FIFTY BILLION DOLLARS

Hitch Analyzes Defense Budget

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Thresher Reporter

Continuing the President's series of public lectures, Charles J. Hitch, Vice-President for Business and Finance of the University of California, reviewed the major decision-making techniques introduced into the Department of Defense during his recent tenure as Asst. Secretary of Defense (Controller).

Hitch, a former Rhodes Scholar and RAND Corporation economist, outlined the Program Budgeting scheme for centralizing the military and fiscal planning of the 50 billion dollar per year defense budget.

The Program Budgeting technique recasts departmental planning - programming-budgeting processes so as to rationally integrate military requirements with scarce national resources. A Five-Year Force Structure and Financial Plan, along with a continuously operative Program Change Proposal system has been introduced in order to break defense management free of arbitrary budget ceilings and frantic one-year budget misallocations.

Successful Concept

The concept has been so successful that almost all government agencies have been ordered to refashion themselves along similar lines by April 1 of this year. Hitch expressed doubts as to whether such an extension can be effectively implemented given shortages of people qualified in the new technique.

Hitch discussed the more controversial of the recent Department of Defense management innovations—the Systems Approach to defense analysis. These "cost effectiveness" studies involve the quantitative analysis of the military value and economic costs of alternative weapons-system deployments. They provide the basis for the choice between existing alternatives or for the design of new alternatives.

Because the Systems Approach allegedly slights the value of professional military judgment, it has come under considerable fire, according to Hitch, mostly from outside the Department.

Actually, when one considers a weapons-system choice decision as a "logistical maneuver" in the classic sense, the Systems Approach is itself the very essence of sound military judgment in its application of the "Economy of Force" principle elucidated by Clausewitz, Jomini, Foch, and Liddell-Hart.

Hitch commented briefly on the similarities in the management of the Department of Defense and the burgeoning University of California. He noted particularly that whereas the maximum planning horizon at the Department is on the order of 10-15 years; the University of California, in planning the expansion of campuses, must look ahead no less than one generation.