might well encourage a more discriminating use of the working-test, since conceivably it could have beneficial effects on regular test programs as well as directly on the quality of

personnel in the service. To this end some organizations require frequent reports on probationary employees and a final report of acceptance or rejection as the trial period draws to an end. At present this phase of employment is not highly significant in practice, despite its potentialities.

# X

# FUNCTIONS OF THE PERSONNEL AGENCY (Continued)

## Training

While the opportunities offered by the probationary period have not for the most part been grasped by municipal administrators, these same officials have been less unaware of the advantages to be gained by training municipal servants. It is true that training programs are by no means found in all cities, but constant discussion and numerous experiments are keeping the subject before officials, and there is ample evidence that concern regarding it is spreading steadily. The subject of training falls easily into two primary divisions, known in personnel administration by the descriptive terms of pre-entry or pre-service, and post-entry or in-service training.

*Pre-service training.* Pre-service training obviously concerns education before entrance into public service. The possible contribution of the educational system in preparation for public service careers has been much discussed, but it may safely be said by way of generalization that at the municipal level little may be expected of regularly established schools at present beyond a thorough grounding in accepted fundamental and cultural subjects such as, for example, English and arithmetic.[1]

[1] In this connection see Carl F. Taeusch, "A Symposium on Administration," *Public Administration Review,* I (Winter, 1941), pp. 211–213 (a review of Fritz Morstein Marx, ed., *Public Management in the New Democracy,* 1940), and the sources he cites. A somewhat more optimistic note is struck in the report on a penetrating and stimulating symposium on possibilities for college education for public employment at all levels of government: Civil Service Assembly of the United States and Canada, *University Training for the Public Service* (Chicago, 1938).

Such a generalization of course excepts the specialized and professional schools of law, medicine, social work, engineering, and the like, whose graduates in increasing numbers are finding employment in governmental agencies; nor does it apply to such special undergraduate and graduate work in bacteriology and similar fields as are sometimes recommended for those majoring in municipal administration. Training for a number of the lower positions, particularly stenographic and routine accounting, is now available through the business departments of high schools; but aside from these and some manual training, the skills required for many city jobs must be developed under the supervision of the department after employment.

Despite these statements, it may be noted that in recent years colleges and universities have taken increasing interest in preparing graduates for public employment other than in the sciences and professions. While most of their efforts tend to be oriented toward the federal service, municipal service, also, has received attention. The programs evolved are aimed chiefly at developing administrative and staff personnel and include courses in economics, statistics, political science, administration, psychology, and sociology, frequently with observation of governmental offices and sometimes with work in them. Among the leaders in such programs have been the universities of California, Chicago, Minnesota, Southern California, and Syracuse. For a time several colleges carried programs designed especially for training city managers, but these did not thrive and present trends are toward more general preparation for public service.

With schools developing programs that orient students toward the public service, it becomes the responsibility of the city to attract the best products of these schools. In order to do this, considerable revision in present salary schedules, working conditions, and recruitment programs, is needed. It is also nec-

The Supplement to this pamphlet contains a helpful diagrammatic representation of the problems involved in the various types of training in and for public service.

essary to train the new recruit and the permanent employee in special knowledges and skills that will make their services most valuable.

*In-service training.* Until the municipality correlates its recruitment program with the schools, it may have to labor under unnecessarily heavy training demands, for no little effort is required to make good municipal servants of poorly qualified candidates. Even the city with first-class recruits faces the need for initiating them into new duties and for encouraging increased efficiency of permanent employees. In-service training, then, comprehends initial induction and also subsequent instruction. In both aspects of training some cities have been active.

Initial training of the new employee varies all the way from a brief description of specific duties to a regular course, covering from two days to two months, in special knowledge needed by him and in the organization of the city and the department. Training in special knowledge is found most frequently in fire and police departments of large cities—New York provides an example—where considerable groups of new members are taken in at one time. The more informal practices prevail in other situations, although, strangely enough, even the most cursory enlightenment for new recruits is lacking in many cities.

Apprenticeship is one form of training for new recruits. The probationary employee, under careful supervision, is assigned duties or observation, and may later be subjected to tests of the extent to which he has profited. He may be allowed to work in several departments in turn, which gives him a general view of the entire organization and enables him to find where he works most satisfactorily. In any case, an apprenticeship represents a formalized method of induction training.[2] It is

[2] The term "internship" is often used interchangeably with "apprenticeship," although properly it refers to positions provided on a purely temporary basis for study and observation. The apprentice process is doubtless preferable, since the

unfortunately not so widely used as would prove profitable.

Training for increased efficiency, which may also be training for promotion, is more highly developed in cities. Sometimes the work is done by the city alone, but in a great many instances it is the result of various co-operative patterns. State leagues of cities have been active in sponsoring central or regional schools for police, firemen, and sometimes other employees; the comprehensive program in New York sponsored by the State Conference of Mayors and Other Municipal Officials is an excellent example of such a program. Frequently the league is assisted by Agricultural and Mechanical colleges, or by municipal or state universities, as in Michigan, Texas, and California. Under the George-Deen Act the leagues have worked with state vocational education departments, and in other cases they have co-operated with such national professional organizations as the Municipal Finance Officers' Association, the National Association of Assessing Officers, and the International City Managers' Association.[3] The International City Managers' Association has established an Institute for Municipal Training which offers a series of correspondence courses in such subjects as administration of municipal finance, planning, personnel, fire, police, welfare, and other activities. In other instances the municipality may co-operate with a county, or with a county and university, as in Detroit.

Such undertakings as have been described deal most commonly with training in the ranks of police and firemen, but some extend to social workers, engineers, administrative and financial officials, and others. Whatever the form and auspices, these schools and classes are usually concerned with practical

activities of the organization are more likely to have future productivity. Internships, however, have their place. One such system is described in George W. Bemis, *Internship Training for the Public Service in Los Angeles County* (Los Angeles, 1939).

[3] For a more detailed description of training programs, see Lyman S. Moore, "Training for Local Government Employees," *The Municipal Year Book, 1940* (Chicago, 1940), pp. 101–110.

subject matter related directly to the occupation; but where regional schools include representatives of local units, material on teaching methods may also be included so that trainees may in turn conduct classes in their own departments.

While this discussion can only suggest the activities and the possibilities implicit in training, it may be seen that, although there is room for much improvement, municipal officials are not letting the advantages of such programs go unrealized.

### Incentives and Deterrents

Once the employee has become a part of the organization, the questions of efficiency and morale are continuing ones. It is clearly recognized that while financial remuneration is one motive to efficient work, other forces, too, have a similar effect. The city is faced with the necessity of discovering and utilizing these forces, some of which are positive and some negative. Positive forces include, briefly, recognition of worth, by pay and by added responsibility and prestige; the assurance of tenure during good service and economic provision at the retirement age; and general concern with the welfare of the employee. Negative forces comprise punishment and sanctions of various kinds. In other words, the city offers promotion, advancement,[4] tenure, and pensions as incentives; and various forms of discipline, with discharge the extreme, as deterrents from unsatisfactory conduct. These, together with service ratings, a tool, will be dealt with in this section, provisions for general welfare being reserved for a separate division.

*Promotion.* While several of the items discussed in this chapter as necessary components of a first-class personnel system—items such as classification and training—may be ignored by a municipality without immediately catastrophic results, practically every city periodically faces the problem of promotion

[4] The general subject of financial rewards, including advancement, was treated briefly in the section on compensation plans and will not be reviewed here.

within its ranks. Not even the most advanced agencies have solved all of their difficulties in regard to this problem. In the first place, promotional possibilities, in relation to the total number of workers, are few. This is true in part because of the hierarchical nature of organization and in part because of such traditional provisions, among others, as limitation of the merit system to lower positions [5] and prohibition of promotion across departmental lines.

The problem is further complicated by opposing opinions on whether promotions should be made entirely from within the service or from without. If selection and training programs are adequate, internal promotion should answer in most situations, although the exceptional case should be provided for.

Yet another plaguing question is that of situs for the authority to promote. Because they distrust department heads, who are so often of political inclinations, many councils have legally vested this authority in the civil service commission. In larger departments, however, there is reason for dissatisfaction with such long-distance control. Ideally, of course, co-operation of the two offices is the solution; and this co-operation can be accomplished without great difficulty where the personnel office is an integral part of the municipal organization. Thus the central office might administer promotional tests and make all its records available to the department head, who would be allowed the final decision.

Several bases for promotion present themselves, and all have been relied upon in the various jurisdictions. In some cities a strict and simple rule of seniority applies. Its disadvantages are obvious: long service at a specified job does not guarantee ability to handle a more difficult one; and such a system may stifle the

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[5] Friedrich measures the value and success of the merit system partially in terms of the importance as well as the number of positions covered. Carl Joachim Friedrich, "The Rise and Decline of the Spoils Tradition," *The Annals of the American Academy of Political and Social Science*, vol. 189 (January, 1937), pp. 6 ff.

ambition of the more capable younger workers. Examinations are frequently relied on, although usually in combination with other factors. Tests may well be used to determine knowledge and some aptitudes, but are necessarily supplemented by personal judgment of personality traits. They are, however, of considerable aid.

A few years ago the service rating achieved great popularity and in some organizations was made the chief basis for not only promotion but the order of lay-offs and reinstatement, advancement, and other adjustments. While the service rating has contributions to make, it is at present not dependable as the sole basis for such important moves; at best it can serve as a rough guide in reaching decisions.[6]

In the small city the only criterion for promotion usually is the personal judgment of superior officers, and in the end it usually prevails in the more highly organized municipality as well. At present this is unavoidable, although the contributory value of the other factors should not be ignored. The ideal system probably would take into consideration service record, aptitudes, and knowledge as shown by tests, and personal fitness as judged by qualified superiors; seniority would carry weight only when other factors were equal.

Whatever the criteria and administrative form used, when employees reach large numbers the long-time good of the service makes imperative a promotion plan aimed to give greatest development to inherent and acquired capabilities of the municipal personnel.

Transfer refers to shifting an individual from one position to another of the same class and grade. Unknown in most jurisdictions, it has helpful possibilities in adjusting personality difficulties or other employee dissatisfactions that are sometimes inescapable but that have harmful effects on efficiency.

[6] Service ratings, sometimes called "efficiency ratings," are treated more fully in following pages.

*Service ratings.* The service or efficiency rating was referred to above as a useful tool in personnel administration. It is strictly a tool to aid in such functions as the movement of personnel (as promotion, transfer, advancement), encouraging the employee to discover and correct his faults, and safeguarding the civil servant from purely arbitrary action by his supervisors. As long as a quarter of a century ago efficiency ratings were an object of attention, and various types were adopted wholeheartedly in public jurisdictions. Administrators in their zeal did not, however, always use the best judgment in applying the ratings; and because too much was claimed for them, the efficiency ratings fell into disfavor with employees whose salaries, discipline, and sometimes separations were made dependent on efficiency scores. In recent years the various types of ratings have been employed with greater caution, and some confidence has been regained, although students still indicate dissatisfaction.[7]

Professor Leonard D. White groups service ratings into three fundamental types.[8] The production record is frequently used in industry but is not so easily applied to public service except where work is strictly routine, as in stenographic and clerical positions and in the operation of machines. The graphic scale presents a number of traits to be judged, with several (usually five) degrees of competence indicated. The rater checks the appropriate degree. The chief advantages of this form lie in the fact that it makes a breakdown of traits and does not at-

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[7] William C. Beyer, writing in 1935 of civil service in American cities, concluded that no rating system "so far has withstood the test of time; all except the most recent experiments, which have not been in operation long enough to be judged, have proved disappointments." "Municipal Civil Service in the United States," in Commission of Inquiry on Public Service Personnel, *Problems of the American Public Service* (New York, 1935), p. 126.

[8] *Introduction to the Study of Public Administration*, p. 375. William E. Mosher and J. Donald Kingsley, *Public Personnel Administration* (New York, rev. ed., 1941), pp. 487–490, note also the "man-to-man" comparisons used in Army ratings and the use of periodic tests instead of production records. J. B. Probst, *Service Ratings* (Chicago, 1931), pp. 11–14, contains a much more detailed classification.

tempt to give an over-all analysis of the individual, although such a summary judgment is sometimes included in some forms. A precise statement of traits and degrees of excellence helps the rater to give a more complete and more objective judgment.

The personality inventory attempts a further breakdown of traits into concise statements to be checked by the rater. The Probst system is perhaps the outstanding representative of this type; improvements upon it have been attempted and are being subjected to experiment.[9] The Probst rating has been used in a number of cities, apparently with satisfaction in Cincinnati, for example, but with only partial satisfaction in New York.

The problems inherent in service ratings are somewhat similar to those encountered in the construction of examinations. As in that field, there is much to be done before the extravagant claims sometimes made can be justified. Present progressive systems have, however, encouraging characteristics. They labor to obtain maximum objectivity, although as yet they remain largely subjective. But the training of raters and the avoidance of vague, general terms, such as "leadership," in most scales are forward steps. Simplicity is also an aim, so that both rater and ratee may understand the basis of judgment. Usually, too, the scores and schedules are available to employees desirous of discovering their weaknesses and making improvement. These are heartening signs. In the words of a member of the Commission of Inquiry on Public Service Personnel, it seems "that a desire on the part of the supervisory personnel to establish and maintain a system of periodic reports is far more important than the kind of system which is set up."[10]

*Discipline.* In every organization there arises some need for discipline of officers and employees. In the small unit, discipli-

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[9] See Probst, *op. cit.*, for a summary of experience with various rating schemes and a description of his system.

[10] *Better Government Personnel*, p. 47.

nary authority may be largely centered in one person and exercised in more or less informal fashion. As the organization gains in numbers, the necessity arises for rules and penalties with which all may be acquainted. Causes for formal disciplinary action include inefficiency, insubordination, infringement of rules, immorality and drunkenness, and others.

Even where there are formalized rules, many disciplinary actions are largely informal. Perhaps the simplest recognized form of discipline is the warning or reprimand by the superior officer. It offers the opportunity to point out errors and receive assurance of mended conduct. More severe discipline may take the form of low service rating marks, perhaps resulting in the delay of advancement or promotion.

The most formal and serious penalties include suspension without pay, demotion, and removal. These may mean for the employee both economic and prestige loss, and must be used with care. Nevertheless, where city officials are timid about exercising their authority, the morale and standards of the entire service are likely to suffer.

In this country tradition has generally given to the departmental officer (that is, the appointing authority) the right to effect discipline, usually more or less at his discretion. This is especially true in cities having no formal merit provisions. In the interest of uniformity throughout the service and of employee protection, many cities have given their civil service commissioners the power to hear appeals from employees subjected to the more severe actions. Sometimes such provisions allow the commission to reverse the judgment of the department head and order reinstatement.

It is now generally realized that such extreme action reacts unfavorably on the control of the official over his subordinates, and present tendencies point toward more moderate policies, as those suggested in the Model City Charter.[11] Under this char-

[11] National Municipal League, *A Model City Charter* (New York, rev. ed., 1933), sec. 85.

ter's provisions, the department head would be allowed freedom in minor forms of discipline, but his actions would be brought under a code promulgated by the central personnel office for the entire service. In the extreme forms of discipline the employee would be allowed appeal to the central agency, and a report, perhaps with recommendations, would be made by the appeals board to the supervising officer, who would then be empowered to act as he saw fit. The publicity of such proceedings, together with the advice of the central agency, would tend to curb arbitrary action and promote standard treatment.

*Retirement.* From the point of view of the employee, the incentive in the public service is the pension sometimes available upon retirement; from the point of view of the city, the properly administered pension program is a safeguard to the service. It may be noted that these two views are aspects of the same problem. Anticipation of reasonable comfort for himself and his dependents makes the employee a better civil servant. On the other hand, a retirement system frees the service of the aged and infirm who, for economic reasons, would try to hold their positions long after they had become disabled.[12] The movement for civil service retirement and pension programs has closely paralleled the growth of the merit system at all levels. Many cities have established some kind of retirement system, especially for members of the fire and police departments.[13]

Pension funds may be of the cash disbursement type, in which case contributions are usually placed in the general fund and regular appropriations are made from it as needed to meet pension demands. While this plan is the easiest in the begin-

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[12] For a more complete discussion of objectives of a retirement system, see Lewis Meriam, *Principles Governing the Retirement of Public Employees* (Baltimore, 1918). A brief but comprehensive treatment of state and local systems is found in Municipal Finance Officers' Association, *Retirement Systems for Public Employees* (Chicago, 1938).

[13] In 1938, 519 cities of over 10,000 population reported retirement systems covering part or all of their personnel. *The Municipal Year Book, 1938,* p. 310.

ning, and subject to understanding and direct control by the electorate, such a plan leads eventually to severe drains on municipal finances, and frequently results in inability of the city to fulfill its pension commitments. The actuarial reserve fund, on the other hand, is based on strict actuarial computations of probable needs; accumulated gradually by regular contributions, it is invested and earns interest and hence is actually less costly than the cash fund. Although more expensive at the outset and more complicated in operation, the actuarial system is preferable to the cash disbursement type. Actuarial systems are used by approximately one-third of the cities reporting pension systems.[14]

Contributions may be made by employee or city alone, or by both. Usually the joint contributory plan is considered most satisfactory, although it is not universal. A retirement fund is frequently administered by a board, sometimes with employee representation. While a board is desirable for formulation of policy, a single director is needed for actual administration; in smaller cities the administrator may be a regular city officer, especially since the administrative costs are ordinarily borne by the municipality. In any case, the work of the central personnel office might logically be to maintain pertinent records and, working with departmental officers, to recommend employees for benefit at the appropriate time.

The age at which retirement is to take place (commonly between 60 and 70 years), the amount of the pension, whether the system shall be compulsory or optional, and other benefits—such as death, disability, and so on—that may be a part of the system, are all matters on which practice varies. It is the usual provision that withdrawal or death will return to the employee or his dependents all the money he has actually contributed, with interest, minus small administrative costs. The establish-

[14] *Idem.* A number of these cities participate in a state system.

ment and maintenance of a proper system are technical matters, but they are not beyond the reach of most municipalities. The very small city, it is true, is scarcely in a position to maintain a retirement system alone; it may, however, co-operate with other cities or with the county or state if they have established such systems. Ordinary group insurance also offers possibilities.

### General Welfare

In addition to the conditions of employment that have been under discussion in this chapter, other factors bear on the well-being of the employee and on the quality of the municipal service; some of these are dealt with here under the summary heading of "general welfare."

*Working conditions.* American governments at all levels make a poor showing as "model employers" where physical working conditions are concerned. City halls are notoriously crowded and are sometimes dark and ill-kept. Some are actually unclean, and in many buildings satisfactory sanitary arrangements are lacking. Furthermore, proper illumination is all too often unknown in municipal offices, and ventilation is haphazard and inadequate. The average citizen no doubt looks upon spacious, air-cooled offices for public servants as extravagances. While such a view is understandable, it is extremely short-sighted, for loss in terms of decreased efficiency, absence, sickness, and lowered morale is inescapable when improper physical working conditions prevail.

In other aspects of working conditions, the public service is not always so unfortunate. Many jurisdictions allow annual vacations, either under a formal system or by informal arrangement; and sick leaves are usually provided in similar fashion. There is, however, no standardization in these matters, either within many of the units or among municipalities as a group. Most cities are doubtless more lenient than private organizations of similar size so far as absence and tardiness are con-

cerned but extra compensation for overtime is probably not so frequently granted, especially in the higher clerical brackets.

Municipal personnel officers are seldom charged with responsibility for any of these working conditions. Some agency is needed to standardize procedures, to establish rules, and to keep records, and the central personnel office might well serve in such capacities. Standards for building conditions might be set up and periodic inspections made, while a uniform code for attendance, tardiness, leaves, and vacations would probably heighten morale. Attention to the problem will reveal numerous methods of correcting and avoiding faults in this regard.

*Employee organization.* One means by which the municipality can contribute to the general welfare of its civil servants is through co-operation in the constructive activities of employee organizations. Such organizations vary from the regular craft unions to the professional societies including higher officials, and may have benevolent, purely social, or more general objectives.

Professional organizations have made distinct contributions to the improvement of municipal administration generally, and many city councils so far recognize their benefits as to make specific budgetary provision for official participation in them.[15] The purely benevolent and social groups among workers in the lower classes are not without their significance to the city, although their primary aims are not for improved administration. Credit unions have been found helpful in reducing worry and consequent inefficiency among workers, and an increased range of such co-operative activities might be encouraged by the city.

Other employee organizations have as a definite aim the improvement of their members individually, promotion of merit

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[15] Such societies include those known as the "Chicago group" and many others composed of public or both public and private officials. See Public Administration Clearing House, *A Directory of Organizations in the Field of Public Administration* (Chicago, 1938); and *The Municipal Year Book, 1940, passim.*

standards, and increased efficiency of the service as a whole. Some of the groups are affiliated with national labor unions or with other national societies; while some are merely city-wide or perhaps state-wide in scope.[16] Even though municipal employees affiliate with national labor groups, it is generally accepted, and sometimes expressly provided by ordinance, that they may not use the strike as a method of obtaining their objectives.[17]

Where employees are eager to better their conditions by individual improvement rather than by purely political activity, the city can scarcely fail to co-operate.[18] The personnel officer, though seldom charged with that responsibility, can make good use of organized employee groups for the benefit of both civil servants and the city as a whole.

*Morale.* A high morale in the service is one of the most imperative factors for efficiency; it can overcome many other unsatisfactory conditions or can, on the other hand, negative the most perfect ones. This being true, the personnel agency is under a definite responsibility, implied if not expressed, to do all in its power to develop and maintain morale. The means toward that end include not only the numerous activities indicated in this chapter, but other, perhaps as yet unrealized functions. Of these, employee participation in management, much farther developed in the English civil service and in American private industry than in our public agencies, is perhaps one; further co-operation with employee organizations is another;

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[16] For a more detailed description of employee organizations, see *The Municipal Year Book, 1937*, pp. 232–236. At the end of 1939 there were 660 employee organizations in American cities, exclusive of the regular craft unions and the purely benevolent and social organizations. *The Municipal Year Book, 1940*, pp. 140–149.

[17] The only strike of serious proportions by municipal employees was the abortive attempt by the Boston police in 1919. Public reaction was so unfavorable and so vehement that nothing of the same scope has been tried since, although a few short-time strikes by city employees have occurred.

[18] It must be noted that, despite prohibitions, it seems inevitable that many employee groups will engage in some political activity, in the sense of lobbying for their aims rather than by campaigning in support of individuals.

and improvement of physical working conditions is a third, as yet largely ignored by public jurisdictions in this country. The general attitude of the administration, embracing considerations of leadership, and the high or low esteem in which municipal service is held by the public, are other factors. On the central personnel office devolves the task of surveying these factors and utilizing them toward the development of *esprit de corps* and the improvement of the service.

# XI

# ORGANIZATION FOR FISCAL MANAGEMENT

One of the indispensable processes in the operation of any government is that of raising and spending money. A few decades ago the performance of this function was a relatively simple matter. Sources of revenue for governmental purposes were limited, and services performed by the governments were few in number. Today, however, the picture is different, especially in regard to municipal governments. Cities have grown rapidly and their activities have become extensively diversified. Most large industries are located in or near cities. People are constantly moving to these centers to supply the industrial labor demand. Conditions resulting from this situation compel cities not only to extend functions already performed but to undertake numerous new ones.

For these reasons, financing city government is no longer a simple matter. Many problems arise relating to fiscal organization, assessment, revenues, expenditures, collections, budgeting, purchasing, borrowing and indebtedness, accounting, auditing, and reporting. These will be considered in the sections to follow.

Municipal business requires large expenditures to carry on its many activities. Funds must come from various sources such as taxes, special assessment, licenses, permits, and borrowings. Cities even go into the money market and compete with private business for funds with which to carry on their work. All of this presupposes the existence of certain agencies which give

effect to the city's financial policies and procedure. The organization of these agencies for fiscal management concerns us here. Fiscal management, as Professor Leonard D. White says, includes those operations designed to make funds available to officials and to ensure their lawful and efficient use.[1]

## Development of Municipal Finance Organization

Thirty years ago little importance was attached to the general structure or the organization of fiscal agencies in city governments. Each municipality had certain officials who customarily administered the financial affairs; these were the city treasurer, the auditor or controller, the city collector, and the assessor. Their method of selection was usually by popular election, which gave each one an independent status in the local administration. The mayor had little or no supervision over the fiscal officers or their methods of procedure. Various decentralized checks and loose counterchecks were maintained in the hope of preventing dishonesty in the use of city funds. For the most part, city governments lacked business-like organization to handle one of their most necessary major functions, namely, municipal finance.[2]

With the beginning of the commission form of government in 1901, the reorganization of city financial administration was encouraged. Fiscal functions were recognized as being important enough to departmentalize. As a result a department of finance was established under the direction of one of the commissioners. This department consisted of the assessing office, the collecting office, the treasury, and the accounting and auditing office. In some cases, however, the latter office was placed under some official directly responsible to all of the commissioners. Later when budget procedure and centralized pur-

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[1] Leonard D. White, *Introduction to the Study of Public Administration* (New York, 1939), p. 201.

[2] A. E. Buck and others, *Municipal Finance* (New York, 1926), pp. 8–9.

chasing were developed, they were in most cases placed in the department of finance.[3]

The introduction of the manager form of government in 1908 soon gave more stimulus to fiscal management. The department of finance under the manager form became better organized and was placed in a more strategic position in the general framework of administration. Actually it has become one of the manager's most effective aids in directing the city's business. The information furnished by this department enables him to exercise close supervision over all the municipal activities. He looks to this general agency to carry out all financial regulations, to collect all the necessary facts for budget making and to prepare it for his approval and presentation to the council. Finally, the department of finance assists in the enforcement of the budget after its acceptance. In cities using neither the commission nor the manager form of government, the mayor has many of the duties and responsibilities of directing the fiscal affairs of the municipality.

This has been the general pattern of development for financial organization in cities of the United States.[4] A question which reasonably follows now is: What are the present forms of organization for fiscal management and what seems to be the tendency for their future development?

## Present Organization for Fiscal Management

The financial structure of American cities is of two general classes: centralized and decentralized. In the centralized type nearly all of the offices and divisions performing financial functions are placed under the control of one authority, and they are ordinarily consolidated into one branch or department. On the other hand, in the decentralized type the fiscal activities

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[3] *Ibid.*, p. 9.

[4] For a comprehensive discussion of municipal financial organization see John M. Pfiffner, *Public Administration* (New York, 1935), chap. XIII.

of the city are located in numerous separate agencies, each of which is charged with duties of a varied character and importance, all of them having different degrees of autonomous power. It would not be amiss to discuss these two types briefly.

The extent of centralization realized under these two types of financial organization differs among cities. Cities which have their financial administration largely centralized may be divided into three groups, depending upon the degree of concentration. In the first of these groups the fiscal activities are placed in one department, the head of which is practically independent of the other administrative departments and free of any general executive supervision. Commission-governed cities usually have this kind of centralized financial structure. The second group is characterized by those cities which have centralized the fiscal control in the chief executive but have not consolidated their financial activities into one department. This form may be found in the strong mayor plan of government. The third group comprises those cities which have not only centralized financial control in the chief executive but have also consolidated their financial functions in one department headed by an officer who is responsible to the chief executive. This type of organization is frequently to be found in cities using council-manager government.

As suggested by Dr. A. E. Buck, those cities having the decentralized type may also be classified into three groups: (1) those in which the separate fiscal agencies are virtually independent of one another and operate under laws generally and specifically applicable to them; (2) those in which such independent agencies are under board supervision; and (3) those in which such agencies are under executive supervision.[5]

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[5] Buck and others, *op. cit.*, pp. 10–17, and Alfred G. Buehler, *Public Finance* (New York, 1940), p. 41.

## A Suggested Plan for Financial Organization

The present tendency in municipal financial administration is in the direction of consolidation of the various fiscal agencies and a centralization of control over them. The integrated department of finance exemplifies an approach toward a more idealistic system. It provides a means of orderly and systematic arrangement for financial activities under the control and supervision of the chief executive. A unified department of finance adds strength to general city administration and facilitates effective executive control. It decreases complexity in conducting city business, serves to decrease losses due to poor management, and diminishes unwise expenditures of the various operating divisions.

At the head of the city's organization for fiscal management should be the director of finance, appointed by and responsible to the manager or mayor. He should be regarded as the chief financial officer of the city; the council and the chief executive should look to him as adviser in all matters relating to finance. The four or five divisions or bureaus in the department might be designated as follows: (1) accounts, (2) treasury, (3) taxation, (4) budget, (5) purchase and supply.

Two other functions which are closely associated with the department of finance are personnel supervision and pension administration. In the smaller cities both activities might be made a part of the work of the department of finance. In large cities a more effective administrative policy might require the personnel problem to be under the direction of a separate agency. The management of pension funds, however, should be in the department of finance.[6]

It would seem wise that the director of finance appoint the heads of the various bureaus or divisions with titles correspond-

[6] Buck and others, *op. cit.*, pp. 17–18.

ing to the above-named bureaus: (1) controller, (2) treasurer, (3) assessor, (4) director of the budget, and (5) purchasing agent. A wise administrative policy would dictate that these as well as subordinate positions be filled with persons of special training and ability. Education, health, and public works generally receive well-qualified individuals, but this is frequently not the case with financial administration. No special experience or ability seems to be required for raising and spending city money; yet it would seem that this is as much an art as any activity in which the city is engaged.

The bureau of accounts under the direction of the controller should be responsible for keeping the general accounts of the city and for supervising departmental accounting systems and budget control operations. It should maintain a current auditing control over all receipts and expenditures, furnish the council and the administration with current information as to the financial position, and collect data for and administer the budget. The current audit is to be distinguished from the independent audit or post-audit which should be arranged for by the city council and performed by some agency completely independent of the administrative divisions. In some sections such an audit is made by the state, while in others the council employs a firm of private auditors to make a periodic audit.

The bureau of the treasury headed by the treasurer should be charged with collecting, keeping, and paying out city funds. Payments should be made only upon the authority of the controller. This bureau should keep such records and books as are necessary for recording all receipts and disbursements as well as bond transactions. A record of money in city depositaries should also be kept by this bureau.

Under the direction of the assessor, the bureau of taxation should provide for the proper distribution of the tax burden imposed through the taxing and other powers delegated to the city government. This function would involve the assessment

of property, the taxing of businesses, and the determination of benefits and privileges. It should keep the necessary records and rolls pertaining to this work.

The bureau of the budget should be responsible for financial planning. This agency should be charged with preparing the annual budget for the mayor or manager and for carrying out investigations and surveys into the financial conditions and operations of the city.

The bureau of purchasing directed by the purchasing agent should buy the supplies, materials, equipment, and various contractual services for all the departments, offices, and institutions of the city government. All printing should be under the supervision of this bureau. The purchasing agent should not place any orders or enter into any contracts without the approval of the controller and his certification that unencumbered appropriation balances are available for their payment.

Finally, place, circumstances, and conditions do and should influence the type of financial administrative organization which may be set up. One can readily imagine many localities where the organization as outlined and described above would be neither advisable nor necessary, or where a different type of organization might prove to be far more efficient.

# XII

# THE BUDGET

THE revenues and expenditures of any government are by their very nature circumscribed. No municipality has ever enjoyed unlimited income or unrestricted license to spend as much as it might desire. With limited finances on the one hand and ever-expanding municipal services on the other, a grave problem confronts every city administration. How may the municipality most adequately use its limited finances to encompass the many demands made upon it? The answer to this question is, obviously, by financial planning, and this among other things involves budgeting.

## PREPARATION

A budget is nothing more than a plan of financial operation for a given period of time. Each individual figure in the budget represents a municipal activity, an act performed by some city agency or official. Since cities exist to carry out functions essential to group welfare which the individual members of the group themselves could not perform successfully, each budget figure symbolizes a necessary community activity as part of the municipal life. Considered in this light, a budget is as necessary to the small town as it is to the large city.

Financial planning in municipal affairs has not long been the practice in this country. Prior to 1900 it was virtually unknown here, although in England it had been employed for years. Customarily, city councils appropriated money for various activities and blindly hoped that the revenues thus provided would be sufficient to meet all fiscal requirements. Political

expediency often determined the amount of expenditure. No one knew whether there was a surplus or a deficit until the end of the year, and even then the facts presented were all too often not reliable because of the loose accounting system employed. In case a balance was discovered, it was frequently spent promptly, and deficits were hidden by temporary loans or bond issues.[1]

As cities grew and came to perform more functions, their financial burdens increased to the point where such a haphazard system of finance proved inadequate and unsatisfactory. Since the turn of the century almost all cities have adopted some form of budgetary control either on their own initiative or because of state law. These systems in certain instances are quite adequate and employ the most modern financial practices; in other cases they are merely nominal in character. Many cities are using budgetary systems lying between these two extremes.[2]

Municipal budgets may be classified as falling into three main types: (1) executive, (2) legislative, and (3) commission or board.[3] The general organization of the city government usually determines which type is employed. The executive budget is one in which the mayor or manager is responsible for the preparation and to a large extent the execution after its adoption by the council. Only in the manager or the strong mayor forms of city government may the executive budget operate; it is not suitable to the commission or the weak mayor forms. These latter forms may best be served by the legislative or the commission type of budget. When the legislative type of budget is used, the city council takes responsibility for its preparation, a committee of the council usually being charged with the duty. Under the commission type a board,

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[1] Henry G. Hodges, *City Management* (New York, 1939), p. 132.

[2] Harold Zink, *Government of Cities in the United States* (New York, 1939), p. 397.

[3] *Ibid.*, p. 398.

R. Emmett Taylor, *Municipal Budget-making* (Chicago, 1925), p. 8.

usually consisting of leading administrative officers and council representatives, formulates the financial plan. Neither the legislative nor the commission type definitely places responsibility upon a single executive or administrative officer for carrying out the budget plan after its adoption by the council.[4]

Financial specialists and students of public administration generally agree that the responsibility for initiating the financial plan for the city should be placed in the hands of the chief executive. The present tendency to centralize administrative duties and responsibilities would seem to substantiate this viewpoint. The chief executive is especially well qualified to assume the responsibility for the preparation of the budget since he is, on the whole, responsible for the operation of the various administrative units with the functions and activities of which he is familiar and over which he has control. It would seem apparent that the executive type of budget offers more advantages than does either of the other types. Furthermore, it is the dominant type today.[5] One writer goes so far as to say that if the existing organization of the city government does not permit the chief executive or administrative officer to assume full authority in budget making, "then there is strong reason for reorganization."[6]

To assist in the preparation of the budget, the budget-making authority, whether manager, mayor, board, or committee, should have some assistance. A properly organized department of finance as discussed in Chapter XI adequately fulfills this requirement. Within this department all budget information is assembled and classified. Some cities have a director of the budget whose function it is to gather fiscal information and present it to the proper budgetary authority. Small cities

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[4] A. E. Buck and others, *Municipal Finance* (New York, 1926), pp. 87–88.

[5] *State and Local Budgetary Methods*, a report of the Committee on State and Local Taxation and Expenditures (Washington, D. C., 1935), p. 7.

[6] Buck and others, *op. cit.*, p. 88.

customarily delegate this function to the chief accounting officer or to the controller. A trained, permanent staff having free access to all information necessary to its work furnishes invaluable assistance in the preparation of the budget.

Proper budget preparation and enactment necessarily involves certain procedures. Generally these are as follows:

1. Preparation of revenue estimates.
2. Calculation of fixed and unavoidable expenditures.
3. Call for departmental expenditure estimates.
4. Preparation of departmental expenditure estimates for submission to the chief executive.
5. Revision of departmental expenditure estimates and preparation of the proposed budget by the chief executive or other budget-making authority.
6. Consideration of the proposed budget and formulation of the tentative budget by the legislative body.
7. Public hearing on the tentative budget.
8. Final action on the budget by the legislative body.[7]

The first five of the above enumerated steps pertain strictly to budget preparation, and the last three apply to budget enactment which is to be considered later in this chapter.

Work on the budget should begin early enough to allow for a careful consideration of all the factors necessarily arising in the process. In making up the revenue estimate for the coming year considerable assistance is rendered, if, in addition to current income, the detailed revenue receipts from each source derived by months for at least the two preceding years are made available. These revenue receipts are good for the purpose of comparing past income with future expectations. It is also necessary to take into account uncollectible taxes and special assessments in estimating receipts for the coming year. The completed revenue estimate should show the amount of surplus

[7] Carl H. Chatters, "What's in a Budget?" *The Tax Digest* (August, 1937), vol. XV, p. 266.

revenue from the current year which will be available for expenditure during the coming year. Similarly, the receipts of the two preceding years should disclose the amount of revenue carried over at the end of each fiscal period.[8] Fixed and unavoidable expenditures for the coming year should also be considered. These may include numerous items as judgments and costs, interest on general bonds and notes, maturing general serial bonds, actuarial requirements for the sinking fund and pension system, the governmental unit's share in the cost of improvements for which no bonds are issued, and estimated deficits in any funds at the close of the current year. Revenue estimates and the schedule of fixed and unavoidable expenditures must both be considered.[9]

The next step in an orderly system of budget preparation is a request by the chief budgetary officer that all departments and agencies submit their expenditure estimates for the coming year. These estimates should be made on uniform budget forms which are sent to each department or spending agency. To assist the various agencies in formulating their estimates, past expenditures might be entered upon these forms before they are sent out. In certain instances a tentative allocation of the total revenue available to the department or agency for the approaching fiscal period might be made on the forms, and the department asked to limit requests to that amount. Additional requests might be listed in order of their preference. This procedure gives the spending agency an idea of what is to be expected on its part, and also serves to minimize the natural tendency to pad expenditure requests.

Proper budgetary procedure prohibits the granting of an appropriation to any department unless it has submitted detailed estimates to justify the grant. Moreover, an agency which collects revenue certainly should not have the right to spend such

[8] *Ibid.*, p. 267.
[9] *Idem.*

money outside of the budget, for to permit this would defeat the entire budget plan. The use of standard classifications for revenues and expenditures constitutes a very important factor in budgeting systems, and it more or less classifies fiscal information of different periods in the same language, thus greatly facilitating accurate comparisons.

Cities vary in regard to their practices in preparing and submitting estimates. As a rule the more progressive ones require a detailed compilation giving not only the total amount requested but complete information as to the specific purposes for which money is desired. Some cities employ three general forms for gathering estimates: one for personal services; one for supplies, materials and equipment; and one for all other expenditures. Personal service forms list salaries and wages for permanent and temporary employees and include fees and compensation for other types of personal service. Customarily each class of employee is listed separately on the basis of the different salary or wage scales involved. Forms for reporting materials, supplies, and equipment include information as to the amount requested, the unit cost, the amounts requested and received in years past. All other expenditure forms may touch on such things as fixed charges and contributions; land, structures, and other capital outlay; and debt charges.[10]

Along with the departmental expenditure estimate, the departmental head or its financial officer should submit a work program to the budgetary officer. As a matter of fact, the estimate should be based on this program. One municipal executive described the budget as a work program with a dollar sign in front of it. This becomes more understandable when we realize that a work program is nothing more than a forecast of the character and amount of work to be done by the various city departments and agencies for the ensuing year. For cer-

[10] Zink, *op. cit.*, pp. 399–400.

tain activities such as street construction, street cleaning, refuse collection and disposal, the work program should show the number of units of work which the department contemplates doing during the coming year, along with the unit cost and the total cost. The activities of the current and the preceding year could well be considered by means of comparable data. It would seem, then, that a work program lends persuasion to the view that every department head should have—namely, the view that the budget is not merely a plan for spending money, but a method or means of accomplishing results.[11]

After the estimates and the various supporting data have been assembled by the budget agency, the budget-making authority begins the process of consolidating them. In doing so he will need some assistance from the department heads. Conferences with them and other interested individuals or agencies aid materially in ironing out difficulties and misunderstandings which may arise between the budgetary officer and the representatives of the various spending agencies. With all the information before him it is now possible for the budgetary officer to prepare a statement showing the relationship between the proposed expenditures and the anticipated income. These facts and figures are made ready for consideration by the mayor or manager. Careful review and revision of these estimates is essential to a satisfactory budget plan. Any other method would prove unsatisfactory, and the budget would be merely a compilation of estimates.

These estimates in the beginning are made by individuals who have great interest in the work under their supervision and who regard it as being the most important activity the city carries on. From the standpoint of the community as a whole, it is necessary that the estimates be examined by one who has a broad perspective and understanding of the needs of the en-

[11] *Municipal Budget Making and Budgetary Control,* The Municipal Finance Officers' Association (Chicago, 1935), p. 3.

tire city and who considers the various demands in the light of income available to meet them. Clearly the proper person to do this is the chief administrator; no other official would be better acquainted with the financial condition and the needs of the municipality than would he.[12]

The last step in the preparation of the budget is its submission to the city council for consideration. In some cases public hearings are held on the tentative budget prior to the actual submission to the council or commission. This seems to be the practice where the budget-making authorities not only prepare but practically enact the budget. In most cities, however, public hearings are held by the council, and this is particularly true of manager cities.[13] A budget document in the light of good practice should be clear, concise, and understandable, and should consist of the following:

1. A budget message which explains the principal items and outlines the city's experience during the past year and its present financial status as well as makes recommendations regarding the financial policy for the coming year.
2. A budget summary which shows all the estimated revenues and expenditures of revenue funds on a single page, revenues being classified generally by main sources and expenditures by character and object.
3. A schedule showing in detail the revenues from each source for the current year and each of the two preceding years, and also the estimated revenues from the same services and any additional sources for the ensuing year.
4. A schedule of fixed and unavoidable expenditures for the coming year.
5. Schedules of departments showing for each its expenditures for the past two years, estimated expenditures for the current year, departmental requests, and the amount

[12] Buck and others, *op. cit.*, p. 93.
[13] *Ibid.*, p. 94.

recommended by the chief executive; this information should be classified by fund, function, activity, character, and object.

6. Departmental work programs to be determined by changing departmental policies as well as by the amount and character of services to be performed.
7. A statement of debt, a debt schedule of interest requirements, an analysis of tax and special assessment delinquency, and a schedule of short-term borrowing transactions.
8. A summary of proposed capital outlays, classified according to means of financing.
9. A budget for each public utility operated by the city attached as separate units to the budget document.
10. An appropriation ordinance, tax levying ordinance, and borrowing ordinance to carry the proposed budget into effect.
11. A schedule of salary and wage rates applicable to each class of position; a salary ordinance if the proposed budget calls for salary scale changes which require legislative approval.[14]

The enactment of the budget is an annual affair and may be done only by the city's legislative body.

### Enactment

Submission of the proposed budget to the governing body should take place from three to six weeks before the beginning of the fiscal year. The reason for this is that most legislative groups require that much time for their budget deliberations. A budget calendar conscientiously enforced prevents any last-minute hurrying and discourages operation during the next fiscal period without a completed budget plan. In unusual

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[14] *Municipal Budget Making and Budgetary Control*, The Municipal Finance Officers' Association (Chicago, 1935), pp. 4–5.

*The Support of Local Government Activities*, The Committee on Local Government Activities and Revenues, Municipal Finance Officers' Association (Chicago, 1939), pp. 30–31.

circumstances temporary appropriations may be made to tide the administration over for a few weeks when the budget deliberations are unduly delayed. Effective planning and careful execution, however, should make this a rare exception.

Fiscal matters as a general rule receive consideration in the city council by a finance committee of one sort or another. The usual practice is immediate reference to this group upon submission of the proposed budget. This committee examines the budget carefully, makes investigations as it sees fit, holds hearings, and then reports to the council. Council members who do not serve on the finance committee usually accept the committee's report and vote its adoption. This illustrates a grave weakness in council budget procedure, especially in mayor-council cities. Consideration of the budget and the publicity given to its requirements by city councils should be more extensive than they are at present.[15]

One means of remedying limited budget considerations and publicity rests in the practice of more or less public procedure in the council. Public interest may be stimulated by bringing the chief executive and his department heads before the council to be quizzed, and thus opportunity may be given for discussion to take place on relevant matters. This procedure may prove to be quite beneficial for a number of reasons. The minority or opposition in the council is thereby afforded the opportunity of airing likes and dislikes. The public is provided the occasion to be heard as well as to listen. Both the administration and the citizens gain from an open and fair discussion of the city's financial condition. Experience has shown that more may be accomplished during these council budget hearings if the chairman of the finance committee or the council's presiding officer explains the general fiscal policies set forth in the budget. If there is lack of aggressive leadership,

[15] Buck and others, *op. cit.*, p. 97.

perhaps the manager or mayor may make the oral explanation or "budget speech," as it is known in England. A discourse of this nature gives rise to general discussion, makes a news story, and stimulates public interest.

Public hearing of the budget is another means of encouraging general civic interest in municipal fiscal affairs. Some cities have met with fair success in their use of this means; others have failed to arouse much public attention. Perhaps no real effort is made in many instances to inspire a general interest. Customarily, public hearings are held in a rather perfunctory manner, attracting mainly real estate groups desirous of reducing property taxes and municipal employee groups resisting a reduction in salaries and staffs.[16] Apparently there is little in the budget hearing which appeals to the average citizen. As a solution, some cities are attempting to carry the budget information to the citizens by having discussion groups meet in various parts of the community. These meetings take place during the period in which the council is considering the budget. The mayor or manager speaks to the various groups on the financial policies as outlined in the proposed budget, and invites comments and criticisms. Public interest may be stimulated in this manner because, through it, the municipal voters are given an opportunity to have more or less of a part in the formulation of the budget.[17]

City councils in those places where good budget practices are most successful consider the fiscal requirements of each department or agency separately. The amount to be allotted to each is ascertained after individual consideration; then, when the discussion of expenditures is concluded, the total of the proposed departmental appropriations is compared with the total anticipated income. Some city councils are permitted only to increase the items submitted to them by the budget-making au-

[16] John M. Pfiffner, *Municipal Administration* (New York, 1940), p. 113.
[17] Buck and others, *op. cit.*, p. 98.

thorities, while others may merely decrease the proposed amounts. It is evident that the power of increasing is always limited by the total of the estimated income. A serious question of limitation often arises in municipalities where the policy determining and the policy executing powers rest in the same individual or agency, as is the case in the mayor-council form of government. Here the mayor is a part of the budget-making authority and at the same time may have a veto over council appropriations; thus it is possible for him to have a hand in both planning and voting the budget.

After their enactment, budgets may be classified in a manner other than executive, legislative, or board, as previously indicated. They are either lump-sum or segregated budgets. Under the lump-sum type estimates are submitted in detail, but appropriations are voted in totals to each department or agency. Broad classifications of appropriations are made by function or object, that is, personal services, materials, and so forth. The head of the department or agency is given freedom to exercise his own discretion as to how much of the amount allotted him will be spent each month and for what purposes. His only limit rests in not exceeding the total. A lump-sum budget achieves flexibility. At the same time, it is not unusual to find the appropriation spent before the fiscal year is over. In this event, it becomes necessary for the council to enact a supplementary appropriation measure or to allow the city to go without some essential service until the next fiscal year begins. A deficit results from the former alternative and a storm of protest from the latter. Most cities no longer use the lump-sum budget because of these and other defects.[18]

Appropriations under the segregated budget plan are voted in detail, and a definite sum is allocated for every item of proposed expenditure. The detailed allocation may be carried to any

[18] William B. Munro, *Municipal Administration* (New York, 1934), p. 163.

desirable degree, depending upon the wishes of the governing body. Some cities itemize the salary appropriation of every official on the payroll. Usually, however, segregation does not go that far. It is claimed that this type of budget compels careful planning of all city expenditures and hence avoids needless outlays. Each department and spending agency must justify every dollar to be spent. On the other hand, foreseeing all detailed expenditures which will arise may be far from possible; emergencies and accidents are bound to occur. A change in conditions or circumstances may make it feasible to spend more for one group of items and less for another. When a budget is minutely segregated, the freedom of the departmental head and the chief administrator becomes very limited, and this may result in impairing control and management. After all, financial control may be used as a tool by management. Some leeway may be provided, however, by allowing each department a reasonable sum for emergencies or by providing a larger sum in the budget to serve as a general reserve.

The two budget plans, lump-sum and segregated, both have their shortcomings. To overcome these, some cities are using a combination of the two, namely, the allotment budget plan. Briefly, this consists of lump sum appropriations which are made to the various departments and agencies, but on a monthly or quarterly basis. This plan will be considered in more detail in connection with our discussion of work programs in the section on budget enforcement which will follow.

The cities which achieve the most satisfactory results with their budget systems follow the practice of drafting a set of legislative bills which make provision for appropriations, revenues, and borrowing. These bills are properly prepared by the manager, mayor, or other budget-making authority, and are presented along with the budget document to the city council. The common practice among cities today is to have a single appropriation bill. By so doing, much confusion is

avoided in comparing appropriations with the budget plan of expenditures. Passage of supplementary bills from time to time during the fiscal year is likely to defeat the balance of the whole budget system. If the appropriation is made to an organization unit and not to a function or activity, then budget responsibility becomes more of a reality. Properly phrased, an appropriation has three essential features: a "definite amount" to be applied to a "certain purpose" during a "fixed period."[19] Obviously, indefinite revenue and continuing appropriations cannot meet these requirements.

After appropriations have been made and the tax levies fixed, a public statement should be issued by the council or chief executive officer of the city regarding the budget as finally adopted. This statement should show the council's final action as affected by the executive veto, in case it was exercised. Also it should include a summary of the budget as finally adopted and a comparison made with the proposed budget as sent to the council. The changes made during discussion and adoption have a place in the public statement which should be given to all city newspapers. A budget system stands in a much better position to produce desired results if there is general citizen interest in its objectives. Effective budget publicity is a means to an end, not an end in itself.

As a final word, never should it be lost sight of that the city council alone passes the budget and designates the sources for raising the revenue with which to finance it.

## Enforcement

An effective municipal budget system does not stop with the preparation and enactment of a financial plan. It extends also to the important matter of enforcement. To devise a satisfactory budget is one thing; to carry it out properly is another.

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[19] Buck and others, *op. cit.*, p. 47.

Enforcement therefore becomes one of the major responsibilities of the city's chief executive, working with the accounting and auditing divisions of the department of finance. Once the appropriations have been made by the city council, budget control and supervision become an integral part of administration, and the council's authority over spending should practically cease. Responsibility, then, for carrying out the fiscal program, rests with the city's chief executive and not with the governing body.

In executing its budgetary policies Mr. Chatters suggests that the city do the following:

1. Call for departmental allotments and work programs after the budget appropriations have been made.
2. Preparation of departmental allotments and work program.
3. Revision and approval of departmental allotments by the chief executive.
4. Application of budget control to purchase orders.
5. Application of auditing control to all budget transactions.
6. Preparation of statements showing the status of the budget during the year.
7. Periodic review of budget operations by the chief executive and revision of allotments to meet new conditions.[20]

From another point of view these steps may be considered methods or essentials of sound budget control. Each contributes to the appropriate placing of responsibility and supervision in the hands of the chief administrator.

After the passage of the budget, the duty of preparing work programs falls upon the heads of the various agencies and departments. A work program, by and large, is an allocation of the lump-sum appropriation of a department for current operat-

[20] Chatters, *op. cit.*, p. 266.

ing expenses to the activities or working units of that department—an allocation made in order that each unit may get its proper share. The administrative head of the agency or department prepares the work program in line with fiscal policies set by the council. The program should be reviewed by the city's chief administrative officer and is subject to periodic checks and revisions during the year. No better means may be employed for the purpose of taking into consideration the seasonal variation in departmental activities and requirements.

Upon receiving all of the departmental work programs and allotment requests, the chief executive is in a position to total them by quarters or months, thereby determining the demands upon the treasury during each allotment period. A comparison with the revenue estimate indicates whether adjustments of and revisions in the work programs will be necessary. If such revisions are necessary, the chief administrator consults with the department heads and attempts to work out some arrangement which may be agreeable to them. The chief executive now sends certified copies of the revised work programs and allotment requests to the department heads, the finance officer, the controller, or the chief budget officer, as the case may be. These certified copies are executive allotments and represent the amount to be spent during a certain period for a specified function. Actual control of expenditures results; positive restrictions are placed on loose spending and spending in excess of appropriations. Since allotments are made by departmental heads with the approval of the chief executive, the council is not concerned with budget items except perhaps in extraordinary situations. Transfers between funds are not a council responsibility, thus little incentive exists to pass additional or supplementary appropriations for them. Furthermore, an added advantage lies in the flexibility of the executive allotment system. Revisions may be made in the allotment at the beginning of each period, in this way allowing a more care-

ful examination to be made of requests and requirements at a time when more is known about them than would otherwise be true. All this makes possible a reduction in costs and avoids conditions which might lead to overexpenditure. By and large, an allotment system composed of work programs supported by cost data affords the chief executive a means whereby he may effectively control the various departments and agencies of the city government.[21]

Enforcing a budget system means to a large extent controlling and supervising expenditures. Thirty to forty per cent of all city operating expenses go for the purchase of various commodities. Effective purchasing, then, will aid in a large measure the solution of the expenditure control problem. Organization of the purchasing agency becomes essential. Best results apparently have been obtained in those cities where the centralized purchasing agency is a bureau or division in the department of finance.[22] A purchasing agent, appointed by the director of finance and responsible to him, heads the agency. Thus, purchasing becomes one of the major divisions of the department of finance. In some cases, where city functions have not been properly integrated and departmentalized, an independent purchasing agency is common; it usually is responsible to the mayor or the chief administrative officer. Regardless of the form of organization, the purchasing agent himself occupies a position of importance. Since most of what the city buys is purchased through him, he must be skilled in the art of buying and in securing favorable prices. He is interested in pooling purchases, standardizing articles, testing various purchased goods, seeing that all purchases are inspected, realizing cash discounts, selling obsolete or unused materials or equipment not usable to advantage somewhere else, and establishing

[21] Buck and others, *op. cit.*, pp. 106-108.
[22] *Ibid.*, p. 268.

a central storeroom for supplies and materials to be operated under a stock control system.[23]

Purchasing procedure provides a definite basis for controlling expenditures for commodities bought for city use. No two cities employ the same procedure; however, good procedure in most cases would dictate that the purchasing agent obtain from the various using agencies estimated purchase needs for some definite period determined by the agent on the basis of buying advantage. This makes it possible for him to have sufficient goods on hand or contracted for as ordinary needs might demand. To do this he submits bids and makes awards to the lowest and best bidders. The using agencies are notified as to the prices fixed under these contracts. For goods not ordinarily carried in the storehouses, a requisition is made out in duplicate by the requesting agency and a copy sent to the purchasing agent in sufficient time to secure the commodity when needed. The agent makes out a purchase order which must be approved by the controller. The order is usually in quadruplicate form, one copy going to the vendor, one to the controller, another to the requesting agency, and one is filed by the agent himself. No contract, purchase order, or order on stores may be valid unless the controller or auditor certifies that he has charged the amount thereof against the proper appropriation and that it otherwise had an unencumbered balance, that is, a balance over and above all unpaid obligations and sufficient to meet the purchase order. This prevents "hidden deficits," and only by means of encumbrances may a governmental unit know where it stands at any time.[24]

Upon receipt of the purchase order, the vendor ships the goods to the requesting agency and sends an invoice to the

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[23] *The Support of Local Government Activities*, The Municipal Finance Officers' Association (1939), pp. 31-32.

[24] Chatters, *op. cit.*, p. 281.

controller. When received, the goods are checked by the agency ordering them, and a notification of goods received is made out in duplicate, one copy being retained by the agency and the other sent to the controller. The purchasing agent takes care of all adjustments for goods received in an unsatisfactory condition. On the other hand, if the goods are satisfactory, the purchasing agent's duties end when the order is placed. The controller compares the advice of goods received with the invoice, makes proper entries, and approves the invoice for payment by the treasurer. A somewhat similar procedure is followed in regard to securing supplies and materials from a central storehouse. All in all, a centralized purchasing procedure as outlined here affords a rather satisfactory means of controlling and supervising purchase expenditures.

Budgets do not enforce themselves. It requires only a short time for one agency unchecked to render an otherwise effective budget program ineffective. For this reason, audits and reports are necessary. They represent methods by which the finance officer may keep his fingers upon the pulse of each spending agency and determine its operating condition. The audit more or less represents the finance officer's diagnosis while the reports come from the agencies themselves.

Budgeting accounts are set up on the basis of the appropriation ordinance. Accrual accounting methods provide that no obligation may be incurred by any operating agency until the accounting department has entered the accrual on its books. The budgetary account sheet shows all such obligations and indicates, after a comparison with the agency allotment, whether there is an unencumbered balance or not. The controller may not authorize any expenditure unless the agency has funds with which to meet the obligation to be incurred. This check on proposed expenditures mentioned in the above discussion on purchasing is known as the "pre-audit."[25] It consti-

[25] Pfiffner, *op. cit.*, p. 116.

tutes a very effective means of controlling and enforcing the budget.

The finance officer should be constantly informed as to the current status of the budget operations, and a properly designed accounting system will furnish him automatically with pertinent information regarding revenues and expenditures. He will desire information regarding the revenues collected to date as compared with the estimate, the same for each class of revenue; the expenditures to date as compared with the estimates, the same for each agency; and the surpluses or deficits in each of the above categories.[26] All of this information should be contained in reports which come to his desk at periodic intervals, either daily or weekly. These financial reports will take the form of balance sheets, statements of actual revenue as compared with estimates, statements of expenditures and encumbrances as compared with appropriations, operating statements, statements of cash by funds and banks, forecast of cash position, statement of tax levies and tax collections, statement of unpaid special assessments, and debt statements.[27] From these, the director of finance prepares whatever reports the chief executive may require.

At least once a month the budget operations should be reviewed by the chief executive. If conditions warrant such action, he may curtail appropriations by requiring departments to submit amended allotments and work programs. Departments which have not used all of their allotments for one period may have what remains added to the next month's allotment. At times, however, it is possible to revise appropriations downward for some activities and upward for others on the basis of changes so disclosed. If a department wants an increase in its

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[26] *Ibid.*, p. 121.

[27] *Standard Practice in Municipal Accounting and Financial Procedure*, Accounting Publication, No. 3, Municipal Finance Officers' Association of the United States and Canada (Chicago, 1937), pp. 22–24.

original allotment for any period, the chief executive should investigate the request carefully, and in all except emergencies allow the increase only on condition that the department make a corresponding saving in an allotment for a future period.[28]

A final check upon the budget operations rests in the "post-audit," or external audit, as compared with the "pre-audit," or internal audit. The purpose of the "post-audit" is to verify the financial condition of the municipality at the end of a fiscal period, to determine what the revenues have been for the year, to determine whether expenditures were made in accordance with law, to detect and prevent fraud, and to detect errors in principle or calculation. "Post-audits" may be made either by a municipal department, by independent private accountants, or by some state agency.[29] The city council usually provides for an audit by an independent private accounting firm as a means of checking the administration in the enforcement of the budget plan. Auditing and reporting are considered more fully in a later chapter.

In an effort to improve local budget administration, states have passed rules and regulations regarding the budget process of their local units. Many states have adopted uniform budget laws; some state laws even prescribe the budget-making forms to be used by the local agencies. Several states provide for machinery to review local budgets before they are finally enacted into law. The Model Municipal Budget Law allows for state supervision by requiring the municipal budget-making authority to submit a copy of the proposed budget to the state authority on or before submission to the local legislative body. The state officer reviews the city budget and considers the sufficiency of the appropriation provisions as to payment of sinking

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[28] Chatters, *op. cit.*, p. 282.

[29] *Standard Practice in Municipal Accounting and Financial Procedure*, Accounting Publication, No. 3, Municipal Finance Officers' Association of the U. S. and Canada (Chicago, 1937), pp. 22–24.

fund requirements, principal and interest on public debt, and deficit or overexpenditure of the preceding fiscal year or years. If he deems the provision insufficient for any of these purposes, he recommends a larger amount which the local legislative council must accept.[30] Various states furnish their municipalities with the services of budgetary consultants who confer with local officials on budget problems. Some even assist or advise in the preparation and enactment of the budget document. State laws and other regulations as to municipal debt limits, local accounting and auditing systems, tax assessment and collection, and other matters, indirectly have a bearing on the local budget process. It is believed by many that state supervision has a definite place in the scheme of an efficient municipal budget system.[31]

[30] *A Model Municipal Budget Law*, Supp. to the *National Municipal Review*, July, 1928, vol. XVII, no. 7, the National Municipal League, p. 445.

[31] *State and Local Budgetary Methods*, a report of the Committee on State and Local Taxation and Expenditures (Washington, D. C., 1935), p. 30.

# XIII

# TAXATION

MUNICIPALITIES in the United States derive the largest portion of their revenues from some form of property tax. But before taxes are levied, property must be assessed; otherwise taxation will be uncertain, unsystematic, and arbitrary.

## ASSESSMENT

An assessment, as we shall consider it here, is a formal valuation of property as the basis for levying a tax which has been authorized by law. What properties may be assessed, and the procedure to be used in so doing, are likewise determined by law. In some parts of the country the function of assessing property for all taxes, whether state, county, or municipal, is entrusted to the municipal assessors. In others it is performed by the county, and in some the city and the county make two separate assessments of the same property.

Regardless of the method employed, two facts must be determined before the city may properly levy its taxes. First, the total assessed value of all taxable property in the city, as evidenced by the assessment roll, must be ascertained. Second, the amount to be raised by taxation as determined by the budget should be determined. The tax rate may be established by dividing the latter figure by the former. This rate, which is expressed in terms of mills or cents on the dollar of assessed valuation or in terms of dollars on the hundred or thousand dollars of assessed valuation, is then applied to the assessed values of individual properties in order to arrive at the amount of tax due from each taxpayer listed on the tax roll.[1]

[1] A. E. Buck and others, *Municipal Finance* (New York, 1926), pp. 396–397.

The assessed value of property for taxing purposes should be arrived at by means of some standard, as unit front foot values in the case of land. But the standard of value to be used has given rise to much speculation. Laws are phrased in such terms as "fair value," "full value," "cash value," or "fair cash market value." Court decisions have given these terms content, but unfortunately they pertain to special rather than to general cases. State tax commissions, too, have given meaning to them through administrative regulations which govern the methods to be used in determining value. The difficulty lies not only in the meaning of such phrases, but in the complex nature of value itself. There are some who attempt to measure value psychologically, in terms of satisfaction; but satisfaction can never be reduced to dollars and cents. Others attempt to gauge value in terms of price, and this necessitates finding a means for developing a current market price for all taxable objects.

Value must be applied to many divergent types of property, for example: (1) real estate used for ordinary commercial, industrial, or residential purposes; (2) fixtures, machinery, and equipment used by merchants, manufacturers, and public utilities; (3) office equipment of business and professional men; (4) stocks in trade of merchants and manufacturers; (5) household and personal goods; (6) bonds, notes, mortgages, and other evidences of debt; and (7) shares of corporate stock. Changes in cost and fashion, depreciation, antiquity, and local conditions, further complicate the situation for the assessor, making him, in many communities, a mere guesser.[2]

Excluding the difficult matter of determining value, municipal tax assessment procedure has been faulty in many particulars. For one thing, many assessors are incompetent. Being elective officers for the most part, they perpetuate themselves in

[2] Buck and others, *op. cit.*, pp. 310–315.

office by playing the political game. However, even where the assessors are appointed, the influence of political machines may still be felt. Conspicuously absent in most jurisdictions are the technical qualifications for assessors, and the need of maintaining political favor all too often prevents the assessor from becoming qualified after obtaining office. Short terms, lack of training, and the inadequacy of assessment materials have all tended to impede the development of better techniques.

Assessors are constantly under pressure to set the value of property at something less than its actual worth. Ward and precinct leaders and property owners constitute pressure groups. Acquiescence advances the assessor along the path of political security, but refusal oftentimes elects his opponent. Without intending to do so, assessors may discriminate against the poorer people who are less able to pay. They are more familiar with the value of small homes and frequently have little knowledge as to the worth of mansions or estates. This is another reason why assessment practice abounds in inequality. The general practice of undervaluation substantiates this defect. As a result, many property owners pay their neighbors' taxes.[3]

By and large, personal property almost completely escapes assessment. Household goods and personal belongings by their very nature defeat the attempt to discover and list them. Municipal assessors, however, are resorting to various methods and means of reaching personalty. In the zone plan the city is divided into districts, including in each zone families of approximately equal wealth. Every head of a family within a certain area is assessed the same amount for personal property, the amount of assessment increasing from the poorest to the richest zone. An attempt to assess intangible personal property, such as stocks, bonds, and mortgages, has met with even

[3] Austin F. Macdonald, *American City Government and Administration* (New York, third edition, 1941), pp. 382–383; Elmer D. Fagan and C. Ward Macy, *Public Finance* (New York, 1934), pp. 932–933.

greater difficulties. These holdings may be readily concealed by the taxpayer, and ordinary methods of detection will not allow even the most vigilant assessor to discover them. Today great wealth is represented by intangibles; yet most of them are never found by the assessor.[4]

Good assessment practice requires continuous activity; yet the average local assessor's office is busy only a few weeks out of the year filing assessment blanks and preparing tax rolls.[5] All too often assessing is just one of the many duties the assessor must perform. Of necessity, therefore, he must frequently become merely a rendition taker.

It would seem that correct assessment procedure would require at least the following: (1) the gathering of basic information as to the ownership of all taxable property, its quantity, character and value; (2) the systematic recording of that information; (3) an analysis of the information; (4) a just and fair application of the analysis results to each of the taxable properties; (5) the compilation of a comprehensive assessment roll; and (6) the summation of that roll. These successive steps are generally included among the duties of assessing officials as imposed by tax laws in the several states.[6]

The assessor has various sources from which to gather his information. One is the method of self-assessment by the property owner himself. In some states this constitutes the main source, but experience has shown that many owners know little or nothing about the value of their property. If by chance they do, they are reluctant to impart such information to the assessor. A far more reliable source for tax assessment information may be found in public records, namely, instruments filed in the county recorder's office such as deeds, leases, mortgages, appraisals of estate, acts of trustees, guardians and pro-

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[4] Macdonald, *op. cit.*, pp. 381–382.

[5] J. P. Jensen, *Government Finance* (New York, 1937), pp. 256–257.

[6] Buck and others, *op. cit.*, p. 316.

bate courts, and maps of individual properties and subdivisions. From these documents the assessor may secure the names of grantors and grantees, lessors and lessees, and mortgagors and mortgagees. Metes and bounds and other property descriptions furnish facts in regard to area; location and dimensions of land can be supplemented by reference to the maps and plots on file. Information as to location, dimensions, type of construction, and use of buildings or other improvements on the land, is sometimes available in public records. Some states even require the county clerk or register of deeds to furnish the assessor with an abstract of every transfer within a certain time after it is recorded.

Other public sources of assessment information may include the large amount of real estate material accumulated by the city itself. For instance, the city engineer ordinarily has maps used in connection with water, sewer, and paving projects. They contain information as to block outlines and ownership and frontage of property abutting on the streets. The building inspector's office should be in a position to furnish facts regarding ownership, location, dimensions, type of construction, and cost of the building. With proper co-operation from the police department in enforcing permit regulations, no building may be erected or altered without the building inspector's knowledge of it. Fire department reports on damaged or destroyed buildings are also of assistance to the assessor.

In addition, certain private sources of information may be used to advantage by the assessor. Real estate and insurance maps are published by private agencies and afford a means of obtaining facts as to internal risks, external exposures, fire protection, number of stories, type of construction, materials, and the use to which the building is put. The tact and ability of the assessor may well determine the reliability of information and the extent of his obtaining from grantors, agents, owners, and tenants information which is not a matter of public record

but is invaluable in the performance of his duties. The cooperation of civic associations, real estate boards, and neighborhood groups may be of material assistance to the assessor in obtaining desired information.

Once the tax information has been gathered, the assessor's next task is to enter it upon the proper records. Because of the ever-changing nature of our social organization, tax records must be quite flexible in order to show accurately the changes in ownership, dimensions, character, and value of taxable property. One type of form alone is inadequate. Separate records must be kept for land, improvements on land, and for personalty. It would seem wise that the index of tax records be based on the location of the property rather than on the name of the owner, thus making it possible to assemble quickly all the facts concerning any particular piece of property.

Tax maps represent a means of recording information in regard to property; for the most part they are used to show property location and ownership. Aerial maps, a form of tax map, are becoming more and more common, and they frequently vary in scale from forty or fifty feet per inch to several hundred feet per inch. They should include all land within the municipal boundaries, showing subdivisions, streets, blocks, and lots which are indicated by name or number.

Land-value maps differ from the tax maps in that they omit lot lines and exaggerate the width of streets. Street names are indicated, and only block outlines and block numbers are included. There is no identification of property owners. Figures showing the value of the land per front foot, irrespective of corner influence or variation from standard depth, will be found listed in front of the land which abuts a street. Experts in appraising have worked out definite rules determining corner influences upon value of land, the value of irregular lots, unusually deep lots, alley and off-grade lots, and double-frontage lots. By keeping informed of sales and rentals, a

municipal assessor may make adjustments in the unit values from time to time as conditions and land values change.

Attempts were made in the early development of assessment records to list data concerning buildings on tax maps; but frequent changes in the physical make-up of buildings made this procedure unsatisfactory and expensive. As a result, cities have come to use a card or loose-leaf system for filing information of this nature. A separate card or sheet covers each parcel of real estate. Information as to ownership, location, size and type of construction, sales, mortgages, leases, rentals, fire insurance policies, bid and asked prices, can all be entered on the forms which are then filed geographically, their places in the files usually determined by block and lot numbers. Personal property records are limited to mortgage files in the county recorder's office; to the state register of licensed motor vehicles; to the sworn personal property returns; and in some few cities to a card index system for the more important owners of personalty, which gives a running summary of the amounts assessed in past years against each firm or individual.[7]

In the last analysis, an appraisal is a matter of opinion requiring the exercise of judgment. It is only natural that individuals will differ in their judgments; particularly is this true when value is being placed upon property for the purpose of taxation. In a country where private property is paid so much deference, some machinery must be established for the settlement of differences. Consequently boards of review and of equalization have been established in most jurisdictions for the purpose of hearing and deciding grievances affecting the distribution of the tax burden.

In some cases these boards are composed largely or entirely of ex-officio members. In other cases members are elected or appointed to the office without much regard to their qualifica-

[7] *Ibid.*, pp. 332–343.

tions. As a matter of fact, the position is far from being an enviable one. The boards' activity is generally confined to a period of one or two months during the year, or less; salaries are low, and office facilities frequently are meager. The ideal board, it would appear, should be appointed after an examination of the members' qualifications as appraisers; these board members should be chosen for long and overlapping terms; should be subject to removal for cause; and should be given a salary sufficient to attract qualified personnel, and authority sufficient to justify their position.

Usually a taxpayer must have exhausted his legal remedies for relief by appearing before the board of equalization and of review before the courts will entertain his complaint.

Municipal property assessment is faulty in many respects, but its improvement does not seem unlikely. Interest in better assessment administration grows greater each year. State governments have begun to supervise local assessors by means of conferences, expert advice, and even the removal of unfit personnel. The assessment of railroad and other public property is sometimes performed by the state. State supervision provides for uniformity in the application of scientific standards by a central supervisory agency.[8] The assessors themselves are awakening to the need for higher standards; state and regional organizations are being set up and periodic meetings held for discussion of mutual problems. A professional attitude is being assumed on the part of many assessors. Assessor's manuals are being prepared and schools conducted for instruction in improved assessing techniques. The reorganization of local assessing offices, studies and research in the field, and general demands for surveys and installation of standardized systems, indicate an encouraging development in the field of assessment administration. The interest of civic agencies in the improve-

[8] Alfred G. Buehler, *Public Finance* (New York, 1940), pp. 419–420.

ment of assessing methods seems to be constantly on the increase.[9]

Only time will render the decision as to the future effectiveness of local assessment procedure. Authorities and farsighted practitioners have in mind a system in which the number of overlapping assessing units will be greatly decreased in number, with a long term of office for the assessor, as completely divorced from politics as possible. The experienced assessor hopes that the time will soon come when property descriptions made on district, block, and lot tax maps to be used in conjunction with land-value maps will be common to all cities. Unit foot rules for measuring land value and standard rules covering corner influence, triangular and irregular-shaped lots, alleys, and other minor variations, are no longer a forecast of the future. A standard classification of buildings which includes the establishment of unit factors of value for each class and rules of economic and structural depreciation, is now being applied in our more progressive cities. Co-operation with property owners in making assessments, filing a personal return for personalty, ample opportunity for a review of tentative assessments, and a fair and impartial hearing of complaints, are all dreams of the forward-looking municipal assessing administrator.[10]

## Revenues

Regardless of the governmental level, revenue is a necessity. Cities need to meet payrolls, purchase supplies and equipment, construct improvements, and pay debt charges. Services performed by local governments constantly increase as the population increases and as it becomes more concentrated in a few centers. Citizens have come to demand more services, and

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[9] *The Municipal Yearbook*, International City Managers' Association (Chicago, 1940), pp. 165–169.

[10] See *Assessment Principles and Terminology*, National Association of Assessing Officers, 1937, for a concise and authoritative discussion of assessing problems.

since elective officials believe that there is a greater number of voters than taxpayers, requests for additional functions are seldom refused. At the same time there are those taxpayers who insist that tax rates be reduced. Raising revenues, then, is one of the most important and yet most difficult problems a city has to face.

Not only are municipal services and costs increasing, but the city's share of the American tax dollar is decreasing.

> Local tax collections in 1938, the latest fiscal year for which reliable figures are available, are estimated at $4,920,000,000. Although this is the all-time peak for local tax collections, it appears to be the smallest proportion of the American tax dollar that local governments have collected in the last quarter of a century. From 58 per cent in 1912, the local portion dropped to 45 per cent in 1925, then increased to 54 per cent in 1932, and dropped steadily since that year to 33 per cent in 1938.[11]

The state's share of the tax dollar has regularly increased from 14 per cent in 1912 to 26 per cent in 1938, while the federal share fluctuated from a low of 23 per cent to a high of 42 per cent in 1937, with 41 per cent as the 1938 figure.[12]

The decrease in the local government's share of the tax dollar is not as alarming as appearances would indicate. An offset can be found in the increasing grants from federal and state governments. The total local revenues supplied $5,548,000,000 in the fiscal year 1938; this amount was augmented by $1,572,000,000 from grants-in-aid or shared revenues contributed by the state and federal governments. This equaled 22 per cent of the total $7,120,000,000 of local revenues.[13]

If the various governments are compared on the basis of their

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[11] Albert Lepawsky, "Municipal Revenues," *The Municipal Yearbook*, International City Managers' Association (Chicago, 1940), p. 170.

[12] *Idem.*

[13] *Idem.*

revenue receipts, the Federal Government is naturally the most important. In 1937 its revenues were almost seven times greater than those of New York City, the second largest government fiscally in the United States. The state of New York ranked third; Pennsylvania, fourth; California, fifth; and Chicago, sixth. Thus the six largest governments in this country consist of the National Government, three states, and two cities. Ranking the various governing units in this manner indicates that three cities are more important fiscally than the states which contain them. The revenue receipts of New York City exceed those of the state of New York; Chicago's revenues place it sixth while Illinois ranks eighth; Baltimore receives a greater income than Maryland. To include all of the states would require a listing of 105 units, 56 of which would be cities.[14]

A recent development in municipal revenue systems involves the earmarking of receipts. Of each dollar of revenue collected in 1937 twenty cents were earmarked for expenditure in certain fields. That is to say, 20 per cent of the revenues procured by cities in 1937 were beyond the discretionary control of the chief financial officer. Since the classification formerly used by the United States Bureau of the Census does not identify dedicated revenues prior to that year, it is not possible to ascertain the trend in this regard.[15]

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[14] Charles M. Kneier, *Illustrative Materials in Municipal Government and Administration* (New York, 1939), pp. 285–286.

*The World Almanac and Book of Facts* (New York, 1940), p. 614.

*Financial Statistics of States, 1937*, United States Department of Commerce, Bureau of the Census (Washington, D. C., 1940), pp. 7–16. (Note: statistics apply to only those 94 cities having over 100,000 population.)

*Financial Statistics of Cities Having a Population of Over 100,000, 1937* (summary bulletin), United States Department of Commerce, Bureau of the Census (Washington, D. C., 1940), pp. 7–9. (Note: statistics apply to only those cities having over 100,000 population.)

[15] C. E. Rightor, "New Sources of Municipal Revenue," *Municipal Finance* (February, 1940), vol. XII, p. 9.

The average city today has several sources of income ranging from the general property tax to donations from various sources. Numerous classifications of municipal revenues may be made, but perhaps the most logical and authoritative is that used by the Bureau of the Census. This includes general property taxes; other local taxes: property other than general, business, sales and service, poll, all other; licenses and permits: use of street, business, and non-business; fines, forfeits and penalties; use of money and property: interest, rents and royalties; other agencies: proportionately shared state taxes, grants, pension assessments, donations and contributions, unclaimed moneys, contributions from public service enterprises; special assessments for outlays; service charges for current services; and revenues from public service enterprises.[16]

Of the twenty-one separate sources listed, six supply income as taxes, which permits a further breakdown of this enumeration into the two general divisions of tax and non-tax revenues. Receipts from general and other property taxes, business, sales and service, poll and all other taxes, constitute the tax revenue group. The non-tax revenues include the remaining fifteen sources.

The general property tax represents the chief source of municipal revenue in the United States, producing more than 66 per cent of the total city receipts in 1937. Such a tax is a levy made on all property, namely, land, buildings, machinery, merchandise, furnishings, stocks and bonds. Considering the shifts in other forms of revenue, the general property tax has been significantly stable in the last few years. In 1934 it produced $1,070,000,000; in 1936, $1,073,000,000; and in 1937, $1,076,000,000. Some would explain this stabilization on the premise that property is taxed all that it can bear and noticeable

[16] *Financial Statistics of Cities Over 100,000 Population, 1937*, U. S. Department of Commerce, Bureau of the Census (Washington, D. C., 1940), pp. 18–21.

increases would result in serious economic and social consequences, for example, greater tax delinquencies and removal of industries and homeowners.[17]

The relative position of the property tax in the city's revenue system merits some attention. From 69.5 per cent of the total revenues in 1934, it declined to 66.6 per cent in 1936 and to 66.4 per cent in 1937. Although the property tax has produced rather stable revenues since 1934 and for many years prior, the increase of municipal services with the need for increased revenues to finance these activities has forced the cities to seek other sources of income. The result has been an increase in total receipts with a decline in the relative importance of the property tax.[18] As some suggest, the tax has broken down as a means of financing local governments because of mounting tax delinquency, the movement for tax limitation, and the development of new sources of revenue.[19] Due consideration must be given the extent to which cities still rely upon the property tax and the fact that state governments are abandoning it as a source of revenue, thereby leaving local units more freedom to administer it as they see fit.[20]

Thus, because of its prominence and pervasiveness, the general property tax has received much comment. Often this tax is branded as unjust or unequal since it fails to take cognizance of ability to pay. Property no longer indicates a capacity to share the tax burden; as a result, those whose ability to pay is rather small often pay more of the tax burden than those who are most able to contribute. Another criticism arises from the fact that taxable real property fluctuates in value, with the result that the city suffers a reduction in income when its financial

[17] Rightor, *op. cit.*, p. 8.

[18] *Idem.*

[19] Carl H. Chatters, "Municipal Finance," *What the Depression Has Done to Cities*, edited by Clarence E. Ridley, International City Managers' Association (Chicago, 1935), p. 2.

[20] Frank A. Neff, *Municipal Finance* (Wichita, Kansas, 1939), p. 77.
Henry G. Hodges, *City Management* (New York, 1939), p. 102.

obligations are greatest. Despite these objections, the general property tax as previously indicated remains the foremost source of city revenue.

Grants constitute the second most productive source of city income. In 1937 grants accounted for $404,957,525 or 15 per cent of the total revenue of cities having over 100,000 in population.[21] More specifically, this amounted to $10.75 per capata.[21] A grant or grant-in-aid may be defined as a subvention from a central government to a subsidiary unit for a specific service or to render assistance in the general performance of governmental functions.[22] The Federal Government operates a vast system for grants-in-aid, dealing for the most part directly with the states. The Public Works Administration, however, makes grants directly to cities, and funds allocated to the states may be expended by them in either cities or rural areas or both. Federal grants for commercial and industrial education and for employment exchanges are spent largely in cities. Those for vocational rehabilitation, public health, aid to the blind, old age assistance, maternal and child health, emergency relief, dependent children, and for the National Guard are expended in both urban and rural areas.

Federal aid to cities increased from zero in 1932 to 24.5 per cent of the total local revenue in 1935. This refers to total revenue of all cities and not the Bureau of the Census figures for the 94 cities having a population of over 100,000.[23] Estimates available through 1935 show that federal grants to cities have outstripped state grants, the former amounting to 24.5 per cent of total local revenues in 1935 as compared with 16.5 per cent for state grants of the same year. Thus together federal and

[21] *Financial Statistics of Cities Over 100,000 Population, 1937,* United States Department of Commerce, Bureau of the Census (Washington, D. C., 1940), pp. 34, 43, 47.

[22] Harold W. Metz, "Federal Grants-in-Aid," *The Municipal Yearbook, 1930,* International City Managers' Association (Chicago), pp. 390–391.

[23] *The Municipal Yearbook, 1938,* International City Managers' Association, (Chicago), pp. 34–35.

state grants reached 40 per cent of the total local revenues for that year.[24]

Next in order of fiscal importance comes the municipal non-tax revenue of proportionately shared state taxes. For 1937 this source produced $97,486,655 which is 3.6 per cent of total receipts or $2.59 per capita.[25] Taxes of this nature are levied by the state and shared with its various subdivisions in proportion or substantially in proportion to the amount of such tax collected by the local unit. Not all taxes, the proceeds of which are distributed as shares to the localities, are classified as such because the amount received may bear no relation to the amount of taxes collected in the local unit.[26]

Prior to 1937 the Bureau of the Census included proportionately shared state taxes in the municipal tax revenue classification rather than separately as is now the practice; hence, this prevents an exact study of the trend over a period of years. Most of these shared taxes, however, have been provided for during the last fifteen years. Basically they represent rather modern conditions, recognizing the incapacity of local units to finance their growing services without assistance from the state. It is also true that most of these taxes may best be levied by some central state agency.[27]

A recent study reveals that 32 states shared gasoline tax revenues with local governments, 24 shared motor vehicle taxes, 22 shared liquor taxes. Of the 34 states levying, 11 shared income taxes; seven out of the 47 levying shared death taxes; five out of 23 levying shared sales taxes; and two out of 21 levying shared tobacco taxes. The gasoline taxes made up about 40

[24] *Ibid.*, 1939, p. 30.

[25] *Financial Statistics of Cities Over 100,000 Population, 1937,* United States Department of Commerce, Bureau of the Census (Washington, D. C., 1940), pp. 34, 43, 47.

[26] *Financial Statistics of States, 1937,* United States Department of Commerce, Bureau of the Census (Washington, D. C., 1940), p. 73.

[27] *The Municipal Yearbook, 1936,* International City Managers' Association (Chicago), p. 367.

per cent of the total amount shared by states with local units, motor vehicle taxes 23 per cent, income taxes 16 per cent, liquor taxes 13 per cent, sales taxes 7 per cent, death taxes .5 per cent, and tobacco taxes .3 per cent of the total. In 1938, then, one third of the state aid to local governments of $426,800,000 was shared revenue.[28]

Education, welfare, and roads typify the main purposes for which state-collected taxes are allocated to municipal governments. The same purposes apply to state grants-in-aid. A comparison between these two forms of state assistance reveals that although state grants-in-aid to local units were more than twice the amount of locally shared state-collected taxes in 1938, the amount of the latter is growing rapidly. State grants from 1935 to 1938 increased 21 per cent while shared revenue increased 32 per cent.[29]

The remaining tax and non-tax sources of local revenue for 1937 produced such an insignificant percentage of the total annual city income that they do not merit detailed consideration. These sources range from $83,997,898 from service charges for current services, which is 3.1 per cent of the total city revenues, to $755,295 in unclaimed money, which amounts to less than 1/20 of 1 per cent. Within these limits, in order of the amount contributed, the following revenues are found: sales and service taxes, interest receipts, business taxes, pension assessments, business licenses and permits, special assessments for outlays, contributions from public service enterprises, street licenses and permits receipts, fines and forfeits and penalties, rents and royalties, non-business licenses and permits, all other taxes, property other than general, poll taxes, and donations and contributions.

Municipal governments for the last few years have been

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[28] Sidney Merlin, *American Taxes Shared and Allocated, 1938*, American Municipal Association and the Federation of Tax Administrators (Chicago, 1939), p. 9.
[29] *Ibid.*, p. 15.

vitally interested in developing new sources of revenue and in increasing receipts from those already in use. This interest may be attributed to the rapid growth of municipal activities, provisions for mandatory expenditures, a decreasing property tax base together with ineffectual collection procedures, lack of definite state tax-sharing and grant-in-aid policies, and a growing conflict between the revenue systems of the various levels of government.[30] Shared revenues and grants from the state and Federal Governments comprise lucrative means of procuring additional receipts from sources now being utilized. In addition to these, attention will be directed toward other sources of revenue to which cities are now turning.

Unused property taxes afford a means of procuring more municipal revenues. For instance, Illinois discovered that its cities could levy 48 different property taxes, and after general publication of this fact decidedly helpful results were obtained.[31] Another source which is being tried by many urban communities is the intangible property tax. In many places the general property tax does not include intangibles, but in some states these are of great fiscal importance. Poll taxes also might be considered a part of most revenue systems, yet in only 33 states are they used for municipal purposes.[32] Municipal motor fuel taxes up to the present have not been widely levied, due no doubt to the fact that the automobile owner may go outside the city limits to make his purchase. Most authorities, however, agree that cities should not tax gasoline because of administrative difficulties and urge that the tax be state or federally collected and locally shared.

Local motor vehicle licenses, drivers' licenses, and vehicle in-

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[30] *The Support of Local Government Activities,* The Committee on Local Government Activities and Revenues, Municipal Finance Officers' Association (Chicago, 1939), pp. 21–22.

[31] A. M. Hillhouse, *New Sources of Municipal Revenue,* Municipal Finance Officers' Association of the United States and Canada (Chicago, 1935), p. 29.

[32] *Ibid.,* p. 31.

spection fees are much more feasible for cities than a municipal gasoline tax. There is equity in charging motor vehicle operators for use of the streets, and license fees for this purpose are not difficult to administer. Inspection of safety devices yields a small revenue and in addition proves an accident-prevention measure. Special taxes constitute another source of revenue. They include taxes on dogs, firearms, dog race tracks, cigarettes, occupations, gross production of cotton manufactories, and local civil service examinations. Municipal income and inheritance taxes, chain store and sales taxes, are being tried by a few cities, but the consensus of opinion seems to indicate that they should be state-collected and locally shared due to conflict between the levels of government, the difficulty of administration, and the ease of evasion.[33]

Taxes on utilities hold some promise of additional income, taking the form of gross receipts franchise taxes, highway permits or rentals of streets and alleys, license fees on meters, telephones, and so on, flat rate licenses, and production taxes. Highway privileges, local beer and liquor licenses, municipally owned liquor dispensaries, gross receipts business licenses, flat rate license and occupational taxes, fines, special service charges and tolls represent some of the means by which cities are seeking to increase their income. Other means include: sale of municipal services outside the corporate limits, municipal lotteries, municipal ownership profits, rentals of public property and concessions, and community subscriptions and charities.[34]

Not only are local governments in search of new revenues, but they are grappling with the vexing problem of tax exemptions. Exemptions assume various forms, but the most important is that on homesteads. By 1938 thirteen states had enacted laws providing for such exemptions, and more than thirty states were considering constitutional amendments or legislation for

[33] *Ibid.*, pp. 32–40.
[34] *Ibid.*, pp. 40–70.

the same purpose. The value of homestead exemptions ranges from $1,000 to $5,000 and has reduced the assessed valuation anywhere from 9 to 16 per cent, thus reducing city tax revenues from 6 to as high as 70 per cent.[35]

Other forms of exemptions have had similar results. Exemptions are granted on property used for public, educational, religious, charitable, and industrial or business purposes, and property owned by certain persons or groups such as war veterans, widows, and cripples, and personal property. Not all states exempt all of these types, but there are few states which do not exempt several of them. In a recent study of 52 cities having a population of over 100,000 it was revealed that on the basis of assessed valuation 22 per cent of the real property was exempt from general taxation for state and local purposes.[36] For these reasons, it is not difficult to understand why the Municipal Finance Officers' Association urges that homestead and other exemptions be abolished. It is believed that their abolition would assist in establishing a more equitable distribution of the tax burden.[37]

Tax limitations have been a part of the American revenue system since 1846 when New York State began the practice.[38] The modern adaptation takes the form of an over-all limit, which is usually placed on the cities by the states for the purpose of preventing extravagance, curtailing excessive indebtedness, maintaining a high credit standing, and protecting posterity from current obligations.[39] Laws usually prescribe that the total amount the local government may levy under the property tax be held to a certain rate for a specified assessed valu-

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[35] *The Support of Local Government Activities*, The Committee on Local Government Activities and Revenues, Municipal Finance Officers' Association (Chicago, 1939), pp. 13–14.

[36] *Ibid.*, p. 14.

[37] *Ibid.*, p. 37.

[38] Neff, *op. cit.*, p. 81.

[39] *Idem.*

ation. Such provisions have customarily been enacted during depression times at the behest of groups speculatively interested in real estate.[40]

The movement for tax limitation appears to be somewhat irrational. Experience has demonstrated that the plan does not work well. These strait-jacket devices have actually produced curtailed and disrupted services, have required replacement revenues the majority of which fall heaviest on the small taxpayer, have weakened municipal credit, and have ruined long term financial planning.[41]

A city government may be concerned over its various sources of taxable income and over its tax exemptions and limitations; but in the last analysis the effectiveness of its revenue system is reflected in the tax delinquencies. To have adequate bases is one thing; to collect from them is another. From 1930 to 1933 municipal tax delinquency of 150 cities having over 50,000 population rose from 10.15 to 26.35 per cent and has steadily decreased since to 11.30 per cent in 1937.[42] Doubtless some portion of the peak delinquency was attributable to weak collection procedures. As a means of improving collections, local units have resorted to installment payment of taxes and are meeting with encouraging results. More and more citizens use the plan because of smaller and easier payments. More collections are made earlier and in larger amounts, in the long run. The even flow of incoming funds more than offsets the additional administrative expense. This plan offers the flexibility necessary to meet the varied needs of the individual taxpayers as well as of the city; it is establishing itself as an effective method of tax collection.[43]

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[40] John M. Pfiffner, *Municipal Administration* (New York, 1940), p. 95.

[41] *The Support of Local Government Activities,* The Committee on Local Government Activities and Revenues, Municipal Finance Officers' Association (Chicago, 1939), p. 36.

[42] *Ibid.,* p. 13.

[43] Raymond Edmonds, "Installment Payment of Taxes," *Municipal Finance* (August, 1936), vol. IX, p. 25.

Cities are discovering that efficient collection procedure may be realized more readily where the tax collector is appointed and the collection function turned over to the county. The tax calendar being geared to the fiscal year serves to eliminate tax anticipation borrowing. Discount for payment in advance of the due date encounters undesirable results; if penalties for nonpayment were sufficiently high, this would be unprofitable. Annual sales of tax liens are best held at a regularly scheduled time; for otherwise favoritism will make its appearance. Foreclosure procedure should be as simple, inexpensive, and expeditious as possible and in keeping with good land titles. In so far as it is constitutionally possible, there should be personal liability for taxes.[44]

Cancellation or remission of penalties serves not as an inducement to the payment of delinquent taxes, but rather encourages delay because of expectations for further remissions. Such a practice tends to destroy the morale of the taxpayer group and is distinctly unfair to those who have paid their taxes on the due date or with penalty attached. It penalizes those who did their duty and cancels the penalties of those who did not. Tax remission, then, places a city in an unfortunate and unreasonable position.[45]

Assessments properly made, carefully compiled tax rolls, and properly considered tax rates, go a long way toward eliminating delinquencies and insuring satisfactory collections. Sending out statements promptly, together with explanations of what the taxpayer gets for his money, also aids in the attainment of this end. Newspaper, post card, and telephone reminders of due dates and penalty increase dates have proven to be quite

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[44] Committee of National Municipal League, "A Model Real Property Tax Collection Law," *National Municipal Review* (Supplement, May, 1935), vol. XXIV, pp. 290–305.

Pfiffner, *op. cit.*, pp. 93–94.

[45] Carl H. Chatters, *How Cities Collect Delinquent Taxes*, Municipal Finance Officers' Association (Chicago, 1932), p. 7.

useful. Instead of suing on large personal tax bills, it is better to urge the delinquent to pay under protest and then sue the city. These suits rarely materialize. The city competes with every business in its limits for the taxpayer's dollar; it should furnish some real competition. Legal powers may be used where necessary, but they should not be a substitute for persistence and ingenuity on the part of the collecting agency, which might produce not a judgment but funds. All in all then, a fair and resolute procedure for collecting taxes will, over a period of time, cause the community to view the payment of them as a normal civic duty.[46]

## Expenditures

Municipal expenditures in the United States have increased tremendously during the last three decades. In 1904 cities spent slightly less than three hundred million dollars for all purposes. In 1937 they spent more than two and a half billions or seventy-three dollars per inhabitant, an increase of more than 560 per cent.[47] This growth in local government spending took place more rapidly than the growth in population,[48] following a somewhat regular course until the peak year of 1930. That year marked a turning point, and annual expenditures declined until a low was reached in 1933. Since then, however, city expenditures have been mounting steadily, but up to the present they have not overtaken the all-time high of 1930. Statistical reports and forecasts, however, indicate that municipal expenditures will continue to increase during the years immediately to follow.

Rising city costs may be explained in various ways. For one

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[46] Committee of National Municipal League, "A Model Real Property Tax Collection Law," *National Municipal Review* (Supplement, May, 1935), vol. XXIV, pp. 290–305.

Pfiffner, *op. cit.*, p. 93.

[47] Macdonald, *op. cit.*, p. 366.

[48] Neff, *op. cit.*, p. 49.

thing, growth in area and population contributes in a large measure to greater municipal outlay. Larger cities in this country have more than doubled in size since 1904; some have actually increased eight or ten times in population. This growth brings about more than a proportional expansion in cost payments. As a city grows it requires not only more, but more diversified, services. People who live in cities are no longer content with the type of functions and services in vogue in 1904. They demand and are getting streets with improved lighting and paving, more and better schools, more efficient and more highly paid fire and police forces. Once regarded as fads, health clinics, recreation parks, auditoria, and golf courses are now looked upon as necessities. In addition to growth in population and the expansion of municipal functions, the change in value of the dollar must always be considered when city finance is discussed. Also, somewhat in keeping with the time is the tendency of cities to operate on a credit rather than a cash basis.

Cost payments comprise all amounts recorded on the city's books for operation and maintenance, interest, and outlay. They include all expenditures of the city government, consisting of: costs of services employed; properties constructed, purchased, or rented; public improvements, whether constructed or otherwise acquired; materials utilized; and interest on borrowed funds.

Municipal expenditures may, therefore, be classified on the basis of functions and activities. Function relates to the purpose for which the cost payment is made, and activity pertains to a specific line of work carried on to accomplish this function. For example, "Control of Communicable Diseases" and "Child Health Services" are activities carried on in connection with the function "Conservation of Health." It is not always possible to make a definite distinction between functions and activities. Nevertheless, the account for a function indicates

the sum total of accounts for activities composing that function. Frequently, reference is made to this classification as one of expenditures by activities rather than by functions and activities.[49]

Two purposes in a large measure explain the need for an activity classification. First, in setting up and carrying out a budget, expenditures should be shown by departments, divisions, bureaus, or other agencies in order to place responsibility for spending. But a budget is more intelligible to the general public and may be better understood by administrators if it is also classified by activities. An activity breakdown tells what is being done and its cost. Second, although not all cities have the same number of activities, they do have similar ones. Activities performed by certain agencies vary between cities. Hence, comparisons are possible only if reports on a state and nation-wide basis show expenditures by activities irrespective of the agencies performing them.[50]

An object classification of cost payments affords a further breakdown of expenditures. This designation includes not only articles purchased, such as office supplies, services obtained, and repair of equipment, but also payment of obligations and contributions between funds. A classification of this nature is useful in several regards. An analysis for each activity by object of expenditure serves as an indispensable aid in preparing budgetary estimates of expenditures. But a careful estimate of an activity's cost may be made only after a consideration of the estimated costs of services and commodities to be used. Expenditures by object are of inestimable help in determining

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[49] Frank J. Flanagan, "Classification of Municipal Revenues and Expenditures," *Municipal Finance* (May, 1939), vol. XI, p. 12.

The National Committee on Municipal Accounting, *A Standard Classification of Municipal Revenue and Expenditure*, Municipal Finance Officers' Association of the United States and Canada (Chicago, 1939), pp. 3–4.

[50] The National Committee on Municipal Accounting, *A Standard Classification of Municipal Revenues and Expenditures*, p. 4.

reasons for changes in costs of activities and feasible ways of reducing those costs.[51] Thus, municipal revenues may be broken down according to their function, activity, and object.

The total cost payments in 1937 for the 94 cities over 100,000 population in the United States amounted to $2,620,557,136. This sum was approximately $87,700,000 less than the total revenues for these cities during the same year. Municipal expenditures may be separated into three principal divisions: (1) operation and maintenance of the general government (to which the foregoing discussion on classification by function, activity, and object is applicable), (2) interest, and (3) outlay.[52]

The expenditures of municipalities for operating and maintaining general government for cities of over 100,000 in 1937 were the highest on record, amounting to $2,025,052,436 or $53.75 per capita, 77.3 per cent of the total cost of municipal government. The growth of expenditures for charities and associated welfare and relief activities explains this increase. These items for the period totaled more than the combined cost for general administrative, legislative, and judicial purposes, and for highway construction. From 1930 to 1937 municipal operation and maintenance costs for general government increased $288,000,000, and 92 per cent of this amount, or $265,000,000, may be accounted for by enlarged expenditures for charities, associated welfare, and relief activities.

Interest payments in 1937, the second division for the group referred to above, required $222,582,157 or 8.5 per cent of the total municipal expenditures—$5.91 per capita. Prior to 1936 interest expenses for general government purposes and public service enterprises were not reported separately; hence, a trend comparison cannot be made. It is true, however, that interest

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[51] *Ibid.*, p. 15.

[52] See *Financial Statistics of Cities Over 100,000 Population, 1937*, pp. 101–201, for the three major classifications and the twelve functions for operation and maintenance.

payments for general governmental purposes in 1937 were approximately $12,000,000 less than the 1936 amount. What portion of this reduction reflects a decrease in outstanding indebtedness or a refunding of high interest-bearing debt during a period of low interest rates, is purely conjectural.

Finally, expenditures of the 94 cities for outlays in 1937 reached $372,922,543 which was 14.2 per cent of their total expenditures. Sharp fluctuations in capital outlays for general government have been the rule in recent years. The trend is toward an increase in volume, but despite the impetus given by federal loans and grants for public works and improvements, it has not overtaken the 1929 level. More than half of the outlays for general government purposes go for highways and schools.

If the expenditures for the 94 cities were separated according to a functional classification, they would include the following: general administrative, legislative, and judicial; public safety; highways; sanitation and waste removal; conservation of health; hospitals; charities; correction; schools; libraries; recreation; and miscellaneous expenditures. On the basis of amount of expenditures, the more important functions in this classification consist of schools; charities; public safety; general administrative, legislative, and judicial; and highways; in order of their fiscal magnitude.[53]

According to the Bureau of the Census, public service enterprises constituted as much a cost payment to municipal governments as did schools, highways, and public safety. In 1937 they were for the first time listed under a separate heading and were included in the classification of municipal expenditures discussed above. To include the many and varied public service activities within the reports on general government would result in a very distorted picture of each. Separate reporting is further justified by the fact that a city in operating a public

[53] *Idem.*

service enterprise engages in a proprietary rather than a general governmental function. The Bureau's classification of these enterprises extends to water systems, electric light and power systems, street railways and other transit systems, gas systems, ports, docks, harbors, wharves, ferries, airports, and associated facilities. During 1937 these various activities in the 94 cities reported a total expenditure of $459,416,353 which amounted to $55,793,201 more than the income from these sources for the same period.[54]

Despite the fact that municipal expenditures are increasing each year, it is nevertheless true that the city's share in governmental expenses in the United States is decidedly less than it was a decade or so ago. The figures show that in 1927 local governments incurred 58.1 per cent of all governmental costs; five years later this was reduced to 48.1 per cent, and by 1935 it was at 39.2 per cent. The related figures for state government costs were: 15.3 per cent, 16.8 per cent, and 14.9 per cent. The Federal Government presents a picture which is exactly opposite to local cost trends with percentages of 26.6, 35.1, and 45.8 for the years indicated.[55]

It should be remembered that municipal governments do not have complete control over their expenditures. The state constitution or statutes may somewhat remove the control of finance from the hands of the local authorities. To illustrate, there are those expenditures for which state statutes grant power to set the amount of the appropriation to an agency or person other than the local budget authority. An example of this is an expenditure for education which in many states may be fixed by the board of education. Again, state law in some instances prescribes the compensation for a particular office,

[54] For the discussion on public service enterprises, see *Financial Statistics of Cities Over 100,000 Population, 1937*, pp. 269–322.

[55] J. Wilner Sundelson, "Trends in the Cost of Local Government," *The Municipal Yearbook, 1938*, The International City Managers' Association (Chicago, 1938), p. 457.

such as for teachers, firemen, policemen, and the like. In other words, local finance is not necessarily under complete local control and supervision.

# XIV

# BORROWING AND INDEBTEDNESS

BORROWING and indebtedness bear a definite relationship to each other. Debt arises because of borrowing; on the other hand, borrowing may become necessary because debt exists. But debt may occur for reasons other than borrowing. For example, the city may employ a laborer for a day's work, for which the city becomes indebted to him for his day's wages. However, since borrowing and indebtedness are so interrelated, it should not be amiss to discuss them together.

Municipal revenue far too frequently is not sufficient to defray all municipal expenditures. Consequently, such things as the acquisition of property or the construction of buildings usually must be financed from funds other than those produced by current taxes. Borrowing furnishes the source in most of these cases. All cities have the right to borrow money in accordance with their charter regulations or with general state laws, and most American cities have exercised this privilege quite freely. Frequently they have borrowed in large amounts. A gross municipal indebtedness of over ten billion dollars would seem adequately to support this generalization.[1]

The debts of American cities merit all the attention now being focused upon them by students of public finance. Several factors combine to make the problem of municipal indebtedness one of foremost importance despite the fact that it comprises only about 11 per cent of the total internal debt structure.[2]

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[1] *Gross and Net Debt by States: 1937; and Comparative Net Debt for 1932*, Summary of Finances of State Governments, 1937, no. 18, Department of Commerce, Bureau of the Census (Washington, 1939), p. 5.

[2] A. M. Hillhouse, *Municipal Bonds* (New York, 1936), p. 10.

For one thing, the debt of cities and towns constitutes an integral part of the public debt structure; and because of the non-self-liquidating character of most public debt, one generation passes on a large portion of its burden to the next. The fact that approximately 70 per cent of this debt is the result of municipal borrowing for non-revenue-producing purposes should not be overlooked. Furthermore, because of the relative permanence of municipal corporations as compared with private, their responsibility for the general welfare, together with the maintenance of all forms of public credit, gives the matter added significance. Private corporations may close their doors during economic depression, but cities are not in a position to ignore their social responsibility in such a manner.[3] The major reason, however, for the extensive public concern over municipal debt has been the fact that cities are so close to the people. Defaults, refundings, issuance of bonds, and other occurrences in debt administration have challenged public attention because they are intimately related to schools, waterworks, public libraries, and police and fire protection. Citizens of the municipality are interested in what services are rendered and how efficiently they are carried out.[4]

Figures, however, are sometimes made to belie the facts. Elective officials, on occasion, prepare data showing that the per capita indebtedness of their city is lower than that of a neighboring city. Often such statistical information is misleading and actually proves little. The purpose for which the debt was incurred is overlooked; the value of assets built up from borrowed money or the amount of sinking funds which have been accumulated to pay off the debts at maturity are disregarded. Frequently there is an omission of the debts of local improvement districts within the city, or of the city's share in the debt of some larger governmental subdivision such as a

[3] *Ibid.*, pp. 10–11.
[4] *Ibid.*, pp. 11–12.

county or metropolitan district. Computing the per capita indebtedness of a city, then, is by no means a simple problem. As a matter of fact, a city does not borrow money on the security of so many heads of population; rather bonds are sold on the basis of its total property valuation. Property secures the loan; thus, a city's indebtedness represents a lien or mortgage upon all real estate within its limits, an encumbrance upon property of the citizens. Money to pay the interest and principal of the debt must be secured by raising taxes on this property if it cannot be had in some other way.

Proper consideration of the various factors involved in local indebtedness may be found in *Financial Statistics of Cities,* published annually by the United States Bureau of the Census. This report segregates debt into the types of local governmental units concerned, the classification by character or purpose, into gross and net debt, and into general government and public service enterprises. The report for 1937 lists all outstanding obligations on gross debt at $5,358,833,226. Of this gross debt about 77 per cent was issued by city corporations, 10 per cent by school districts, and 13 per cent by other governmental units.[5] Counties, parks, sanitary and improvement districts, comprise the other governmental units; however, complete data for all units of local government is not to be found.

More elaboration upon the figures for 1937 should prove beneficial to the reader. The gross debt of the 94 cities at this date was composed of general obligation bonds or bonds payable by resort to general property taxes. These bonds comprised 87 per cent of the gross indebtedness and included capital outlays which accounted for 56 per cent of all outstanding, general obligation bonds. Of the remainder, 20 per cent were

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[5] *Financial Statistics of Cities Over 100,000 Population, 1937,* U. S. Department of Commerce, Bureau of the Census (Washington, 1940), p. 204. (Statistics for gross and net debts, public service enterprise indebtedness, and trend of debt are derived from this source.)

funding bond anticipation notes, 7 per cent funding of deficits in current expenses, and 17 per cent were for refunding purposes. Revenue bonds provided 2 per cent of the gross debt in 1937. Obligations which are payable exclusively from the revenue of a specific income-producing property or system for which the obligations were issued, constitute revenue bonds. An obligation of this nature is not a general debt of the municipality, and no recourse exists to any taxing power for redemption. Special assessment bonds furnished about 4 per cent of the outstanding gross indebtedness, and short-term or "floating" bonds about 8 per cent.

At the close of 1937 the net indebtedness of the 94 cities came to $3,903,791,182 or $103.62 per capita. Net debt is nothing more than total funded indebtedness less sinking-fund assets accumulated for its amortization. Schools represented the largest single item for which bonded indebtedness was incurred, accounting for approximately 24 per cent of the total. Highway debt came next with 19 per cent of the total, and sewers and sewage disposal required about 14 per cent. In decreasing order of bonded indebtedness the remaining functions are listed as follows: general administrative, legislative and judicial, hospitals, charities, police and fire departments, libraries, and correction.

In addition to the general indebtedness of the 94 cities, the gross debt of public-service enterprises at the close of 1937 totaled $2,797,270,099. Net debt of these enterprises at the end of the same year amounted to $2,499,039,946, or $66.33 per capita, which is slightly more than half of the per capita amount for general government of the 94 cities. Bonded indebtedness for public-service enterprises may be broken down into the following types listed in decreasing order of their contribution to the debt: water systems; transit systems; ports, harbors, docks, and wharves; electric light and power systems; airports; gas systems; and miscellaneous.

Despite the fact that financial demands upon city government have become extensive, the volume of gross indebtedness of the American cities above 100,000 population has declined since the beginning of the depression period. As a matter of fact at the close of 1937 it was 14 per cent less than in 1928. Gross debt dropped from $6,207,000,000 in 1928 to $5,059,000,000 in 1937, and there was a per capita decrease of from $177.19 to $142.24. For the most part, the increasing sphere of federal financial activity explains this surprising result. Federal funds are now available, whereas previously cities were forced to borrow outright and thereby incur more debt. Improved municipal administration may also have contributed somewhat to the decline of city indebtedness within recent years.

Nearly every city is compelled to borrow in anticipation of the collection of taxes or other revenues. The reason for this may be found in the disparity between the date upon which taxes are due and the beginning of the fiscal year. January usually starts the fiscal period, and taxes customarily are payable in May or even in September. Since cities ordinarily begin the year with very little cash on hand, they must resort to anticipatory borrowing to meet payrolls and other bills until the authorized revenues are received. No objection can be voiced against a procedure like this if the taxes, when they come in, are applied to pay off the temporary loans and not used for some other purpose. Careful control has not always been the practice in this regard, and floating debt has increased because, for one thing, loans were not limited to the amount of revenues previously authorized.[6]

Borrowing in anticipation of the sale of permanent bonds is less widely used than the type of borrowing mentioned in the preceding paragraph. Temporary borrowings of this nature

[6] A. E. Buck and others, *Municipal Finance* (New York, 1926), pp. 470–471.

have a place in a well-ordered financial system; they may be used advantageously in financing major construction and improvement programs. When an improvement is being made by contract, payment for the work as it progresses may result in better terms to the city. Temporary borrowings supply these funds. Upon completion of the improvement and payment of the contractor, long-term financing may then be arranged. Furthermore, consolidation of various needed loans in a single issue of bonds is often desirable. Temporary borrowings make this procedure possible by enabling the holding over of certain loans until the bonds can be issued. Borrowing, then, allows the municipality to anticipate its income, thus providing an even flow of expenditure where income is irregular, and also expenditure for improvements without waiting for the issuance of long-term bonds.[7]

The permanent financing of public improvements encounters irregularity in expenditures and not in income. A city's needs for improvements fluctuate. One or two years may witness the installation of an entirely new water system or the erection of a new municipal building. To pay for improvements like these from tax revenues would require putting tax rates at an unheard of level or, perhaps, enacting an altogether new form of tax. Obviously this would be impossible because of the hardships imposed upon the local citizens and the political disaster which would fall upon those in office who were responsible for such a policy.

Sound finance and practical politics both seek to avoid any unnecessary and continuous changes in the tax system and extreme fluctuations in tax rates. Borrowings which will be paid back from year to year, or careful planning resulting in uniform annual expenditures, may avoid these possibilities in the case of public improvements. Definite improvement pro-

[7] Buck and others, *op. cit.*, pp. 471–472.

grams provide a regularization of expenditure, but even where there is this planning, expenditures for projects will go above that which is normal. If the improvements cannot be postponed, borrowing then must take place for the amount which exceeds the normal outlay. A city desirous of avoiding a bonded debt and also a fluctuating tax rate does well to borrow for purposes of financing necessary public improvements only when, and to the extent that, the costs of such improvements for a certain year, despite careful planning, are greater than those for the years immediately preceding and following it. This is known as the "tax-and-borrow" policy of financing municipal public improvements.

As a means of entirely freeing cities from debt, some writers have advocated that permanent improvements be paid for from current tax revenue without the use of credit. This is known as the "pay-as-you-go" policy. Those who favor this policy urge that it is cheaper than the "tax-and-borrow" plan; that it discourages extravagance because every improvement means a substantial increase in the tax rate. Obviously, the cost of issuing bonds and the red tape involved in their issuance are both avoided through its use. On the other hand, opponents of the "pay-as-you-go" policy contend that it prevents a uniform tax rate and retards improvements, for the taxpayers naturally disapprove of any project which requires a large immediate outlay of public funds no matter how meritorious the purpose may be. Their arguments point out the extreme difficulties encountered in changing to this plan, and the high tax rates which are likely to follow.[8]

Paying for permanent improvements by means of bond issues only constitutes another method of financing local projects. One serious objection rests in the likelihood of financial mismanagement. The students of public finance who advocate

[8] Austin F. Macdonald, *American City Government and Administration* (New York, 3rd edition, 1941), pp. 399–401.

borrowing do so on the basis of a "pay-as-you-benefit" plan, believing that under no conditions should the period for which bonds are issued exceed the probable life of the improvement. The politicians, however, who actually control municipal affairs, have a different idea. They are likely to carry the "pay-as-you-benefit" plan a bit further and use it to evade all obligations. "Pay-as-long-a-time-after-you-benefit-as-possible" represents their theory. The recent years of the industrial depression have seen the "pay-as-you benefit" plan lose many of its adherents because of numerous municipal defaults and the observed danger of large-scale indebtedness.[9]

The policy of "tax-and-borrow" appears to be a feasible manner of following a middle course between the two extremes of paying for all permanent improvements at once out of current revenues and of paying entirely by means of bond issues. Cities recognize that they will be called upon to spend considerable sums regularly on permanent projects which recur annually. For these, it is a comparatively easy matter to ascertain in advance certain minimum outlays. The actual expenditures, however, may be much greater. The tax rate can be adjusted to care for all recurring projects, while extraordinary improvements may be financed through bond issues. This scheme combines the advantages of the "pay-as-you-go" and the "pay-as-you-benefit" plans, and avoids their defects to a large extent.[10] Proper financial administration does not permit a city to borrow for improvements which the community cannot afford. The use of borrowed money does not alter conditions. Cities should live within their resources if they are to escape financial disaster.

When a city borrows, it assumes the obligation of paying back the principal and the interest until the debt is retired. Before the bonds are sold, the fiscal policy to control redemption

[9] *Ibid.*, pp. 442–443.
[10] *Ibid.*, p. 443.

of the debt must be determined. If the municipality has a choice, this question of policy determines the type of bonds to be offered. Hence, debt redemption policy is decisive of the kind and term of bond to be issued. The important question then arises: When should a city pay its debts?

To answer this query is not a simple task. A customary answer for a number of years has been that bonds should be issued for a term of years coinciding with the life of the improvement financed, in order that the debt may be retired by the time the improvement is exhausted in value. This amounts to nothing more than a mere rule of thumb, because experience has proved it to be superficial, and cities loudest in claiming their observance of it actually do not follow it. Under this so-called rule, just what would be the term of bonds issued for relatively permanent improvements such as street-widening? What allowance for scrap value of equipment should be made? What is the estimated "life" of medical services rendered during an epidemic and financed by borrowing? What is the "period of usefulness" of floating debt or deficits which may have to be funded? Because of its complexity, no arbitrary rule of thumb based on "life" or "period of usefulness" can adequately govern the redemption problem. Nevertheless, there is one rule which may be relied upon, namely: "a public debt should be paid off as rapidly as the government can do so in view of its other obligations, and taking into consideration the wealth of the community and the general economic conditions."[11] Just how fast this will be in any community no one can definitely answer. The speed with which it will be paid depends upon a number of factors which include: the tax system's productivity, the fiscal needs of the municipality for other purposes, the economic condition of the community, the interest trend, the municipality's credit, the anticipated course of price fluctu-

[11] Buck and others, *op. cit.*, pp. 476–477.

ations, and other debts of the city government. When a city tax system seems to be limping along under bad conditions, the postponement of debt retirement might be highly advisable in spite of the fact that it is bad public policy to delay meeting the obligation. When a city is using all available revenues for current expenses and there is no possibility of imposing new taxes, there is no way of setting aside funds for debt redemption. Conversely, when a community is passing through a period of expanding prosperity, rapid debt redemption is advisable.

A municipal bond is nothing more than a promise made by the municipality on its faith and credit to pay a certain sum on a certain date with a stipulated rate of interest. It may be issued either in coupon or registered form. A coupon bond is payable to the bearer and transferable by mere delivery. The owner's name, then, is not recorded, and interest may be obtained by periodically clipping the coupons attached to the bond. Ordinarily, the purchaser of a coupon bond may convert it into a registered bond upon application to the proper authorities. On the other hand, a registered bond is recorded on the city treasurer's books in the owner's name; the interest is sent to the owner by check usually twice a year without his having to do anything about it. Written endorsement transfers this type of bond from one owner to another if the endorsement is recorded on the city treasurer's books. A registered bond is safer from loss by theft or fire than a coupon bond, and hence private investors prefer the former. A coupon bond is more easily negotiated; consequently, banks and brokers prefer this type.[12]

When a city decides to borrow money by issuing bonds, the first step is usually taken by the city council upon recommendation made by either the mayor or the city manager. The council passes an order authorizing the loan; frequently a two-thirds

[12] William B. Munro, *Municipal Administration* (New York, 1934), pp. 174–175.

vote is required. The order usually sets forth the purpose of the borrowing, the term of the bonds, the rate of interest, the place where interest shall be payable, and provisions for liquidating the bonds as they mature. Where a ratifying vote of the people is prescribed by the city charter or state laws, the question is placed on the ballot at a special or general election. After these requirements are satisfied, the bonds may be put up for sale. Ordinarily, laws provide that the sale must be advertised for a certain period and then be made publicly to the highest bidders. Bids come from brokers and investment bankers who often purchase the entire issue. Thus, public sales are rare occurrences.[13]

Bonds may be a part of both short-term and long-term borrowing. The most common forms of short-term borrowing include: (1) short-term certificates, bonds which consist of revenue bonds, special revenue bonds, tax sale bonds, and so on; (2) notes and bank loans; (3) temporary transfers from special funds; (4) warrants in excess of available cash; and (5) unpaid bills and claims. American cities are using various types of long-term bonds, the most common of which are: (1) term bonds, (2) callable term bonds, and (3) serial bonds.[14]

In the case of term bonds, the entire issue matures at once and on a date fixed at the time the bonds are sold. Under conditions of this sort provision usually is made for payment out of sinking funds. For this reason they are sometimes called sinking-fund bonds. Callable term bonds are bonds which may be called in by the issuing government before the date of their maturity. During the time such bonds are callable, they may be retired a few at a time at the option of the city, much like irregular or deferred serial bonds. Those bonds which mature in installments are known as serial bonds. If the installments are approximately equal throughout the life of the issue,

[13] *Ibid.*, p. 176.
[14] Buck, *op. cit.*, pp. 480–484.

they are straight serial bonds. Deferred serial bonds are those which have the first installment postponed for two or more years, and irregular serials have installments of arbitrarily different amounts falling due at various times. Serial annuity bonds are those having installments so arranged that the yearly payment for retirement and for interest together are the same for each year.[15]

The redemption of municipal bonds involves the question as to which is to be preferred—serial bonds or sinking-fund bonds. Those who favor serial bonds argue that: (1) they are easier to administer than sinking-fund bonds, because no investment of sinking funds is necessary, nor worry over the adequacy of accumulations to meet obligations, or over the manner of disposing of surpluses or providing for deficits, or over the possibilities of converting the fund assets at the right time into cash; (2) it is more difficult for careless or dishonest officials to evade legal requirements as to the amortization or redemption of serial bond debt, because an evasion is at once apparent and does not require an investigation, as it does in the case of sinking-fund bonds; (3) to serial bonds is applied a diversification of terms which enhances their marketability; every type of investor can find a term which suits his purposes; and (4) when shorter time investments are preferred, serial bonds with shorter average terms than corresponding sinking-fund bonds can be marketed more easily.[16]

On the other hand, many students recognize that sinking-fund bonds likewise have certain merits and could be used to advantage if financial managements are competent and know how to handle them. Those favoring this type argue that: (1) when the money market is not fluid, and when loans carry very high rates of interest, a municipality may be able to borrow

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[15] *Ibid.*, pp. 483–484.

[16] Charles M. Kneier, *Illustrative Materials in Municipal Government and Administration* (New York, 1939), pp. 342–343.

its current requirements from its sinking funds at moderate rates of interest; money borrowed on short terms and restored to the sinking fund would prevent impairing the fund's soundness; (2) sinking funds may be used to prevent a default in times of severe business depression and decline in municipal revenue; where serial bonds are used, it may not be possible to avert default; (3) during times of high interest rates and low bond prices, a municipality may be able to buy for its sinking funds bonds bearing a higher rate of interest than prescribed under its amortization plan, and probably at prices below par; (4) when long-term bonds are in demand, sinking-fund bonds are more marketable than serial bonds; and (5) where there is refunding, sinking-fund bonds are preferable to serial bonds because the former's terms are more uniform.[17]

A municipality has no inherent power to incur indebtedness. Such a power must be given to a city by its charter or by the general laws of the state. The power is always granted but not always without limitations. These restrictions extend not only to the procedure by which borrowing may be authorized but also to the total amount of debt which may be incurred. Debt limits usually are expressed in terms of a percentage of the assessed valuation of all taxable property within the municipality. The percentage ranges from perhaps 1 to 40 per cent, with the most common rates being from 1½ to 4 per cent, and with a national average of around 2.33 per cent. The assessed valuation of property against which the limit is measured generally includes real and personal property, but sometimes only real estate.

Other methods of limiting the amount of indebtedness consist of charter restrictions expressed in fixed sums, limitations on total expenditures, limitations in relation to the indebtedness of other overlapping units, limitations of annual retirements,

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[17] *Ibid.*, pp. 343–344.

and restrictions upon the annual taxes or tax rates for debt service. The latter form of limitation is especially vicious because it undermines the city's credit and is not actually a direct limit of indebtedness. Perhaps the most important debt limit for most cities is an unofficial one, being in neither their charters nor the statutes and constitutions of their states. This debt limit is the "seven per cent law" in the banking laws of the state of New York; it provides that if at any time the indebtedness of any city or of any subdivision except a county within its limits, shall exceed 7 per cent of the city's valuation for tax purposes, then its bonds, stocks, and trust fund security investments shall cease to be an authorized investment for savings banks. Since many municipal bonds are purchased by New York state savings banks and trust funds and by banks in states which have adopted a similar law, this provision virtually controls the market. A city going beyond the "seven per cent law" pays for it.[18]

Debt limits serve to prevent those who control municipal financial affairs from plunging the community into bankruptcy; but this has been done despite limitations. At the same time it is not easy to devise limits which will be effective and yet sufficiently flexible. Limits set in terms of assessed valuation have not proved very satisfactory, because a city's borrowing needs have no relation to the wealth of its citizens. Also, city authorities may increase borrowing power by raising assessments. A fixed debt limit plan, furthermore, permits city authorities to borrow freely until the limit is reached; then they must devise a means of evading the plan or stop borrowing altogether. Often appeal is made to the state legislature for special favors.

The situation is not without hope, however. State administrative supervision of municipal borrowing is becoming popu-

[18] Buck, *op. cit.*, pp. 508–509.

lar. The plan has been in effect in Indiana for two decades. There, any ten taxpayers may protest a proposed municipal bond issue and carry the matter to the state commission which has final power to approve, reduce, or reject, but not to increase. The state commission may refuse to give its consent for any reason deemed adequate—because of an illegal purpose of the loan, because the project is unnecessary, or because other projects seem more urgent. Despite the fact that such an arrangement has not proved entirely satisfactory, it has done far more good than fixed debt limits. The needs of each city can be considered under an arrangement of flexible administrative control. State policies can be changed whenever necessary to meet changing conditions.[19]

Debt defaults have occurred on every type of municipal bond and in every section of the United States. They appear to be recurrent in nature, naturally swelling to larger proportions during depression years; thus emergency legislation is of no avail in an effort to prevent defaults. Permanent remedial measures to strengthen the finances of defaulting or near-insolvent municipalities have been the exception rather than the rule; states generally have muddled through the problems brought out by municipal defaults. Those states attacking the problems have done so in a piecemeal fashion, enacting statutes in regard to state aid, state administrative and court receivership, and refunding. One remedial measure was significant, however—the Federal Municipal Debt Adjustment Acts of 1934 and 1937, which provided for municipal debt readjustments. This was the first time that the Federal Government had taken a hand in remedying municipal default difficulties.[20]

Defaults occur mainly because a proper ratio is not maintained among fixed debt charges, current operating expenses,

[19] Macdonald, *op. cit.*, pp. 398–399.

[20] See Hillhouse, *op. cit.*, pp. 470–482, for discussion of municipal defaults.

and revenues. Debt service usually reaches its peak when a city is in the throes of a depression and is suffering from a lack of revenue; default results from the wide gap between income and outgo. Municipal overborrowing has come about because of the use of municipal credit in aid of real estate speculation and overdevelopment. City grants to real estate and other private interests have taken the form of railroad aid, special assessments, irrigation and drainage district bonds, and other improvements.

Analysis of past and present defaults reveals the necessity of establishing certain permanent and well-devised measures to remedy defaults when they do occur, and to check periodic recurrences of insolvency and near-insolvency. Unsound debt administrative policies and practices are revealed quite forcibly by defaults. One proposal to rehabilitate the finances of a defaulting unit calls for an administrative receivership under a state-local government board. Only creditors have well-defined legal remedies at present; taxpayers, citizens, and municipal employees and officials should also be considered in balancing the equities by intervention of a state administrative agency. Another proposal calls for setting up satisfactory debt adjustment machinery for municipalities unable to pay, by means of co-ordinating state and federal legislation. State legislation should supply administrative supervision over debt adjustments, and federal laws should furnish the necessary coercive power over minority bondholders in cases where the majority agree to a settlement. Another remedy lies in the complete separation of municipal credit and real estate speculation. Loose methods in special assessment financing should be abolished and municipal aid to real estate subdividers and speculators prohibited. A definite need exists to develop and promulgate sounder principles and practices of debt administration. All bond laws in a state could be codified, debt ad-

ministration manuals prepared, schools for debt administrators conducted, and cities share with each other their debt administration experiences. Debt planning could be placed more on a long-term basis if those engaged in formulating debt policies were selected for longer terms of office. Short-term borrowing could be largely eliminated by adequate budgetary control and synchronization of the fiscal and the tax years.

Debt limits could be more effective if they were made territorial and of an over-all nature applicable to the combined debt of all overlapping units of government. No one piece of property would be required to support a debt of all local governments combined above a certain percentage of assessed valuation. The debt limit could also be expressed as a ratio of net debt to an average of assessed valuations over a period of years, being supplemented by other limitations. For the most part, the home rule barrier prevents adequate state administrative supervision over local debt policies. This form of supervision properly does not extend to metropolitan governments, but there could be regional debt commissions for these areas. Outside of metropolitan districts, the state-local government board could exercise direct supervision over the borrowing policies of all local units. The regional and state administrative bodies would not have the power to veto budget items, but could render advisory opinions upon proposed capital improvements, determine methods of financing, and enforce adherence to the tax-and-borrow plan.

If defaults were reported regularly, the investor public would naturally become more discriminating. This greater discrimination would have a definite wholesome effect upon municipal borrowing policies. The enlarging of diversification in the local revenue system would serve to minimize the effect of periodic breakdowns in the general property tax. Benefit would accrue from a standardization of tax collection procedures and laws, so that legislative "tinkering" during times

of depression would be impossible. Preventive measures outside the field of municipal government could assist in solving the default problem, for example, better planning of land utilization in urban and metropolitan areas, and control of the extremes in business cyclical swings.

# XV

# ACCOUNTING, AUDITING, AND REPORTING

## Accounting

Municipal accounting embraces records, formal and informal, together with the procedures which have to do with assembling, recording, and reporting information concerning the financial operation and condition of the municipality. The purpose of a municipal accounting system, as in a private corporation, is to assemble, record, and to report financial information. The taxpayers as stockholders should know where their tax dollars go and what they are accomplishing. The accounting system, to be of most value, must be able to furnish current, adequate, and correct information. For the most part the following groups are most interested in this information:

1. The administrators responsible for the operation of the government need frequent reports concerning the financial condition and operating activities of the city.

2. The councilmen base their actions concerning tax levies and appropriations on accounting data. The records give results on how well the financial program is carried out.

3. The bondholders have a right to know if the city is exceeding its legal debt limit and whether it is paying the contracted amount to the sinking fund. They also have use for statistical information concerning the per capita debt load, tax levy rate, and property valuation.

4. Students of public finance are interested in obtaining information regarding municipal financial administration. By

studying the results of past operations and critically comparing them with data both past and present from similar cities, the student is able to appraise objectively the operations of a particular city.

5. The general public, as represented by the individual citizens, pays the cost of municipal government. They are permanent partners in the business of government, and the profitableness of their investment is reflected by the city's fiscal records and reports.

Much valuable information is presented to these groups by means of daily reports—as in the newspapers, periodic reports, financial statements, and statistical information given at the end of the fiscal period. To allow preparation of the desired information, the accounting system must be well planned, free of complexities, and should follow the latest accepted principles of accounting.[1]

The use of funds represents one of the basic features of an effective municipal accounting system. A fund is an accounting method of assuring financial integrity. It may be defined as "a sum of money or other resources (gross or net) set aside for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. It is a distinct financial or fiscal entity."[2]

The accounts of each fund should include assets, liabilities, reserves and surplus, and also the accounts relating to estimated and actual revenues, appropriations, and expenditures. Each fund, as noted above, is a distinct entity, and this is an important feature in fund accounting, for in each fund there should be recorded the transactions affecting it. Inter-fund transactions

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[1] For a complete enumeration of these principles, see The National Committee on Municipal Accounting, *Municipal Accounting Statements* (Chicago, 1936), pp. 2–4.

[2] *Ibid.*, p. 142.

or transactions between two or more funds require entries in each fund affected. Budgetary estimates of each fund are recorded in the accounts of the several funds and give control over the management of the governmental unit. Revenues and appropriations are entered from the budget when it is approved.

Funds are established in accordance with the requirements of constitutions, statutes and charters, or pursuant to action by the legislative body or the chief executive.[3] Their resources may be spent only as appropriations designate, and interfund loans may be made solely after special authorization. According to the National Committee on Municipal Accounting there are eight classes of funds, and save for the general fund, each class may have one or more similar or related funds within the various classes. The titles of the major classes assigned by the Committee are as follows:[4]

1. General fund.
2. Special revenue funds.
3. Working capital funds.
4. Special assessment funds.
5. Bond funds.
6. Sinking funds.
7. Trust and agency funds.
8. Utility funds.

General or commercial accounting differs from municipal. Commercial accounting is concerned with the recording of the transactions of the enterprise as a whole and, except for a very few instances, gives no thought or consideration to funds. In municipal accounting the chief concern is the operation by funds. The double-entry system is almost universally accepted in commercial enterprises, but it is far from being the most common method of keeping municipal records. Municipal

[3] Carl H. Chatters and Irving Tenner, *Municipal and Governmental Accounting* (New York, 1940), p. 31.

[4] For an explanation of each fund, its purpose and method of operation, see National Committee on Municipal Accounting, *Municipal Accounting Statements* (Chicago, 1936), pp. 5, 103, 107, 110, 112, 114, 116; also Lloyd Morey, *Introduction to Governmental Accounting* (New York, 1936), pp. 169–170.

fiscal records should be kept on the double-entry basis as this is the most complete and accurate means of reflecting governmental transactions and of assuring accountability of public monies. The accrual basis is standard practice in general accounting, but it is used by only a small number of our cities and towns. Because the business enterprise uses the amount of profit or loss as its criterion of measuring efficiency or success, it is deeply concerned with the problem of allocating to each fiscal period the expense properly belonging to it. It must not burden a given period with expenses applicable to some subsequent period. For this reason, prepaid expense accounts (prepaid insurance, rent, and so on) are found in general accounting. This profit or loss motive is not present in city operation, for other factors serve to measure efficiency. It is an almost universally accepted principle that disbursements in cash and commitments for future disbursements are operating expenses of government in the fiscal period in which they are made. Prepaid expense accounts are, therefore, rarely used in governmental records.

In municipal accounting, the problem of valuation does not play the prominent part it does in general accounting. Fixed assets (machinery, furniture, buildings, and so on) are considered as operating costs in the fiscal period in which they are procured. These properties should be recorded as a matter of record and to insure control; but since they do not form the basis for credit (securing loans), nor augment the cash position of a fund, and cannot be converted into cash for paying operating expenses, they should not be shown as assets or resources of the operating funds. It is, therefore, necessary that a property group be maintained for recording property cost, and that all fixed property be carried in this fund regardless of the operating fund which disbursed the cash to procure the asset.

Depreciation is a problem of general accounting in the determination of profits and losses, and of asset values. This

problem does not concern governmental accounting, and is generally ignored except for cost accounting in public utilities and for statistical figures on operation of given types of machinery and equipment.

Cities are subject to many legal restrictions imposed by federal and state constitutions, statutory provisions, and administrative regulations. These restrictions often affect their accounts and financial operations. For example: the charter or statutes often place very definite limits upon the debts which may be incurred by units of local government, or earmark certain revenues for a specific purpose. Private enterprises, although subject to regulation, enjoy a comparatively greater freedom.

Again, in commercial accounting, there is the important problem of accounting for the net worth or ownership of the enterprise. In municipal accounting this problem is not so great; however, it is a function of governmental accounting to determine accurately the difference (surplus or deficit) between the resources (assets) and obligations (liabilities) of each fund, and to provide information by funds regarding the amount of surplus available for further appropriations or the amount of the deficit the legislative body must remove through its revenue-raising powers.

Good accounting practices require that the municipality establish and maintain funds which the activities of the city demand. For instance, there are cases when the working capital fund or trust and agency fund are not needed. If serial bonds are issued, there will be no need for the sinking funds. The utility fund group should include a separate fund for each public service enterprise such as water, gas, lights, docks, and cemeteries.

No general fixed assets should be included in the general fund or any other of the classes of funds mentioned here, except public utility assets which constitute a part of the resources of the utility fund. It would seem wise that a general fixed asset

group or fund be established. This fixed asset fund should maintain a record of all city property except utility properties, and the assets carried at cost or appraised value. If a gift has been made to the city, its value may be unknown; in such a case an appraisal should be made by an expert. The offsetting balance to fixed assets is titled "Investment in Fixed Assets," and shows the amount of city monies invested in this type of assets.

Depreciation of the city's property should not be taken, because:

1. It is not necessary to know the depreciated or replacement values, for the assets cannot be used as a basis for municipal credit.
2. The municipality is not set up to operate at a profit; hence depreciation as a cost is not needed.
3. No fund is ordinarily set aside for asset replacement because financing is either by bond issuance or fund purchases from current revenue.

Finally, the amount of bonded debt payable, exclusive of utility and special assessment bonds, could well be displayed in a statement independent of any fund. This procedure would assist in clarifying the whole picture.

Before passing on to another subdivision of this topic, at least a brief mention should be made regarding internal control. Some of the more important principles involved may be listed as follows:

1. Responsibility should be fixed as completely as possible.
2. Accounting and operation should be separate.
3. No one person should be in complete control of any important part of a business transaction.
4. A double-entry set of records should exist.
5. Instructions to the various employees should be clear and distinct.
6. A scientific system of selecting and training of personnel is needed.

7. Working conditions for personnel should be favorable and a system of rotating personnel instituted.

8. Responsible individuals and individuals handling funds should be bonded.

9. A periodic outside independent audit should be made.

*Documents.* Accounting documents and records of account share an important position in a municipal accounting system. Documents are the evidence of the occurrence of a given transaction, and when properly prepared they serve as the accountant's source of information for systematically recording and classifying the fiscal activities of the city. The information is entered daily in the journals, the transactions being recorded chronologically as they take place. The data in the journals are posted or transferred periodically (usually once each month but sometimes oftener) to the ledger. Thus the ledger is a means of classifying transactions according to the characteristics of the activity and of showing all transactions of one class in one account.

In municipal accounting many types of documents are used. The more important of these are:

I. Encumbrance Documents:
   1. Requisitions.
   2. Purchase orders.
   3. Emergency purchase orders.
   4. Miscellaneous purchase orders.
   5. Encumbrance transmittal sheet.

II. Expenditure Documents:
   1. Vendor invoices.
   2. Payroll vouchers.
   3. Travel expense vouchers.
   4. Petty cash vouchers.
   5. Receiving report.
   6. Expenditure transmittal sheet.

III. Revenue Documents:
   1. Assessment notices.
   2. Receipt forms.
   3. Other fiscal forms—licenses, etc.
   4. Receipt vouchers.
   5. Transmittal sheets.

*Records.* Books of original entry include those in which the various transactions are formally recorded for the first time, such as the cash book or cash register. When machine bookkeeping is employed, it may be that one transaction is recorded simultaneously in several records, any one of which may be regarded as the book of original entry. Memorandum books, check stubs, files of duplicate sales invoices, and so forth, where first or prior business notations may already have been made, are not books of original entry in the accepted meaning of the term, unless they are also used as the mediums for direct posting to the ledgers. The several transmittal sheets previously explained may be used in many instances as books of original entry. However, in the larger cities where the volume of transactions is large, they are usually used to summarize each day's transactions for entrance on the monthly summary which is posted at the end of the month to the ledger.

An accounting record containing accounts in which are recorded in detail or in summary (usually in summary) all of the transactions of the city or organized unit, is known as the general ledger. Since municipal accounting requires records to be kept by funds, the general ledger of a city should include a complete set of accounts for each fund maintained. A set of accounts for a fund usually includes two general types—namely, proprietary and budgetary accounts. The proprietary accounts provide records of assets, liabilities, and surplus or deficit, and reflect the net results of operations for prior periods. The budgetary accounts are those used for recording and controlling operations for the current period in accordance with the budget plan authorized by the council or legislative body. The two groups of accounts are kept together physically, but the method of handling them at the close of the period causes a distinction to be made between them. The budgetary accounts remain on the books for only the given fiscal period, being closed out at the end of the period with the net results transferred to the

surplus or deficit accounts of the proprietary account group. In commercial accounting the proprietary accounts are usually called "real accounts," while the budgetary accounts are labeled as "nominal" or "profit and loss" or "operating accounts."

Subsidiary records are used to supplement the records of the general ledger by showing a detailed record of daily transactions. Because of the volume of accounts and the number of transactions to be recorded, it is not possible nor expedient to attempt to carry all accounts in the one, or general, ledger. The general ledger carries one account to control a class of detailed accounts, as, for instance, receipts; and then the receipts ledger maintains a number of accounts for each type and class of receipts. The use of subsidiary records speeds up the work of record-keeping and improves the efficiency and quality of work by allowing for the division of labor and the application of internal control principles. The most commonly used subsidiary ledgers are: the encumbrance and expenditure ledger, the detailed expenditure analysis ledger, and the receipts ledger.

The first of these, the encumbrance and expenditure ledger, which is often maintained mechanically with bookkeeping machine equipment, is designed to reflect the status of each appropriation account as it is affected by appropriations, allotments, credits arising from earmarked receipts, encumbrances, and expenditures. This subsidiary record serves as a medium for budgetary control and at the same time includes the detailed data in support of the general ledger accounts covering appropriations, allotments, encumbrances, and expenditures.

The detailed expenditure analysis ledger is a subsidiary ledger in which is recorded the detailed classification of expenditures. The control general ledger account is known as "expenditures." The information is obtained from the voucher which was marked for expenditure classification at the time of audit for payment. Payment of salary to the mayor would be classified in this manner:

1. Fund—general fund.
2. Organization unit and function—general government, executive department.
3. By character of expenditure—current expenses.
4. By object of expenditures—personal services.

Sheets of the receipts ledger are posted by fund and by receipt classification within each fund. This posting is done after the vouchers have been pre-audited and summarized on the receipt voucher transmittal sheet. The individual subsidiary receipt ledger sheets support in detail the summary figures carried in the various general ledger receipt control accounts.

*Types of accounts.* To clarify the above discussion of the general and subsidiary ledgers, and to facilitate future descriptions and discussions, the account terms of assets, liabilities, surplus receipts, and expenditures should be defined and illustrated.

Assets are the entire property of a government, and include both current and fixed assets.[5] These in turn include cash, taxes receivable, amounts due from other funds and from other governmental agencies, miscellaneous receivables, office furniture and fixtures, and supplies on hand. It should be pointed out in particular that assets include all properties in the possession or under the control of the city where title has passed, regardless of whether they have been paid for or not.

Liabilities include debts or other legal obligations arising out of transactions in the past, which must be paid, renewed, or refunded at some future date.[6] These embrace unpaid bills, warrants payable, interest payable, dues to other funds, temporary loans, tax anticipation notes payable, tax revenue bonds, and deferred credits.

Surplus, roughly described, represents the excess of assets

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[5] National Committee on Municipal Accounting, *op. cit.*, p. 135.
[6] *Ibid.*, p. 145.

over liabilities and reserves.[7] No term in municipal accounting and reporting is more misused than the term "surplus." The purpose of a surplus account is not simply to act as a balance between the assets and liabilities of a particular fund. Its true function is to show the equity of the fund. To use it simply as a balancing account, therefore, is to grossly misuse the account.

In order to present adequately and clearly the surplus picture of each fund, surplus should be shown by the use of the following accounts:

Reserves:
  Reserve for inventory of materials and supplies.
  Reserve for petty cash and change funds.
  Reserve for encumbrances.
  Reserve for advances to other funds.
Unappropriated Surplus:
  Available for appropriation during the succeeding year.
  Not available for appropriation during the succeeding year.

Such a classification of surplus exhibits clearly the status of the surplus of the fund.

Receipts, unless otherwise described, are the actual receipts of cash from all sources. Receipts are to be differentiated from revenues which represent the amounts to be received that do not increase a liability or a reserve or decrease an asset. The actual collection of a revenue is a receipt.

Expenditures are amounts paid or incurred for all purposes, including expenses, provision for retirement of debt, and capital outlay.

## Auditing

Auditing is an examination of the subject matter of accounting in all its financial aspects, including, in so far as the several classifications of accounts may be involved, the verification of

[7] *Ibid.*, p. 153.

assets, liabilities, receipts, disbursements, revenues, expenditures, reserves, and surpluses, and their application in such detail as may be necessary under the circumstances for each individual case to permit certification of the statements rendered and of the accountability of the fiduciary parties.

Auditing is both analytical and critical, and there are several different classes of audits. Auditing of records made before the transaction is consummated and completely recorded is called pre-auditing. Auditing of transactions and documents after the transaction has been consummated and recorded is called post-auditing. Auditing done by members of the accounting staff or regular employees of the city is known as internal auditing, while auditing done by outside independent accountants is known as external auditing. City employees may do either pre-auditing or post-auditing. However, unless there is a special auditing division, most of the auditing work of regular city employees is pre-auditing. The outside independent accountant, usually a certified public accountant, does the post-auditing. There are several other types of auditing, but for our purposes the above will suffice.

Pre-auditing, being of an internal nature and done before transactions are completely consummated and recorded, may be divided into two classes: deliberate internal audit and internal audit control. Deliberate internal audit is a physical examination of the transaction documents before they are passed to the accounting department for recording. The nature of this audit depends upon the type of document being reviewed. Generally, however, the purpose of this examination is to determine that the document is regular in every form, that it contains the proper authorization, that the mathematics is accurate, that the proper account or accounts to be charged or credited are adequately designated, that the transaction is legal and within the policies of the legislative body, and that the propriety of the expenditure is correct.

Internal audit control is defined by Robert H. Montgomery in his *Auditing Theory and Practice:* "such a system (a satisfactory system of internal check) implies that the accounting records, methods, and details generally of the establishment are so laid out that no part of the accounts or procedure is under the absolute and independent control of any one person; that, on the contrary, the work of one employee is complementary to that of another; and that a continuous audit is made of the details of the business." [8] This definition may be illustrated in a number of different ways. For example, the philosophy of American Government is an outstanding illustration of internal check; the adoption of a guarantee of the separation of powers of the executive, judicial, and legislative branches of government. Another example is the policy of separating the accounting and record-keeping from the function of treasurer or fiscal officer; within a given department the principle of internal control is illustrated by placing the responsibility for keeping the accounting records in the hands of one party and the cashier's duties under the supervision of another.

Governmental auditing is concerned with the verification, analysis, and criticism of the records of governmental units or enterprises; while commercial or general accounting is related to a similar review and analysis of the records of private business enterprises. Governmental auditing, as is true of governmental accounting, is filled with legal complexities. In order to make an audit of a governmental unit, a thorough understanding of the various legal limits and guides surrounding the operation of the unit is required. It is true that commercial auditing is affected by statutory and other legal provisions; but these do not occupy the same degree of prominence as they do in municipal auditing. In commercial auditing the auditor is usually concerned with only one legal entity at a time; while in

[8] Robert H. Montgomery, *Auditing Theory and Practice* (New York, 5th edition, 1934), p. 64.

municipal auditing he is concerned with many funds, each of which is a legal entity.

In many instances too little attention has been paid to the selection and qualifications of the municipal auditor. The reasons for this slight attention are many, the most prominent, perhaps, being the still prevailing belief that any member of the general public is qualified for holding public office or for undertaking public work. Other reasons are: that the average councilmen or municipal authorities selecting the auditor are generally ignorant of his qualifications and fail to appreciate the meaning of an audit and the work of an auditor; that there is an ever-present tendency among municipal authorities to select the auditor on the basis of price; and that there are too few state regulatory bodies to promulgate standard audit procedures and requirements.

Qualifications of the auditor and scope of the audit are the primary factors to be considered in choosing the auditor. Preference should be given to the certified public accountant or to accountants whose reputation definitely establishes them as being qualified. The ex-grocery-store-bookkeeper, the former county treasurer, the ex-city-secretary, the ex-bank-teller, and the generally unemployed as well as the would-be accountant, should be ruled out of consideration. Audit contracts should not be let or given on the basis of competitive bids. Auditing is a profession and requires professional and technical training; and to limit an audit to competitive bids, eliminates the best qualified professional auditor.

It is dangerous to attempt to judge the character of an audit by the mere use of the word. There is, however, an accepted classification of audits in broad terms. Under a first group may be listed general or special audits, and in a second, complete or incomplete audits. A general audit or special audit may be either complete or incomplete, and, obviously, a complete or an incomplete audit may be general or special in char-

acter. A general audit is usually thought of as covering all financial transactions of a municipality, whereas a special audit is one that is limited to some particular phase, as, for example, examination of cash, or the police pension fund. A complete audit gives the auditor full authority to examine the records and accounts of the municipality; and he is then expected to render an unqualified report except, of course, where the qualification is based on facts which are physically impossible to obtain. An incomplete audit is one that restricts and limits the scope of the auditor's authority and investigation.[9]

The scope of an audit obviously depends on the kind of audit agreed upon by the municipal authorities and the auditing agency. Any set of standards, rules, regulations, procedures, or requirements that may be listed here or prepared and recommended by any association or any agency, would not serve to permit the auditor to omit any act required by reasonable and customary care in making the kind of audit agreed upon. An audit is not a panacea for all evils of a poor accounting system or a cure-all for corrupt political administration. Both have existed in the past, and both still exist. There are certain points which the municipal authorities may reasonably expect an auditor to consider in making an audit:

1. The general fiscal organization of the city, the accounting system and internal audit procedure, and the legal framework on which the city is operated.
2. Receipts and revenues of each fund.
3. The expenditures of each fund including both disbursements and encumbrances, and appropriations.
4. The assets of each fund.
5. The liabilities of each fund.
6. The funded debt of the city.

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[9] For a detailed discussion of audit procedures, see Municipal Finance Officers' Association, *Municipal Audit Procedures*, Bulletin 8 (Chicago, 1939).

7. Sinking fund and sinking-fund reserve requirements.
8. Surplus and surplus reserves.

Regardless of the type of audit being made, it is incumbent upon the auditor to make a thorough review of the charter, statute, and council provisions affecting the administration of the city or fund he is auditing. He should thoroughly acquaint himself with the receipts and expenditures, the basis of the accounting system, the funds maintained, the liabilities, and the surplus accounts, and should determine that the system of internal control is actually being practiced and that it is not a mere theoretical device. The auditor should report any weaknesses of the internal control and any nonconformity to the legal provisions set up to guide the administration.

## Reporting

Financial reporting is a formal presentation of financial facts or data. For the municipality, financial reports set forth information indicating the financial position of the various funds as of a given date and show the results of operation for a named period. A report may thus vary from a treasurer's daily statement of collections to the annual fiscal report which contains numerous financial statements and schedules showing the financial condition and the operations of the governmental unit.

Procedural or administrative reporting differs from pure financial reporting in that the former is used for presenting a picture or a story of the activities of the government and the services rendered to the public in nonmonetary terms. Much of the information included in this type of reporting cannot be expressed in dollars and cents. Various means are being adopted by administrative officials in their attempts to vitalize the story of the operating activities. Pictures, cartoons, charts, maps, diagrams, and sketches are becoming popular means of administrative reporting.

Financial reporting, on the other hand, is concerned with expressing in monetary terms the activities or services of the governmental units. It is perhaps the one phase of municipal reporting that has failed in its major function. This failure has no doubt been due partly to the lack of understanding and appreciation of financial data of the general public, and to the inability of the average citizen to comprehend the significance of facts expressed in monetary terms. It has also been due, until recent years, to the lack of interest on the part of the trained accountant. Commercial concerns were willing and able to claim the best accounting minds and to leave municipal and governmental accounting to the perils encountered at the hands of the less thoroughly trained. In recent years, however, through the medium of the Municipal Finance Officers' Association and the National Committee on Municipal Accounting, much interest has been generated in governmental accounting, and a long step forward has been taken to standardize municipal accounting records and procedures and to vitalize the financial reports of governmental subdivisions. Much-needed work in this direction is yet to be done, and the certified public accountant and independent practitioners need to dedicate themselves to the popular presentation of financial facts and figures which they have so methodically gathered.

Financial reports may be divided into three general types: internal reports, audit reports, and statistical reports. Internal reports may be classified in several different ways; but for our purposes they are classified on the basis of date or time rendered. On this basis there are daily, monthly, quarterly, and annual reports.

From an administrative and efficiency point of view, there is probably no report of importance equal to that of the current statements and schedules. This group includes the daily and monthly reports and, perhaps, the quarterly reports. It is this type of report which is made available to administrative execu-

tives within a time limit that enables those executives to take needed action without delay. Those who have studied the subject of accounting know the necessity of properly prepared and timely reports. Yet a tendency still exists to stress the annual report at the expense of other reports. This attitude is much like "closing the gate after the horse is out." When commercial enterprises were so small that it was possible for the individual entrepreneur to keep his hands on the reins of his organization and to know his employees personally, there was little need for current reports and statements. The interest of the entrepreneur, therefore, turned to the annual report which gave him a picture of the period's operation. The coming of big business, with its separation of ownership and management and creation of a gulf between employer and employee, quickly forced the businessman to recognize the need for an accounting system designed to keep current facts and figures before him. His interest in the annual report soon became secondary, and he limited its use to stockholder and auditor reports. Because most of our governmental units today are still operating on the principles of, and with the accounting and administrative machinery and tools used by, the individual entrepreneur, too little emphasis is being given to the supplying of current information necessary for efficient management. What the governmental units need in most instances is a complete re-alignment of functions and an overhauling of their fiscal organization and accounting machinery in order to prevent the proverbial horse from getting out of bounds. In other words, the gate should be closed before the horse finds the opening for escape.

The type of the current financial report and the information contained therein will obviously vary with the types of governmental units and the legal framework within which they are operating. However, in making these reports it is suggested that the following be taken into account:

1. The making of a day-to-day statement of the cash position of the various funds. This should include the day's opening balance, the receipts and expenditures of the day, and the balance at the close of the day.

2. A comparison of expenditures with appropriations (expenditures here defined to include actual cash disbursements and obligations incurred).

3. A comparison of budgetary or estimated receipts with actual receipts.

4. A monthly balance sheet of the various funds.

5. A monthly statement of all receipts and disbursements by funds.

The annual financial report is also an internal report; it is prepared by the fiscal officer to show the financial condition of the governmental unit and to summarize its financial operations for the period. It is the duty of the fiscal officer to see that the report contains the proper financial statements, and that these have been arranged in proper order with as little technical detail as possible. The annual report should normally contain two kinds of statements: (1) the financial statements and (2) the statistical statements. The financial statements are usually divided into two groups: those showing the financial condition of the governmental unit and those showing the changes in financial conditions as the result of the fiscal period's operations. The statistical statements may be divided, also, between those showing information for a particular period of time and those showing the same or similar information for a number of fiscal periods.

The external audit, as was stated before, is prepared by an outside independent auditor—usually a certified public accountant or a registered or certified municipal accountant—or by a state auditing agency. This is a post-audit and should be distinguished from a pre-audit. The report should indicate the scope of the audit performed and should contain the necessary

financial statements and schedules so as to present fairly the financial conditions of the various funds and the financial operations for the fiscal period of the governmental unit. The annual audit report may well become a part of the annual administrative report. The auditor completes his audit, checks the financial statements of the administrative report, and attaches the audit certificate. When the administrative forces are qualified to prepare financial statements and reports that may be verified, checked, and certified to by the outside auditor, the cost of the annual audit is considerably reduced.

Unless the independent auditor is specifically requested to prepare statistical statements, it is not customary for him to include a statistical section in his report. Thus the independent auditor's report usually contains two sections: the transmittal section and the financial section.

In preparing the financial report, it may not be possible or expedient to include statements of the exact titles for each and every fund maintained by the city. For instance, in the working capital fund no estimates of appropriations and revenues are made; and in order to present the operations of the fund, it would be necessary to prepare a statement of receipts and disbursements. In all cases, however, it is incumbent upon the auditor to present the necessary schedules, regardless of name and title, to give three things:

1. The financial condition of each fund as of a given date.
2. The result of the financial operations of the various funds for a given period ending as of the same date.
3. A statement or statements showing the analysis of the changes in the condition of the funds during the period audited.

The independent auditor should be given sufficient latitude in his audit agreement with the city officials to enable him to extend his audit procedures sufficiently to permit a certification of the facts contained in his report. The audit may be so limited in scope as to force the auditor, if he renders a certificate,

to qualify it. A qualified statement has less value and effect than an unqualified one; and the greater the limits placed on the auditor and the more he is forced to qualify his statement, the less good will result from his report and the greater will be the uncertainty of the check made on the accountability of the administrative officials.

Finally, the use of statistical statements or information does not end with the statements of the annual report. It is very important to have current statistical information regarding various phases of the city's operation. This part of financial management has become of sufficient importance to warrant the establishment of special statistical divisions in many municipalities. The application of statistical methods to accounting data has vitalized financial facts by giving the man in the street a picture of the work of his city and of how it is financed; it has permitted the administrator to follow more closely the day-to-day operations; and it has compelled a more orderly and systematic form of reporting.

# Part IV

# MAJOR PURPOSE FUNCTIONS

# XVI

# PROTECTIVE FUNCTIONS

We come now to a discussion of the major purpose departments of the city government. These are the departments and services whose operations directly touch the lives of most city dwellers in countless ways. The departments with which we have heretofore dealt are significant chiefly because they make it possible for these major purpose departments to operate more effectively. As stated in earlier chapters, however, there should be co-operation and harmony among all departments of city government.

This chapter will be given over to a discussion of those departments and agencies which primarily perform protective functions for the community. It is not to be construed, however, that these departments do not perform other functions, nor that other departments do not handle work which is protective in nature. The classification employed here does imply that the main purpose of the police, fire, and health departments is the protection of the citizen's general welfare. The inspection service, or the inspection office, is also treated as a regulatory agency, created largely for protective purposes. The legal department, too, is treated, and its activities as a protective agency pointed out. An accounting of the operations of these departments or agencies is one of the most interesting subjects in the study of municipal administration.

The functions performed by the police, fire, and health departments are among the oldest of those performed by city governments. Their origin lies in familiar institutions of

bygone days. Many a reader of early American literature will recall the "night watch" of colonial days. While the colonial "night watch" may hardly be regarded as the forerunner of the modern policeman, he nevertheless symbolizes the need for organized government performance of the police function. The evolution of the volunteer fire department, dating back to the days of the bucket brigades, illustrates well the course of development of many a city service. Often such services were first organized by the community on a co-operative basis, independent of the local government, but later were taken over by it. Our city health departments are of comparatively recent development, but governmental organization for the protection of public health dates back to the regulations against the plagues of the middle ages. The city judge too has been with us almost as long as there have been cities.

The path of development which led to the establishment of modern police, fire, health, and law departments is a long one. As the services which they perform are discussed, it is hoped that the reader will realize their importance to urban life. The personnel and equipment, the organization, activities, and procedures of these departments, and their relationship to other departments of city government as well as to other governmental units, constitute most of the subject matter of this chapter.

## Police

The police problem is one of the most serious which faces any municipal administration. In terms of the loss of life, loss of property, and personal injuries, figures reveal the scope of the task with which the city police must cope. Every police force is compelled to face both traffic and criminal problems, and these problems are continually changing. During the last five years the number of individuals killed in traffic accidents has ranged from thirty to forty thousand each year. In 1940,

one and a quarter million people were injured in traffic accidents, and property damage amounted to two billion dollars.[1] The account of criminal activity is likewise appalling. During 1940 there were 6,192 cases of murder and manslaughter reported in this country, nearly 30,000 aggravated assaults, over 190,000 burglaries, and more than 100,000 automobile thefts. The value of property stolen during 1939, excluding automobiles, in only the 207 largest cities in the United States, was well over 12 million dollars; and the police arrested that year nearly 50,000 individuals.[2] Municipal police departments are constantly being challenged to improve their administrative methods in order that modern crime and traffic problems may be met and coped with.

In simplest terms, the duty of the police department is that of meeting the problems mentioned above, namely, the protection of life and property. Traditionally, the police force has been the agency responsible for the enforcement of law, and it has been designed to achieve that end. In the performance of its duties the police in the past have for the most part dealt with the enforcement of laws directed against criminal activity. Today, however, with the widespread use of motor transportation, there is an increasing emphasis on traffic law enforcement. The duties assigned to the police and the services performed by them have, as might well be expected, steadily increased in number. While the making of an arrest remains the chief symbol of a policeman's activity, the work of some of the divisions of the police organization goes far beyond this original concept. A discussion of the duties of the various divisions of a modern police department will indicate to a degree the changing nature of police work.

The main tasks of a modern police department are illustrated

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[1] *Accident Facts* (Annual Yearbook, National Safety Council, Chicago, 1940), p. 1.

[2] *Uniform Crime Reports* (Fourth Quarterly Bulletin, United States Government Printing Office, Washington, D. C., 1940), p. 206.

by its major divisions, which are generally organized on the basis of function. The three basic divisions, each of which is headed by a captain responsible to the chief, are the patrol division, the investigation division, and the traffic division. Auxiliary functions are usually performed by separate bureaus of records, communication, and identification; these are sometimes integrated and placed under the direction of a superintendent who may be given a rank equal to that of a captain in the other divisions. This bureau exercises functional supervision over record and communication work. The basic division of the force is the patrol division, which, in addition to its responsibility for foot and motor patrol, performs the numerous routine assignments such as escort duty, parades, and investigation of minor complaints. The investigation or detective division is responsible for the investigation of crimes, for vice control, and usually for crime prevention activities; while the traffic division takes responsibility for accident investigation, traffic safety education, and the direction and control of traffic. Variations from this general picture of the internal organization of a police department are numerous, but most police departments would fit fairly well into a chart of this organization structure. A closer look at each of the major divisions would not be amiss at this time.

The patrol division is the backbone of the police force. From this division are usually recruited men with aptitude for accident investigation, or for detective work. The patrolman is a contact man for the city government. In rapid succession he may be assigned to investigate a complaint of a citizen whose garden is being ruined by her neighbor's chickens, or called to pick up a drunk causing a disturbance, or ordered to serve as special escort to some high-ranking state, federal, or foreign official. His most important responsibility, perhaps, is his routine duty of patrolling, for a basic theory in police work is that alert and systematic patrol will decrease crime by reduc-

ing opportunities for its being committed. In application of this theory a scientific approach to the layout of patrol beats has been developed.[3] The patrol force of most cities has been increasingly mobilized, although fixed post men on foot are still assigned to extra-hazardous locations. Radio communication and two-way communication have further contributed to the effectiveness of patrol.[4] Under these circumstances, the patrol force may well be called "the eyes and ears of the police."

The investigation or detective division is responsible for solving crimes by means of arrest. The duty of this division, however, goes beyond apprehension to securing the conviction of offenders. A high percentage of cases cleared by conviction of offenders is one of the best indexes for gauging the efficiency of the division. The recovery and return of stolen property to its rightful owners is another main function of the detective division. Specialization is the rule in most detective departments, and in the larger cities there will be found a homicide squad, a burglary detail, a pawnshop detail, and other specialized bureaus. The vice detail may be a part of this division also, or it may be set up as a larger division.

Crime prevention activities may be assigned to the detective division or may be organized in a separate division. The Federal Bureau of Investigation figures indicate that juvenile offenders are numerous. A majority of crimes against property, particularly burglaries and thefts, are committed by individuals under 21 years of age. The crime prevention division usually serves as an agency to co-ordinate the activity of various organizations directed toward a solution of this problem. Civic clubs, the public schools, and organizations like the Boy Scouts and the Young Men's Christian Association are interested in the

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[3] This interesting development, too detailed for our consideration, is discussed by O. W. Wilson, "Distribution of Police Patrol Force" (Public Administration Service, No. 74, Chicago, 1941).

[4] *Uniform Crime Reports* (1939), p. 181.

juvenile problem. The juvenile officer of the detective or crime prevention division works with these groups. The plain clothes investigator questions suspects, gathers evidence, otherwise makes a case out of the crime assigned to him, and may be considered as one of the chief representatives of the detective division.

The first objective of the traffic division is a reduction in the number and the seriousness of traffic accidents with a consequent saving in lives, personal injuries, and property damage. A second objective is the regulation and control of traffic so as to expedite its flow. During recent years, the regulation of parking has been assigned to this division. The entire traffic problem is being attacked by the concerted effort of the traffic division and various interested citizen groups in directing attention to the three E's: enforcement, education, and engineering.[5] Not only enforcement but selective enforcement is one of the chief means of reducing accidents. Where such a plan is used, the police concentrate on the law violation which creates a hazard at a particular intersection during a specific hour of the day. Prerequisite to selective enforcement is careful analysis of the reports and records made after a scientific investigation of each accident. To handle these complex duties, a division known as the accident prevention bureau is often employed. The education phase of the traffic program is frequently handled by a citizen's advisory safety council, the traffic division usually providing them with leadership for vehicle inspection, safety schools, schoolboy patrols, and similar activities. Leadership for traffic engineering is also often furnished by the police department. A police officer with aptitude for this type of work is usually assigned the position of traffic engineer. The traffic engineer is responsible for vehicle counts, diagrams

[5] A concise explanation of these three functions is found in three publications of the National Safety Council (Chicago, 1940): *Enforcement for Traffic Safety, Educating the Public for Traffic Safety,* and *Engineering for Traffic Safety.*

of conditions at particular intersections, and other studies necessary to rational installation and effective operation of stop signs, traffic signals, pedestrian islands, and other safety devices. Authorities agree that enforcement, education, and engineering must be equally emphasized if accidents are to be prevented and loss of lives and property damage thereby decreased.

The bureau of records, communication, and identification is the chief auxiliary agency in the police department. In large cities there probably will be found a separate bureau for each of these. In some departments the function of record-keeping is not integrated and is performed by nearly every bureau of the department. For instance, accident records may be found in the accident bureau; the police blotter, which is a chronological account of the calls for police service will be found at the call dispatcher's desk; fingerprint cards might be kept in the identification bureau files; while offense records might be found in the detective division files. The utilization of records, which is a characteristic of the professional approach to police administration, will probably be lacking under these conditions. The bureau of communications, where this function is separately organized, is composed of the department's radio technicians and dispatchers. The identification bureau has the duty of fingerprinting and classifying the fingerprints of individuals held by the department. Many times a day a search of the fingerprint files will be required to identify an arrested individual or to answer the request of some other law enforcement agency for a criminal's record. The practice of combining the functions of records, communication, and identification in one bureau has proved satisfactory in many cities.

From the foregoing discussion, the reader cannot avoid realizing how the scope of the local police department has broadened within recent years. Police work is now in a transition stage. The emphasis has been shifting rapidly from a negative to a positive philosophy with regard to police work. Prior to the

days of the automobile, police contacts were almost entirely with the criminal element. It was natural that the chief qualification of a policeman was ability to deal with a hardened law violater. The first consideration in selecting men, logically enough, was physical strength. Today, almost every police officer is required to give attention to the control of the general public. Thus, a service outlook is required on his part. High general intelligence is, or should be, demanded as a prerequisite to appointment. A failure to shift methods and procedures so as to bring them more into accord with an industrialized society, brought the American police somewhat into disrepute during recent decades. The emergent police profession, however, is doing much to bring about the needed adjustment, with the result that law and law enforcement are now being approached from a more positive point of view.

The professional approach to police work is usually earmarked by some or all of the following practices: high standards for selection and training of men, including application of the best personnel procedures as discussed in Chapters VIII, IX, and X of this book; administrative use of reports and records; and the adoption of available facilities for scientific crime detection. In recent years, reorganization surveys made by consulting agencies such as Public Administration Service have been used to modernize police administration in many of our American cities.

Progressive police departments are aware of the vital importance of proper selection and training methods, and in many cases standardized selection procedures have been developed and rationalized.[6] The accepted battery of tests employed in the making of selections usually consists of a general intelligence test, a police adaptability test, a strength test, a medical examination, a personal interview, a character investigation,

[6] Donald Stone, *Recruitment of Policemen* (International Association of Chiefs of Police, Chicago, 1938).

and perhaps a test of emotional stability. The general intelligence test is often used as a rejection test, a minimum grade on it being a prerequisite to taking the other tests. Grades on other tests are weighted in establishing the eligible list. The final stage of the selection process is the working test period or period of probation. In-service training of new recruits has been widely accepted; many departments are coming to realize that training has an important and necessary place in police administration. Special attention to selection and training methods is a result of the professional approach to police administration.

The administrative use of reports and records as a tool of police administration is becoming increasingly widespread.[7] The importance of reports as part of the memory of the police department in identifying and returning stolen property to its rightful owners and in prosecuting cases is obvious. The basic records used for these purposes are the reports of each complaint, the reports of arrests, and the records made of property in custody. Officers assigned to investigations are often required to make periodic follow-up reports on the progress of each case. Consolidated forms of these reports are submitted to the police chief and the city manager. An increasing number of departments are using records to analyze the accident and crime situation. Spot maps of accidents point out intersections which require more vigorous enforcement efforts. Tabulations indicate to the police chief the necessary revisions of patrol distribution for more effective coverage. Another use of records may well be the development of measurement standards for municipal police administration. Prior to the installation of a system of uniform crime reporting by the Federal Bureau of Investigation, comparisons between the few cities which

[7] *Survey of the Police Department of Greenwich, Connecticut* (Public Administration Service, Chicago, 1937), sec. VIII, pp. 74–111, gives a comprehensive account of a police records system and its uses.

compiled statistics were impossible because of differences in the definition of offenses. Returns are now made to the Federal Bureau of Investigation by 982 cities.[8] Comparisons between cities can still be made only cautiously, however, because of the variations in the racial composition of population, in economic levels, and in other factors which affect crime rates. Furthermore, the number of offenses reported to the police reflects the effectiveness of the courts as well as the effectiveness of police departments. Standards for any particular department, however, may and should be developed.

The movement for scientific crime detection has affected all police departments, although the laboratory equipment necessary to utilize all the possibilities is found chiefly in larger cities. Small departments often utilize the laboratory resources of the State Department of Public Safety or of the Federal Bureau of Investigation, both of which make analyses at cost for local police departments. Chemistry, microscopy, medicine, moulage work, and psychology are some of the fields which contribute to scientific crime detection. "Modus operandi" files, giving the "trade-mark" or distinguishing methods of operation of a particular criminal, are maintained by many departments. The evidence of the lie detector, as yet inadmissible in courts, is used by many police departments as an aid in obtaining confessions.[9] The use of these and related methods of scientific crime detection techniques may reasonably be expected to increase in the future.

The widespread acceptance of scientific crime detection and the scientific use of selection methods and record-keeping, are indications of the trend toward the professionalization of police administration. The rubber hose technique, or the method of

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[8] *Uniform Crime Reports* (1939), p. 162.

[9] The lie detector works on the principle that blood pressure of a guilty suspect will react more violently to questioning than the blood pressure of an innocent person. The lie detector charts are individuals' reactions.

obtaining confessions by force, is almost sure to be rejected in those relatively few departments where it is still used. A body of knowledge peculiar to police work is emerging. The University of California and the University of Wichita in Kansas offer degrees in police work. Northwestern University and the University of Denver have courses for traffic officers. Yale University offers a degree in street research and traffic engineering. Other universities include courses in police administration in their curriculums.

The local residence requirement remains one of the chief obstacles to a career in police work. There are those who anticipate recruitment of local policemen on a state-wide basis, minimum standards being established, and politics, in the sense of spoils, being removed from the selection process.[10] This step is far along the road to police professionalization; as has been indicated, however, many municipal police departments are undoubtedly traveling this road.

The Federal Government, as well as our municipalities, has demonstrated a great deal of interest in local police problems within recent years. For the local police departments, the Bureau of Investigation of the Department of Justice renders many services. This bureau conducts a criminal identification and fingerprint service and a police training school; it publishes uniform crime reports and directs assistance in identification work and analysis of evidence. The Bureau of Standards offers information on short-wave police radio and assistance in identification and analysis of criminal evidence. It also provides model traffic ordinances and ordinances on traffic signs, signals, and markings. The Federal Communication Commission is doing important work in the development of police radio systems. The Bureau of Mines co-operates with cities for the pro-

[10] O. W. Wilson, Professor of Police Administration at the University of California and former Chief of Police at Wichita, Kansas, made this prediction in a letter to Chief R. D. Thorp of the Austin Police Department, March 15, 1940.

tection of lives and property in time of flood or catastrophe. Finally, local police training courses are now made possible by the George-Deen Act which provides federal funds for vocational education and places their supervision under the state department of education.

### Law and Justice

The police officer's role in court procedure is important. He must co-operate with the city attorney or the member of his staff who serves as prosecutor in the city court. In most cases it is the policeman who files the suit as a complainant against the individual who violates a city ordinance. Unless the police officer presents his testimony clearly, the prosecutor will have difficulty in making a successful case. It is essential, therefore, that policemen know some of the fundamental rules of evidence. This subject is frequently emphasized in police training courses.

In all its phases the relation between the police and the courts is a particularly important one, but a clear line of demarcation should be drawn between the policeman's function of enforcement and the court's function of adjudication. The serious problem of "ticket-fixing," for instance, results in part from a failure to observe this line of demarcation. Antiticket-fixing ordinances usually take the form of a requirement that all complaints, or tickets, as they are commonly called, be heard by the judge of the corporation court. The blank complaint forms issued to officers are numbered consecutively, and an audit is frequently taken of the number issued. According to many ordinances a superior police officer is not permitted to take any adjudicative action on tickets issued by a police officer. A ticket having been issued, all judging is left to the court.

In serving as city prosecutor, the city attorney participates in the administration of justice; and to that extent the municipal

law office performs a protective function. The attorney prosecutes cases filed by the police officers and other complainants before the municipal court, the jurisdiction of which is usually limited to cases involving up to about $200. While the judge of the municipal court is not a member of the municipal law office, he is, like the city attorneys, usually appointed by the city council, even in city manager cities. The larger cities have full-time judges. Before these municipal judges usually come traffic law violaters, petty thieves, vagrants, and drunks, many of them first offenders. The impression which many an individual forms of judicial procedure too often depends on the methods employed by these municipal judges. Citizens making complaints usually do so to a court clerk; his conduct too is important as a matter of public relations. As a number of crime surveys and city court studies indicate, too often, the work of these courts is marked by politics, graft, a low order of competence, and a lack of consideration of justice.[11] Municipal courts, it should be remembered, are in reality state courts and form the lowest rung in the hierarchy of state courts. From the standpoint of the number of public contacts, the office of municipal judge is one of the most important in the city government.

The law office of any city is usually one of the busiest as well as one of the most important departments, and it performs many functions which may be regarded as not being protective in nature. While cities of some size usually have a full-time city attorney, smaller ones contract for a lawyer's services or employ a lawyer on a retainer basis. Because the municipal attorney is responsible for advising city officials to the end that municipal operations may be within the legal limits imposed by the city charter, and by state and national constitutions and legislation, he is consulted in virtually all municipal activity of

[11] Raymond Moley, *Our Criminal Courts* (New York: 1930), p. 271.

any importance. He advises on numerous problems not only the city council but frequently also the chief executive and department heads. City ordinances are a product of his draftsmanship, if not, in some respects, a reflection of his ideas. His activity primarily consists—in addition to serving as the city's chief legal advisor—in the preparation of cases for trial, the most frequent of which are tort damage claims against the city, condemnation proceedings, tax suits, and constitutional tests of the city's ordinances. In small cities the assistants to the city attorney will usually be specialists in corporation court work, in tax matters, or in tort liability; in larger cities special divisions of the department are organized to perform duties in each of these specialized fields. Students in our better law schools are now being offered courses which are designd to equip them for municipal corporation work. Without a doubt, the city attorney is often one of the most influential members of the city administration.

## Fire

The original concept of the fire department's function was that of fire fighting, but today it has come to be regarded as a fire prevention agency as well. The modern fire department assumes responsibility for salvage work and is frequently called upon to provide first aid in cases of drowning, shock, and other accidents. In addition to these duties, many departments share with the police the regular duty of arson investigation.

To perform its numerous functions, the fire department must have an unusually close relationship with the other departments of the city government. Its activities must be closely co-ordinated with those of the water department, the inspection division, the agency responsible for the operation of the fire alarm system—which is usually the electric division—and the police department. The water and fire departments must solve such problems as reserve water supply and pressure in times of con-

flagration. The officers of the fire department should be familiar with the water distribution system, including the size of mains and the location of hydrants. In many cities, a water department employee responds to large fire alarms so as to provide technical assistance in case it is needed. The inspection division also contributes its technical knowledge to the complex problem of fire protection, and by means of regulations and restrictions through building codes and other ordinances gives an important impetus to fire prevention. From this division the fire department obtains important information regarding the relative fire resistive construction of various buildings. All this information is useful in planning in advance the method of attack on a fire in a specific area and thus enables the fire department, to some extent, to fight its fires in advance. The police department, too, renders valuable assistance in maintaining the necessary fire protection, for ordinarily it takes the responsibility of establishing safety lanes in case of fire, and officers from this department customarily respond to all alarms. The fire department, therefore, must have a harmonious working relationship with many other departments and agencies of the city administration.

The combined efforts of all of these, however, were unable to prevent a steady rise in annual property fire losses in the United States to 1926. In that year, total losses amounted to $561,980,751. Since then, the curve has been going steadily downward, and for 1940 total property losses were approximately $300,000,000.[12]

The subject of property loss by fire cannot be considered without mention being made of fire insurance. As a matter of fact, the municipal fire department takes its direction in large part from the activities of fire insurance companies. The National Board of Fire Underwriters, which is an organization

[12] *Municipal Year Book, 1941* (International City Managers' Association, Chicago), p. 394.

supported and controlled by the stock fire insurance companies, is interested in reducing the number and amount of fire insurance claims paid by the companies which it represents. Through the National Board of Fire Underwriters, the stock fire insurance companies are the only outside agency making periodic inspections of a municipal service. Texas is the only state in the Union which has a state fire insurance commission which supplements the work of the National Board of Fire Underwriters in grading municipalities on their fire defense facilities, although several states have fire marshals who advise with local departments regarding the improvement of their practices. The aim of the National Board of Fire Underwriters is to promote good fire protection practices, to prepare engineering standards, to furnish fire insurance statistics, and to prevent arson. The Board grades a city's fire defenses from the point of view of fire loss hazard, and the fire insurance companies who support the Board allow a reduced insurance key rate for a good grade. The deficiencies of the city are outlined in a report issued to them by the engineers of the National Board, which has headquarters in New York. Money spent on the fire protection recommendations of the report, therefore, often lowers insurance rates somewhat and results in reduced premiums for local property owners. One interesting fact is that 34 per cent of the total grade points in the grading schedule of the National Board of Fire Underwriters depends on water supply, while but 30 per cent is based upon the fire department. This indicates that the Board's experts regard water supply and fire department facilities as being almost equally important to fire protection.[13] The National Board of Fire Underwriters thus furnishes a set of standards by which a city may measure

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[13] *Standard Schedule for Grading Cities and Towns of the United States with Reference to Their Fire Defenses and Physical Conditions* (National Board of Fire Underwriters, New York, 1930), p. 4.

the effectiveness of the administration of its department and allied fire protection agencies.

Our Federal Government, too, is taking a great interest in means whereby fire losses may be reduced. The Bureau of Standards provides local departments with manuals of fire loss prevention and with specifications on fire alarm systems. This Bureau also makes tests at the request of any city of fire-resisting properties of materials. The Bureau of Mines offers consultation on fire apparatus and educational assistance on dust explosion hazards. The Bureau of Chemistry and Soils is equipped to give advice on spontaneous heating and ignition dangers and control, as well as fire and explosion hazards. The Office of Education offers aid in fire-training programs and will furnish instructors for local fire-training schools.

Fire departments are organized for the most part on the basis of area, although they are also organized functionally into fire-fighting and fire-prevention divisions. A city will usually be organized into a number of fire districts, each of which is headed by a district chief. Standards for the number and distribution of men are furnished by the National Board of Fire Underwriters according to the population of a city. For a city with a population of 100,000 the Board recommends 11 hose or engine companies and 4 ladder companies; for a city of 200,000 the recommendation is 17 hose or engine companies and 7 ladder companies. A company is the working unit of the fire department, and usually one piece of equipment is assigned to it. The Board recommends for daytime work a minimum of 3 men in each hose company, 4 in an engine company, and 5 in a ladder company. The minimum is increased in high-value districts and for night work. Standards for the distribution of fire companies are based upon the type of district. The Board stipulates that an engine or hose company should be a maximum of ¾ mile from the outermost point in a mercantile or manufacturing district, 1½ miles in a closely built residential

district, and 3 miles in a scattered residential district; a ladder company should be a maximum of 1, 2, and 3 miles from the outermost points in the various above-named districts, according to the Board's recommendations.[14]

In its grading schedule, the National Board of Fire Underwriters states that every department should have a chief, and further states that in case there are more than two companies, an assistant or deputy chief should be employed. A fire district with a district chief should be organized for every 8 additional companies.[15] Through the efforts of organized groups of firemen seeking better working hours, the two-platoon system has become standardized. Under the two-platoon system, cities may follow the plan of alternate 10- and 14-hour shifts or the plan of alternate 24-hour periods on-and-off duty. In either case, of course, two men must be hired for each position. It should be mentioned that the National Board of Fire Underwriters is not primarily concerned with the expense of meeting its standards; many cities, therefore, find the standards prohibitive from a financial standpoint.

A description of fire-fighting procedure will give the reader some idea of the interplay of the factors mentioned in the preceding paragraphs. The control of a fire is infinitely facilitated if attack is made on it in its early stages. Fire districts, therefore, should be small enough so that companies will arrive within two or three minutes after the fire has been discovered. Organization for fire fighting is semimilitary in nature, and the officer of the first company to arrive at the scene is in charge. His first duty is to size up the situation and to send for the help which will prove most effective. This requires a knowledge of the structural conditions of the building and a quick calcula-

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[14] These and other interesting figures may be obtained from *Municipal Fire Administration* (Institute for Training in Municipal Administration, Chicago, 1936), chap. 7.

[15] *Ibid.*, p. 278.

tion of the needed water pressure and the amount that available mains, hydrants, hose, and pumpers will produce. The officer's attention in sequence is likely to be devoted to saving lives, protecting exposures to check the fire's spread, ventilating to locate the base of the fire, salvaging to protect property, and extinguishing the blaze. At large fires the complex problem arises of laying hose and arranging equipment properly. The technical nature of these duties requires that skilled officers and trained men be on hand.

The selection and training of men is a problem which every administrator must face, but the fire chief has some problems which are not so commonplace. For instance, there is the problem of idle time, which arises from the fact that men must remain at the fire station for long periods of time between alarms. This problem may be answered to some extent by means of training. In larger departments there is usually a drill master who is in charge of training on the familiar drill tower, where actual conditions of a fire are reproduced in so far as possible. Special skill must be developed by the men in handling special tools not used on other jobs, such as the use of ladders and the laying of hose. Many spare hours may well be spent in developing these skills. Equipment also presents a problem. Although fire department vehicles usually last from 10 to 15 years without serious depreciation, they rapidly become obsolete. Replacement costs are heavy. Much of the fireman's time between runs may well be spent in building and making minor repairs to vehicles and other equipment. Fire chiefs are rapidly becoming familiar with these possible solutions of their problems.

During recent years the fire protection problem of smaller communities has frequently reared its head. The traditional volunteer service has remained to furnish fire protection to many cities. In some localities these volunteer companies receive substantial contributions from public and private funds

toward the maintenance of their organizations. Some companies pay their officers a living wage while others pay salaries which are only nominal. There are, it has been estimated, 10,000 of these volunteer fire departments in the United States. Other methods of providing fire protection have been adopted by some small towns. Outside aid, in which the small municipality contracts with a larger city or cities for protection, is one method. Mutual aid, in which smaller cities may join together to form a fire district, is another. Few cities will refuse to make runs when requested by smaller cities, although fire department equipment ordinarily is not built to withstand rural runs. In addition, the difficult question of liability in case of accident often arises, but some of these difficulties are eliminated when small cities co-operate for fire protection. All factors considered, the answer to the small community's fire protection problem in the future seems to lie in the direction of outside or mutual aid rather than in volunteer departments.

Two additional problems which commonly occur are those of arson and false alarms. At common law arson was defined as the crime of burning someone else's dwelling; but today in most states its meaning has been expanded to include not only burning anyone else's but also one's own property. The extent to which arson occurs cannot be proved, but the estimate of some cities is that one half of all fires are attended by suspicious circumstances.[16] The tendency in recent years has been for fire departments to organize arson squads for the purpose of investigating suspicious fires. Such squads are usually composed of a police investigator working with a fire officer, and these officials are usually a part of the fire department organization. While the arson problem is difficult, it is not so perplexing as that of handling false alarms. Observations in a

[16] *Ibid.*, p. 451.

number of cities indicate that a normal ratio of malicious as distinguished from unintentional false alarms to the total number of alarms is about 5 per cent. The solution of this problem is probably to be found in the education of the public to the proper use of the alarm system. A systematic and regular campaign for the relief of this condition should be a part of the fire department's public relations program.

In one sense, the entire fire prevention program is also a part of the city's public relations program. Fire prevention activities are being brought into balance with those of fire fighting in most departments, although they received little emphasis in this country for many years. In cities which have made advances in the fire prevention field, one will find that the restrictions and regulations designed to reduce the risk of fires are often embodied in fire prevention codes and their enforcement centralized in a fire prevention bureau. The fire prevention bureau is usually composed of experienced fire engineers and research assistants or statisticians. In addition to their inspection activities, fire prevention bureaus are often responsible for granting permits or licenses for oil burners, dry-cleaning establishments, and other extra-hazardous constructions; they are also concerned with routine housekeeping inspections for rubbish, dry weeds, and other potential causes of fires; they spot "target hazards," possible points of origin of conflagrations. Completing their program, fire prevention bureaus endeavor to instill in the public, particularly through the schools, prevention attitudes and habits. During 1940, 1,012 cities entered the fire prevention contest sponsored by the National Fire Protection Association.[17] Fire prevention activity seems certain to increase in importance as time passes.

Reports, records, and research are duties which are sometimes assigned to the fire prevention division. If these duties are

[17] *Municipal Year Book, 1941*, p. 396.

not so assigned, they are usually undertaken by the secretary to the fire chief. An adequate reporting system will show where fires are occurring, what is burning, and the principal cause of the fire. This data may lead the way to many improvements. From inspection reports, maps indicating the construction of various buildings and dwellings may be prepared and routes planned in advance for fire companies with various types of equipment. Plans may be drawn up for coverage by other companies of territory left unprotected when a company is out on an alarm. Studies of fire losses by type of building and by type of occupancy provide useful information, and analyses of the type of equipment used to control fires is often helpful in guiding the department's equipment policies. Through the increased use of reports and records as administrative tools, fire department administration doubtless will become increasingly scientific.

## Health

Some of the most notable achievements in municipal administration have been made in the field of public health, in spite of the fact that municipal health departments usually receive only a small proportion of the tax dollar. To some degree, it is through the activities of these departments that the lower death rate and the increased life expectancy in the United States have been brought about. In the early days the public health officer was in part a policeman and in part a janitor. He was an individual engaged in enforcing laws designed to promote sanitary conditions, and at the same time was responsible for keeping rubbish and filth from public places. But after Pasteur's work with bacteria, the "filth" theory of disease was superseded and public health work took on its modern form. The isolation, quarantine, vaccination, and immunization activities have been familiar since New York City began its work on communicable disease control around 1870. Contagious dis-

eases, generally speaking, are today well under control. Small pox is no longer the scourge it once was, and diphtheria likewise, for the most part, has been conquered. The chronic diseases, notably cancer, heart trouble, and rheumatism, today are the cause of more deaths than communicable diseases. Most communities have yet to accept responsibility for the chronic diseases, although to do so would fit into the broad purpose of public health administration.

The purpose of the public health department of any city is to protect the health of that community, and by so doing to increase human efficiency and the life span. To fulfill this purpose, public health departments have undertaken both sickness preventive and sickness treatment functions. Prevention work usually proceeds along the lines of control of communicable disease, registration of vital statistics, protection of child health, and promotion of sanitation through inspection of food, milk, water supply, and sewage. Curative work is usually limited to venereal disease clinics, laboratory analyses, public health nurse treatment for minor illnesses, and treatment of tuberculous cases. The traditional attitude of the medical profession has been that prevention rather than treatment is the proper sphere for public health activities, and this attitude has tended to limit curative activities. An over-all program of public education and instruction usually accompanies all public health activities, and the entire health program is dependent upon public support and co-operation.

Some municipal health departments are headed by boards, but about an equal number are under the direction of a single officer. Where the board form of organization is used, it is generally required that one or more of the members be a physician. The executive officer of the board, if there is one, is usually an M.D., and the idea that any good doctor can qualify as a public health administrator is a prevalent one. Since one third of the cities of over 100,000 population employ only a part-

time health officer, this attitude is perhaps understandable.[18] Several universities, however, are now offering a degree in public health and listing in their catalogues such courses as: biostatics, epidemology, health administration, water purification, sewage disposal, clinical aspects of tuberculosis, venereal diseases, principles of nutrition, and occupational diseases. The position of the municipal health officer clearly demands technical training. At times conditions demand quick action not usually obtainable by a board. While the board form of organization is valuable in marshalling community opinion, responsibility for the administration of health department operations might well be placed in the hands of a qualified health officer who possesses administrative ability.

Public health organization and activity is influenced somewhat by federal and state activity in the field. The underlying principle of federal legislation is that local departments receive aid through state health departments. This procedure makes it possible for the Federal Government to insist on qualified local health personnel. The Social Security Act passed by the Seventy-Fourth Congress made funds available for state assistance for maternal and child health work and for crippled children. The United States Public Health Service in the Federal Security Agency compiles statistics and sanitation reports and is active in venereal disease control and mental hygiene. Since 1938, under the leadership of Surgeon-General Thomas Parran, it has made grants available to cities for the establishment of venereal disease clinics, and important pioneering work has been done in this field. Many state health departments supplement federal activity by acting in a consulting capacity for cities and by furnishing laboratory facilities. State health departments often test municipal water supplies and municipal sewage disposal plants. Public health work is in many respects

[18] Austin F. Macdonald, *American City Government and Administration* (New York, 1941), p. 556.

clearly a matter of state and national concern, for the failure of one locality could well nullify the good work of another.

The control of communicable diseases and the registration of vital statistics are two public health activities which may be considered together. One of the chief problems of communicable disease control is the problem of getting the cases reported. Responsibility for this matter is usually placed in the hands of the Bureau of Vital Statistics of the Health Department, which also is charged with maintaining records of births and deaths. Unless cases are promptly reported, the Bureau of Communicable Disease Control will be unable to check contagion promptly. Another difficulty in this connection is the failure of doctors to report mild cases. Customary procedure to prevent an epidemic is the isolation of cases, and the quarantine and immunization of exposures. Disinfection and fumigation are also familiar practices. Perhaps the most notable gains of public health work have been made in this field of control of communicable disease.

Other public health department activities include those in the field of child health, the public health nursing program, and the work of public health laboratories. For the most part, child health work is clinical in nature, and there are many cities today with prenatal as well as baby clinics. A series of conferences and lectures on child welfare and care are often arranged. Nearly every city makes provision for medical inspection of children in schools; homes are visited by trained nurses who examine primarily for defective teeth, eyes, and ears. The public health nurse probably makes more contacts with the citizens than any other person in the public health service. Public health nurses give minor administrations of drugs and medicines. In large cities where there are public health laboratories, nurses may refer clients to them for examination of excreta, secretions, and tissues to aid in diagnosis of suspected diseases. Laboratories also analyze specimens of food and drink which

may contain substance detrimental to public health. Only large cities are able to maintain their own laboratories; smaller ones must usually rely on state facilities. Through newspapers, bulletins, the radio, and other means, municipal health departments usually conduct educational programs which help to secure public acceptance of their activities.

Attempts have been made from time to time to measure the relative contribution of public health activities. While many variable factors—such as economic status, nativity, and age distribution of the population—affect mortality and morbidity rates, a long-run view of the effectiveness of municipal health practices in dealing with each disease may be obtained from a comparison of mortality and morbidity indices.[19] A compilation of the practices and activities, with weights assigned to them to indicate their relative importance, has been made into an appraisal form for local health work by the American Public Health Association.[20] The following are the activities and the points obtainable out of a possible 1,000 according to the latest revision of this form: infant and pre-school hygiene, 170; communicable disease control, 160; school hygiene, 140; maternity hygiene, 90; syphilis and gonorrhea control, 90; tuberculosis, 90; general sanitation, 90; food and milk control, 80; vital statistics, 40; bonus for balanced program, 50. The American Public Health Association co-operates with cities interested in evaluation of their activities on the basis of this appraisal form. Municipal officials and students interested in public health work may use the form as a check list of the adequacy of the services of their particular public health department.

### Inspection

The inspection services which the city performs are by nature protective, and many of these are performed by the depart-

[19] Clarence E. Ridley and Herbert A. Simon, "Measuring Public Health Work," *Public Management* (Chicago, September, 1937).

[20] *Appraisal Form for Local Health Work* (Committee on Administrative Practice, American Public Health Association, New York, 1938).

ments which we have discussed in this chapter. We have mentioned the work of fire prevention bureaus, which inspect premises for possible fire hazards. Many cities employ weights and measures inspectors who are usually employees of the engineering department and administer the weights and measures ordinances. These inspectors attempt to insure accurate scales in stores and exact pumps in filling stations.

As has been mentioned, inspection activities were among the first performed by public health departments. In large departments these activities are integrated in a bureau of environmental sanitation, which usually includes a division of public health engineering, a division of milk control, and a division of food control.[21] Public health engineering is a technical phase of the public health program concerned with such problems as increased use of community sanitary facilities, water supply, sewage disposal, garbage disposal, and insect control. The familiar work of the sanitary inspector, who inspects a wide variety of premises and areas for possible health hazards, comes under this division. The sanitary inspector is concerned with the extermination of mosquitoes, flies, rats, and other disease-carrying rodents. While to some extent he is a police officer, he must also rely on educational methods. Often this particular position is a political appointment; however, nationwide training courses, installed in many states through George Deen funds, are producing trained men. The foregoing observations also apply to the inspectors responsible for milk and food control. It should be mentioned that milk has long been recognized as a dangerous disease carrier because of the extent to which it nourishes bacteria. In addition to the fact that tuberculosis, typhoid, septic sore throat, diphtheria, and scarlet fever are found in raw milk, there is the threat of the addition of water to make milk inspection a necessary activity. Only in the larger cities are health departments able to undertake the

[21] Ira E. Hiscock, editor, *Community Health Organization* (Commonwealth Fund, New York, 1939), pp. 29–30.

inspection of restaurants, hotels, and other eating places for unsanitary conditions. If unsanitary conditions are found, the usual procedure is to issue a warning and then to revoke the establishment's license. The program of environmental sanitation of local health departments will, doubtless, continue to widen.

Activities of the inspection division are usually concentrated in securing compliance with the city's building code, a collection of ordinances designed to secure safety in the construction and maintenance of buildings. Many cities have a separate electrical code. Individuals desiring to erect a new building or to make alterations and repairs must obtain a permit from the building inspector. This will be issued after the applicant's plans and specifications have been checked against the requirements of the building ordinance with regard to foundation, wall materials, chimney construction, and similar items. The electric and plumbing inspectors must give their approval to the work after examining the premises. Provision for appeal to the city council from the decision of these inspectors is usually made in the ordinance.

Various federal bureaus and agencies may be made use of by the local community in furthering its inspectional activities. The Bureau of Standards offers its services in the testing of any kind of material, including tests for fire resistance. It also will give assistance in the preparation and revision of plumbing codes and will make available weights and measures regulations. The Bureau of Entomology offers consulting service for control of wood-destroying insects; and the Bureau of Labor Statistics, information relating to safety codes.

# XVII

# WELFARE

THE FUNCTIONS of local public welfare departments in cities vary widely. In addition to carrying on activities such as public assistance and social service, which traditionally are considered welfare activities, some departments perform licensing and regulatory functions. Occasionally a local welfare department may be responsible for supervising dance halls or for operating a tuberculosis sanatorium. The general relief program, however, is basic in local welfare work.

## RELIEF

Relief usually consists of assistance in some form granted to a needy person or persons, and often includes medical care. The investigation and certification of applicants for work in some federal agency, as the Work Projects Administration, the National Youth Administration, or the Civilian Conservation Corps, occupies much of a local welfare department's time at present. Many local departments distribute the food made available through the Federal Surplus Commodities Corporation as well as the clothing which may be provided by the local Work Projects Administration sewing projects. Old age assistance, aid to the needy blind, and aid to dependent children, all demand the attention and supervision of the city's relief agency. Child welfare activities also are frequently undertaken on the behalf of delinquents and potential delinquents. These are some of the essential functions of a local department of welfare.

The popular acceptance of public welfare and public assist-

ance as governmental functions has been evidenced in recent years by the ever-increasing co-operation in these functions between the various levels of government. The history of public welfare would seem to demonstrate that cities are financially unable to carry their own relief loads in times of crisis. A unity of action by all governmental levels is desirable, with the city occupying a vital position in the formulation and administration of policies. This position is substantiated, in part at least, by an historical analysis of the public relief movement.

For many decades the problem of assistance for the poor has been a critical one for cities; owing to the existence of a greater food supply, rural areas have not been so hard pressed. The decline of free land, the rise of mechanized farming, and a steady growth in population, all have tended to aggravate the quality and extent of urban poverty. Parallel to this condition there has been a growing public belief that social welfare is a government function. The spread of this opinion is incidental to, but in sharp contrast with, the first relief policies in this country, which were concerned primarily with the organization of local units. For decades private social agencies supplemented city governmental bodies in an attempt to raise relief money by voluntary subscription. Most of the responsibility, therefore, was remitted by the public authorities to private charitable organizations. Hundreds of these private organizations carried the greater portion of the cost of helping the poor and of administering to their needs. The community chest today represents a distinct tendency to unify the effort of all these numerous organizations.

Slowly city budgets have been enlarged to provide for various forms of relief. By 1931–32 many states were setting up relief administrations to assist their local governments with this problem.[1] During 1932 and 1933 the Reconstruction Finance Cor-

[1] "Social Security Board of the Federal Security Agency," *The Municipal Year Book* (Chicago, 1940), p. 280.

poration and the Federal Emergency Relief Administration assured federal participation to provide: (1) direct relief and (2) work relief. These federal funds became, without any clean-cut planning, equalization funds; on the whole they gave a strong stimulus to local government spending since in most instances they were required to be matched.

Municipal relief policies have developed from assistance of private relief organizations to the present use of public money as a means for lessening unemployment. Outright grants have been made by the Federal Government to cities in order that local planning, financing, and building may be stimulated. In addition, federal lending has become a means whereby local building standards have been raised, hours of labor lessened, and wages and administrative practices improved. The present tendency is to provide specialized institutions for the contagious disease cases, the insane, and the homeless. Many others of the poor, formerly separated from their families in private relief agencies, are now being publicly provided for, at less expense and more happily, in the homes of friends or relatives.

The administration of relief has given rise to such questions as: Should relief be direct or earned by public work? Should relief clients be paid in cash, or should they be given food, clothing, or other usable materials? The answers to these questions would seem to lie within the experience and judgment of the local administrators. In general, both direct and work relief are needed and used. Also, some localities find it expedient and satisfactory to make relief payments in kind rather than in cash. Some agreement exists, in regard to the above questions, when public work or construction is justified and the combination of needy workmen, adequate finance, good supervision, and satisfactory work produces public benefit. Further accord is reached when direct relief is afforded those persons who are unable to participate in work programs. The city administra-

tion, therefore, must plan for both work relief and direct relief programs, bearing in mind that each type deserves consideration.

While commenting on relief and welfare administration, a few words should be said in regard to case work. The term "case work" signifies the administration of assistance or services after careful investigation has been made of the needs of a particular client. Without case work, the administration of the benefits of the local welfare department is likely to be haphazard and discriminatory. The case worker, as the key person in welfare administration, should be trained in interviewing. A thorough investigation of the client's background, condition, and relationships must be made before his needs can be diagnosed and a remedy prescribed. This investigation, diagnosis, and prescription is the responsibility of the case worker; not only this, but the case worker should also maintain continuous contact with the client so long as he is an applicant for or recipient of services. Much, therefore, in welfare and relief administration, revolves around the case worker.

The expansion of relief programs has raised certain definite problems which cities are forced to face today. One problem is revealed in the rise of pressure groups which seek to use relief funds and authority for particular political purposes. Such groups are concerned with obtaining allotments, and give little consideration to justifying the claims made for assistance. Another problem is shown by the changes which have taken place in the relative importance of the local taxing units. Increased expectations of city budgets, due to relief, have caused higher assessed valuations, or increased levies, or both. In localities where taxes could not be advanced, demands have been made upon the state and Federal Government for aid. Consequently, relief is operating indirectly to enlarge our taxing units.

The rapid spread of public relief has lessened the activities of private organizations in the same field. Many of the estab-

lished agencies which were depended upon for this work in the past have now been virtually abandoned, and cities are expected to assume their duties. Recent relief policies, too, have caused an increased interest in leisure time problems. The Federal Government, realizing this fact, has inaugurated programs stressing recreational improvements under local sponsorship. And finally too, restrictive legislation by state and federal governments may work hardships upon cities. The uncertainty caused by regarding relief as an emergency problem only leads to failure in long-term planning and to inefficiency in administration.

Without a doubt, our cities will continue to need financial assistance with their relief load. It would seem, however, that the application of many relief services should be local in character, although the matter of support and the formulation of policy surely are of both state and federal concern. Future relationships in this matter are speculative, but experience indicates a need for local assistance in the formulation and administration of national and state policies.

In recent years both federal and state interest in local welfare administration has largely taken the form of financial participation and administrative supervision. The Federal Government has made both commodities and clothing available to state agencies. Through the Social Security Board it pays half of the costs of state old age assistance plans and one third of the costs of state plans for aid to dependent children. Usually, local agencies are responsible for determining eligibility for these benefits. Case workers of local welfare departments investigate applicants for the various forms of assistance and certify those eligible to the distributing agency.[2] Federal and state supervision in most cases means one or more of the following:

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[2] *Local Welfare Administration* (Institute for Training in Municipal Administration, Chicago, 1939), p. 19.

the supervising agency may reserve the right to approve local staff appointments; it may establish standards for services; it may furnish forms for reports; or it may simply require some sort of statistical reporting.

### Libraries and Museums

Most of the credit for the creation of the modern public library should go to the city. The earliest collections of books in this country were found in institutional libraries such as those of schools, colleges, and churches. Later the subscription library—an enterprise whereby personal books were located centrally for the common good of all, usually for members of a club—was formed in many places. Although the school library came more into use and emphasized needs within the school, no attempt was made to provide similar benefits for the general public. The result was that many private libraries were opened, soon to be partially supported by taxation. Presently, public libraries followed and came to be financed in whole or in part by taxation; the administration of these in most cases fell to the city officials.

The question then arose as to whether or not the library should be independent of the city administration. While the answer to this question is still being debated by some, reason would seem to dictate that library administration should be responsible to the people whose money is being expended. In order that this end be attained, it is necessary that the city administration appoint a special library board of qualified, interested persons who, though serving purely in an advisory capacity, will recommend policies and oversee in a general way the affairs of the library. The city manager or mayor should select a professional librarian through civil service procedure, and should take care to see that the library staff also is chosen according to merit. Sight should not be lost of the fact that a librarianship calls for an administrator as well as

a scholar; the individual selected should be chosen with this in mind.[3]

Definite financial provision should be made in the municipal budget for library maintenance, taking into consideration local financial ability and public demand. Financial provision for a planned library program should be made, readers made of non-readers, good reading stimulated, books and materials rendered available, and the finding of these made an easy task. Results in terms of quality and extent of public reading habits are the best measurement of the total progress. Best results are likely to be obtained where a professional librarian and staff are employed; where policies are stated and appropriations known. Long-range planning is necessary and becomes a basic need for efficient library management.[4]

State and federal financial assistance to cities for public library support has been increasing during recent years, and there is ample reason to expect more of such aid after the present emergency passes. The public library, however, is a local institution, and it has local functions to perform. The growth in its services should be governed by local need and direction, although federal or state agencies may give a stimulus.

Many of our municipal libraries today are providing such programs and services as:

1. Circulation of reading lists for the public.
2. Printed notices, talks, and planned personal contacts by staff members for the purpose of calling attention to library opportunities.
3. Service for the blind through special books and phonograph records.

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[3] Harry L. Case, *Municipal Libraries in Texas,* Municipal Studies, No. 10 (Austin, 1937). While this study deals particularly with municipal libraries in Texas, the subject is presented in such a way as to be of interest to the general reader.

[4] Julia Wright Merrill, "Public Library Developments in 1939," *The Municipal Year Book* (Chicago, 1940), p. 600.

4. Expansion of service through traveling units and extension libraries.

These and related practices substantiate the feeling that public libraries will continue to perform a twofold purpose: first, that of creating a public interest in education and cultural development; second, that of providing adequate facilities, books, and materials for the satisfaction of this interest.

Of late the trend has been and still is toward public support for museums, as is true of libraries; however, in the case of museums this tendency is not so pronounced. According to Professor E. E. Muntz, less than 10 per cent of our American museums are supported in such a manner.[5] The increase that has occurred has come mostly during the past decade or so, and largely in cities of 250,000 in population, or above.

The administration of museums is seldom an integral part of city administration itself, for museums frequently occupy a somewhat hybrid position in the municipality's legal structure. Their control varies from almost complete freedom of city administration and supervision to that of complete domination by the city government. Since they differ so greatly in detail, it is difficult to generalize with reference to their management and organization. Many museums have a board of trustees which is often self-perpetuating and which possesses the power to select an administrative officer who is generally known as curator, director, or superintendent. This form of organization, no doubt, grew out of the fact that in the beginning museums had no connection with government.

Museums are becoming important agencies of informal education for the masses. Their combined function of arousing interest and giving instruction is demonstrated by the Metropolitan Museum of Art in New York City where art objects may be utilized by the general public as well as by students

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[5] E. E. Muntz, *Urban Sociology* (New York, 1938), p. 569.

and teachers; by the Milwaukee Public Museum which is devoted to natural history and science; and by children's museums, located in Boston and Brooklyn, which motivate youth in its quest for knowledge. Recently another type has arisen —the museum which aims to bring the scope of science, engineering, and industry to the general public. Museums of this latter type are the Chicago Museum of Science and Industry, and the New York Museum of Peaceful Arts.

Communities build and maintain public museums in the hope of improving the cultural life of their region.[6] The character of these museums is determined by the nature and the character of the particular communities in which they are located, and their future development will depend to a large extent upon the attitude and the financial ability of these various communities. The activities of public museums embrace such functions as the collection of material, the promotion of research, the dissemination of knowledge, and the securing of the support and the means whereby these activities may be maintained and furthered.

## Hospitals

A chapter treating of municipal welfare would be incomplete without some mention being made of the city hospital. The interest in this type of hospital has gradually increased. During the period from 1925 to 1935, the number of beds in hospitals provided by governmental agencies increased 47 per cent, while the number provided by nongovernmental agencies increased approximately 17 per cent.[7] A large number of the beds maintained by governmental agencies are in hospitals for particular diseases such as mental ailments or tuberculosis, for which governmental agencies have assumed responsibility;

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[6] T. R. Adam, *The Museum and Popular Culture* (American Association for Adult Education, New York, 1939), p. 163.

[7] American Hospital Association Bulletin (Chicago, October, 1935), p. 1.

some of them, however, are to be found in general hospitals. Although a larger number of patients are admitted to private hospitals, approximately 75 per cent of all hospital beds are in governmental institutions. The reason for this seeming inconsistency is that the stay of patients in governmental hospitals is much longer, on an average, than is the stay of patients in private hospitals.[8] From the foregoing facts, one cannot help but realize the importance of hospital administration to the modern city.

A number of questions regarding policy arise in connection with governmental hospital administration. One of the more important questions is to what extent city, county, and state hospitals should confine their services to persons who are unable to pay for hospital care, or to what extent governmental hospitals should furnish services to all classes of the community. Another question is to what extent cities and other units of local government should pay for hospitalization of indigent persons in nongovernmental hospitals in communities in which there are no local governmental hospitals. Although most of the patients in our city hospitals are indigents, only a small minority of those hospitals refuse to accept pay patients. The payments of patients meet approximately one half of the average city hospital's expenditures, while the balance is paid from general municipal revenues. A count in 1935 revealed over 400 local government hospitals; of these, 20 were operated on a joint city-county basis.[9] Many city hospitals contract to take care of county clients either on a flat fee or a per-patient basis.

Local variations exist in the organizational setup for the administration of municipal hospitals. Most cities, however, have an advisory board of prominent citizens to help formulate policy on questions which concern hospital administration.

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[8] Alden Mills, "Municipal Responsibility for Hospital Care," *Public Management* (Chicago, January, 1936), p. 11.

[9] American Hospital Association Bulletin, p. 3.

The American Hospital Association, which is a national organization of hospitals interested in raising standards, has issued recommendations dealing with hospital organization. The Association recommends the appointment of an advisory board, to be known as a board of trustees. One of the important tasks of this board is the appointment of the hospital staff. The staff, headed by a chief, is composed of doctors who donate their services to the care of indigent patients. The staff appoints an administrator to be hospital superintendent. The superintendent is responsible for the business management of the hospital, including the collection of accounts, the purchase of equipment, and the selection of personnel. While the organization of most city hospitals follows the above pattern, there is much to be said for a board which is restricted to an advisory capacity, with a hospital superintendent who is appointed by and responsible to the city's chief executive.

The American Hospital Association issues a certificate of approval to hospitals which meet its minimum standards.[10] One of the Association's requirements is that physicians of the hospital be organized into a regular staff with definite meetings at which hospital affairs are discussed. The customary practice is for one local physician to be responsible for surgery, one for medicine, and one for obstetrics, and to rotate on their assignments. In addition, various specialists donate their services. The Association requires approved hospitals to maintain accurate and complete medical records on each case, giving case and diagnosis history. A clinical laboratory equipped for routine blood, urine, and sputum tests must be maintained. A nursing corps under graduate nurses and an organized system of internship must be developed. Contagious disease wards must be segregated. Most city hospitals strive to meet these minimum requirements, for the American Hospital Association

[10] Bulletin No. 29, American Hospital Association (New York City).

certificate of approval is usually desired by all local groups interested in hospital administration.

### Parks and Recreation

Since the turn of the century the growth in city population has decreased the amount of city land formerly available for play purposes. Likewise, there has been a corresponding decrease in chores for the young and old, and an increase in leisure time for all. This problem of recreation was considered by some city officials as early as the 1890's, and today most cities supervise or appropriate money for all or many of the following recreational facilities: public playgrounds; closed streets for playground use; interior play courts at tenement houses; roof playgrounds; recreation piers at lakes, oceans, or rivers; parks and zoos; boating, and fishing; community celebrations for special holidays or occasions; public health-recreation parks; municipal programs for recreation; and many others.

Athletic activities such as baseball, basketball, swimming, tennis, and other active games, are sponsored by nearly all recreation departments, although variations in climate lead to variations in emphasis. Dramatics, group dancing, and numerous arts and crafts are a part of many recreational programs. Community centers are often used for discussion clubs, open forums, and other activities for adults. Municipal camps, where entire families may enjoy outdoor life, have attracted interest in recent years. A complete list of these activities would occupy several pages, but the reader need not be familiar with them all. He should be aware, however, of the emphasis which the average city is placing upon organized recreation, realizing at the same time that one of the chief functions of the recreation department is to promote these activities and to furnish leadership for their organization.

Several factors have operated to build up widespread recreational support among our cities. It is to be recalled that the

lack of sufficient space and equipment has prevented and is preventing private organizations from furnishing the vast accommodations necessary to provide democratic recreation. For the most part, commercialized recreation has been unable to provide the needed mental and physical relaxation for the masses. Its offerings are too limited and the task too great. Numerous city surveys have shown a consistent need and demand for types other than those provided by private agencies. Not only is there a need that other types exist, but also an urgency for their regulation.

Increased leisure in cities seems to result in added crime, which in the end only adds to the public's bill. Public recreation has come to be regarded as a means of preventing numerous social ills. Viewing the problem as a whole, public recreation has become a common objective, shared in by numerous community institutions. The municipality, therefore, provides a basis for unification of effort for schools, forums, libraries, clubs, and all other local agencies interested in public recreation.

Today there is much co-operation between the public schools and city administrations. This concerted action relevant to recreation is helping to lessen the frequent criticism that the school plants are idle at times when their facilities could be used for community activities. Co-operative work between city and school officials has resulted in the all summer availability of both school buildings and grounds for community play purposes and for general civic use.[11] Compensation may come from the city budget with the school furnishing personnel and equipment; or supervision at times may come from a co-operative joint committee, or from a special school-city board under city control.

There was a time when city parks were regarded as showplaces for people to view with passive interest. Today they

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[11] H. G. Hodges, *City Management* (New York, 1939), p. 366.

have become community centers, offering beauty for passive enjoyment; affording space, equipment, and opportunity for active recreational interests. The enriched offering which they provide calls for much planning in their use and location. No longer do the merits of an area depend upon its vastness, but rather upon its availability to the various population centers. Also, when a city plans its park areas, consideration is given in terms of needs shown. Playground facilities for both young and old are helpful to the extent that they meet the needs of the area. Larger parks may be planned with the double view in mind of providing both passive and active opportunities. Park areas placed at strategic points over a city not only serve the local community but the adjacent areas as well.

Financing of city parks, from the purchase of sites to their annual maintenance, has now become a part of the regular municipal budget. Formerly private donations supplied the land or money, or both, for these purposes. Today the right of eminent domain makes much of the space available for park use, and the maintenance needs are provided by bond issues or other forms of the direct tax. Fees are commonly charged for special park services such as golf, swimming, skating, boating, and fishing; also, income is often received from leased concessions for the purpose of selling food or the rendering of special services. But in the end, city governments must assume full financial responsibility, since few parks are operated without some use of public funds.

Public welfare is of both national and local concern. Thus, many factors have combined to bring about federal interest and participation in public recreation. Some of the more important of these factors are:

1. The disappearance of free public land.

2. The increase of mechanical industry in agriculture and factories and the replacement of many persons by mechanical inventions.

3. The influx of women workers into industry during and after the first World War.

4. The mounting costs of city government and the difficulty experienced by city governments in taxing intangible wealth.

5. The increases of city population on account of natural population increases plus receipts of rural migrants, with the resultant share of unemployed and unoccupied people.

6. The inability of a given city to foresee its potential responsibilities in terms of population shifts, unemployment, and recreation as related to other cities.

These and other factors, culminating during the recent depression, caused not only such alarming economic maladjustments as the loss of homes, property, savings, employment, and the like, but also the raising of an equally serious problem, namely, the problem of leisure time.[12]

Federal administration leaders saw the possible danger of much unaccustomed free time without adequate provision for its use. Local public revenue was being exhausted for relief and local costs, leaving no room for its application to the problem. Furthermore, no unity of action among the states and localities seemed possible. Therefore, the Federal Government began a series of efforts to combat the evils of spare hours and to furnish guidance whereby these could be made a social strength. Federal funds now make possible the construction and improvement of recreational facilities with grants as high as 45 per cent of the total costs; they also make possible the stimulation and aid for initiating recreational projects and the training of personnel as well as the supervision of related projects. The National Youth Administration is providing part-time employment for young persons, thereby lessening the delinquent problem in cities. Also, the Civilian Conservation Corps has placed hundreds of city boys into organized camps

[12] Muntz, *op. cit.*, p. 708.

where park construction and similar tasks provide recreational facilities while the boys receive valuable vocational training.

Federal participation in public recreation, therefore, has cut across the bounds of local city isolation by means of aid and stimulation, and has created a stronger public expectation of public assistance in this field. Probably our cities were ready for this movement and needed only its unification to improve local effort. At any rate, federal participation in this instance does not signify control; rather it has stimulated and helped cities to function better in recreational matters. The general feeling is that cities, on the whole, have gained in autonomy and potential ability to render better and more adequate services.

## Education

A lack of uniformity characterizes school and city relationships among the several states as well as among the various cities of individual states. This relationship varies from complete city control over school-board personnel, finance, and school plants in some cases, to total separation in others. For the most part, current opinion seems to favor the view that uniformity in these relationships is neither feasible nor desirable.[13] Laws and regulations under which one city may operate successfully, often prove entirely unsatisfactory when practiced by another. Local traditions and conditions are factors which may not be successfully ignored.

The total picture, however, offers much encouragement to the growing co-operation between city and school administration. For instance, a high degree of concerted action exists between the two with reference to health and recreation programs, thereby reducing cost and duplication of activities. Further examples are noted in the recent establishment of voca-

[13] Wm. C. Reavis and Lewis H. Mahoney, "Relationships Between Public School Systems and Other Government Agencies," *Review of Educational Research* (Washington, D. C., October, 1940), pp. 305–307.

tional training schools, nursery schools, adult education, safety education, municipal university and junior-college organizations, and co-operative planning boards which serve to further unify the many dual phases of city-school administration.

The consolidation and elimination of one-teacher schools reduced their total number by one third between the years 1918 and 1936.[14] Many of these pupils have been absorbed into the city or town district schools without unusual increases in per capita expenditures. Future consolidations point toward larger organization areas for the noncity schools under county administration and less incorporation of outlying districts under city-school control.

The unit of local school administration in this country is the school district; however, in some urban areas, this district may be coterminous with the boundaries of the city or town. The policy-forming body of the district is the school board or the board of education.[15] This body varies in size from city to city, its members being elected or appointed, although the former method is more common. When appointed, the mayor generally serves as the appointing agency. If elected, they are most frequently selected by election at large; however, a few cities choose them by wards. The school board selects a superintendent responsible to it.

The position of the superintendent is the pivot around which the entire school administration revolves, the ability and character of this executive permeating the whole organization. Such an administrative organization is upheld as a model of efficiency. Of late, however, a new factor has arisen in school administration—namely, the demand on the part of teachers to participate in the initial discussion of school policies. It is

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[14] David T. Blose, "Advance Statistics of State School Systems," *U. S. Office of Education Reports* (Washington, D. C., 1937–38).

[15] O. H. Bimson, *Participation of Personnel in School Administration* (Lincoln, Nebraska, 1939).

said that this will bring about a closer contact between the teaching personnel and the administration.

Secondary school administrations are definitely concerned with two present-day movements. One is a comprehensive self-evaluation of their philosophy and procedures. The other is the extension of general high-school education into the first two years of what is now the college level. Many cities have already met the latter problem by organizing junior colleges which may be supported jointly by the city and the local school district, or as a city undertaking, or by the creation of a special district of its own. The enrichment and enlargement of high-school course offering is another method of extension. Various surveys by educators would seem to indicate a need for reorganization of secondary education in order that general culture for more people might be provided regardless of college entrance requirements.[16] Whether or not this is done will depend somewhat upon the response given and the co-operation offered school officials by city administrations.

Some cities have entered into the higher educational field by the creation of municipally supported universities. This is true of Akron, Cincinnati, Houston, Kansas City, and Louisville. One of the prime purposes in this movement is that of giving professional training to a local population group; whereas the junior-college movement has tended to lengthen the period of nonprofessional training.

The Federal Government, too, has demonstrated and is demonstrating an interest in education. From this source stimulation and aid have come for the teaching of agriculture, home economics, shop, and commercial subjects. The Work Projects Administration has sponsored libraries, nursery schools, and adult education, while the National Youth Administration has rendered valuable assistance to both secondary and college

[16] Cooperative Study of Secondary School Standards, "Evaluation of Secondary Schools," *General Report* (Washington, D. C., 1939).

students. From the Civilian Conservation Corps much instructional service is now being received. Actual financial participation in many of these activities, followed by supervision, has come from various city governments as local sponsors or as cosponsors with the public schools. Thus the Federal Government, co-operating and working with our cities and schools, has become an active force in public education.[17] Undoubtedly this process will continue; its effects promise to develop closer harmony among all three agencies through mutual planning of joint enterprises.

The relationships existing between the public school and the city government depend to a large degree upon the law, upon local tradition, and upon conditions. Present practices and trends lead one to believe that divergencies between the two may continue; but there are obvious and wholesome inclinations toward increased unification of purposes and procedures which may eliminate much duplication and waste in the future. Examples are afforded by health and recreation programs, public libraries and recreation, cosponsorship of nursery education, and other such services.

A closer co-operation between city and school has not only proved successful in reducing cost, but has also increased efficiency in service. It may be that the city and the school will continue to be separate units of local government for some time to come, but the fact remains that each may best meet its local problems by co-operation with the other.

[17] "Organization and Administration of Education," *Review of Educational Research* (Washington, D. C., October, 1940), pp. 305–308.

# XVIII

# PHYSICAL SERVICES

ONE OF the functions of any city administration is the orderly development of the external and physical aspects of the city. Thus, we have grouped planning, zoning, housing, streets, walks, and bridges under the heading "Physical Services" and have treated them together. First, let us turn to a consideration of city planning.

## PLANNING

City planning may be defined as the guidance and control of the physical development of public and private lands and their appurtenances in the interest of the community at large. In effect, it is the adoption of a guide for a community's future development. Many elements must be given consideration in order that proper planning may result. Among these are: aesthetic possibilities, health, morals, safety, public welfare, and the cultural development of the city and its inhabitants. A correctly planned city is a means of giving recognition to these principles. As Dr. Charles E. Merriam so ably put it, the emphasis in city planning has gradually shifted from the "city beautiful" to the "city practical."

The purpose of city planning is to promote public order, safety, health, and welfare in their broadest sense, including convenience, comfort, attractiveness, economy, and efficiency in operation.[1] Legally speaking, planning, as zoning, rests upon

[1] Eugene McQuillin, *The Law of Municipal Corporations* (2nd edition, Chicago, 1928), sec. 118.

the police power of the state. Today emphasis is being placed upon planning so as to improve and facilitate the movement of persons and objects about the city. Planning has almost become a catchword for the modern city.[2] Its scope is practically as broad as the field of municipal activities. To express it more concretely, planning is concerned not only with parks and landscapes, but also with the location of public buildings, the outlay of streets, and the regulation of private property for the general welfare. Planning includes among other things a consideration of traffic and transportation facilities, playgrounds, water supply, and sanitation. It indicates the sections in which the population is increasing or decreasing; and it co-operates, or should co-operate, with the major departments of city government without in any way usurping their functions. Every branch and phase of municipal activity needs intelligent guidance. Careful planning reduces the element of uncertainty in government as in everything else. It eliminates the necessity of "day to day" living. In brief, therefore, the functions of the planning agency may properly be regarded as twofold: advisory and co-ordinating.[3]

City planning is not confined to the city itself, but is concerned with the surrounding territory as well. Hence there is a necessity of correlating the city plan with county, regional, and state plans, where these exist, as well as with those of neighboring cities.

One of the first steps, therefore, in proper city planning is the preparation of an outline or plan of the entire city and the surrounding area. This general plan should be later followed only as necessity dictates. Details, extensions, and modifications are sure to occur in any master plan. Such a plan will prove beneficial, however, and should be based upon very care-

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[2] Idem.

[3] One of the best treatments on the planning function in print is the recent book by Robert A. Walker, *The Planning Function in Urban Government* (Chicago, 1941).

ful economic and physical surveys. The economic survey includes an examination of the city's commerce and industries, the value of its manufactures, the volume of its trade, its freight traffic, schools, population, utilization of land, and the like. These facts will give some indication of the city's resources, its possibilities and limitations. A physical survey will reveal the city's physiographic features—elevation, land and water areas, topography, and character of the soil.

The American City Planning Institute recommends that city-planning agencies make use of the materials prepared by the various services of the Federal Government, which are concerned with the problem of planning. The National Resources Committee has prepared forms which apply to municipal planning, while the Department of Commerce and the Federal Housing Administration have prepared schedules dealing with real-estate inventory.

There is need for a permanent local body to supervise the city plan and to modify it from time to time in the light of changing conditions. Today these planning commissions are to be found in most of our cities of 30,000 or more population, and as one might expect, there is no uniformity to be found among them. They vary in size from 3 members to 328.[4] The average commission consists of 5 or 7 members. Planning commissions are usually composed of private citizens, appointed by the mayor, or the city manager, or the council. In a few instances they may be elected by the people. In some cities the mayor, city engineer, and director of parks and playgrounds serve as ex officio members of the body, and in some instances the entire membership may be ex officio. For the most part persons serving on city-planning boards do so without pay. Their terms of office vary from one to seven years, five being most common. Frequently these terms overlap, so that only

[4] Chicago has a planning commission of 328 members.

one vacancy occurs at a time. A professional city planner is customarily employed to serve the commission either as an executive or a part-time consultant.

The powers of planning commissions vary greatly from jurisdiction to jurisdiction. Sometimes they act in a purely advisory capacity, and their recommendations may be easily disregarded; on the other hand, they may exercise virtually complete authority over all public improvements, subject only to the veto of the governing body. More commonly, however, it will be found that the planning agency holds a position somewhere between these two extremes. All suggestions and recommendations relative to the city plan should be referred to this body before final action is taken.

In order to carry out any plan, the city must acquire land. There are a number of ways by which this may be done. One is by dedication—the giving of land to the city for a specific purpose. A real-estate company, for example, might dedicate certain portions of its tract for the use of streets or parks. Occasionally a wealthy citizen donates a few acres for city use, but sometimes the city must go into the open market and purchase land in competition with other bidders. This is likely to prove expensive. Land also may be acquired by the city under its power of eminent domain. In this case, the purpose for which the land is to be used must be public and a fair compensation must be paid.

It is no easy task for the cities of today to plan for their needs of tomorrow. The technique of forecasting these needs is far from perfect, and furthermore, municipal officials are often not greatly interested in future needs. Planning frequently does not produce immediate results; city councilmen and mayors, therefore, hesitate to spend time and money upon activities which are not likely to produce rewards until after next election day. Since city planning and zoning go hand in hand, we shall next consider zoning.

## Zoning

By the term "zoning" is meant the division of a city into districts or zones for the purpose of applying different regulations to the property within each district. As a matter of fact, zoning is really the first step in city planning. It removes some of the unknown features regarding modern municipalities and replaces them in districts in which the majority of future uses are known, in which the heights of future buildings are well known, and in which the density of population is not only known but also limited. With this information, city officials may plan the municipality as a stable entity and not as a haphazard guess. When a city is properly zoned, the necessary services may be more easily supplied, and they may be expected to last a longer period of time than would otherwise be the case, thus saving expense to the taxpayer. In addition, zoning aids in stabilizing values, prevents the formation of slums and low value areas, and reduces the migration to areas outside the city limits. In short, zoning has to do with regulating the bulk, height, location, and use of buildings; the use of land, and the density of population. It may be justified as an exercise of the police power in the interests of public welfare, health, safety, and morals.

A city has no inherent power to enact zoning rules and regulations. Consequently, before a city may proceed with a comprehensive zoning plan, the necessary power must be provided in its charter, in the state constitution, or in the statutes.[5] By comprehensive zoning is meant the division of the city in such a way that the use of every piece of land will be restricted to its appropriate purpose so that it may be developed in accordance with the best interests of the public. Such zoning comprehends prohibitions against certain uses in named districts, and

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[5] 3 McQuillin, *op. cit.*, sec. 1028.

restrictions as to the area of lots to be built upon, size and height of structures, yard spaces, and the like. The Supreme Court of the United States in the case of *Village of Euclid v. Ambler Realty Company*[6] upheld a comprehensive zoning ordinance.

Neither statutory provisions nor ordinances enacted thereunder are invalid because of the fact that they limit the use of and depreciate property values. Ordinances enacted under statutes may make provisions governing nonconforming uses, and the toleration of existing uses is not a discrimination against persons owning property in the existing district.[7] In such cases a property owner may show a zoning ordinance to be unreasonable, arbitrary, or discriminatory, as applied to him, but the courts will presume that the city council or commission acted within its authority in enacting such an ordinance. The burden is upon the one challenging the ordinance to show that it is unreasonable and is without relation to the police power.[8]

Since all property is held subject to the police power, an owner's right to build is subject to the power of a city to enact a valid zoning ordinance in the future. Thus, the owner and his property are governed by such an ordinance prohibiting the issuance of a permit for a building proposed before he has asserted his right by beginning construction. Such an ordinance will apply so as to prevent the granting of a permit to one who has sought to compel its issuance prior to enactment of the ordinance. A provision exempting from the ordinance all buildings under construction, or for which a permit has been issued at the time of its adoption, applies only to those who had legally begun work or had planned and secured a permit for the construction of a building prior to the taking effect of the ordinance.[9]

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[6] 272 U. S. 365 (1926).

[7] 30 *Tex. Jur.*, Municipal Corporations, sec. 79.

[8] Idem.

[9] Scott v. Champion Bldg. Co., 28 S.W. (2d) 178, (1930); 30 *Tex. Jur.*, Municipal Corporations, sec. 79.

The necessity for reasonable regulation as to the use of lands and buildings in congested districts is plain enough. Absence of regulation has often adversely affected property values and frequently interfered with public health, safety, and welfare. The essence of zoning is a classification of uses of land for building purposes and the use of buildings thereon. Zoning legislation merely expresses the desires and aspirations of the people who give it form and vitality.

It should be remembered that the mere word "comprehensive" is not enough to justify any type of zoning regulation, unless it is based upon a sound foundation of concrete relation to the proper exercise of the police power for the protection of the public.[10] Although the courts have repeatedly held that police power cannot be exercised for aesthetic purposes, it seems that this viewpoint is gradually shifting. More and more emphasis is being laid on beauty as an element to be considered.[11]

Some zoning ordinances make classifications which are rather elaborate. For instance, some have designated at least six zones, namely: (1) single family dwellings, (2) two-family dwellings, (3) multi-family dwellings, (4) commercial areas, (5) light industry, and (6) heavy industry. The rules regulating maximum height, bulk, type of construction and setback from the street are usually found in these various zones. It is obvious that such an arrangement greatly simplifies the problems of police and fire protection as well as street construction and street lighting.

Good zoning practice recognizes that there should be some way of granting exceptions where rigid adherence to the law would result in unnecessary hardship to the property owner. Most cities provide for these situations by setting up a board of adjustments with power to grant special permits or to transfer

[10] Note (1928–29) 7 *Tex. L. Rev.* 157.

[11] Henry P. Chandler, "The Attitude of the Law Toward Beauty," 8 A.B.A.J. 470.

a piece of land or building from one classification to another. In some instances the city council may retain this function. This is a different procedure from "spot zoning." Here the city council is asked to amend the zoning ordinance by making exceptions in favor of certain property, thus removing it from one classification in which it was originally placed and putting it in another. "Spot zoning" is unfair not only because it grants special exemptions to certain individuals, but also because it destroys the whole zoning scheme.

Once a city adopts a zoning ordinance, it is inevitably faced with the problem of the nonconforming building. A nonconforming structure is one which existed at the time the community was zoned. With few exceptions such buildings have been permitted to remain, provided that their character and use is not changed—an enlargement made, for example, or the old structure replaced by a new one with added purposes. As a general rule therefore, nonconforming buildings remain and are treated as exceptions. They are permitted to remain until their existence is wiped out by an act of God, the condemnation of the building inspector, or the march of time.[12]

Zoning procedure will vary somewhat, depending upon the particular locality. Certain preliminary steps, however, should be taken in the preparation of a zoning ordinance. State statutes on the subject should be consulted and information obtained from the city-planning board, building inspector, and similar agencies. A zoning commission should be appointed, if one is not already in existence, or if the planning commission does not serve in this capacity. Hearings should be held, maps prepared, and reports made. The final report should be made after a public hearing, so that necessary changes may be made before the final passage of the zoning ordinance. The ordi-

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[12] Austin F. Macdonald, *American City Government and Administration* (New York, 1941), p. 431.

nance should be prepared and drafted by an expert, or at least with the assistance of one.

The city council may provide for a board of adjustment and give it power to make minor alterations regarding the zoning ordinance. This body is quasi-judicial in nature with power to hold hearings and render decisions. Appeals from its rulings may be taken to a court of law.

When an individual applies for a building permit, the building inspector first checks the application against the zoning ordinance. After this is done, the application is again reviewed to make sure that it contains no provisions contrary to the building code. If the permit is refused by the building inspector, the applicant may appeal his case to the board of adjustment if he desires an exception, or to the city council if he wishes a change in the zoning ordinance or map.[13] The city council possesses the power to change the zoning regulations; however, it should be remembered that if the zoning ordinance is properly drawn, these changes made as the result of petitions to the council will be relatively few in number. If this fact is not kept in mind, the property owners will suffer and the end which zoning seeks to attain will be lost.

When several cities are located near one another, it becomes desirable to have zones planned on a regional basis; in other words, the zones should be mapped out with the whole area in mind and not for each municipality individually.[14] In this way each community may develop its own distinctiveness, and at the same time competition among the various cities may, to a degree, be prevented. Cities, like individuals, seek to further their own ends; thus each attempts to attract business, industry, or renters by lowering zoning restrictions.

All levels of government have become interested in planning

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[13] W. A. Massie, "Zoning Procedure Under the Texas Laws" (Supplement, Dec., 1937), 2 Texas Planning Bulletin 15.

[14] William B. Munro, *Municipal Administration* (New York, 1935), p. 246.

and zoning. Wisconsin, for instance, has encouraged her counties to zone for forestry, recreational, and agricultural uses. A number of states have established state-planning agencies which assist and co-operate with similar local and county agencies. The Federal Government also renders help to numerous state and local planning bodies. The Bureau of Standards has developed recommendations for local regulation of zoning and planning and has published model zoning ordinances and other aids. The Soil Conservation Service of the Department of Agriculture and the Federal Housing Administration both offer planning assistance. An advisory service has been set up in the Land Planning Section of the Federal Housing Administration, which offers assistance in planning and zoning, including ordinance preparation and studies of difficulties experienced by cities which pioneered in this work.

## Housing

So much is heard of housing today that a work of this nature would be incomplete without at least a brief reference to the problems related thereto. The greatest of these is the problem of making it possible for the mass of people who wish to live in decent surroundings and rear their families under proper conditions to do so. There is also, to a very large extent, the problem of preventing other people who either do not care for decent conditions or are unable to provide them, from maintaining conditions which are a menace to their neighbors, to the community, and to civilization. In brief, the problem is that of providing facilities for the highest possible housing standards within the reach of the largest portion of the people.

Housing is perhaps as old as any of our social problems, but not until recent years has it attracted much attention. Factors such as growth in urbanization and increased tenancy during the past few decades have increased the cost of private dwellings, with the result that many families have been left without

proper housing facilities. It has been estimated that about one third of the population is housed under subnormal conditions, while about one tenth is living under such conditions as menace health, morals, and family life.[15]

Almost everyone has seen or read of the horrible housing conditions which exist within most of our American cities and of the "shanty towns" which have sprung up just outside their boundaries. These houses are unsanitary, unsafe, and far below the common, accepted standards of decency. They are overcrowded and for the most part lacking in even the most elementary plumbing facilities. Fresh air, sunshine, and adequate heating are frequently absent, and inadequate roofs and ceilings all too often do not offer adequate protection from the weather.

Housing, since it is so closely related to the public welfare, is a matter of public concern. Poor housing is known to have a direct bearing on delinquency, dependency, and health, with a consequent effect upon the cost of maintaining city government. For instance, it may well cost a city more to administer a slum area than that area, improved, would produce for the city in taxes.

Many communities have attempted to better their housing conditions by making and enforcing regulations concerning the construction and use of buildings. These regulations may be formulated by state legislative bodies, city councils, or sometimes by local administrative agencies. Their administration ordinarily falls to the division of inspection in the department of public works—in case there is such a departmental division—or to the various inspectional agencies in other departments such as fire, health, or welfare. The adoption of sound building codes also affects not only the quality but the cost of construction, and their importance should be emphasized. In case

[15] E. E. Muntz, *Urban Sociology* (New York, 1938), p. 106.

no local action is taken in this direction, there is much to be said for the state's establishing minimum building standards and requiring that they be observed by all municipalities.

Proper planning and zoning make for better housing. Many blighted areas within old residential districts are the results of failure on the part of many city-planning or zoning boards. The blight problem is surely one which should receive the consideration of the entire city administration. Much foresight and planning, not only by the local authorities but also by both state and federal agencies, will be required to solve this problem. The latter agencies may assist in furnishing financial support and providing advice and co-operation.

Congress since 1932 has taken a special interest in public housing. In that year the Emergency Relief and Reconstruction Act was passed allowing the Reconstruction Finance Corporation to lend money to limited-dividend housing corporations created to provide housing for families with small incomes, or for the reconstruction of slum districts. Each project was to be self-supporting. The National Industrial Recovery Act of 1933 had a provision for low-cost housing and the clearance of slums, authorizing grants of 30 per cent of the cost of labor and materials. The Public Works Administration was given the power to purchase or obtain through eminent domain any property necessary for such development. Limited-dividend companies in states having housing boards were encouraged, although loans to them ceased in 1934, available funds at that time being used to finance direct relief. The Emergency Relief Appropriation Act of 1935 again made available money for housing, but because of various difficulties all funds were withdrawn except for projects that could be completed in 1936. The Works Progress Administration then began federal housing, with federal ownership and management.

During the period from 1932 to 1937 various federal agencies

in addition to the Works Progress Administration were interested in housing. These were the Public Works Administration, the Resettlement Administration—now known as the Farm Security Administration—the Reconstruction Finance Corporation, the Tennessee Valley Authority, the Federal Housing Administration, and the Home Owners' Loan Corporation. The last-named body was designed to check evictions and to help individual families who could afford decent homes in normal times to hold on to their homes in times of panic and depression.[16] It has also encouraged home ownership on the part of the average citizen.

The United States Housing Authority was established by the United States Housing Act of 1937, and is authorized to lend money to public housing agencies. The loans must not exceed 90 per cent of the total cost and bear interest at not less than the prevailing rate on currently issued federal obligations plus one half of 1 per cent, and must mature within sixty years. Capital grants can be made to public housing authorities up to 25 per cent of the development or acquisition cost. The President may grant an additional 15 per cent from relief funds. The Authority may make annual contributions if the state or municipal housing authority provides at least 20 per cent of the total annual contributions. This is done when necessary to help the housing agencies to achieve and maintain the low-rent character of their housing projects.

These capital grants and annual contributions are available when the housing project includes the demolition, condemnation, closing, and compulsory repair or improvement of unsafe or unsanitary dwellings in the locality or metropolitan area, and when these are substantially equal in number to the number of newly constructed dwellings provided by the project.

The President is allowed to transfer to the Housing Authority

[16] "What the Housing Act Can Do for Your City," United States Housing Authority (Washington, D. C., 1938), p. 15.

any right or title to housing or slum clearance projects held by any department of the Federal Government. The Housing Authority thereupon is compelled to sell or lease all such property to public housing authorities as soon as such a procedure is practicable.[17]

As a matter of fact, the local housing authority is not the city but a quasi-public corporation known as the "housing authority," which with the "federal authority" plans the project, accepts the loan, constructs the undertaking, and operates the project. These local authorities are set up in accordance with state laws passed to enable municipalities to take advantage of federal offerings. They usually consist of unpaid members appointed by the city council. This board of unpaid members appoints a manager to supervise and administer the local project. His appointment should be based on professional competence and not political affiliation. The separate corporate status of the authority relieves the municipality of responsibility for its debts and removes it from legal restrictions regarding such matters as budgetary procedure and debt limitations.

In order to participate in the program, each locality must meet the basic requirements of the United States Housing Act. To do this the community is required to: (1) Establish a local housing authority under a state enabling act. Most of the states have done this.[18] (2) Prove that there are low income families in the locality who cannot afford decent houses built by private enterprise and whose needs will be met by the proposed project. (3) Raise 10 per cent of the development cost of the project to supplement the 90 per cent lent by the United States Housing Authority. Private capital has shown a great deal of interest in this type of investment. (4) Make local

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[17] Stuart A. MacCorkle, *Police and Allied Powers of Municipalities in Texas* (Austin, 1938), pp. 126–7.

[18] Of the 48 states, 37 have public housing enabling legislation. *Municipal Year Book, 1941* (International City Managers' Association, Chicago).

annual contributions to the project to help reduce rents. According to the Act, the local annual contributions must equal at least one fifth of those made by the United States Housing Authority, and the two together must be sufficient to insure that the project will have very low rents. In order that this requirement may be met, practically every state has authorized the tax exemption of local housing authorities. Sometimes the project pays to the city, in lieu of taxes, small annual service charges or payments. (5) Retire from use a number of slum dwellings equal in number to the new dwellings to be built. This may be accomplished by demolition, condemnation, or compulsory repair, and may be deferred in case there is a housing shortage. (6) Cost must be kept down. No project is to cost more than $4,000 per family dwelling unit or more than $1,000 per room (excluding land, demolition, and non-dwelling facilities). Should the population of the city exceed 500,000, these limitations are raised to $5,000 and $1,250 respectively. (7) Prevailing wages must be paid on all projects receiving assistance from the United States Housing Authority.[19]

Even after it is decided where the local housing unit will be located and the necessary land has been procured for its construction, many problems are sure to arise regarding operation and maintenance. Families must be found who are not only willing to live in the new quarters, but who are qualified to do so. More than likely new schools will have to be erected in the vicinity; recreation provided; transportation facilities made available; various services such as water, light, and heat, furnished; and fire and police protection given. In fact, the projects are large enough in some cases to raise the problem of a community within a community.

Regarded from another point of view, the projects do little or nothing to relieve the quantitative housing shortage. They

[19] "What the Housing Act Can Do for Your City," pp. 17–18.

may even make it more acute, for during the time between demolition of the old and the construction of the new units, tenants frequently are without a place to live.

Some organized opposition to public housing has developed; this was especially noticeable during 1940. On the whole, this opposition stemmed largely from real-estate groups or home finance agencies. However, there is at present no effective nationwide organization engaged in attempting to limit or block the public housing program.

The present United States Housing Authority program is not to be regarded as the solution of the housing problem. At best, the surface only has been scratched. The program represents, however, an attempt to show what can be done, and it is making some progress. By the end of 1940, for example, 344 public housing projects aided by the United States Housing Authority were under construction or were completed, and 39,500 dwelling units in those projects were occupied. Of the $800,000,000 authorized by Congress for loan by the Authority, $691,627,200 was under loan contract.[20]

During the latter part of 1940 and the year 1941, both public and official interest was centered on the housing problems of the national defense program. Congress has appropriated $220,000,000 for this type of housing, and the Housing Act of 1937 has been amended to allow the expenditure of some of the funds of the United States Housing Authority for defense housing purposes.[21]

## Streets

Streets constitute a very important factor in the modern city. On the one hand they furnish a means of demarcation by which the municipality may be sectionalized and subdivided; on the other, they serve as traffic arteries uniting the city and making

[20] *The Municipal Year Book, 1941*, p. 324.
[21] *Ibid.*, p. 325.

for ease of accessibility, thus tying together the city and its parts into a compact whole.

The streets of any city perform many services. They carry both foot and vehicular traffic. Trees, lampposts, signs, hydrants, patrol boxes, telephone and electric poles, and various other public installations are located along their course. Only infrequently does the average citizen realize that beneath his city's streets there are water mains, subways, sewers, gas pipes, wire conduits, and the like. Light and air often reach shops and dwellings mainly through street channels; and in some cases those same street channels furnish the only playgrounds that some children know.

For purposes of classification, city streets may be grouped in numerous ways. One classification is: primary, secondary, and local. Primary streets are those included in the state-wide highway system; these are arterial streets, or extensions of the state highways; they carry traffic, for the most part, to and from points outside the city limits.[22] Secondary streets may assume various forms. Some connect the business district of the city with the secondary outside roads; others connect traffic centers within a city. In this class are the streets connecting two or more main highways. Mere relief routes which parallel primary streets that are not able to carry their natural load, are also included in this category. A local street is one the chief purpose of which is to serve adjoining property, such as alleys, lanes, courts, and passageways.

No right-thinking city government attempts to solve the various financial and physical problems with reference to city streets without first providing for some administrative agency to handle these problems. The form and nature of this agency will vary from city to city depending upon the circumstances.

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[22] Walter N. Frickstad, "An Appraisal of Attitudes Toward the Street and Highway Problem," *Public Works Engineers' Yearbook, 1941* (American Public Works Association, Chicago, 1941), p. 91.

Customarily, our larger cities place the division or the bureau of streets within the department of public works, where are likewise located the divisions of sanitation, lighting, and water, supply. Small communities usually have a much less formal organization; here, street engineering is frequently placed under the direct supervision of the city engineer, who is directly responsible to the city's chief executive. In some cases the city manager himself may be placed directly in charge of streets.

The person responsible for city streets is often an engineer appointed by the mayor or city manager. At times, when politicians find their way into this position, expensive results fall upon the taxpayers in the form of waste and incompetence. Both technical aspects and public policy must be taken into account when the administration of streets is considered. A trained engineer will for the most part be better qualified for the position than would a layman. Spoilsmen look with greedy eyes at the street department, since it is a large purchaser of lands, materials, and equipment as well as a large employer of labor. Experience has shown that a dependable way to protect the best interests of the city against the avaricious political bosses is to place in charge of streets a well-qualified person, with a fixed term, who may be removed only for proper cause.

Recent events might lead one to believe that there has been an increase in expenditures for street maintenance during the past decade. The contrary appears to be the case. From 1930 to 1937 the cost of operating and maintaining the streets of the 94 American cities of over 100,000 population decreased 23.7 per cent; this, of course, was exclusive of street construction costs, which represent the largest single item in municipal capital outlay.[23] The latest available statistics reveal that in 1937 these cities spent $106,242,000, or $2.82 per capita, on street

[23] *Financial Statistics of Cities Over 100,000 Population, 1937* (U. S. Department of Commerce, Bureau of the Census, Washington, D. C., 1940), pp. 118 and 189.

maintenance costs, which amounted to 5.2 per cent of the total yearly expenditures for operating and maintaining general municipal governments. That city street expenses have decreased is surprising, to say the least. The fact may indicate either a diminishing interest in street maintenance, or perhaps, owing to better construction methods and materials, less need for upkeep and repair.

Ordinarily, a city's streets occupy from 25 to 35 per cent of its entire area. Older cities, especially in the business districts, tend toward the lower percentage; while the policy of modern city planning causes newer cities, or new subdivisions in older cities, to approach the higher brackets. The practice followed heretofore apparently had been to save the land of the private property owners, and to give little consideration to the needs of the community as a whole.

But in planning streets, utility is not the only consideration. Attractiveness and appearance should not be lost sight of. Trees add greatly to attractiveness, but only when wisely selected and properly placed. Their selection and arrangement should be determined by the width and character of the street, the climate, and the ease with which they may be cared for. There are still other factors which make for attractive streets—the correct proportioning of area between roadway and sidewalks, tree spacing, adhering to a proper setback policy, using simple, well-designed lighting standards, and avoiding as much as possible unsightly poles and overhanging wires.

Street planning requires a consideration of many factors. A street may be either too narrow or too wide, but more than likely the former condition will exist. Some years ago the practice was to make every street the same width, with little concern being given to the fact that each street has its own peculiar problems. Certain streets are maintained as thoroughfares, and traffic is heavy; while others are used to a much less degree. Some serve crowded business districts; others, the resi-

dential sections of the city. In the last decade, however, city planning has been responsible for an increasingly intelligent consideration of street widths, which are now fixed upon the basis of the amount and nature of probable future traffic and the neighborhood to be served.

Frequently in business districts streets are too narrow to support present-day traffic requirements. To widen them to any appreciable extent would necessitate prohibitive costs. Blame for such situations may be laid to short-sighted individuals, or to the development companies which first laid out our cities, or to the builders who subsequently constructed buildings whose heights were out of keeping with the streets upon which they were located. City planning and zoning offer relief from this condition.

Among other problems to be considered in connection with city streets are the problems presented by curbs, gutters, and paving. As yet the ideal pavement has not been found; the materials in use at present fall short of having all the desired qualities, which should include durability, ease of tearing up and relaying, safety, ease of cleaning, economical original and final cost, quietness, color, and wearing capacity. Deciding upon the type of pavement is only one street construction problem. There is always the matter of determining whether to employ a private paving contractor—which would necessitate inspection to insure proper compliance with the agreement—or to use the city's own men and materials. Each municipality must decide this for itself.

Street administration responsibilities do not end with the completion of a construction job. The street must be maintained—that is, kept in repair, cleaned, and lighted. One of the chief repair worries arises over the need for utility companies to cut into pavements to install and repair their mains; to the present no workable solution has been devised to aid in this situation. Street cleaning and lighting both present the

question of private versus municipal operation. These, too, are problems for which each city must find its own solution. Street lighting deserves particular attention because of its close relationship to the crime and accident rate; proper lighting insures against each of these public menaces. Also, the usefulness of a street may often be increased by installing easily recognized street name signs and house numbers.

Closely connected with streets are sidewalks, which serve the pedestrian traffic. Their design and construction are fairly well standardized. But one important problem involves the question: Who is to bear the cost of sidewalk construction? Some cities require that the owners of adjoining property bear this expense, allowing them to choose the materials and method of construction, subject to inspection by the city. Frequently the result is poor, and the sidewalks must soon be relaid. Perhaps the city would profit in the end if walks—like gutters, curbs, and streets—were placed entirely under city control with reference to both design and construction. First costs to the city would thereby be increased, but in the long run a saving would no doubt result as a whole.

A city's street problem is often affected by the topography and the climate of the locality. If the city is built around streams, ravines, or deep valleys, bridges become necessary, which entail careful planning and large outlays of funds. A bridge may easily be an eyesore to the community; thus its appearance should not be overlooked at the time of construction. Maintenance, too, creates additional costs and burdens to the city administration. Climate all too frequently contributes to a city's worries; and where there is much rainfall, storm sewers must be constructed to prevent the interruption of traffic during the hardest rains.

One other problem remains for consideration under our listing of major purpose functions—namely, public utilities. This subject will be treated in the following chapter.

# XIX

# PUBLIC UTILITIES

## The Nature and Prevalence of Public Utilities

Although the term "public utilities" is ambiguous, it may be characterized as including those enterprises, either publicly or privately owned, which render a necessary public service and at the same time are a natural monopoly by virtue of certain privileges granted by some governmental agency. Public utilities, in a narrow sense, include water, gas, electricity, communication, and transportation services. To these may be added the "near utilities" which include airports, abattoirs, sewers, markets, bridges and tunnels, and auditoriums.

The services rendered by the various public utilities have many characteristics in common; these services are of such primary importance that regulation is imposed by the local, state, or Federal Government to protect both the rights of the consumers and the interests of the utility owners. Privileges granted by the government include the use of public property for pipe lines, tracks, cables, wires, and the like; the right of eminent domain which allows the utility to obtain at a fair price property required in its development; and natural monopoly rights which grow out of the franchise granted to private entrepreneurs for the purpose of protecting their investment. Customer protection is required since the public is not at liberty to purchase from another utility if the supplying company sets rates which are too high. Individuals may drill private wells if water rates are high, or even purchase electricity from a second company; but to have two telephone companies

only complicates matters and reduces operating efficiency. Two electric systems may give their customers good service, but the added investment in dual distribution facilities causes a waste for which the consumer pays through higher rates.[1] In time, and after unsuccessfully trying rate cutting, the two competitors may combine. The result then will be a monopoly to recoup previous losses through exorbitant rates. Competition does not solve the problem of protecting the buyer, hence the franchise to restrict wasteful competition. Along with the natural monopoly which the franchise creates, there must be regulation to afford protection to both parties.

Many businesses which supply human essentials are not classed as utilities, but the scope of our concept of what "public utilities" properly includes is constantly changing. An industry becomes a public utility when a public awareness of the nature of the business and the need for regulation is followed by legislation which declares it to be a public utility and which provides the necessary regulation. Thus, any business may become a public utility provided that there is the required public demand. In the past, milk and meat have been regulated as public utilities in some European countries; but, up until the present, they remain independent industries in this country.

Many cities have assumed service functions which deserve mention although they are not equal in importance to the more common utilities, gas, water, and lights. These services may be termed "near utilities" because they have some of the characteristics of a utility, and yet are not considered as utilities. Included in this group are transportation systems, abattoirs, airports, markets, auditoriums, wharves and docks, tunnels and bridges, ferries, and cemeteries.

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[1] Seattle, Washington, has two competing electric service systems. The waste caused by this duplicate equipment, according to the Seattle Department of Lighting, is $3,000,000 annually. Ernest R. Abrams, *Power in Transition* (New York, 1940), p. 6.

Municipalities own and operate utilities of all kinds. About 75 per cent of the 12,500 cities in this country own and operate their own water plant and distribution facilities, and these plants serve from 80 to 90 per cent of the population in these centers. Water is by far the most commonly city-owned of all the utilities. Its public ownership grew out of the inability of private companies to supply water at a reasonable rate and still make a profit. When water systems were not profitable at a rate believed to be fair to the consumer, then city operation was necessary, for the city could meet the operating deficit out of its general revenues.

Electric service was supplied to 18,778 cities and communities in 1937; the number of plants was about 6,000, of which one third were publicly owned. Of the population receiving electricity 11 per cent was served by these 2,000 municipal plants, while 4,000 privately owned plants served the remaining 89 per cent. Municipal plants are more numerous in cities and towns with less than 10,000 population. For instance, only 17 cities of over 50,000 have public plants, while 183 cities of corresponding size have private plants.[2] The lowest ratio of private to public electric plants exists for towns and villages of 2,500 to 10,000 population. In the United States only four towns of this size have private plants for every one which has a public plant.[3] City-owned plants produced 81 per cent of all power produced by publicly owned plants in 1920, but only 45 per cent in 1939.[4] The advent of federal power production has increased the amount of power produced by publicly owned plants. Some of the important federal power projects are Tennessee Valley Authority, Grand Coulee, Boulder Dam, Fort Peck, Central Valley, and Bonneville. Each of these projects is esti-

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[2] Federal Power Commission, *Rates, Taxes and Consumer Savings 1935–1937* (Washington, 1939), p. 17.

[3] *Ibid.*

[4] T. H. Reed, *Municipal Management* (New York, 1941), p. 596.

mated to cost more than $100,000,000, and their total ultimate cost will be at least $1,500,000,000. Production of large amounts of power at these newly-built dams will lead more cities to purchase or build their own distribution plants.

City-operated gas plants are very rare. About 50 out of the 900 gas plants are operated by cities, but they produce only 2 per cent of the gas used.

### Administration of Municipally Owned Utilities

Actual management and operation of city-owned utilities requires the services of a trained utility expert. This is a position which should not be passed out on the basis of political patronage. In some cities all utilities may be placed in one department, in which case the department is headed by a single individual, usually spoken of as director of utilities; or a board may be placed in charge of the department. The various divisions are then usually placed under the direction of a manager or superintendent. In other cities the utilities may be placed under separate supervision with a superintendent or manager in charge of each utility, and each manager responsible to the chief executive.[5] In small cities the city manager may assume the duties of managing the utilities. In larger cities, ordinarily, efficient management would dictate that all utilities be grouped within a single department and placed under the supervision of a single head rather than a board. A single commissioner is in a position to give more prompt action than is a board, and it should be recalled that the problems in utility operation are not so much policy formulation as prompt and unified action in day-to-day administration.

As has been stated, two or more of the city's utilities may be

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[5] See Frederick L. Bird's study, *The Management of Small Municipal Lighting Plants* (New York: Municipal Administration Service, 1932), for a good discussion of the management problem relative to municipally owned electric utilities in New York State.

grouped in a single department under one manager, or one or more of them may be placed in, say, the department of public works or some other department or service. Even so, a utility should be operated as a separate business; and this is possible only if its accounts and records are kept as if it were an independent private utility. The budget of financial operations for the utility need not be recorded in the city's budgetary accounts because the utility revenues and expenditures are not subject to legal restrictions similar to other appropriations. The operating results of the city's utility should be presented in a form comparable with the results of a privately owned utility. This does not prevent the use of the other city departments by the utility; for the city treasurer may collect the utility bills, the purchasing department may buy supplies and equipment for it, the personnel agency may aid in its personnel problems, the finance department may keep its accounting and statistical records, and the city legal staff may serve as its lawyers and legal advisors. Interrelations such as these are only normal, and they decrease the cost of the utility service to the public. But at the same time a record, as accurate as is possible considering the circumstances, should be kept of the services rendered by one department to another. If these services received are not recorded as costs of operation by the utility, although no cash is paid for them, then its costs of operation are not comparable to those of a privately owned utility; and any comparison between the two to determine which is cheaper becomes guesswork. "Free services" rendered by the utility to other departments should be recorded as a sale of service even though the receiving department does not pay for the service.

The city may build its own plant and distribution facilities or it may acquire them from an operating utility. In either case, there are two distinct ways open to the city to finance the utility. The first method is by the sale of bonds; these may be general obligations of the city repayable out of taxes, or revenue

bonds which are repayable from the utility income. Revenue bonds are not considered as part of the city's outstanding debt when comparing it with the debt limit. This is a convenient way for the undertaking to be financed when the amount of bonds which the city already has outstanding is close to its statutory debt limit. Revenue bonds should not have a life in excess of the revenue-producing facilities that they are used to purchase. Both types of bonds are being used today.

The second method of financing a utility is by special assessment. This method is not restricted to financing extensions of a system already in use, but it may be used to finance a completely new sewer, water, transportation system, or some other utility. Charges are levied against the property owners who will be benefited by the construction of the utility. Special assessments, however, many times do not provide an equitable method for financing the acquisition of an existing utility. The people who benefited when it was first installed may have sold to others who, if now assessed to finance the city's purchase, would be forced to pay twice for the benefits which they receive.[6] Special assessments are more common for financing prospective extensions to existing systems when customers are asked to build or to pay for the construction of their service extension, which they deed to the city. Usually assessed customers receive a rebate in rates for the first year or two to partly compensate them for their outlay.

Since 1933 the Federal Government has aided cities in building or acquiring power plants and in the building of transmission systems in the rural areas. The Public Works Administration has been authorized to make grants up to 45 per cent of the cost of the plant to aid in the construction or financing of certain public works. By June 1, 1939, the Public Works Administration had made loans, in addition to the grants, which increased

[6] D. F. Wilcox, *The Administration of Municipally Owned Utilities* (New York, 1931), pp. 25–27.

the aid given to nonfederal power projects to 68.3 per cent of their estimated cost. The loan limitation of 45 per cent of the cost of the project was circumvented by the use of grants. The Public Works Administration had allotted $191,680,986 to 477 nonfederal power projects by June 1, 1939.[7] Along with the loans and grants made, the Federal Government imposed regulations and restrictions with respect to construction, expenditures, and employment policies. In the long run it is understood that the federal loans will be repaid.

The Rural Electrification Administration was set up in 1935 to finance the construction of rural electric distribution systems in areas not already served. Loans were made to co-operatives, municipalities, other public bodies, and private enterprises. Most of the loans have been made to rural electric co-operatives to build distribution facilities, power being purchased from a nearby plant; or the Rural Electrification Administration may lend funds for construction of a power plant. No grants may be made by this Administration, however, and the loans are to be "self-liquidating" over a period of 25 years.

The Work Projects Administration has built more than 300 electric utility projects at a cost of some eleven million dollars.[8] It has also allocated money to other governmental bodies to aid them in their power projects; these amount to another eleven million dollars.

In addition to these appropriations and expenditures, the Public Works Administration, the Civil Works Administration, and the Federal Emergency Relief Administration have spent large sums of money in resetting distribution line poles when constructing streets and highways and in trimming trees for power lines, and have contributed valuable services and materials without cost to these undertakings. Much of this work and the material contributed to these power projects is never

[7] Abrams, *op. cit.*, p. 27.
[8] As of September, 1937. Abrams, *op. cit.*, p. 39.

recorded as a cost of the completed project; hence it is impossible to ascertain the total cost of these undertakings. It is not surprising that while municipal plants produced 85 per cent of the power publicly produced in 1920, they produced only 45 per cent in 1939. The trend during this period was from private to public electricity production, but there was a much stronger shift from municipal to nonmunicipal public power production during these years.

The city is faced with a different question in arriving at its utility rates than is the privately owned company. In the beginning the municipality must determine whether or not it is to operate its utility at a profit; if so, how much the profit shall be and how it shall be used. Private utilities must fix their rates to yield a profit, if they wish to continue operations; and that profit is paid out as dividends or retained within the business for expansion purposes. A recent survey of Texas cities which operated their own utilities revealed that 92 per cent of the electric plants and 83 per cent of the water plants were operated at a profit. The Federal Power Commission reported that privately owned electric companies paid 13.2 per cent [9] of their gross revenues as taxes and cash contributions for 1936, while publicly owned electric utilities paid 17.3 per cent of their gross revenues as taxes and cash contributions. The greater part of the payments, 85 per cent, made by the municipal utilities represented cash transfers arising from utility profits which were not retained by the utility. In addition to the cash paid to municipalities during 1936, the municipal electric utilities contributed free services amounting to 8.5 per cent of their gross revenue, while privately owned utilities contributed a negligible amount of free services. Neither the publicly nor privately owned utility distributed power at cost. The amounts contributed by the publicly owned utility, both cash and free services, may help to reduce taxes or even make a city "tax free."

[9] Federal Power Commission, *op. cit.*, p. 7.

## Reasons for Regulation of Privately Owned Utilities

Regulation of the privately owned utility has for its purpose the protection of both the consuming public and the utility owners. More specifically the local, state, or federal regulations are imposed upon the utility to assure a reasonable service at a fair rate. Every business is subject to some regulation; but when the law gives one the right of natural monopoly, every effort should be made in order that the public be protected against exorbitant rates and mythical financial manipulations. The service rendered by privately owned utilities is usually satisfactory, except for the extent of their services. They are operated for a profit, and they must necessarily be wary of extending services into sparsely populated districts which may not prove profitable ventures.

When private electric companies were first organized to supply power, it was considered permissible to charge a rate high enough to make operation profitable. At that time no question arose regarding the right to charge a high price which the low income group could not afford. Soon rate regulation became necessary, and Wisconsin and New York in 1907 passed public utility laws.[10] At that time only one family in every 38 in America used 25 kilowatt-hours per month at a cost of 10½ cents a kilowatt-hour. By 1939 rates were down to an all-time low of 4.05 cents a kilowatt-hour for household electricity, and household consumption had increased to an average of 75 kilowatt-hours per month.[11]

Costs of generating electricity have decreased, and this reduction is reflected in lower rates to consumers. But the price to the consumer, or the rate he pays, must cover costs other than those of production and distribution. These costs are: (1) the "customer costs" which are relatively fixed for each customer

[10] Henry G. Hodges, *City Management* (New York, 1939), p. 573.
[11] Abrams, *op. cit.*, p. 14.

and include meter reading, billing, collection, and service costs; and (2) the "demand" or "ready-to-serve costs" which arise from the inability of the company to install just the right amount of facilities to the customers. These latter costs arise because the consumers' demands vary; for example, they desire electricity for lighting at night and for cooking during the day; thus peak load demands occur, and the capacity must be provided to meet those demands.

A great number of rate plans are in effect at present in this country, but only the more common ones will be described here. The straight-line meter rate is a simple scheme whereby the user pays the same amount for every kilowatt-hour used. This plan usually has a base or minimum charge regardless of the power consumed. The flat rate is even less scientific than the straight-line meter rate, for it is based on the number of outlets or rooms within the house, or sometimes on the frontage of the dwelling, in the case of water. These two plans are haphazard and unscientific because they do not promote use by reducing rates; nor does the flat rate stop wastage. Block rates provide for lower rates as more service is used, but the rate in the first block is usually high enough to recover most of the fixed costs of supplying the customer. If the lower blocks are not made too large, the consumer gets the benefit of lower rates for part of his consumption; and if his consumption is quite large, the rate becomes very low. This type of rate is said to be "promotional" because it reduces the cost of large amounts of electricity. The customer is induced to install an electric stove and water heater to take advantage of the lower rate. Block rates may include as many as five parts with a different rate for each. Sliding-scale rates provide an incentive for the company to keep operating costs down and lower its rates, because as the company decreases its rate for services supplied, it is allowed a higher return on its invested capital. If a company were allowed a 6 per cent return on its invested capi-

tal when its bus fare was 6 cents, it might be allowed to make 7 per cent return if it reduced the fare to 5 cents.

By far the greatest problem in determining the rate which a privately owned utility shall be permitted to charge is the determination of its capital investment actually in use. Current operating expenses represented by cash expenditures are reasonably easy to determine; but the cost of a system which was built over a period of years, or which grew out of corporate "high financing," is not recorded on any books, and therefore the cost is not easily ascertainable. After all of the legitimate current expenditures for operation are considered, the depreciation of the physical equipment representing its contribution to the year's production must be added to determine the true costs. This may seem to be a rather simple matter, for if the cost of the plant were determinable, then depreciation might be computed by the straight-line or some other applicable method.[12] But, in addition to determining the cost of production, the regulating body also desires to fix the rate of return on the "fair value of the property being used by it [the utility] for the convenience of the public." [13]

When the Supreme Court of the United States rendered the decision in the *Smyth v. Ames* case, there was hardly any need to differentiate between original cost and reproduction value, the latter being the current cost of reproducing the plant as it was originally constructed. The results will differ during a period of changing prices. With rising prices the reproduction

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[12] Straight-line depreciation is the simplest method of depreciation to illustrate, although it is not widely used for depreciation of utility plants. The yearly depreciation, by straight-line methods, is the cost value of the asset minus estimated scrap, divided by expected life of the asset. For example: if an asset which cost $100,000 were expected to be worth only $1,000 at the end of 10 years, at which time it would have to be replaced, the depreciation each year would be $9,900, obtained by:

$$\frac{\$100{,}000 - \$1{,}000}{10} = \$9{,}900$$

[13] Smyth v. Ames, 169 U. S. 466 (1898).

cost becomes higher than the original cost, but during periods of declining prices, the opposite is true. Because of the advantages to be gained by the use of one method over the other, the utility interests were inclined toward the reproduction cost method during the nineteen-twenties when prices were rising; but they modified their position in the thirties when reproduction costs fell below the original costs. Thus, the operators were not in a position to benefit by clinging to the reproduction cost theory during depressed price periods; but apparently they still hope to enter into another era of rising prices.

The task of determining either the original or reproduction cost of a plant is an expensive and laborious one. Several years of investigation by experts may be required before a "fair" value is fixed for rate purposes. Each time the utility asks for an increase in rates or the consumers demand a rate reduction, it is necessary to establish a value on the physical equipment from which the profit to be allowed is computed. Rate-fixing agencies usually allow from 6 to 8 per cent return on the capital invested. If the capital investment were placed at $10,000,000, and the rate of return to be allowed were 7 per cent, the maximum net profit which the company could earn would be $700,000 yearly. If the private utility considered the "fair" value as established by the regulating agency as being too low, an appeal could be made to the courts for an upward revision. The courts have held that a capitalization placed too low may be compared to taking property without due process of law.

The proponents of the reproduction cost theory justify it on the basis that the changes in price level over a period of years make it necessary for the investors in a utility to receive more dollars than they had originally invested when the purchasing power of the dollar falls, in order to be able to replace their plant when the original plant is worn out. The problem of revising the value of the plant every time the price level changes may be eliminated by once establishing the value of the plant

and then revising that value by use of a price index. Rate revision based upon the plant value is an attempt to do through regulation what ordinary price changes do for unregulated businesses; a company receives the same amount of purchasing power for services rendered regardless of the price level at the time.

The prudent investment theory is still another method of evaluating the investment of a utility. This method was used as early as 1914 by the state of Massachusetts, and both California and Wisconsin have considered its use. The use of the amount prudently invested as the rate base would give a definite value to be used in rate controversies, which, with an agreed-upon rate of return, would simplify the problem of rate controversies. The rate base would be fixed and would not vary with price changes, population shifts, the opinion of appraisers, commissions, or courts. When once determined, the amount prudently invested would remain fixed except for additions to plant and allowances for depreciation included in the annual operating charges.

There are, however, several points in this theory which have given rise to questions. For instance: shall a prudent investment be considered one which is honest and one based on sound business judgment, or does an otherwise prudent investment become imprudent when these conditions change? It is probably as difficult to gauge judgment as to investment as it is opinion as to value; thus this theory has as many practical difficulties in its application as does the reproduction theory of value.

It is proposed that earnings constitute another means by which the evaluation of a plant may be determined, but such a process is faulty because the value will depend on the amount of profit which is supposed to be made. Suppose the net earnings of an enterprise amount to $600,000 yearly and a fair return on the investment is set at 6 per cent; then a fair capital

investment would be $600,000 divided by 6 per cent (.06) or $10,000,000. By this method the capitalization will justify the rate of profit; this is obvious since the allowed rate of profit was used to compute the capital.

The financial structure of the private utilities is subject to many abuses which may result in losses to the purchasers of utility securities. The stocks and bonds may be issued at a discount or as favors to insiders. In such cases the stock is said to be watered because, at the issuance of the stock, only part of its par value is received in real assets, cash property, or services. A corporation beginning with watered stock is at a disadvantage in paying dividends on such stock, for it receives no asset to help earn profits. If the rates are based on a mythical capital structure, then the consumers are at a disadvantage because the profit allowed to the utility, when the rate is fixed, will be, say, 7 per cent of an overstated capital. The return to the utility on the real investment will be greater than was intended by the rate-fixing body. To prevent the overcapitalization of utilities and consequently an unfair rate of return, the Texas law [14] provides that the bonds considered in determining the value of the utility must be proved to have been issued for money which was used in the development of the corporation, or labor or property actually received. This provision should prevent gross overcapitalizations; but the law also provides that the governing authority shall have power to inspect the books and compel the attendance of corporation witnesses for examinations concerning the value of the corporation.

The Public Utility Act of 1935 [15] was designed to eliminate abuses and to provide greater protection for investors and consumers in the financing and operation of public utility holding companies. According to the Act, holding companies are required to register with the Securities and Exchange Commis-

[14] *Revised Civil Statutes* (1936), art. 1175, sec. 12.

[15] *United States Statutes at Large*, vol. 49, pt. 1, pp. 803–863.

sion; and subject to certain exceptions in the Act, the registering companies must secure the approval of the Commission to issue or sell securities or to acquire utility securities or assets. The Act calls for the simplification of the corporate structures of registered holding companies and the confinement of their operations to economically integrated areas. The Securities and Exchange Commission, which administers the Public Utility Act, has no power to regulate the rates of utility companies.

The need for control of the powerful interstate utilities was made clear by the collapse of the Insull pyramid following shortly after the 1929 climax in security prices. A holding company is able to control other companies by acquiring their voting stock, and in at least one case as little as 3 per cent of the voting stock was sufficient to give voting control. In this way, by obtaining the multiple effect of many layers of holding companies, the top holding company may control operating companies many times its value. The holding company offers advantages, but too often they are used for the personal benefit of a few by extracting from the operating companies unjust fees through high-priced services rendered by controlled management and engineering companies. Individual states have not been able to control successfully the interstate utilities which are owned and controlled by foreign holding companies. The Public Utility Act described above is a federal law which carries the so-called "death sentence" provision. It provides that holding companies in the gas and electricity fields in order to operate, must register with the Securities and Exchange Commission within 30 days after becoming a holding company.[16] The Act applies only to companies whose operations are interstate, but these are the more powerful companies.

The United States Bureau of Standards has developed stand-

[16] *United States Statutes at Large*, vol. 49, pt. 1, p. 812.

ards for the operation of public utilities. For electric utilities the standards require: adequate power at all times, sufficient emergency equipment to maintain continuous service under any and all conditions, uniform voltage varying not more than 5 to 8 per cent, accurate and reliable meters, periodical inspection of installations, and use of the safest insulation and other devices.[17]

The need for regulation of privately owned utilities is due chiefly to: (1) excessive rates, (2) mythical financial structure, and (3) poor service. Methods of regulating utilities will be discussed in the following section.

### Control of Privately Owned Public Utilities

*Regulation by franchise.* A franchise is "a special privilege conferred by government upon an individual or corporation, and which does not belong to the citizens of the country generally, of common right."[18] The privilege includes the right to use public streets for pipes, wires, poles, and tracks. Since the franchise is a grant of privilege to the utility, there seems to be no reason why the franchise should not contain an enumeration of the services to be provided and the rates to be charged. The franchise has not worked well as a regulator of services and rates because the city representatives ordinarily do not possess the legal skill that utility lawyers do in writing franchise provisions. Also, the city is often at a disadvantage when drawing up a franchise because it is eager to obtain a service which the utility is not anxious to provide, unless it receives some special allowances. This places the city in the position of having to give the utility more privileges than it rightfully deserves. The utility may be successful in obtaining at small cost a perpetual franchise which contains high rate clauses and lax service requirements. Today long franchises are

[17] John M. Pfiffner, *Municipal Administration* (New York, 1940), p. 508.
[18] *Black's Law Dictionary* (3rd edition, St. Paul, Minn., 1933), p. 811.

gradually being replaced by those with a fixed life of 25 years or less. Since technological conditions change rapidly, even 25 years is a long period to allow a utility to operate under one contract. Near the end of the fixed term the utility is likely to allow its plant and property to deteriorate and its standard of service to fall in order that it may be in a better bargaining position, or because of a fear that the city will not renew the franchise.

Disadvantages of both the perpetual and the long-life franchise are overcome by the use of an indeterminate franchise. Here the city is permitted to purchase the utility at any time upon the payment to the owners of its fair value. Thus, a utility operating under an indeterminate franchise is not in great danger of losing its franchise as long as services are kept at a high standard and rates are satisfactory. In case its services do not measure up to the standard, they may be brought to a sudden end. Five-year, automatically renewing, terms have been suggested for indeterminate franchises. In this way the city is able to revise the franchise at frequent intervals and is in no position to grant valuable rights to private individuals for long periods of time. The indeterminate franchise was first used in Wisconsin in 1907, the same year that utility regulation was started; however, its use is opposed by many utility officials.[19]

*Commission regulation.* Regardless of how carefully the franchise contract is drawn, the necessity of enforcing the franchise provisions remains. It will not enforce itself. A city may have sufficient money to employ experts whose job it is to see that the utility fulfills its contract, but this is much easier said than done. Many states have public service commissions whose task it is to regulate utilities or to aid cities in their regulation of rates and services. The state commission generally has

[19] Hodges, *op. cit.*, p. 573.

power to require uniform reports, enforce prescribed accounting methods, regulate rates, services, and issuance of securities. State utility commissions are often handicapped by a lack of funds and incompetent personnel, but because of their jurisdiction they are in a better position to control utilities than are most city regulatory bodies. The Federal Power Commission created by Congress in 1920, and whose powers were enlarged by the Public Utility Act of 1935, has control over the interstate generation, movement, and distribution of electricity. The Act of 1935 provides that the United States may take over any licensed electric project at the expiration of the license period upon payment to the licensee of the net investment or fair value (whichever is lower) of the property involved.[20] The Act requires the Commission to determine the actual legitimate cost of the original project plus additions and betterments as well as the fair value at the present time.

Interest on the part of the Federal Government may result in control of privately owned utilities in a manner not thought possible some years ago. After the ruling of the court in the *Smyth v. Ames* case,[21] it was impossible for either state or federal regulatory bodies to fix the value of utility property below the reproduction cost of the property. Rates must include a return on capital, which was fixed as the reproduction cost, and consequently the rates may not be placed so low as to give no return on the property, thus resulting in the confiscation of private property. The Supreme Court has upheld the right of a political subdivision, as one of its functions of government, to establish electric service systems and to distribute electricity, whether generated by them or purchased from another producer, at rates below the actual cost of service.[22] Rates may not be forced down by a revision of capital value, but the private

[20] Public Utility Act of 1935, *United States Statutes at Large*, vol. 49, pt. 1, p. 844.
[21] 169 U. S. 466 (1898).
[22] Abrams, *op. cit.*, p. 12.

companies may be forced to lower their rates by installation or threats to install a public plant with powers to sell at any rate desired. The protection against confiscatory rates was lost when the Federal Government installed generating facilities to sell power to units of local government at prices which were not at actual cost and which could be resold at a still lower price if the governmental unit so wished.

The creation of four "yardstick" [23] areas in this country, by which fair rates may be determined, has caused privately owned utilities to reduce rates; but since the cost of government power is as difficult to determine as the cost of private power, the point at which rates become confiscatory can scarcely be ascertained. The right of the people to own and operate their own utility, which President Roosevelt called the "birch rod in the cupboard," may be used too severely, unless the costs of public power production are accurately determined and the distributing municipalities are required to sell at a price above cost. An exodus of private capital from electric operations may be caused by the extension of "yardstick" rates which have no semblance of cost about them. Uniform accounting is a necessity before the problem may be studied in its true light.

There is another method of regulating public utilities; however, it is not so frequently employed. An individual or a group may bring suit in order to effect the desired rate reduction. But court suits are expensive and lengthy; in fact, so much so as to act as a deterrent to individual suits. Even when regulating agencies must seek court action, the result is often long delayed. A case may be shuttled through the courts for years; and when the rate is declared too high, any reduction is sufficient until the case is again taken to the judges. During the period of the suit the high rates remain in effect.

[23] The four government power development projects: the St. Lawrence River in the Northeast, Muscle Shoals in the Southeast, Boulder Dam in the Southwest, and the Columbia River in the Northwest are not complete, but they are proposed as standards to prevent excessive rates and to create a greater use of electricity.

## Accounting for Utilities

Before the operating economies which are advanced as the reason for municipal ownership of utilities become accepted, the problem of accurate accounting must be squarely faced and met. No doubt many private operators have been guilty of promoting malpractices, but their actions have been only slightly worse, if at all, than those of publicly owned plants which are also built and operated with accounting guesswork.

Accounting for the municipally owned utility should include: (1) the amount of money spent in the acquisition or construction of the utility plant and facilities; (2) accurate records of the betterments and additions to the plant and retirements of equipment from service; (3) the sources from which funds for capital investment were derived, such as general or utility bonds, special assessments, contributions from customers, or earnings; (4) the expenses incurred during the current period, classified in reasonable detail by type of expense; (5) rates collected and accrued by type of services rendered; (6) financial results of operation, including net earnings, deductions for fixed charges, and balance transferred to general fund or retained by the utility; and (7) statistics of operation, such as number of car riders, free passengers, number of streetcars in operation, employees by classification, and salaries of officials.[24]

When services are received by a municipal plant, which are not recorded as expenses, its costs of operation are understated. These transferred services, either received or given, should be recorded as expenses or as revenues even though no cash is transferred. A failure to record a transfer of services or properties will make it impossible for the records to portray correctly the results of operation and of the assets used by the plant. The city utilities should not be expected to "carry" other city

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[24] Wilcox, *op. cit.*, pp. 57–59.

functions by furnishing free water and lights for schools, hospitals, street lighting, and others. The opposite also holds true, for the utility should be charged for the legal and accounting services received from other city departments or agencies. After ascertaining the profits as closely as possible, the maximum amount which the utility can transfer to the general fund will be known; but part of the profit should be kept by the utility to meet any emergencies requiring immediate funds.

Depreciation, according to one author, should be figured on the basis of the probable life of each element of plant and equipment, less payments on the principal of the utility debt and replacements made from revenue.[25] This statement is made because, as so often happens, depreciation and debt amortization are both thought of as expenses. In reality depreciation is the decline in value in use of fixed tangible assets, particularly buildings and equipment; [26] but debt amortization is the repayment of a loan, and even though it be repaid serially, it is not an expense. However, the payment of interest on the bonded debt used to finance the acquisition of a plant is an expense and should be recorded as such in computing general expenses; it should not be recorded, however, as a production expense. Depreciation may be included in the statement of operations as an expense or as an operating revenue deduction; [27] and since the amortization of the debt is not an expense, there is no duplication of charges. The present consumers are not charged an amount sufficient to pay for the present plant and also to build the next one. This cannot happen because the amount charged as depreciation may be used to pay off the bonds or to rebuild the plant, but not to do both.

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[25] Reed, *op. cit.*, p. 615.

[26] *Accountants' Handbook* (2nd edition, New York, 1938), p. 577.

[27] Carl H. Chatters and Irving Tenner, *Municipal and Governmental Accounting* (New York, 1940), p. 291.

There are other problems in accounting for a municipally owned utility, but they are very much the same as for a privately owned plant. These problems include meter reading, billing, collections, accounting for capital acquisitions, and expense analyses where two or more utilities are operated in the same department or receive services from other departments. Uniform accounting systems are helpful when making comparisons between several companies, for a common basis is used by each company. The Federal Power Commission has prescribed a "Uniform System of Accounts for Public Utilities and Licensees." [28] Uniform detailed reports of operation must be submitted annually to the Federal Power Commission by utilities under its jurisdiction.

Ordinarily the city should make an annual report of operations for its revenue producing utilities, and some cities with large utilities may find it feasible to issue monthly reports. These reports should contain financial statements and operating statistics in a form understandable to the layman, being neither too condensed nor so lengthy as to be unintelligible. Persons more interested than the layman in the results of the operations should have free access to the records themselves to carry out detailed studies. It is almost needless to say that the utility records and reports prepared by municipal staff accountants should be audited by independent certified accountants to further assure that the accounts are correctly kept and that all legal stipulations are fulfilled, and to suggest improvements in the accounting procedure in use.

### The Question of Municipal Ownership of Utilities

All public utilities are not subject to the same dispute to which electric utilities are at the present time: "Shall the city own and operate its own utilities?" Water and sewer plants

[28] United States Government Printing Office (Washington, 1937).

have been city functions for a long time, while airport operation, though only recently developed, has been considered a proper municipal function. Perhaps in the future more businesses will be classified as utilities and more utilities will be city owned. Only time will tell the story of the tendency for the municipality to broaden its activities into fields once thought to belong strictly to private business.

For cities in general, the advantages to be gained by public ownership and operation of utilities as against private operation is a moot question. However, some points may be enumerated which favor city operation, while others make continued private operation seem preferable.

Profits or savings may accrue to the city in case the utility is municipally owned, which otherwise would go to private persons. The amount of profits may be so large as to make the city "tax free," but in such cases the rates are so high that utility consumers are providing funds which should be raised by other methods. The only saving is an unfair one which property owners gain at the disadvantage of consumers who pay the tax bill. A real saving may result from the city's ability to issue securities at a lower rate than the private corporation. This saving may be substantial in view of the fact that utilities have a high capital investment in relation to sales, and that some cities are able to float bonds at very low interest rates. On the other hand, those cities which have defaulted on their outstanding debt cannot gain in financing at a lower rate, because a solvent utility can sell bonds at a lower yield than an insolvent city.

The regulation of privately owned utilities has fallen short of its goal; and as has been pointed out, the task of utility regulation is both expensive and difficult. Municipal ownership of the utility eliminates some of the problems—control over rates and prevention of mythical financial structures—but it forces the city to assume the problem of management and of establish-

ing standards of service which are quite perplexing. Political patronage is not a sound basis for choosing utility administrators and employees; however, with city ownership, some positions are bound to be given out as patronage. If this is done, standards of service will be lowered and costs increased. The problems of regulation, therefore, are exchanged for others when once the utility is acquired by the city. As municipal utility ownership becomes more common, no doubt there will be a greater incentive for experts to become associated with municipal plants; administrators for city-owned utilities will be more easily obtained, and political control will be greatly eliminated.

City electric utility managers in most instances readily admit that they are not attempting to do any pioneering in the field and that the private institutions and companies are developing techniques which they are ready to adopt. This is not a great drawback, however, because the municipal operator will be forced to assume the responsibility of research when it becomes necessary for him to do so. On the other hand, it has been the suppliers of electrical equipment who have contributed most to research in the past, and not the privately owned utility.

Labor treatment may be better in a publicly owned utility, but the very payment of higher wages for shorter hours may be an argument against public management which is not able to do the job as cheaply as private management. But this is a double-edged sword: we condemn private management for exploiting labor in order that the job be done cheaply, just as we criticize public management for being too free with the taxpayers' dollar.

Perhaps one of the most frequent arguments heard against the city's ownership of utilities, other than the question of what scope this ownership includes, is the likelihood of mismanagement because of political influences. But if one recalls the frauds which have been committed against the people of New

York, Philadelphia, and other cities in the name of privately owned utilities, one will be more tolerant of the injustices which have resulted from municipal ownership.

Municipal ownership is by no means a panacea for eliminating all of the difficulties involved in private operation; but it may solve some of the problems. The question of ownership is largely one of policy rather than one of principle. Operation problems, no doubt, will remain roughly the same regardless of who owns and operates the utilities. At present the conflict is largely between private ownership which has developed an efficient production technique to benefit some of the people, but primarily the owners of the holding companies, and municipal ownership, which proposes to give to the people at large all the benefits of utility operation—a necessary service at a low cost.

# Part V

# PUBLIC RELATIONS

# XX

# REPORTING TO THE PUBLIC

IT SEEMS fitting to conclude a work of this nature with a chapter treating of the topic "reporting to the public"—or perhaps the term "public relations" is more in keeping with the approach taken and the subject matter to be presented.

American city government has come to play far too important a role in the lives of our citizens to go unnoticed. Not only have cities increased in numbers and grown in size, but their services to the public have likewise multiplied. Because of these facts the citizen becomes confused in regard to municipal affairs unless care is taken to simplify his task of understanding.

Democratic government is based upon the premise that the citizens are capable of self-government. Public reporting, therefore, bids fair to become one of the essentials of democratic government, since the prudence of the electorate in political matters depends so largely on the reliability of the information on which the citizens' judgment is based. In a democracy the individual is more than a spectator; he is actually one of the actors. Therefore, if we are to accept the right of the people to govern, it would seem to follow logically that they be properly informed regarding all matters involved in the process of government.

Since the citizen elects the officials, uses the services, and pays the taxes by which city government is financed, he has a right to be informed regarding its affairs. A democratic system is one in which the individual is furnished with the machinery for self-government. Public reporting makes available to the

citizen facts relative to the operation of his government, thereby making it possible for him to control and operate the machinery of government intelligently.

Defined broadly, public reporting includes not only the procedures for furnishing facts and information to the people, but also the means for creating and sustaining a public interest in governmental affairs. Professor Pfiffner classified governmental reports into the following three general categories:[1] (1) administrative reports, such as those prepared for use of the administration; (2) technical or professional reports, such as the printed decisions of various boards or commissions; (3) reports which consist of a rather wide variety of mediums for encouraging the citizen to keep informed of governmental results with a minimum of effort on his part. While it is the third type of report according to the above classification which is our immediate concern, a close analysis reveals that the apparent lines of demarcation between the three groups tend to become dim and that one class shades off into the other.

Upon what agency or agencies may the citizen rely for reliable information regarding his city government? What organizations are interested in creating and maintaining an interest in municipal government? In some of our larger cities these services are performed, in part, by bureaus of municipal research, and in some states various state departments collect and publish data relative to local government. Also, in many cases, state leagues of municipalities, taxpayers associations, good government leagues, and various other civic groups perform public reporting services. Even if all of these sources are available, the individual should feel that he may depend directly upon his local government for information about itself, since the above-mentioned sources of information are supplementary rather than primary.

If the responsibility for public reporting rests on the city

[1] John M. Pfiffner, *Public Administration* (New York, 1935), p. 472.

itself, some provision should be made for an agency within the municipal organization to perform the function. Haphazard methods by which the department heads make infrequent reports without reference to a well-thought-out plan or procedure, do not produce the best results. Under such circumstances public reporting depends upon the whims of those who happen to be in charge of the various agencies of city government and is not regarded as a definite duty to be regularly performed. Departmental heads seldom have the ability properly to prepare information for public consumption. Indeed, no duty is likely to be properly performed unless both the authority and the responsibility for its exercise are placed upon a single individual. It is quite obvious, therefore, that some city official or agency should be definitely charged with all reporting activities. This person or agency should direct all current reports, prescribe the form of and edit the various departmental reports, and prepare the annual consolidated report. In the larger cities the person responsible for public reporting should be attached to the office of the mayor or the city manager. Smaller cities may desire to name the mayor, manager, or secretary as the reporting officer.[2]

An integrated reporting agency has the added advantage that the public, the city council, and the municipal administration itself have one person or agency whom they may hold responsible for the accuracy of reports. Exactness of information should be foremost in the preparation of all such reports, and under no circumstances should political propaganda be resorted to in these accounts.

## Objectives of Municipal Reporting

The primary aim and objective of municipal reporting is to provide the general public with reliable information regarding

[2] J. T. Barton, *Municipal Public Reporting in Texas*, Municipal Studies No. 9 (Austin, 1936), p. 16.

the activities, work, and results accomplished by the city government. In a private corporation, reports of various kinds are made to the stockholders at specified intervals by the governing body of the organization. To use an analogous situation, the municipal corporation is under the same if not a greater obligation to its many stockholders to furnish a complete report of its work. To express it more forcefully—one of the main purposes of municipal reporting is the furtherance of a public audit of the conduct of city activities.[3]

Public reporting may be used as a means of improving administration. Nothing is more conducive to the development of good administration than a realization by the personnel of the staff that the public will learn of its work and hence hold it strictly accountable.[4] An administration which demonstrates no consideration or respect for the public is seldom rewarded with the support of that public. And a government which is not favored by the citizen will be unable to attain the best results over a period of years.

In addition to fixing responsibility upon the administration, another object or purpose served by public reporting is that of promoting greater civic education and greater interest in local government. If a city administration is to be kept modern and up-to-date, equipped to meet the ever-changing demands which are made upon it, there must be a civic-minded populace which will accept responsibility and will effect such changes as are necessary to make that possible. Just as the development of a general educational program plays an integral part in the growth of an improved civilization, so the development of civic education plays an integral part in the evolution of a more scientific municipal government.

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[3] H. C. Beyle, *Governmental Reporting in Chicago* (Chicago, 1928), p. 1.

[4] Elton D. Woolpert, "The Meaning and Scope of Public Relations," *Public Management* (International City Managers' Association, vol. XXI, no. 9, September, 1939), p. 260.

In addition to those objectives of public reporting mentioned above, there are others which should not be overlooked. Some of these are: (1) favorable reports increase the prestige of a public office; (2) constant reference to a service tends to raise standards of performance; (3) reporting provides a method for the exchange of ideas between officials and among various departments and services; (4) reporting facilitates research, which in turn brings about better administration and fosters a wider interest in public affairs. Viewing these functions as a whole, it seems that they all lead to one primary end—namely a closer and a more effective working relationship between the municipal administration and its stockholders.

## What is Happening?

It was not until the turn of the century that any appreciable interest was aroused in the processes and methods of public reporting. Even then, as a matter of fact, it was decidedly subordinated to the consideration of other governmental problems such as budgeting, accounting, auditing, purchasing, and the like. Consequently, municipal reporting has more often than not been pushed into the background as one of the unsolved governmental problems.

When government and its agencies were less complex, the need for reporting was less urgent. The personal contact which the average citizen had with his local government was close enough to reduce somewhat the need of a formal reporting system. But the lapse of time with its attendant economic and political changes has brought about a decidedly different situation. The relationship existing today between government and the citizen is often so highly impersonal in some cases and so technical in others that public reporting is not only desirable but highly necessary.

But the American public has, on the whole, and perhaps chiefly because of a changing environment, been rather dilatory

in its demands with reference to public reporting. As a result it has been permitted to drift along the sea of indifference until recent years. Now, that same indifference has come to be a consideration not only of students and administrators, but also of a portion of the citizenry as well. Obviously, the sin of neglect has been one of the greater barriers to the attainment of scientific reporting on the part of American cities. The lack of foresight and initiative on the part of administrators has resulted in neglect in the preparation, even, of annual reports. According to the material presented to the International City Managers' Association in 1940, only 90 cities in this country issued general reports to their respective publics.[5] This extremely small number is further emphasized when one is brought to face the fact that there are 2,042 urban areas with over 5,000 population.[6] This does not take into account those urban communities of less population. Nevertheless, it is to be recalled that these figures apply only to the formal annual reports and to no others. Many cities undoubtedly utilize various methods of informal reporting, and hence it would not be correct to state that they indulge in no form of reporting. Nevertheless, the neglect by so many cities in preparing annual reports is indicative of the seriousness of the problem and demands attempted solution.

## Formal Reporting

Within the past few years there has been a definite trend toward an increase in the number of cities issuing formal reports. In 1934, 47 cities prepared annual reports which marked an all-time record in municipal reporting at the time.[7] For the

[5] John Iglauer, "Annual Municipal Reports—1940 Style," *Public Management* (vol. XXII, no. 11, November, 1940), p. 323.

[6] *The Municipal Year Book* (Chicago, 1941), p. 25.

[7] Clarence E. Ridley, "Annual Appraisal of Municipal Reports," *National Municipal Review* (National Municipal League, vol. XXIII, no. 1, January, 1934), p. 35.

following six years, the number of cities issuing reports was as follows: 1935, 55 cities;[8] 1936, 74 cities; 1937, 81 cities; 1938, 101 cities;[9] 1939, 89 cities;[10] and 1940, 90 cities.[11] The downward trend for the past two years from the all-time high in 1938 tends to disrupt momentarily the ascendance of the curve; nevertheless the overall trend remains intact, thus indicating the increased attention being devoted to public reporting by city administrations.

The increase in the number of formal reports has been accompanied by an improvement in their physical appearance. Their size, too, has tended to become standardized, with six by nine inches becoming most popular. Their length has also undergone a change: for instance in 1940 the number of pages varied from 7 in one case to as many as 254, and the average length for most reports in 1939 was 77 pages.[12] But according to Mr. Iglauer very few of the 1940 reports were less than 24 pages in length, and most were between 35 and 50 pages.[13]

Factors other than size should be considered in the physical make-up of municipal reports. Questions arise as to whether or not they should appear in printed or mimeographed form; what should be their format and the quality and color of their paper; in what form should the facts and materials be presented, and like matters. In a majority of cases formal reports are being printed; on the other hand there are many instances where mimeographed reports are being used. The number of

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[8] *Ibid.*, (vol. XXIV, no. 1, January, 1935), p. 26.

[9] Herbert A. Simon, "Municipal Reporting," *The Municipal Year Book* (Chicago, 1939), p. 39.

[10] Clarence E. Ridley, "Municipal Reporting," *The Municipal Year Book* (Chicago, 1940), p. 248.

[11] Iglauer, "Annual Municipal Reports—1940 Style," *op. cit.*, p. 323. This figure includes only those reports received by the International City Managers' Association prior to Nov. 1, 1940.

[12] Ridley, "Municipal Reporting," *op. cit.*, p. 249.

[13] Iglauer, "Annual Municipal Reports—1940 Style," *op. cit.*, p. 326.

mimeographed reports tends to remain constant, or perhaps to increase slightly, due to the many improved methods and techniques which have recently developed in the mimeographing process. Very recently still a third method of presenting reports has come into use, namely lithographing. Since this is a new and more or less untried process, only four cities are reported to have used it in 1940.[14] Most of the municipal reports today are printed, however, bound in attractive covers, filled with appropriate photographs, charts, and graphs, and present on the whole an attractive and popular appearance.

The report itself is prefaced with a brief letter of transmittal signed by the mayor or manager, which is usually followed by an organization chart of the city. A study of the reports issued in 1940 showed that the organization chart is being less widely used, approximately one third of the reports of that year employing it.[15] The chart is gradually being displaced by a directory of the more important municipal officials, both council members and departmental heads. Following the introductory material there is usually some treatment of department activities as well as a brief and simple financial statement. While most of these reports are very attractive and readable, in general their contents have failed to present an adequate account of the activities and services of the city. They do not contain the facts and figures which will enable the citizen to evaluate his government, nor do they indicate or note services which are being administered at a minimum of cost.[16] The fact that these questions too frequently remain unanswered indicates a need for some improvement in municipal reporting.

There are many new methods of reporting, but cities often lack a guide to direct their efforts in this direction. Mr. Clarence E. Ridley has formulated some definite standards which

[14] *Ibid.*, p. 325.
[15] *Ibid.*, p. 323.
[16] Ridley, "Municipal Reporting," *op. cit.*, p. 248.

should be of use both in appraising reports already issued and in preparing new ones. These standards are as follows: [17]

### *I. Date of Publication*

1. *Promptness.*—The report will have little value unless published soon after the end of the period covered—six weeks as a maximum.

### *II. Physical Make-up*

2. *Size.*—Convenient for reading and filing, preferably 6″ x 9″.

3. *Paper and type.*—Paper should be of such a grade and the type of such size and character as to be easily read.

4. *Important facts.*—The more important facts should be emphasized by change of type or by artistic presentation.

5. *Attractiveness.*—The cover, title, introduction, and general appearance should aim to attract the reader and encourage further examination.

### *III. Content*

A. *Illustrative Material*

6. *Diagrams and charts.*—Certain established rules should be followed to insure an accurate and effective presentation.

7. *Maps and pictures.*—A few well-chosen maps to indicate certain improvements, and a liberal supply of pictures, pertinent to the report, should be included.

8. *Distribution.*—Great care should be exercised in placing the illustrative material contiguous to the relevant reading material.

B. *Composition*

9. *Table of contents.*—A short table of contents in the front of the report is a great aid for ready reference.

10. *Organization chart.*—An organization chart or table indicating the services rendered by each unit, if placed

[17] Clarence E. Ridley, "Annual Appraisal of Municipal Reports," *National Municipal Review* (vol. XXV, no. 1, January, 1936), p. 28.

in the front of the report, will help the reader to a clearer understanding of what follows.

11. *Letter of transmittal.*—A short letter of transmittal which either contains or is followed by a summary of outstanding accomplishments and recommendations for the future should open the report.

12. *Recommendations and accomplishments.*—A comparison of past recommendations with the progress toward their execution will serve as an index to the year's achievements.

13. *Length.*—Fifty pages should be the maximum length.

14. *Literary style.*—The text should be clear and concise, reflecting proper attention to grammar, sentence structure, and diction.

15. *Arrangement.*—The report of the various governmental units should correlate with the organization structure, or follow some other logical arrangement.

16. *Balanced content.*—The material should show a complete picture, and each activity should occupy space in proportion to its relative importance.

17. *Statistics.*—Certain statistics must be included, but wherever appropriate, they should be supplemented by simple diagrams or charts.

18. *Comparative data.*—The present year's accomplishments should be compared with those of previous years, but only with full consideration of all factors involved.

19. *Financial statements.*—Three or four financial statements should be included, showing amount expended and the means of financing each function and organization unit.

20. *Propaganda.*—It is unethical and in poor taste to include material for departmental or personal aggrandizement. Photographs of officials, especially of administrators, seem out of place in a public report.

The number of copies of the annual report which are prepared and distributed naturally varies considerably from city to city, but for the most part the average number of persons served by a single report is far too high. On the whole, smaller cities

have a greater number of reports for distribution in proportion to their population than do the larger ones.

Many and varied means are employed to distribute these reports, and frequently city officials find less expensive means than the United States mail for so doing. When reports are mailed, some cities send copies to only those persons requesting them. Other municipalities make use of their employees for distribution purposes, the firemen and policemen being commonly used for this purpose. In certain instances the Boy Scouts and, more recently, National Youth Administration workers have been used. Perhaps a more novel plan for distribution is that employed by Schenectady, where a copy of the annual report is given to the citizen when he pays his city taxes.[18] Closely aligned with the practice in Schenectady is the method used by some cities where copies are placed in conspicuous places in the city hall. Other cities mail a copy of their annual report with each tax bill, insuring a copy to each eligible taxpayer.

A most recent means of distribution is that of supplying copies of the report to various civic organizations, or placing them in prominent places other than the city hall. Rochester and Cincinnati in 1940 sent copies of their annual report to all doctors' and dentists' offices with the request that they be placed in the reception rooms. Evanston, Illinois, went one step further and in addition to sending copies to doctors' and dentists' offices, sent copies to all barber and beauty shops in the city.[19]

Of primary importance is the date of distribution for the annual reports. How long after the close of the period to which the report applies should it be placed in the hands of the public? No definite answer to this question may be given. In 1940 one fifth of the cities issuing annual reports distributed

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[18] "News of the Month," *Public Management* (vol. XXII, no. 1, January, 1940), p. 23.

[19] Iglauer, "Annual Municipal Reports—1940 Style," *op. cit.*, p. 326.

them within a month after the close of the period under consideration. Approximately one half of them issued their reports after two months, and a number did not get them to the people for four or five months after the close of the fiscal year.[20] Surely these reports should be completed and issued as near the end of the financial year as possible.

### Informal Reporting

The annual report is the central point about which other means of municipal reporting revolve. As a matter of fact, the infinite number of informal reports, and the various reporting channels now in common use might more accurately be described as part of a system of public relations; but the origin of many of these may be traced to the annual report.

It is not uncommon today for cities to mail leaflets with their tax or utility bills informing the citizens on some particular subject of interest or importance, such as some proposed public improvement or expenditure, or some budget requirement, or perhaps attempting to compare the cost of certain municipal activities with ordinary household expenditures. For example, in 1938, the city of Morgantown, West Virginia, issued a circular whereby an attempt was made to give for each activity the total amount allotted, the percentage of the total, the cost per capita, and comparisons of annual per capita cost of services with cost of commodities.[21] In this particular instance a comparison of cost of service with cost of a commodity revealed the surprising fact that the cost and maintenance of city parks amounted to the cost of two cabbage heads per capita.[22]

In lieu of mailing leaflets, many cities prefer to print pamphlets or handbills and to have these distributed to homes and places of business throughout the city. These leaflets or circulars bear

[20] Idem.

[21] "What American Cities Are Doing," *Public Management* (vol. XX, no. 3, March, 1938), p. 91.

[22] Idem.

different titles, but a general picture of their headings may be obtained from a 1940 circular issued by Atlanta, Georgia, entitled "The Investment of Your City of Atlanta Tax Dollar" or a Houston, Texas, pamphlet bearing the title "Your City Government—FACTS." [23]

A more recent development is the commonly known municipal open house or the municipal exposition. Ordinarily these affairs are held in the city hall where various exhibits relative to departmental activities are displayed, and where other forms of activity, social as well as educational, are provided. Berkeley, California, has been a pioneer in the conducting of municipal open houses. Here it is an annual affair and has been conducted by the city for the past ten years. The tenth one was attended by 12,000 persons; and in addition to providing various demonstrations and exhibits of city activities there were also presented a variety of entertainments, varying from concerts by local bands, dances, and musical numbers presented by the recreation department to motion pictures depicting the functions of the various departments.[24]

Columbus, Georgia, has carried out the idea of publicizing municipal activity by staging a parade of city services before its citizens. In 1939 the spectacle was nothing short of gigantic, as well as spectacular. According to City Manager Morton, 215 public works department employees paraded in uniform and with equipment. Also in the parade were 70 policemen, 61 firemen, approximately 130 doctors and nurses, and all recreation department employees; included, too, were some 125 vehicles of various descriptions, and 200 or more posters carrying data concerning the city government.[25]

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[23] "News of the Month," *Public Management* (vol. XXII, no. 11, November, 1940), p. 337.

[24] Elmer C. Rowley, "12,000 Citizens Attend Open House at Berkeley City Hall," *Public Management* (vol. XX, no. 5, May, 1938), p. 151.

[25] Marshall Morton, "City Services Paraded Before Citizens," *Public Management* (vol. XXI, no. 9, September, 1939), p. 278.

Recent advances in research and new techniques have not only effected changes in the physical environment of the city, but they have in addition created valuable tools as aids to a multitudinous variety of processes. Municipal reporting is no exception to the rule. For instance, the radio came into being out of a search for a more efficient method of communication, but soon became widely used in the fields of education and entertainment. Cities throughout the country have pioneered radio operators and maintained broadcasting facilities for a number of years. Some of these have utilized their stations to advertise municipal activities. For example, station WNYC for New York City as early as 1927 devoted nearly a thousand hours to informational and educational subjects of civic interest.[26] Included in these broadcasting hours were eighty lectures on municipal problems.

Dallas, Texas, has owned and operated its own station since 1920, and has sponsored many broadcasts of a reportorial character. These have included addresses by the Director of Public Health, talks on traffic safety and on general city government, and broadcasts by the Dallas Better Business Bureau.[27] Dallas also sponsors over its own station WRR a weekly evening broadcast entitled "This is Dallas," which is dramatized by the Dallas Little Theater and devoted to describing services rendered by the various city departments.[28] In addition, Dallas from time to time has publicized her activities over privately owned and operated stations.[29]

Many cities not owning their own stations frequently stage programs over privately owned local ones. In a recent survey

[26] Wylie Kilpatrick, *Reporting Municipal Government* (Municipal Administration Service, 1928), p. 55.

[27] Barton, *op. cit.*, pp. 53–54.

[28] "News in Review," *National Municipal Review* (vol. XXIX, no. 9, September, 1940), p. 613.

[29] In September, 1940, there were three cities in addition to New York and Dallas owning and operating their own broadcasting stations. They were Camden, New Jersey, and St. Petersburg and Jacksonville, Florida.

made by the International City Managers' Association it was found that a total of 46 cities used radio in reporting, and that of this number 16 have been conducting regularly scheduled broadcasts for two years or more.[30] Cleveland, Ohio, lay claim to the record for use of radio by municipalities when, in 1940, it had completed over 350 broadcasts during the preceding three and one-half years.[31] Such a record represents to a degree present tendencies, particularly for the larger cities.

Radio programs sponsored by cities vary greatly. Many are entirely devoted to a presentation of facts concerning city activities and are conducted primarily through addresses, round table discussions between various city officials, and personal interviews between members of the city personnel. On the other hand, a number of city administrations have realized that if a radio program is to be well received by the public it must be entertaining as well as informative, and hence have proceeded to include concerts and dramatizations in their broadcasts.

There appears to be no great degree of uniformity among municipalities as to the intervals at which programs are to be produced. Many find it more expedient to have them staged weekly, fortnightly, or monthly, and for periods of at least thirty minutes' duration. Others arrange for biweekly or daily programs, usually very short, as in the case of St. Paul, Minnesota, where equipment was installed in the mayor's office and five minute broadcasts conducted by various city officials at 9:30 A.M.[32] Regardless of their frequency or duration, the broadcasts are scheduled well in advance and do occur at definite, periodic intervals in a majority of cases.

The persons taking part in these broadcasts also vary. A

[30] "News of the Month," *Public Management* (vol. XXII, no. 9, September, 1940), p. 274.

[31] "What American Cities Are Doing," *Public Management* (vol. XXII, no. 5, May, 1940), p. 152.

[32] *Ibid.*, (vol. XXI, no. 5, May, 1939), p. 152.

recent survey disclosed that out of 46 cities, 28 used performers selected on the basis of their positions, such as councilman, manager, or department head. The remaining 18 cities drew their participants from a number of sources, including minor employees of departments, dramatic clubs, and even high-school organizations.[33] The same survey found that under ordinary conditions the city manager or some other city official took the initiative in inaugurating radio broadcasts, but qualified the statement to an extent by stating that in some instances local civic organizations or the local radio station itself started the program.[34]

Another device for public reporting is the motion picture, which became popular for this purpose in 1933. In that year the city of Detroit encountered considerable difficulty in collecting its current taxes, and as a result a contract was let with a local newsreel company to make short pictures of municipal activities and to show them at local theaters along with the regular newsreels.[35] The results in this particular case were favorable, and tax payments picked up considerably. The result in part no doubt was due to the showing of the film.

From that time to the present, the impetus for municipal motion picture reporting has gained momentum. In a recent survey, the fact was disclosed that nearly one out of every five cities of over 50,000 population has made at least one or more movies for the purpose of reporting to the public.[36] To say that cities have become "movie-minded" is to state the case mildly. Picture consciousness on the part of the public has encouraged them to use film as another method of reporting their activities.

[33] "News of the Month," *Public Management* (vol. XXII, no. 9, September, 1940), p. 274.

[34] Idem.

[35] John Devine, "Municipal Activities in Movies," *Public Management* (vol. XXI, no. 3, March, 1939), p. 67.

[36] David G. Rowlands, "Use of Movies in Reporting to Citizens," *Public Management* (vol. XXIII, no. 3, March, 1941), p. 67.

Aside from the more tangible methods of informal reporting, there are a number of incidents that transpire in the everyday operation of the city which may be used as a means of informing the citizen about his government. These may not ordinarily be thought of in connection with reporting, but in the final analysis they are processes and relationships whereby opinions and attitudes are crystallized in the mind of the average individual regarding his government. Take, for example, the matter of budget hearings. Cities in most states are required by law as a part of the budget-making process to hold public hearings at which taxpayers may protest items appearing therein. Unfortunately, statutory provisions for a hearing do not serve as a great incentive for popular action and for the most part budget hearings are poorly attended.

In practically every city, town, and village in this country there exists a current means of public reporting, and in most instances it is utilized, at least to a degree. This is the newspaper. The local paper, whether it be weekly or daily, has completely embedded itself into the everyday lives of the average American. While recent years have brought into being other effective newsgathering and distributing agencies, the newspaper still remains widely read by the American public.[37]

City governments are constantly in contact with the representatives of the local press. Sometimes this relationship is one of mutual understanding and co-operation; at others, it is one of discord and rivalry. On occasions the attitude of a local paper may be purely negative. The only headline space given to the city may be that given when some corrupt municipal practice is being aired or when a scandalous story breaks. The story of a public improvement or a new municipal activity may be placed on the back sheet or inserted in some inconspicuous place in order to complete a printed page.

[37] See *The World Almanac and Book of Facts* (The New York World Telegram, 1941), p. 557.

But the fault must not all be placed upon the reporter or editor. Far too often the city reports a set of facts without giving the reasons or developments behind them. The net result is an inadequate news presentation. It is not uncommon for the story to be given out by officials who have little understanding of newspapers and news values, and written by reporters who know little about public administration or civic values. This statement may appear exceedingly simple; at the same time it is strikingly sound.

For years some city executives have realized the importance of the press and its effect upon the conduct of municipal government; consequently they have taken progressive steps to improve relations between the city hall and the printing house. So long as 67 per cent of our city managers continue to consider local newspapers the best method of public reporting, every effort should be made to improve that method.[38] This improvement may only be brought about by the concerted effort of the newspaper, the city administration, and the public.

Much has been spoken and written about the unprecedented growth of public education in this country; but until the last few years little effort was exercised to bring the school and the city administration together in a way that would benefit both. Heretofore city officials occasionally, and under more or less formal conditions, addressed various school groups. It is not intended to be inferred here that such speeches are of little value, but rather that all too frequently they approach the typical political or social address—oratorical in nature, filled with pomp and splendor, but lacking in the information which the young person desires. This has been especially true of our secondary schools; where college and university students are addressed by local officials, the results are generally far different.

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[38] "How City Managers Maintain Contact with the Public," *Public Management* (vol. XVI, no. 10, October, 1934), p. 308.

Perhaps a better method of informing young people of municipal activities is that of permitting them to visit city offices during business hours so they may see government in action. It is not uncommon to find a high-school teacher who takes the students to the city hall for an instructed tour. Such visits are little more than appreciation or get-acquainted tours, but they serve a worthy purpose and should be encouraged. Results are more quickly noticed, however, when such opportunities are made available to students of the college level. Such students are better equipped to examine and understand the technical as well as the more obvious practices of city administration; and in addition there is usually a closer relationship between the faculty of the college or university and the municipal personnel than there is between the faculty of institutions on the lower educational levels and the city officials. Of no slight importance is the fact that many of these young people will soon enter the employ of the city; or that if they do not become employees, they will at least become taxpayers. Such activity tends to create and promote a spirit of interest and cooperation on the part of the young people with regard to their city government.

The local schools may be used in a number of ways by the city administration as a means of promoting better public relations. Often we find such organizations as school patrols composed of school children who are instructed and supervised by members of the city police staff in the handling of traffic in the proximity of their schools. Or in many of our cities a day is set aside by the council on which the school children are permitted to take over city affairs. They occupy the offices at the city hall for the day and are shown the "why's and wherefore's" of city administration. Far less common than school patrols or officials for the day is the practice of distributing copies of the annual city reports to the public schools for use in the library or in civics or history classes. These are only some of

the many ways in which the schools may be used to publicize and to instruct in municipal activities.

The schools are not the only extra-governmental agency through which the city may publicize. A veritable multitude of civic clubs, boards, organizations, and committees is to be found in every urban community. City officials are constantly appearing before and working with such organizations as the Chamber of Commerce, Lions Club, Kiwanis Club, Rotary, League of Women Voters, Safety Council, and a host of others. The city administration, therefore, may reach, through various civic organizations or schools, its entire population regardless of age, class, or sex.

The constant operation of any city government naturally brings its personnel into everyday contact with the public. These contacts arise out of the operation of service functions as well as protective or regulatory activities. Through their dealings with firemen, policemen, inspectors, or other officers at the city hall, either through direct contact, correspondence or by telephone, the people are brought face to face with the workings of their city. The municipal officer or employee should always keep this in mind and should realize that his every action, the interest he shows in the citizen, the quality of information he gives him, his speech, politeness, and appearance, are all under constant observation. To sell the city administration, the city representative must first sell himself.

Public reporting is a means toward an end—a tool to be used. Its use rests upon the belief that the public does not have an opportunity to learn the facts about its government, rather than upon the assumption that it does not care about learning them. Government is, after all, a co-operative enterprise in which certain persons are employed by their fellow citizens to perform various duties and to bear certain responsibilities. The citizens are, in effect, the owners and employers; the officials or employees are but servants. It is the duty of the latter to follow

the wishes of the owners, to guard their interests, and to keep them informed about the results.

### Measuring Performance

This volume would not be complete without a word in reference to means and methods of appraising the city administration. Back in 1922 Professor Charles E. Merriam wrote an article entitled "The Next Step in the Organization of Municipal Research," and one year later Dr. Lent D. Upson published a study on "The Other Side of the Budget." Those were followed, in 1924, by an article by Dr. A. E. Buck, "Measuring the Results of Government." In the February, 1937, issue of *Public Management,* Clarence E. Ridley and Herbert A. Simon began a series of articles dealing with the measurement techniques of various municipal activities.[39] During the last few years there has been an increasing demand on the part of administrators, and to some degree the general public, for a definite set of standards or measurements whereby the effectiveness of the governmental machine might be judged.

A number of standards are used in appraising any municipal administration. The difficulty, however, is in finding a true measuring rod. The tax rate, for instance, is sometimes used as a criterion; but of what value is this unless one knows the basis of assessment and, in addition, the various sources and the percentage which each contributes to the total municipal income? Neither is the knowledge of the total sum expended of much value unless one is aware of how this money has been spent, and is in possession of an analysis of the purchases made. A better understanding as to how the money is expended may be obtained when the totals are broken down into personal services, commodities, properties, and the like. Let us suppose personal service is further broken down; more meaning is

[39] This series of articles presents one of the most comprehensive and complete treatments of the subject to be found.

given when one knows the number of man-hours spent as well as the total dollars used. When the total man-hours are broken down and analyzed as to how they were spent, we add to our understanding; but even so, one is unable to know how well the work is done and whether or not the desired end was obtained in the way desired.

This brings us to the crux of the matter, namely, the task of defining objectives, which is one of the most difficult problems in the entire field of measurement. Not many municipal departments or services have their objectives definitely defined; and in case they do, the terms used in so defining them are frequently indefinite, intangible, and subject to varying interpretations.

As one goes further in attempting to establish standards for measuring administrative performance, one finds that such local differences as climate, weather conditions, topography, and cultural background must be taken into consideration. Comparisons of service costs as between different cities are of little value unless the conditions prevailing in the cities compared are considered. Or, to compare the cost today of providing an unknown number of different services, with the cost some years ago of providing a smaller but equally unknown number of services, is of little value. Again, there are always such imponderables and variables as personnel and the ever-changing value of the American dollar. These difficulties are so real that the development of standards of measurement is little short of arduous. But in spite of the difficulties involved, some obstacles have been overcome and some progress made.[40]

As stated above, the standard or measuring rod may be stated in terms of quantity, quality, cost, and/or time and results—any

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[40] For a good treatment of the problem involved see Thomas H. Reed, *Municipal Government in the United States* (New York, 1934), chapter XXI. Techniques of appraising standards have been greatly improved during recent years, particularly in the fields of fire and police protection and public works.

one of these or several in combination. Still, when such a standard or such standards are applied to the administrative machine or its branches, the answer is not entirely satisfactory. Human efforts are finite and there are limits to which the administrator may go. Sight must not be lost of the fact that there is a distinction between the adequacy of a department or a service, that is, the absolute measure of accomplishment, and the efficiency of that department or service, which is the accomplishment relative to available resources. A good city health department, at least from the administrative point of view, is not one that possesses all the equipment and gadgets which may be procured, but rather one which has used its limited funds to provide the best equipment and service possible under existing conditions. Mr. Clarence E. Ridley well summarized the whole matter when he said, "The efficiency of administration is measured by the ratio of the effects actually obtained with the available resources to the maximum effects possible with the available resources." [41]

Today we are demanding far more than honesty in our city management; we are demanding that it be efficient as well. Our cities are primarily service agencies. They collect the refuse, educate the children, extinguish fires, prevent crime, and the like. The justification for the money they spend is that they make possible these and many other services. If we who pay bills are competently to pass upon how efficiently they spend our money, it is incumbent upon us to perfect our standards of measurement and appraisal.

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[41] Clarence E. Ridley and Herbert A. Simon, "Technique of Appraising Standards," *Public Management* (vol. XIX, no. 2, February, 1937), p. 48.

# INDEX

# INDEX


A

Abrams, Ernest R., cited, 348, 353, 355, 364
Accounting: operations, 42–3; groups interested in system of, 256–7; fund, 257–8; commercial, and municipal, contrasted, 258–60; internal control of, 261–2; documents, 262; records, 263–5; types of accounts, 265–6
Adam, T. R., cited, 315
Administration: defined, 1–3; growth of, 4–6; as a science, 6–8; organization distinguished from, 35–6; functions of, 36 ff; enumeration of duties of, 45–8; in municipal government, 75–6
Administrator, duties of, 43; characterized, 59–61; qualities of an, 61–3
American City Planning Association, 328
American Hospital Association, 317
American Public Health Association, 304
Appraisal, of city administration, 395–7
Assessment: defined, 210; procedure, 213; source of information for, 213–5; records, 216; improved administration of, 217–8
Audit: defined, 266–7; internal control of, 268; classification of, 269–70; scope of, 270–1; financial reporting and the, 274–6
Auditor, selection and qualifications of the, 269
Authority, line of, 20
Auxiliary services, 25 ff, 99 ff; in municipal administration, 72–3

B

Barton, J. T., cited, 377, 388
Baruch, Ismar, cited, 150
Beard, Charles A., cited, 7
Bemis, George W., cited, 168
Bergen, Harold B., and Garret Lawrence Bergen, cited, 63
Beyer, William C., quoted, 172
Beyle, Herman C., cited, 378
Bimson, O. H., cited, 323
Bingham, W. V., cited, 160
Bird, Frederick L., cited, 350
Bonding of city officials, 115–7
Bonds: as means of financing public improvements, 244–5; description of municipal, 247; procedure for issuing, 247–8; types of, 248–9; redemption of, 249; sinking-fund, 249–50
Borrowing, see Debt
Boy Scouts, 283, 385
Brooks, R. C., cited, 92
Brownrigg, William, and Louis J. Kroeger, cited, 157
Buck, A. E., cited, 182, 183, 184, 185, 190, 195, 197, 198, 204, 210, 211, 213, 216, 243, 248, 249, 251, 395; quoted, 190, 201, 246
Budget: defined, 188; types of municipal, 189–90; preparation of, 190–4; document, 195–6; enactment of, 196–200; enforcement of, 201–9
Buehler, Alfred G., cited, 184, 217
Bureau of Chemistry and Soils, 295
Bureau of Mines, 289, 295
Bureau of Standards, 289, 295, 335, 361

C

Career service, development of, 130–1
Case, Harry L., cited, 313
Certification, 162–3
Chamber of Commerce, 394
Chatters, Carl H., and Irving Tenner, cited, 258, 367
City-manager form of government, 68–9
Civil Service Assembly of the United States and Canada, 126
Civil Service Reform League, 124
Civil Works Administration, 353

Civilian Conservation Corps, 307, 321, 325
Classification, see Position-Classification
Command, as function of administration, 55–6; in municipal administration, 77–9
Commercial operations, 39–40
Compensation plans, 153–6
Constitutional safeguards for cities, 83–4
Control, as function of administration, 56–9; in municipal administration, 77–9
Cooley, Roger W., cited, 101, 113; quoted, 112
Cooper, R. Weldon, cited, 30
Coordination, 16–9; principle of, 16–7; place of, in organization, 18–9; hierarchy and, 21; span of control and, 25; as function of administration, 52–5; operations involved in, 54; in municipal administration, 73–4, 77
County aid to cities, 141–2
Cushman, Frank, cited, 63

D

Debt: extent of municipal, 238–41; of public service enterprises, 241; from financing public improvements, 243–5; municipal power to incur, 250; limitation of, 250–2; default of, 252–5
Department: division of labor and the, 13; bases for differentiation of the, 14; characteristics of the, 15; coordination of the, 14–5
Department of Commerce, 328
Department of Justice, 289
Dimock, Marshall E., cited, 35
Discipline, 173–5
Dykstra, Clarence A., 61

E

Education, 322–5
Edy, John N., 61
Efficiency ratings, see Service ratings
Emergency Relief and Reconstruction Act, 337
Employee organization, 178–9
Employment process, 156 ff
Examinations, purpose of, 159; types of, 160–1

F

Fagan, Elmer D., and C. Ward Macy, cited, 212
Farm Security Administration, 338
Fayol, Henri, 43, 60; on the functions of administration, 36–8, 44–6, 47–8; cited, 44, 45, 50; quoted, 2, 54
Federal aid to cities: for relief, 311–2; for recreation, 320–2; for education, 324–5; for public utilities, 352–4
Federal Bureau of Investigation, 287, 288
Federal Communications Commission, 289
Federal Emergency Relief Administration, 309, 353
Federal Housing Administration, 328, 335, 338
Federal Municipal Debt Adjustment Acts, 252
Federal Power Commission, 354, 364, 368
Federal Security Agency, 302
Federal Surplus Commodities Corporation, 307
Financial operations, 40–1
Financial reporting, see Reporting, financial
Fire: function of, department, 292–3; property losses by, 293–5; organization of, departments, 295–6; problems involved in, protection and prevention, 297–300.
Firemen, selection and training of, 297
Fiscal management: development of, 182–3; present organization for, 183–4; suggested plan of organization for, 185–7
Fish, Carl Russell, cited, 121, 122
Follett, Mary Parker, quoted, 36; on coordination, 53–4
Forecasting, as function of administration, 49; in municipal administration, 76–7
Foulke, William Dudley, cited, 124
Frederic, Katherine A., cited, 127

G

George-Deen Act, 168, 290
Graicunas, V. A., cited, 22–3
Goodnow, Frank J., cited, 35
Grant-in-aid, 88, 223

Gulick, Luther, quoted, 2, 14, 16, 29, 30, 46; cited, 15; on the duties of an administrator, 46

H

Health, public: municipal departments of, 301–2; federal and state activity in the field of, 302–3; problems, 303–4; contributions of, activities, 304
Herring, E. P., cited, 93
Hierarchy, 19–22; and municipal administration, 70
Hillhouse, A. M., cited, 226, 227, 238, 239, 252
Hiscock, Ira E., cited, 305
Hodges, Henry G., cited, 120, 136, 189, 222, 319, 355, 363; quoted, 121
Home Owners Loan Corporation, 338
Home rule, 82–3, 84; constitutional, 84–6
Hospitals, municipal, 315–8
Housing: problem of, 335–7; recent developments in, 337–41

I

Incentives, 169 ff
Indebtedness, see Debt
Inspection, as municipal function, 304–6
Integration, in municipal administration, 73–4
International City Managers' Association, 130, 168, 380, 389
Investigation, as function of administration, 48–9

J

Jackson, Andrew, 121, 122, 123
Jefferson, Thomas, 121
Jensen, J. P., cited, 213

K

Kent, Frank A., cited, 92
Kilpatrick, Wylie, cited, 388
Kiwanis Club, 394
Kneier, Charles M., cited, 67, 80, 111, 220, 249, 250

L

Labor: division of, 12–6; in relation to municipal administration, 70
Leadership, 21, 74–5
League of Women Voters, 394
Legislatures, state, 81–3
Libraries, public: administration of, 312; financing of, 313; services of, 313–4
Line services, 25 ff; in municipal administration, 72–3
Lions Club, 394
Lippmann, Walter, cited, 94

M

Macdonald, Austin F., cited, 67, 136, 212, 213, 231, 244, 245, 252
McQuillin, Eugene, cited, 99, 101, 102, 103, 104, 105, 106, 107, 109, 110, 111, 112, 113, 114, 115, 116, 326, 327, 330
Meriam, Lewis, cited, 8, 175
Merlin, Sidney, cited, 225
Merriam, Charles E., quoted, 326, 395
Moley, Raymond, cited, 291
Montgomery, Robert H., quoted, 268
Mooney, James D., and Alan C. Reiley, cited, 45; quoted, 11, 17, 21, 28
Morale, 179–80
Morey, Lloyd, cited, 258
Mosher, William E., and J. Donald Kingsley, cited, 118, 120, 123, 125, 138, 151, 153, 154, 156, 160, 172; quoted, 150
Municipal administration, external influences on, 80 ff
Municipal attorney, functions of, 291–2
Municipal expenditures: increase in, 231–2; classification of, 232–6
Municipal Finance Officers Association, 168, 272
Municipal government, forms of, 67 ff
Municipal officers: defined, 99–102; powers of, 102; *de facto* and *de jure*, 103–5; liability of, 105 ff; salaries of, 111–3; holding two offices, 113–5; bonding of, 115–7
Municipality, as an agency of the state, 80–1; state legislature and the, 81–3
Munro, W. B., cited, 93, 199, 247, 248, 334
Muntz, E. E., cited, 314, 336
Museums, public, 313–4

N

National Association of Assessing Officers, 168
National Board of Fire Underwriters, 293, 294, 295, 296
National Civil Service Reform League, 126
National Committee on Municipal Accounting, 258, 272
National Fire Protection Association, 299
National Industrial Recovery Act, 337
National League of Women Voters, 126
National Resources Committee, 328
National Youth Administration, 307, 321, 324, 385
Neff, Frank A., cited, 222, 228, 231
Nolting, Orin F., cited, 61

O

Odegard, P., cited, 94
Office of Education, 295
Ordway, Samuel H., Jr., and James C. O'Brien, cited, 161
Organization: 11–33; in relation to administration, 11, 52; defined, 12; division of labor and, 12–6; of the department, 13–5; place of coordination in, 18–9; hierarchy and, 19–22; integrated, 22; span of control and, 22–5; line, staff, and auxiliary services in, 25–33; functions of, 36–7; in municipal administration, 77; for fiscal management, 181 ff

P

Parks, city, 318–20
Parran, Thomas, 302
Pendleton Act, 124
Personnel administration: problems of, 127–30; in small and large cities, 131–3; as a tool of management, 142–3
Personnel agency: jurisdiction of, 134–5; types of: independent commission, 137–9; single administrator, 139–40; combination agency, 140–1; relation of, to departments, 144–6; internal organization of, 146–8; functions of, 149 ff
Personnel management, beginning of, 125–7
Personnel practices, history of, 120 ff
Personnel system, legal basis for, 134
Pfiffner, John M., cited, 7, 62, 156, 183, 198, 206, 207, 229, 230, 231, 363, 376; quoted, 136
Pitman, G. P., cited, 28
Planning, administrative: 45, 49–52; in municipal administration, 76–7
Planning, city: defined, 326; purpose of, 327; administration of, 328–9
Police: importance of, 280–1; functions of, 281–5; professionalization of, 286; selection and training of, 286–7; improvement in administration of, 287–90; place of, in court procedure, 290–1
Policy, distinguished from administration, 35–6
Political parties, 90–2
Porter, Kirk H., cited, 16
Position-Classification: defined, 150; uses of, 150; problems of, 152; results of, 153
Post-audit, 41, 208, 267; see also, Audit
Pre-audit, 206–8, 267; see also, Audit
Pressure groups, effect of, on municipal administration, 93–4
Probation, 163–4
Probst, J. B., cited, 172, 173
Professionalization, 74–5, 143
Promotion, as an incentive, 169; problems of, 170; bases for, 170–1
Public Administration Service, 286
Public employees, number of, 118
Public health, see Health, public
Public opinion, 94–6
Public utilities: services rendered by, 347–9; administration of, 350–2; the Federal Government and, 352–4; rates, 354; regulation of privately owned utilities, 355–62; methods of control, 362–5; accounting, 366–8; municipal *versus* private ownership of, 368–71
Public Utility Act, 360, 361, 364
Public Works Administration, 337, 352, 353
Purchasing: and budget enforcement, 204; procedure, 205–6

R

Reconstruction Finance Corporation, 308, 337, 338
Recreation, public, 318–22
Recruitment, defined, 156; activities, 157; new techniques in, 158
Reed, T. H., cited, 349, 367, 396
Relief: function of municipal, agency, 307–8; financing of municipal, 308–9; types of, 309; case work and, 310; problems involved in administration of, 310–2
Reporting, financial: defined, 271; contrasted with administrative, 271–2; types of, 272; importance of, 272–3; scope of, 273–6
Reporting, public: defined, 376; administration of, 376–7; objectives of, 377–9; increased demand for, 379–80; standards for, 382–4; distribution of, 384–6; methods of informal, 386–95
Retirement, as an incentive, 175; types of, 175–7
Revenues: municipal share of national, 219–20; sources of municipal, 221–8; limitation of, 229; collection of, 230–1
Ridley, Clarence E., cited, 61, 395; quoted, 397
Roethlisberger, F. J., and W. J. Dickson, quoted, 23
Root, Elihu, 28
Rotary Club, 394
Rural Electrification Administration, 353

S

Salaries, of municipal officials, 111–3
Salter, J. T., cited, 92
Scalar process, 20–1
Schmeckebier, Laurence F., cited, 8
Securities and Exchange Commission, 361
Service ratings, as a tool, 172; types of, 172–3
Smith, Elliott, quoted, 29
Smith, T. V., cited, 35
Social Security Act, 302
Social Security Board, 311
Soil Conservation Service, 335
Span of control, 22–5; and municipal administration, 71
Spoils system, 121–3, 127
Staff services, 25 ff; in municipal administration, 72–3
Standards, for appraising municipal administration, 395–7
State aid to cities, 141–2
State supervision of municipal activities, 87–8
Steffens, Lincoln, 90; cited, 123
Stone, Donald C., cited, 286
Stone, Harold A., Don K. Price, and Kathryn Stone, cited, 139, 140
Streets, city, 341–5
Strikes, 179

T

Taylor, Frederick W., 7; contribution to theory of organization, 27–8
Taylor, R. Emmett, cited, 199
Tead, Ordway, and Henry C. Metcalf, cited, 143
Technical operations, 38–9
Tennessee Valley Authority, 338
Tests, see Examinations
Training, pre-service, 165–7; in-service, 167–9

U

Unions, see Employee organization
United States Housing Authority, 338, 339, 340, 341
United States Public Health Service, 302
Upson, Lent D., 395
Urwick, L., 38, 45; cited, 31, 34, 54; quoted, 2, 7, 11, 30, 55
Utilities, see Public utilities

W

Walker, Harvey, cited, 120, 147, 158; quoted, 4
Walker, Robert A., cited, 327
Wallas, Graham, cited, 94
Welfare, general, 177–80
Wells, Roger H., cited, 67

White, Leonard D., cited, 3, 30, 35, 45, 120, 138, 144, 146, 156, 157, 158, 172, 182; quoted, 7, 119, 144
Wilcox, D. F., cited, 352, 366
Wilson, O. W., cited, 283, 289
Work Projects Administration, 307, 324, 353
Working conditions, 177–8

Y

Young Men's Christian Association, 283

Z

Zink, Harold, cited, 67, 92, 189, 193
Zoning: defined, 330; legal basis for, 330–2; procedure, 332–5