The federal government has long relied on private industry for many of the goods and services needed to honor the Constitution’s promises of domestic tranquility, the common defense, the general welfare, and the blessings of liberty. Private firms made most of the weapons, supplies, flags, and wagons that carried the Revolutionary Army into battle. Although the war produced its share of familiar fraud, waste, and abuse, private firms helped win the war nonetheless and deserve credit for doing so.

The federal government relies even more heavily on private industry today. The goods and services are not only more sophisticated, they involve skill sets that were never imagined at Valley Forge, including everything from management consulting to face-to-face community relations, weapons systems, and data mining. Just as the United States could not have won the Revolutionary War without private industry, the federal government cannot deliver on the promises the nation makes without help from a legion of contract and grant employees.

The Core Question

The core question for this paper is not whether contract and grant employees play an imperative role in honoring the promises that Congress and the president make. The answer is “yes.”
Nor is the question whether the federal government should absorb all functions deemed essential to the nation’s survival. The answer is “no.” There are times when the federal government cannot produce a good or service unless it acquires the human capital, technical expertise, funds, and/or the state-of-the-art systems to do so; there are other times when it should not produce a good or service because there are available and permissible commercial alternatives; and there are still other times when it must not produce a good or service because doing so would weaken the “industrial base” of private industries that might be needed to address future threats.

Rather, the core question for this book is how to “compel” what President Dwight D. Eisenhower called for the “proper meshing” of government and industry in his 1961 farewell address to the nation. Although Eisenhower was referring to the military-industrial complex of the 1950s, his worries about its total influence, “economic, political, even spiritual,” are just as relevant to the government-industrial complex that now encompasses virtually every federal department and agency and its industry partners. Just as the military-industrial complex created the potential for “misplaced power” and “unwarranted influence” so does the government-industrial complex that now relies on 7-8 million federal, contract, and grant employees to faithfully execute the laws.

Measuring the Government-Industrial Complex

This paper provides an update of my past headcounts the true size of the federal government’s multi-sector workforce, but owes its title to Dwight Eisenhower’s 1961 farewell
Eisenhower not only added the term “military-industrial complex” to the defense vocabulary, but warned the nation of the “potential for the disastrous rise of misplaced power” associated with its total influence in “every city, every Statehouse, every office of the Federal government.”

Eisenhower believed this military-industrial complex was an imperative, but threatening weapon against a “hostile ideology global in scope, atheistic in character, ruthless in purpose, and insidious.” He also understood that the military-industrial complex was already exerting its economic, political, even spiritual influence in every city, state, and federal office. “We recognize the imperative need for this development,” Eisenhower warned. “Yet, we must not fail to comprehend its grave implications. Our toil, resources, and livelihood are all involved. So is the very structure of our society.” Eisenhower might make the same argument about today’s government-industrial complex.

More than a half century later, the military-industrial complex is still immense, but is no longer limited just to the nation’s defense. Eisenhower would almost certainly note the continued growth of today’s “immense” conjunction between the military and industry, but he might be surprised to see the rise of other conjunctions between government and industry at a host of departments and agencies. As Figure 1 shows, the military-industrial complex is still the largest of the conjunctions between a government department or agency and its contract and grant suppliers, but many other departments and agencies have also created conjunctions with suppliers over time, including substantial concentrations of contract and grant suppliers at the departments of Energy, Health and Human Services, Homeland Security, Veterans Affairs, and a long list of independent agencies such as the Centers for Disease Control, Environmental
Protection Agency, General Services Administration, and National Aeronautics and Space Administration.

FIGURE 1: THE GOVERNMENT-INDUSTRIAL COMPLEX

There are many ways to measure the size of the government-industrial complex, but headcount is the most common way Congress and the president track the movement of jobs back and forth across the border between government and industry. As a result, I prefer to measure the true size of the government-industrial complex by the number of employees, not spending, number of transactions, product or service, bidding process, or length.

The number of federal employees is relatively easy to count using existing government reports and accessible lists. The Office of Management and Budget (OMB) and Office of Personnel Management (OPM) both publish hard counts of the number of full-time equivalent
federal employees dating back to the 1940s and beyond, the Defense Manpower Data Center has the number of uniformed military personnel back to 1954, and the U.S. Postal Service historian has hard counts of the number of “regular” or “career” postal employees back to 1926.3

Despite the lack of any reports or lists, the number of contract and grant employees is also relatively easy to count based estimates derived from the Federal Procurement Data System (FPDS) and the Federal Assistance Award Data System (FAADS). Although the Government Accountability Office (GAO) and the Congressional Budget Office have been generally underwhelmed by accuracy and completeness of both data systems, the GAO has declared the FPDS “sufficiently reliable” for the kind of analyses used in this paper,4 while the CBO had enough confidence to use the procurement data for a 2015 analysis of federal workforce spending5

Readers are forewarned that these contract and grant employment estimates used in this paper carry an unknown margin of error. At the same time, the GAO and CBO reviews also suggest that the margin of error is likely to be relatively low when used to draw broad conclusion about patterns over time. Readers can also derive some confidence from the carefully executive and fully transparent methods used by Nation Analytics to produce the 2005, 2010, and 2015 estimates. The method is described in the endnote attached to this sentence.6

The True Size of the Government-Industrial Complex

Eisenhower never used the term “dependency” in his farewell address, but it was implied nonetheless. He believed the military-industrial complex was imperative precisely because the
nation could not survive without the mighty arms “ready for instant action, so that no potential aggressor may be tempted to risk his own destruction.”

Given the threat at hand, the nation could not wait for war to convert plowshares into swords. It was now dependent on a permanent arms industry, and this industry was dependent on Congress and the president for its survival and the military as a buyer, and this dependency had already created the “potential for the disastrous rise of misplaced power” that would persist far into the future. The military needed goods and services that only industry could deliver, while industry needed the demand that the threat of war created for goods and services. Without this reciprocity, the military would have to convert ploughshares into swords during war, while industry would have convert swords into ploughshares during peace.

This reciprocity can produce great public good, but it may also weaken government-industrial synergy as both sides seek their own profits through the use of essential goods and services on one side of the divide and financial profit on the other. Government no doubt seeks the greatest value at the lowest price, and industry no doubt calls on highly motivated, patriotic employees to make the goods and provide the services. Nevertheless, the government’s need for congressional support, predictable funding, and a strong industrial base can favor some bidders over others, and sole sourcing over competition.

At the same time, industry’s focus on sustaining past relationships, opening new markets, and generating profits can trigger the unwarranted influence, sought or unsought, that prompted Eisenhower’s warning. This dependency not only creates incentives for lax oversight, cost overruns, and errant decisions, but also may foment fraud, waste, and abuse as government and industry rush to complete complex acquisitions projects such as healthcare.gov or procure essential battlefield supplies and equipment such as body armor or tank treads.
The next section of this paper will track changes in the true size of the government-industrial complex from Ronald Reagan to Barack Obama. For now, however, it is useful to take a first look at the total employment based on the federal government’s hard numbers and estimates built from the FPDS and FAADS. As Table 1 shows, the complex has expanded and contracted at several points during the forty years, but is much larger than Congress, the president, and the public might have expected. Moreover, as Table 2 shows, the ratio of government and industry employees now stands at a near-historical high of almost 3 contract and grant employees for every one federal employee. Large or small though the totals may seem to advocates of more federal hiring or greater industrial support, they should be taken as a gauge of the number of employees needed to faithfully execute the laws. There is no doubt waste in the totals, but the size of the federal mission dictates the size of the government-industrial complex, not vice versa.

The rest of this paper will use the data discussed above to track the true size of the government-industrial complex from 1984 to 2015.

## Table 1: The True Size of the Government-Industrial Complex, 1984–2015

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<td>2,174,000</td>
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<td>1,891,000</td>
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<tr>
<td>POSTAL SERVICE EMPLOYEES</td>
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<td>692,000</td>
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<td>798,000</td>
<td>753,000</td>
<td>705,000</td>
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<td>492,000</td>
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<tr>
<td>TOTAL</td>
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<td>9,513,000</td>
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**TABLE 2: THE GOVERNMENT-INDUSTRIAL RATIO, 1984–2015**

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<td>2,139,000</td>
<td>1,891,000</td>
<td>1,778,000</td>
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<td>CONTRACT + GRANT EMPLOYEES</td>
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<td>4,589,000</td>
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<td>2.2</td>
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</table>

**ILLUSTRATION OF TABLE 2**

![Graph illustrating the number of employees over years](image-url)
Readers are cautioned that Table 1 only counts the total number of employees who work within the government-industrial complex as I define it, and should not be used to conclude that the government-industrial complex is too big or small. After all, it could be just right.

Readers are also cautioned that Table 2 only compares the two sides of the government-industrial complex as I have divided it, and should not be used to conclude that the government-industrial complex is too heavy or light on one side or the other. The tables only provide the sparks for further debate about whether the government-industrial complex is the right size and weight for the mission at hand.

Finally, readers are cautioned that Table 2 uses the total number of contract and grant employees to measure the industrial side of the government-industrial complex, and the number of federal civilian employees to measure the government side. In doing so, I excluded active duty military personnel and Postal Service employees from the government numbers to focus more directly on federal, contract, and grant employees who directly or indirectly engaged in who does what in the execution of inherently governmental responsibilities. Readers are free to calculate their own ratios by adding and subtracting employees as they wish. Some might even try to replicate Eisenhower’s definition of the military-industrial complex as the “conjunction of an immense military establishment and a large arms industry.”

Once past these cautions, readers are free to ask whether Eisenhower’s worries about the military-industrial complex apply to the government-industrial complex described in the data. Is the government-industrial complex “properly meshed” with the nation’s broader goals? Is it a danger to “our liberties or democratic processes?” Is it a source of “unwarranted influence” or “misplaced power?” Is it becoming the “insolvent phantom” of the future? Is it a source of “grave threats” to “the very structure of our society?” And is it even affecting the nation’s
spiritual life? The answers to such tough questions will not come from the counts and ratios presented in this book, but the counts and ratios may provide a starting point for a long overdue debate on how to create the alert and engaged citizenry Eisenhower saw as the only hope for assuring that security and liberty could prosper together.¹¹

Before turning to these issues in the next chapter, it is important to chronicle the rise and fall, and rise and fall again of the number of employees who worked in the government-industrial complex under the past five presidents. As the history shows, two of the five presidents pushed the totals upward during war, three drove the totals down as they harvested peace dividends, but all five kept the number of federal employees relatively close to the 2-million line, contract and grant employees produced the surges and declines, and the number of active duty military personnel and Postal Service employees both trended downward.

The Government-Industrial History, 1984-2015

The first step in addressing Eisenhower’s concerns is to review history of the government-industrial complex under the past five presidents. The next section will explore the underlying forces at work in these patterns.

**Ronald Reagan**

The third year of Ronald Reagan’s administration provides the starting point for a contemporary history of the government-industrial complex. As Table 1 shows, the number of federal employees was at the 2 million mark when Reagan entered office in 1981 and had barely
changed by 1984, while the number of active duty military personnel was at 2.1 million in 1981, and had barely increased by 1984 as well. During the same period, the number of federal employees and active duty military personnel generally held steady, while the number of regular Postal Service employees soared when part-time employees were added to the annual employee counts, where they remain today.¹²

As Table 2 shows in turn, there were 2.4 contract and grant employees for every one federal employee in 1984, compared with 3.4 for one in 2010 and 2.6 for one in 2015. Setting aside the post-9/11 increase, the ratios have remained remarkably stable over time, suggesting equilibrium built around similar growth during wars and similar decline during peace.

Reagan’s near-record number of estimated contract employees is not surprising given his defense priorities. Reagan began his 1981 Inaugural Address with a surprisingly short discussion of the economic woes that plagued the nation, and then turned to a long discussion of his proposed cuts in domestic spending by starting with his memorable campaign slogan:

> In this crisis, government is not the solution to our problem; government is the problem. From time to time we’ve been tempted to believe that society has become too complex to be managed by self-rule, that government by an elite group is superior to government for, by, and of the people....We are a nation that has a government—not the other way around. And this makes us special among the nations of the Earth. Our government has no power except that granted it by the people. It is time to check and reverse the growth of government, which shows signs of having grown beyond the consent of the governed.¹³
He started cutting only a few minutes later by imposing a “strict freeze” on all executive-branch hiring. “I pledged last July that this would be a first step toward controlling the growth and the size of Government and reducing the drain on the economy for the public sector,” he said, as he signed the memorandum in the President’s Room at the Capitol. “And beyond the symbolic value of this, which is my first official act, the freeze will eventually lead to a significant reduction in the size of the Federal work force.”

With his supply-side tax cuts and first round of domestic budget cuts in place by late summer, Reagan began shifting the federal agenda away from the social programs and toward a rapid expansion of defense spending. Between 1981 and 1990, the domestic budget fell 10 percent from $381 billion to $344 billion, while the defense budget increased 40 percent from $382 billion to $538 billion.

As for my earlier notion that government-industrial employment surges with war, the numbers presented in Table 3 and Figure 3 confirm the case, but less dramatically than expected, and not necessarily among contract employees. Whereas the number of federal employees rose by 100,000 to 2.2 million between 1984 and 1990, grant employees rose by 120,000 to 1.4 million, and Postal Service increased by 90,000 to 761,000, the number of contract employees dropped by almost 250,000 to 3.4 million, and active duty military personnel dropped by 100,000 to just over 2 million. Looking back to Table 2 from left to right, Reagan’s bureaucrat-industrial headcount under his last budget that took effect in 1990 set the high mark until 2005 when the government-industrial headcount expanded with the wars in Iraq and Afghanistan.

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<tr>
<td>POSTAL SERVICE EMPLOYEES</td>
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<td>761,000</td>
<td>692,000</td>
<td>761,000</td>
<td>798,000</td>
<td>753,000</td>
<td>705,000</td>
<td>584,000</td>
<td>492,000</td>
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**ILLUSTRATION OF TABLE 3**
NOTE: This figure only includes non-defense grant employees, and only for 2005, 2010, and 2015.

The size of the government-industrial complex dropped between 1984 and 1990 as Reagan began to harvest the Cold War peace dividend. Almost by definition, cold wars require less of the firepower that contracts buy, but more of the deterrence that come from research grants. This rise-and-fall, war-and-peace effect may explain the increase in the number of grant employees between 1984 and 1990, many of whom may have been drawn in the government-industrial complex by the $30 billion increase in the defense research and development budget over the period, which included grant-intensive, high-technology programs such as the Strategic Defense Initiative, better known as "Star Wars." 

Nevertheless, despite an increase in Postal Service employees due to a change in accounting, the total government-industrial headcount actually fell 36,000 between 1984 and 1990, driven by declines in the number of contract employees and active duty military personnel. By the last year
covered by the Reagan budget, there were 2.7 contract and grant employees for every one federal employee.

**George H. W. Bush**

President George H. W. Bush separated himself from Reagan’s rhetoric during the 1988 Republican campaign by promising a “kinder, gentler nation,” “a thousand points of light,” and a positive role for government. “Does government have a place?” he asked. “Yes. Government is part of the nation of communities—not the whole, just a part. I do not hate government. A government that remembers that the people are its master is a good and needed thing.”

Bush also issued the audacious pledge that would eventually doom his reelection. “The Congress will push me to raise taxes, and I’ll say no,” Bush promised the party faithful, “and they’ll push, and I’ll say no, and they’ll push again, and I’ll say to them, ‘Read my lips: no new taxes.’”

Bush clearly knew he could not honor his “no-new-taxes” pledge unless he balanced the federal budget. He also knew spending cuts and government downsizing offered the only path to success. Yet, given his commitment to public service as “a noble calling,” Bush understood the need for a kinder, gentler relationship with government, and the cost of further freezes, caps, and ceilings. His only hope came from the post–Cold War peace dividend.

Bush decided to harvest the dividend with a 25 percent drawdown in active duty military personnel, and an equal cut in defense spending, and put the cuts “in train,” as Secretary of State Colin Powell described the plan. He put a one-year freeze on military spending in 1989 to start
the train moving, began withdrawing forces from Europe to “more appropriate levels” in 1990, negotiated a nuclear arms accord with Russia in 1991, and put more cuts “in train” in 1992.

Bill Clinton

The peace dividend was clearly ready for further harvesting when Bill Clinton took office on January 20, 1993, but he was absolutely committed to the task. He began the work on Inauguration Day by cutting the number of White House employees through a hiring freeze and imposing across-the-board federal salaries for a year: “I have to say that we all know our government has been just great at building programs,” he told Congress when he presented his first budget a month later. “The time has come to show the American people that we can limit them too; that we can not only start things, that we can actually stop things.”

Three years later, Clinton returned to Congress to celebrate the administration’s success in reinventing government. If not quite willing to lift federal employment ceilings or reduce the mix of buyouts and associated attrition, he used his State of the Union Address to make a Reagan-esque announcement about the future of government:

We know big government does not have all the answers. We know there’s not a program for every problem. We know, and we have worked to give the American people a smaller, less bureaucratic Government in Washington. And we have to give the American people one that lives within its means. The era of big government is over. But we cannot go back to the time when our citizens were left to fend for themselves.
Clinton obviously understood the political rate of return on downsizing and bureaucratic reform, but it was Vice President Al Gore’s National Performance Review more commonly known as “reinventing government” that produced the cuts. Gore and his reinventing-government team enforced the employment ceilings, accelerated the procurement process, closed hundreds of obsolete field offices, and cut the equivalent of 640,000 pages of agency rules.

Clinton did not mention the peace dividend in the State of the Union Address, but as Table 3 and Figure 3 show, the defense downsizing would eventually account for about 250,000 of the 360,000 federal employees who left the federal payroll between 1993 and 1999. The rest of the reductions came from a 220,000 drawdown in military personnel and a slight drop in regular Post Service employees. Moreover, Clinton pushed the ratio of industry employees to government federal employees to 2.1, a modern low.

However, as these numbers and ratios show, the peace dividend was not the only source of personnel cuts. Although most of the harvesting came from defense, Gore’s reinventors used the Workforce Restructuring Act to create ceilings across the rest of the government. All but a handful of agencies gave jobs to the cause—Justice grew a little bigger, Treasury and Health and Human Services shrank a bit, and the rest of the cuts were spread here and there across the non-defense community.

These numbers also suggest that departments and agencies may have used the job savings in “control jobs” to increase “line jobs” in employee-starved programs. There are also hints that some agencies reduced their number of managers by simply reclassifying them as “team leaders” and “management support specialists.”

However, these clever reclassification maneuvers cannot account for the deep cut in managers between 1993 and 1999. In fact, the decline was so sharp that the Office of Personnel
Management actually issued a “wake-up call” about the need to develop the next generation of supervisors.30

George W. Bush

George W. Bush entered the White House a most fortunate president. He not only inherited a $128 billion surplus, but also a government-industrial headcount that was 600,000 smaller at the beginning of his term than his father’s had been at the end. He clearly had room to maneuver as he entered office after an economic boom under Clinton.

George W. Bush showed little interest in further downsizing as he prepared for his inauguration. Clinton had harvest most of the divided in creating the smallest industrial headcount in recent history. By the end of his term, the total number of federal, contract, and grant employees hovered near a twenty-year low through the spring and summer of 2001, and the government-industrial complex seemed to be moving toward the proper meshing that Eisenhower envisioned.31

Hence, Bush started his first term by rejecting the “old, tired argument” between “more government, regardless of the cost, and less government, regardless of the need.” Rather, he would be the president of a compassionate, conservative government and that would “be active, but limited, engaged but not overbearing.” He also told the nation that he intended to reshape the budget as “as any prudent family would, with a contingency fund for emergencies or additional spending needs.”32

Bush did not enter office expecting to become a war president. He was just as shocked by the terrorist attacks as the nation, and could not have known he would send American troops to
war in Iraq, or that defense spending would rise 30 percent over his first three budgets. Having started with Clinton’s $408 billion budget marks, Bush bumped defense spending to $450 billion in 2002, $492 billion in 2003, and $531 billion in 2004, almost all in response to 9/11. Non-defense spending would also rise almost 18 percent during the same period as he pursued several relatively expensive domestic priorities such as the new Transportation Security Administration, a new farm bill, education reforms, and Medicare prescription drug coverage.33

As went the defense budget, so went the government-industrial headcount. The Bush administration added almost 1.4 million contract and grant employees to the industrial workforce between 2002 and 2005, with 1 million coming from industry. Federal employees accounted for 70,000 of the total, active duty military personnel 25,000, and the Postal Service 50,000.

Given the large increase in contract employees, it is not surprising that the ratio of contract and grant employees as a share of the total government-industrial workforce also moved up significantly as the wars expanded. Whereas there were 2.3 contract and grant employees for every one federal employee in 2002, there were 3.0 for every one federal employee in 2005. The new ratio was more than a third higher than the record high set by Reagan in 1990, and two-fifths higher than Clinton’s record low set in 1999.

Ironically, Transportation Security Administration accounted for at least some of the employees added to the contract counts in 2002. Having started up with just two employees, the administrator and his deputy, the build-it-yourself agency had to hire a contractor to solicit proposals from the contract firms that would recruit the federal employees who would replace the airport contract employees who screened the 9/11 passengers.

Barack Obama
If George W. Bush entered the White House a fortunate president, Barack Obama arrived at a most unfortunate time. The economy had collapsed in the wake of the 2008 subprime mortgage scandal, the Iraq and Afghanistan wars were still evolving, the federal deficit was headed toward $1.5 trillion and the debt was rising quickly, the credit markets were frozen, and three of his cabinet nominees soon withdrew from consideration in the midst of scandal or under political pressure. His honeymoon seemed over almost before it began.

However, Obama showed no sign of despair when he appeared before Congress to present his economic plan on February 24. Instead, Obama told Americans that he rejected the notion that government had no role in creating the foundation for common prosperity, and applauded its work as a catalyst for private enterprise and entrepreneurship. But with his stimulus package already adding billions to the deficit, Obama promised to end programs, not create them:

In this budget, we will end education programs that don’t work and end direct payments to large agribusinesses that don’t need them. We’ll eliminate the no-bid contracts that have wasted billions in Iraq and reform our defense budget so that we’re not paying for cold war-era weapons systems we don’t use. We will root out the waste and fraud and abuse in our Medicare program that doesn’t make our seniors any healthier. We will restore a sense of fairness and balance to our Tax Code by finally ending the tax breaks for corporations that ship our jobs overseas. In order to save our children from a future of debt, we will also end the tax breaks for the wealthiest 2 percent of Americans.\(^34\)
Obama must have already known that he would receive a peace dividend as the Iraq and Afghanistan wars wound down. Just as Reagan had given George H.W. Bush the Cold War peace dividend, George W. Bush had given Obama the same chance by ending the 2008 troop surge six months before the election. However, Obama shaped the coming cuts as an opportunity to reshape government. Speaking before the University of Michigan’s class of 2010, he rejected the traditional debates about big and small government:

The truth is, the debate we’ve had for decades now between more government and less government, it doesn’t really fit the times in which we live. We know that too much government can stifle competition and deprive us of choice and burden us with debt. But we’ve also clearly seen the dangers of too little government—like when a lack of accountability on Wall Street nearly leads to the collapse of our entire economy. So, class of 2010, what we should be asking is not whether we need “big government” or a “small government,” but how we can create a smarter and better government.35

Only a summer later, Obama signed the Budget Control Act of 2011. Designed to prevent a government tumble over the “fiscal cliff” of debt, the act required Congress and the president to cut $1.2 trillion from the federal budget within two years. If they could not do so, Congress and the president would impose a “sequester” composed of what Obama called “dumb, arbitrary cuts” of roughly $100 billion every year until 2021.36
This provision created two significant effects in 2013. First, as expected from intense resistance in the Republican House, Congress and the president failed to meet the $1.2 trillion target, which triggered the sequester that sent almost all 770,000 federal employees home for up to 1-7 days. According to the Bipartisan Budget Center, which was created by four former Senate Majority leaders, the sequester produced effects “from merely stupid to dangerous.”

Second, Congress and the president were forced to shutdown the government after failing to agree on a new budget that would have kept federal departments and agencies open. This time, 820,000 “nonessential” federal employees were sent home and took 6.6 million workdays with them.

Despite this dramatic shift in political power and the resulting legislative polarization, Obama had been harvesting substantial savings from the Iraq War’s peace dividend from the beginning of his presidency. Between the 2010 and 2015 readings in Table 1, Obama cut the number of federal employees by 90,000, contract employees by more than 1.1 million, grant employees by 800,000, and active duty military personnel by 50,000. He also benefited from a sharp drop in the number of Postal Service employees as the quasi-governmental agency struggled to trim its record-setting deficits. By the end of 2015, there were just 2.6 contract and grant employees for every one federal employee.

Some might argue that Obama’s reductions had even bested Clinton’s “end-of-the-era” record by almost 700,000 employees. However, it seems reasonable to discount Obama’s reduction in the number of grant employees. After all, as Table 1 shows, the number of grant employees increased from 1.6 million under Bush in 2005 to 2.3 million immediately after Obama’s stimulus ramped up to full force.
This false contest obscures a seemingly important conclusion: At least since 1980, Democrats have proven far better at cutting government than Republicans, albeit largely by harvesting peace dividends. In turn, Republicans have proven far better at growing government, albeit largely through wars that they would no doubt argue were not of their own choosing.

However, a cursory review of the pre-1984 federal employment figures suggests this conclusion would not hold for long if data on the Korean and Vietnam peace dividends were available. As already noted, Eisenhower harvested a 300,000 reduction in the number of Defense Department employees after Korea, while Nixon harvested 200,000 after Vietnam. As for records, President Harry Truman deserves the gold medal. Between 1945 and 1950, the number of Defense Department employees fell by almost 2 million, and only reversed itself when Truman stepped into Korea.

**Conclusion**

This history does not suggest that Eisenhower’s worries have come true. Rather, it is to argue that the disastrous rise of misplaced power still exists and will persist, whether warranted or unwarranted, in appearance or in fact. It is also to argue that the military-industrial complex may have grown so large that a proper meshing is no longer possible without a very deep accounting. Just as the military-industrial complex exerted great influence on American economic, political, and even spiritual life during the 1950s, the government-industrial complex exerts similar influence today; and just as the military-industrial complex reached out to every city, state, and federal office in the 1950s, the government-industrial complex penetrates every office today.
Every president since Eisenhower would likely say the same. The government-industrial complex still relies on reciprocity as its fundamental engine, but industry remains intensely motivated to make the connection between federal spending and economic growth. It also makes its presence felt through its lobbying, campaign expenditures, and thoughtful distribution of its manufacturing plants and supply chain to give members of Congress good reason to celebrate the incumbency advantages they receive from the status quo.

**Obstacles To Meshing**

The size and weight of the government-industrial complex changes for many reasons, not the least of which are the ceilings, caps, and freezes that Congress and the president frequently use to limit the total number of federal employees. A proper meshing of the government-industrial complex is impossible to manage if one side is tied to a single number of employees and the other can flex to meet new missions.

Few members of Congress have done more to frustrate this proper meshing than Rep. Jamie Whitten (D-MS), the long-serving southern conservative who opposed civil rights for decades. Angered by the Korean War budget and a 30 percent increase in the number of federal employees to almost 2 million, Whitten attached a simple rider to a 1950 Korean War spending bill exhorting the federal government’s Civil Service Commission to “make full use of its authority to make temporary appointments to prevent increases in the number of permanent employees.”

Whitten also asked the Commission to freeze grade increases during the Korean hostilities. Accepted through voice vote, the amendment was ostensibly designed to protect the jobs of war
veterans when they returned home. Under his “time-in-grade” provision, federal employees could not be promoted to a higher grade before one year of service in their current post.

Whitten’s cap expired on September 14, 1978, but it hardly mattered. Whitten had established federal employment as an enduring measure of government size. The number of federal employees may not be the best measure of the government’s true size, but it is an easy measure to explain and remember especially during long periods of unemployment. Citizens might not be able to compute interest on the federal debt, calculate the budget deficit as a percent of gross domestic product, or model the economic effects of a $20 trillion national debt, but they can understand 2 million as a make-or-break point for big government. They may not understand federal personnel policy, but they can easily understand a simple measure of government growth such as headcount.

Whitten’s cap still creates enormous downward pressure to explain even the slightest movement above the 2 million mark. Presidents always celebrate when federal employment falls, and plead their case when it rises. Whereas Clinton needed just eight words to declare “the end of the era of big government” in announcing further reductions in federal employment as he prepared for his reelection campaign, Obama used hundreds to justify a 31,000 increase in his final budget, of which 17,000 would go to addressing the veterans waiting-list scandal.41

Yet, as if to prove that even tiny increases provoke headlines, Obama’s explanation was fact-checked by the Washington Post featured and in the Washington Times.42 The Post reported that the federal government was actually shrinking, while the Times argued that the federal government was growing, but slowly. Nevertheless as Figure 2 shows, Obama still held remarkably close to Whitten’s cap.
The pressure to hold federal employment to at or near the mark is unlikely to relent in the near future. But neither is the public appetite for more of almost everything the federal government provides. As noted below, Americans may hate government, but they still love their favorite programs. Given enormous endeavors such as Obama’s “cancer moonshot,” the war on terrorism, and mitigation of global climate change, but operating with limited resources, uncertainty, inflexibility, congressional meddling, and a broken personnel system, the federal
government may have little choice but to bring more and more contract and grant employees to the task, while assigning active duty military personnel to menial tasks that were never listed as options when they signed up for the All-Volunteer Force.\textsuperscript{43}

Whitten might rightly argue that his freeze made future freezes, caps, and ceilings unnecessary. After all, he set the mark at 2 million, Congress and the president embraced it as a benchmark, and the public clearly responds to headcounts as a measure of big government. He might also rightly note that his barrier is rarely breached, and works its will once wars and economic crises end. Even today, it is hard to imagine that Congress and the president could ever convince the public to accept even a 2.5 million federal headcount.

\textbf{Depending on Industry}

There are many good reasons to use a contract or grant employee to faithfully execute the laws, but convenience is not one of them. Much as Eisenhower might sympathize with senior executives who believe grant employees are easier to hire, supervise, discipline, and deploy, he would dismiss clever subterfuge as a justifiable reason for creating such a casual, yet grave threat to liberty. As the following list of 17 obstacles suggests, contract and grant employees may be perfected suited many posts, but their engagement should be made by choice, not unyielding dependence, let alone what Alexander Hamilton labelled the “deadly adversaries of republican government.”

It is impossible to weigh the unwarranted influence and misplaced power potentially associated with each obstacle, but the federal government’s options have been narrowed by the following obstacles nonetheless: (1) aging, (2) over-grading, (3) the sluggish hiring process, (4)
permissive employee appraisals, (5) the changing shape of the federal bureaucracy, (6) widening skill gaps across government, (7) sagging federal employee job satisfaction, (8) the alleged cost savings associated with contract and grant employees, (9) preferences for commercially-available products and services, (10) acquisition failures, (11) inspection failures, (12) bureaucratic thickening, (13) the broken presidential appointments process, (14) efforts to maintain achievements and prevent further federal breakdowns, (15) public distrust toward all things government, (16) political polarization and its associated uncertainty, and (17) the cabal, intrigue, and corruption that seem to plague the federal government.

The first six obstacles are generally demographic, the second seven involve bureaucratic neglect and under-funding, and the final four reflect political failures and polarization. However, all 17 involve: of over-dependence, under-investment, and casual oversight of the government-industrial complex as a whole. As a result, Congress and the president cannot be sure that the federal government has the right employees in the right jobs at the right cost to meet its broad mission, and neither can the American public.

This is not to suggest that Congress and the president are completely disengaged from reform, but their efforts generally involve piecemeal reforms that target minor problems with tepid action. As the following list shows, a proper meshing of the government-industrial complex demand comprehensive action, not continued tinkering.

1. Aging

The federal workforce continues to move ever closer to a long-expected retirement bubble. Although the bubble could create significant opportunities for the proper meshing of the
government-industrial headcount, federal departments and agencies have few tools to use the aging as a lever for change.

The problem is not that so many federal employees will soon retire, however. Rather, the problem is that too few younger employees are in line to fill the gaps. While the percentage of full-time, permanent federal employees under thirty-five years of age rose from 13 percent to almost 18 percent between 2000 and 2014, the percentage fifty-five years and older rose even faster from 17 percent to 28 percent.

Age is significantly related to average federal pay grades—longer-serving federal employees have more opportunities to develop the skills and experience needed for advancement, and advancement almost always produces a jump in pay grade from one level of the federal government’s 15 grade pay system to the next.

Increases in average grade also may be a signal of both past and future outsourcing as agencies compensate for dwindling capacity under their top-heavy hierarchies. As federal employees have moved up the pay ladder, the federal government has changed from a delivery and administrative support organization to a management and analysis operation.

2. **Grading**

Grade increases depend in part on accurate performance appraisals, which distinguish between exceptional, average, and unacceptable work. Honest assessments are essential given the impacts involved. For example, most grade increases go to federal employees who receive “outstanding,” “consistently exceeds job expectations,” or “fully meets job expectations” ratings,
while few go to federal employees who receive a “less than fully successful” rating. In turn, most bonuses and awards also go federal employees who rate above average.44

This is hardly evidence of careful personnel management, however. Most of the promotions and bonuses go to high performers because all but a fraction of federal employees are rated as high performers. In 2010, for example, just 12,000 of the federal government’s 2 million employees were rated as less than fully satisfactory, and fewer than 1,000 were actually dismissed.45

Although it is possible that the vast majority of employees are high performers, it is not probable, or at least most federal employees do not believe so. According to the federal government’s most recent survey of its workforce, few employees believe that differences in performance in their work unit are recognized in a meaningful way (33 percent), pay raises do not depend on how well employees perform their jobs (21 percent), promotions in their work unit are not based on merit (33 percent), and creativity and innovation are rewarded (37 percent). Although a substantial majority still recommends their organizations as a good place to work (63 percent), many do not believe their own work unit is able to recruit people with the right skills (42 percent).46

These doubts appear to be rooted in the performance appraisal system itself, which gives managers and supervisors ample room to rate almost all employees above average. In turn, the rating inflation creates significant obstacles to disciplinary action against employees who either partially meet job expectations, or do not meet job expectations at all. As a result, managers may come to believe that contract and grant employees can be more fairly graded and disciplined than their own civil
service colleagues, thereby created unwarranted incentives for moving positions across the government-industrial divide.

3. Hiring

The federal hiring system gives government ample incentive to use contract and grant employees even when it has jobs to be filled. Despite decades of promised acceleration, the federal hiring process remains slow, unfriendly, and discouraging. The federal government has been trying to cut hiring times to 90 days or less, which makes the process about 75 days late in the hunt for highly prized talent.

The delays are particularly frustrating in the hunt for younger employees. As already noted, the number of federal employees thirty-five years old or younger is a fraction of the federal government’s aging workforce. Even the normally upbeat head of the Partnership for Public Service, Max Stier, complains that the process is “deeply broken,” and the CBO says that recent legislation to streamline the process will have little effect at all.47

The problem is a lack of interest in federal jobs—college students consistently rank government in general as one of their top three destinations. However, the federal government not only meets interest with delay, but it also has little institutional knowledge about how to make the pitch to anxious, debt-laden candidates. Its USAjobs website is still jammed with jargon-filled job descriptions of jobs that often pay far less than those in the private sector, and opportunities for advancement are limited by the large numbers of Baby Boom and Generation X employees packed in above.
4. Appraising

The federal appraisal system was designed to reward outstanding performance, but shows a weaker between its ratings and pay and promotions than originally expected. To be fair, most rewards do go to federal employees who are at the near or top of the performance charts. To be equally critical, however, 99.3 percent of federal employees were rated as “fully successful” or above in the GAO’s 2013 analysis, while another third were rated as “outstanding,” about a quarter as “exceeds fully successful,” and nearly two fifths as “fully successful.”

Even the federal government’s prestigious Senior Executive Service has its appraisal problems. In 2013 again, 90 percent of the members of the prestigious Senior Executive Service (SES) were rated as top performers. Although the SES attracts many of the most talented employees in the world, its appraisal system is widely disparaged, even ridiculed, and creates at least some pressure toward high-level outsourcing. These percentages are little more than a prima facie case against the appraisal process, but do raise serious doubts that federal employees should be favored in the fight for posts within the government-industrial complex.

Equally troubling perhaps, very few of the federal employees rated as “unsatisfactory” are fired or demoted. Many of these survivors may have deserved a second and even third or fourth chance, but the imbalance renders the appraisal process almost useless for making tough choices about promotions and pay among the 99 percent at the top, while undermining its reputation both inside and outside of government.

The private sector has its own share of performance problems, but the federal system has pernicious effects on public skepticism. According to the Pew Research Center, most Americans...
have been angry or frustrated with the federal government for almost two decades, and even larger numbers say they almost never trust the government in Washington to do what is right. As for effectiveness, substantial majorities of Americans rate the government’s performance as only fair or poor, believe it almost always wasteful and inefficient, is run for the special interests, and is doing a mediocre job on a host of priorities from protecting the nation from terrorism to strengthening the economy.51

It is always possible that federal employees are almost all above average, but even federal employees dispute the case. According to the federal government’s most recent survey of its workforce, only 33 percent of employees believe that differences in performance in their work unit are recognized in a meaningful way, only 21 percent believe that pay raises depend on how well employees perform their jobs, only 33 percent believe that promotions in their work unit are based on merit, and only 37 percent believe that creativity and innovation are rewarded. Although a substantial majority (63 percent) still recommend their organizations as a good place to work, many (42 percent) believe that their own work unit is unable to recruit people with the right skills.52 After all, they have worked toward reform year after year, decade after decade, be it through stronger rhetoric, tougher laws, tighter orders, newer systems, better measures, deeper studies, bigger commissions, tighter budgets, cleaner definitions, or grander job titles. With notable exceptions such as reinventing government, however, the problems have been addressed one by one, often related to the latest scandal. The result of this piecemeal reform has been inevitable: Congress and the president have removed one problem from the high-risk list only to find it popping up in another form at another agency.

This is not to argue that the obstacles must be permanently in place, however. Rather, it is to argue that piecemeal reform can be just as expensive and even more difficult than omnibus
reform, especially in a highly polarized process. Just as there are economies of scale in budget bills and health policy, there are economies of scale in government reform. Consider the following summaries as examples of just how difficult it is to remove any one of the obstacles without addressing the rest:

- Little can be done to stop aging and the associated grade inflation unless Congress and the president authorize a new round of buyouts to pull senior employees out of government and harvest their positions for frontline hiring.
- Little can be done to the over-grading that often comes with the long careers that generate automatic movement unless Congress and the president have the tough discussions about limits on upward motion.
- Little can be done to repair the sluggish hiring process and the associated churn unless Congress and the president redesign the entire personnel process to make faster decisions and create career paths that allow young employees to make a difference through their work.
- Little can be done to rationalize the performance appraisal system unless Congress and the president create curves or quotas of some kind and get serious about a faster disciplinary process that leans toward action instead of a paralysis.
- Little can be done to prevent encroachment across the government-industrial complex until Congress and the president can agree on the “rules of the game” for faithfully executing the laws, and develop a system for actually moving functions to the right location.
• Little can be done to restore employee morale unless Congress and the president provide the funding to address the obvious complaints raised in the government’s own employee surveys, and force the OPM to ask tough questions about its own contributions to the dissatisfaction.

• Little can be done to resolve the never-ending debate about how to compare employee costs until Congress and the president develop a job-to-job, occupation-to-occupation calculator that would allow a precise comparison of what every job costs in the present, and accurate projections of what every job will cost in the future.53

• Little can be done to close the skill gaps that make the federal government so vulnerable to breakdowns unless Congress and the president attack the underlying drivers of the gaps, including adoption of the market-based pay needed to compete for the talent government needs.

• Little can be done toward rebuilding the acquisitions and inspections workforce unless Congress and the president embrace long-needed reform that would provide the talent and training to draw a firm boundary between government and industry.

• Little can be done about the thickening of government unless Congress and the president begin cutting down the hierarchy by eliminating posts as federal employees leave their high-level managerial posts, while sharply reducing the number of title-extenders that cloud the hierarchy with needless interference.

• Little can be done to accelerate the nomination and confirmation appointment process unless Congress and the president further reduce the number of Senate-confirmed appointees and reconcile the duplication and overlap across the hundreds of questions that each appointee must answer.
• Little can be done to sustain government’s greatest achievements and prevent government breakdowns unless Congress and the president can find some way to address the many contributors by honoring the ancient Japanese proverb, “vision plus action equals success.”

• Little can be done about public distrust unless Congress and the president can finally generate measurable, publicly understandable improvements in government performance and productivity, and clear evidence that federal employees are contributing to the gains.

• Little can be done about polarization short of major reforms in how the nation selects, funds, and elects its leaders, which is a way of saying that there is almost nothing to be done about polarization given the distribution of partisan interests, dark money, and safe congressional seats today.

• Finally, little can be done about the cabal, intrigue, and corruption within the government-industrial complex unless Congress and the president address the dark money that currently flows through the campaign process, and the unrestrained lobbying that shapes the boundaries between government and industry.

There is still for reform, however. Good government groups such as POGO, the Partnership for Public Service, the Center for Responsive Politics, the Volcker Alliance, and a host of other nonpartisan organizations are pursuing reforms that could be easily combined into a comprehensive package that would address many of the 15 obstacles described above. Many of these organizations are already coming together to address issues such as dark money, outsourcing, ethics, and transparency. There are still deep divisions across the party lines on
legislation such as the Workforce Reduction through Attrition Act discussed earlier and a lack of common ground between the contract lobby and federal employee unions, but there is also a growing realization that the federal government is broken. Contract firms and grant agencies rightly complain about the federal hierarchy and paperwork burdens, grant agencies struggle to manage contracts under multiple layers of rules, and federal employee unions decry the understaffing highlighted throughout this book.

If the goal is a comprehensive package designed to improve government-industrial performance, reformers can start their bipartisan conversations by dusting off the final report of the 1989 National Commission on the Public Service. Having declared a “quiet crisis” in government that is now deafening across the government-industrial complex, former Federal Reserve Board Chairman Paul A. Volcker and his commission offered a spirited bipartisan proposal that could be easily adapted to current realities. The reform community could start its negotiations by simply reading the commission’s opening paragraph:

The central message of this report of the Commission on the Public Service is both simple and profound, both urgent and timeless. In essence, we call for a renewed sense of commitment by all Americans to the highest traditions of the public service—to a public service responsive to the political will of the people and also protective of our constitutional values; to a public service able to cope with complexity and conflict and also able to maintain the highest ethical standards; to a public service attractive to the young and talented from all parts of our society and also capable of earning the respect of all our citizens.
Although the 1989 package was only adopted in part, it contained a long list of recommendations that are ready for action today.\textsuperscript{55} Updated in 2003 by the second National Commission on the Public Service, the recommendations have withstood both the passage of time and the partisanship that has led to the uncertainty that buffets the entire government-industrial complex today. Volcker is well worth quoting as the final word on the need for reform:

\begin{quote}
We depend on government in so many ways, often unseen and unrealized. But one can’t help but conclude upon seeing our institutions at work—or, more accurately, not working to their fullest potential—that we need to make some fixes. These institutions, from the UN and the World Bank, to our federal, state, and local governments for that matter—are tools that can improve people’s lives. We need them to run well. We have seen what happens when insufficient attention is given to understanding and mastering the basics of execution—the botched launch of healthcare.gov, the gaming of the veterans’ medical scheduling system, and, of course, the failure of the financial regulatory system to prevent unacceptable levels of private sector risk-taking at the expense of the stability of the economy.\textsuperscript{56}
\end{quote}

Broad as it was, Volcker’s commission did not address the government-industrial complex either directly or indirectly. Although it did recognize the need for a high-performing government, it focused almost entirely on the government side of the boundary. As this chapter strongly suggests, there is plenty to do on the government side toward removing the obstacles to fast hiring, honest grading, effective discipline, strong oversight, renewed morale, and reliable skills. However, by my own admittedly biased count as an adviser to Volcker, the commission’s
recommendations address at least nine of the 17 obstacles directly (age, grades, hiring, appraisals, shape, morale, gaps, appointments, and thickening), three indirectly (cost, acquisitions, and oversight), and two more through improved performance (breakdowns and public opinion).

This count leaves encroachment, polarization, and corruption for the bargaining table. Although bipartisan reform itself might reduce polarization, it would still have to contain clear guidance on encroachment across the government-industrial dividing line and absolute transparency as a remedy to the “disastrous rise of misplaced power” and “unwarranted influence, whether sought or unsought.” As the next chapter proposes, an integrated system for meshing government and industry might well remove two more obstacles to reform (encroachment and corruption), leaving polarization for Congress, the president, and the public. Removing 14 obstacles to a proper meshing is hardly a disappointment, but another two would be spectacular.
5. Reshaping

These changes in the demographics of government have changed the basic shape of the federal hierarchy and the resulting need for industry help. Just before World War II, for example, the federal structure resembled Max Weber’s bureaucratic pyramid filled with highly-specialized, rule-bound federal employees topped by a relatively small number of presidential appointees and senior-level career executives and supported by a growing armaments industry. By 1960, the federal structure had already started to thin at its bottom and was already dependent on the vast, unprecedented military-industrial complex targeted in Eisenhower’s farewell address. By 1980, the federal structure resembled a hexagon as the bottom held steady even as the number of middle-level federal employees and higher-level presidential appointees expanded. By 2000, the federal structure resembled a pentagon as service contract employees flooded the government’s lower cavities even as other contract and grant employees delivered more services and presidential appointees filled more layers of leadership. Assuming these trends continue through 2040, the federal structure could resemble an oval with very few federal employees at the bottom and a vast coterie of presidential appointees and career executives at the top. Figure 3 provides an illustration of this changing shape.

FIGURE 3: THE CHANGING SHAPE OF GOVERNMENT

| 1960s | 1980s | 2000s | 2040s |
As the federal government has changed shape, it has created lower-level cavities filled by a seemingly haphazard blend of federal, contract, and grant employees. Although many federal support positions disappeared with the demand for highly educated senior employees, at least some of the employees at the higher levels moved up by changing occupations. According to a recent count of the 900,000 federal non-defense employees who switched jobs between 1988 and 2011, almost 360,000 moved up from lower-level clerical support classifications to somewhat-higher-level technical support positions, while another 200,000 switched from lower-level technical support classifications to higher-level administrative slots.57

6. Hollowing

Given the inventory of employee concerns summarized below, it is no surprise that skill gaps created by the lack of federal strategic human capital planning would reside on the GAO’s high-risk list, and perhaps more than a little surprising that it only made the list fifteen years ago. According to the GAO, the nation can address the complex challenges ahead only if the federal personnel system is able to fill essential jobs.58 The GAO did not mention the use of contract or grant employees as either a cause or solution to the gaps. Rather, the GAO focused heavily on
developing new metrics for identifying gaps in the present, and predictive capacity to identify and fill gaps in the future. The GAO also noted the domino effect of nearly two-dozen “mission-critical” skill gaps across the government, while contributing to 13 of the 32 items on its high-risk list.59

The list shows the mismatch between industrial-age organizations and information-age missions.60 “Nothing that gets out of sync with its environment last long—and that goes for government just as much as dinosaurs,” writes Donald F. Kettl. “There are already warning signs that American government has late-Jurassic-period challenges.”61 According to Kettl, there is little chance for repair unless Congress and the president agree on the need for competent government.

Absent reform, these skill gaps are likely to widen if and when the federal government’s baby-boom employees begin to retire. Despite repeated efforts to strengthen the planning and hiring process, the government’s chief human capital officers remain uneasy about the current planning process and recent efforts to improve strategic planning. According to the OPM’s latest hiring satisfaction survey, 40 percent of the federal government’s Chief Human Capital Officers said they personally participated in recruitment and outreach efforts for filling their department or agency job vacancies, 54 percent were satisfied with the quality of senior executive applicants, and 61 percent were satisfied with the overall quality of federal applicants.62 As noted above, federal employees were also unimpressed with the personnel process—according to the 2015 Federal Employee Viewpoint Survey cited above, just 42 percent said their work unit was able to recruit people with the right skills.

7. Disengaging
Employee engagement is essential to government performance and productivity. Varies as a mix of morale, job satisfaction, organizational culture, emotional attachment, and sense of mission, engagement can also shape the government-industrial mix. Federal employees may have greater levels of the public service motivation that leads to government careers than contract and grant employees, but contract and grant employees have greater levels of the employee engagement linked to morale.63

However, before discussing the threats to morale and the associated recruiting and performance problems, it is important to note the slight rebound in federal employee engagement from 2013 to 2015. According to the OPM’s 2015 “Employee Viewpoint Survey,” of more than 400,000 federal employees, overall job satisfaction inched up ever so slightly to 65 percent in 2014, as did general satisfaction with access to training, access to information, and recognition. As a result, the federal government’s overall employee satisfaction score rose to 58.1, which was the highest mark in three years.64

Even though the satisfaction mark rose, the gain was only 1.2 points higher than in 2014, and was 20 points lower than the 76.7 score set by private sector employees in 2015. The federal mark was also 7 percentage points lower than it had been five years earlier at the height of financial meltdown, and 4 points lower than it had been ten years earlier as the Iraq and Afghanistan wars moved toward stalemate.65

A gain is a gain, however, and OPM’s survey showed similarly small gains in employee commitment in almost all of its 78 question. However, there were also significant indicators of dissatisfaction. For example, just 46 percent of the 2015 respondents agreed that they had sufficient resources to get their jobs done, 45 agreed their unit felt a sense of personal
empowerment, 31 percent agreed steps were taken to deal with a poor performer who could not or would not improve, 35 percent agreed differences in performance were recognized in a meaningful way, and 41 percent agreed leaders generated high levels of motivation and commitment.66 The Washington Post summarized the results in a single headline: “Good News: Federal Worker Morale Has Finally Bottomed Out. Bad News: It’s Still Terrible.”67 As if to prove the point, only 39 percent of respondents agreed the survey would be used to make their agency a better place to work.

8. Saving

Contract and grant employees are often advertised as less expensive than federal employees, but the best data show exactly the opposite. Federal employees may seem more expensive when compared with private employees on average, but they are actually less expensive than contract employees when compared in specific occupations.68

The strongest support for this conclusion comes from POGO. When POGO compared federal and private-sector employees on pay and compensation federal employees were paid more than private-sector employees in 26 of the 35 federal occupations that POGO studied in 2009.69

However, federal contract employees are not just any private-sector employees. They work for firms that bill the federal government for supplies, supervision, and profit, all of which add substantially to the total cost of a contract employee. Although private employees made less than federal employees in more than half of the occupations that POGO studied in 2009, contract employees were billed at higher rates in 33 of the 35 the occupations.
Despite the weight of the evidence presented above, the portrait of overpaid federal employees is likely to persist. There are other ways to compare the cost of federal and private-sector employees, however, including the use of broad averages that match all federal employees against all private employees. According to these very broad comparisons, federal employees in all occupations and locations made $184,153 on average in 2014, while private sector employees in all occupations and locations made $56,350. Federal employees also made $119,934 in total compensation based on benefits, while private-sector employees made $67,246. As the Cato Institute’s Chris Edwards argued in reporting the comparisons, the “era of restraint” in federal increases caused by federal pay freezes and the government shutdown was over by 2014 as federal compensation increased 2.8 percent on average to 1.3 percent in the private sector.70

9. Encroaching

Even if federal employees are significantly less expensive than contract and grant employees, there might still be good reason use contract employees to protect industry and its manufacturing base from encroachment.71 Moreover, some goods and services are simply no longer available in government, in part because private firms move faster and pay more for prized skills. These skills may come at a much higher price, but may also reflect perfectly wage competition with the private sector in the battle for employees who should and can perform critical missions.

However, the more significant obstacle to rightsizing involves persistent efforts to protect the private sector from government encroachment. Eisenhower was the first president to codify this barrier, albeit in its most elementary state. As much as he worried about the grave threats
created by the military-industrial complex, Eisenhower also knew that the federal government would need a strong economy to produce the armaments needed to prevent Armageddon, and ordered his budget office to issue a bulletin outlining who could do what work for the federal government:

It is the general policy of the administration that the Federal government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise.\textsuperscript{72}

This general distinction between what government can, should, and must do has remained mostly unchanged over the decades, and is now contained in OMB Circular A-76. Although the general distinction still stands, the specific definition and weight assigned to the terms “commercially available” and “inherently governmental” have moved back and forth across the government-industrial dividing line over time.

10. Acquiring

The impact of underpowered acquisition offices on skill gaps is unmistakable—acquisition officers make many of the key decisions about contract employees, including the number, cost,
and deployment of specialized capacity, and must also ensure that the decisions are made without unwarranted influence from inside or outside government.

Despite these critical roles, there is strong evidence to suggest that many acquisition offices are poorly equipped and trained to fulfill these essential tasks. Indeed, acquisition failures were mentioned frequently on the GAO’s 2015 high-risk list, while the terms “acquisition” and “acquisitions,” “contract” and “contracts,” and “contract management” appeared almost 630 times in the summary report.

By 2002, the offices had plenty of federal positions to fill and full authority to hire, but many had great difficulty finding qualified candidates. Forced to move quickly as the Iraq and Afghanistan wars accelerated, most offices turned to contract employees for relief. By 2009, contract employees filled 41 percent of all acquisition slots, up from 36 percent just the year before.73 The percentages varied from unit to unit, and function to function at the time, but three-quarters of defense acquisition officers told the GAO in 2009 that they had little choice but to call upon contract employees given the personnel ceilings, pay freezes, and skill gaps within their units.74

11. **Inspecting**

Offices of Inspector General (OIGs) also play a central role in protecting the public interest. Established in 1978 to unify and elevate the audit and investigation functions within government, the OIGs were asked to promote economy and efficiency, and attack fraud, waste, and abuse inside and outside their departments and agencies. They were and still are government’s audit
and investigatory “watchdogs,” can issue subpoenas, have full access to all information needed to do their jobs, and report both to Congress and the president.\textsuperscript{75}

If the OIGs were not particularly popular before reinventing, they were even less so afterwards. Characterized as the source of needless micromanagement and innovation killers, reinventing gave their adversaries the invitation to curtail access to information, staff, and even respect. The Justice Department recycled many of its old arguments against the concept, while departments and agencies tightened access to information and staff.

\begin{quote}
This animus led to sharp constraints on OIG resources. In the most recent survey of OIG leaders in 2014, for example, 32 percent reported that their budgets had declined since 2010 and another 52 percent said their budgets had held steady despite a burgeoning investigatory agenda. In 2015, 32 percent of the IGs also reported that their staffing levels had declined by 5-10 percent since 2012 and another 13 percent reported that the declines had exceeded 10 percent. Not surprisingly, the IGs concluded that the hiring process was either too slow or needed significant reengineering.\textsuperscript{76}

Given these staffing challenges, it would not be surprising that some OIGs might focus more on fighting fires than thinking more broadly about the proper meshing of the government-industrial workforce.\textsuperscript{77} Despite at least some evidence that OIG investigations increased at large-contracting agencies such as the Homeland Security Department, POGO issued one report after another excoriating the executive branch for interfering with OIG independence.\textsuperscript{78}
\end{quote}

12. \textit{Appointing}
The delays created by the presidential appointments process create a number of incentives for outsourcing, including regular vacancies at the top. According to appointments expert, Anne Joseph O’Connell, the top jobs in government are vacant between 15 and 25 of the time, creating enormous upset further down the chain of command. Although second- and third-tier presidential appointees fill some high-level vacancies, career members of the Senior Executive Service are the default appointees. As such, these career officers are actually the key policymakers in government.

Turnover is not the only source of vacancies, however. According to O’Connell, many presidential nominations are actually withdrawn, rejected, or dropped at some point in the confirmation process. Setting aside judicial nominations in her analysis of all presidential nominations sent to the Senate between 1981 and 2014, independent regulatory commission nominations have the highest failure rates at 31 percent, followed by White House agencies such as the OMB at 21 percent, executive agencies such as the Environmental Protection Agency at just over 20 percent, and cabinet departments at 19 percent. As for specific positions, general counsels and IGs at 24 percent failure, compared to cabinet secretaries at 9 percent.

The long nomination and confirmation process also creates presidential appointment vacancies that draw federal employees ever higher and make the cavities below even larger. Given the political impact of presidential appointees on government policy and execution, one might imagine that the nomination and confirmation process would be tailored for efficiency and effectiveness. But it is actually a vast morass that can be best described as “nasty and brutish without being short.” As O’Connell shows, the mean number of days between nomination and confirmation has crept ever upward over the past five presidents, rising from just 59 days under Reagan to 127 days under Obama.
Once moved up into an acting position, a career executive draws dozens, if not hundreds of other federal employees upward as chair after chair is filled with temporary occupants. As this game of musical chairs lingers on for months and months, the surge-tank rises and falls, often with back-up contract employees who must always be on call. It is the logical option given the turmoil at the top.

13. **Thickening**

Just as grade inflation, hiring delays, and vacancies all create cavities that undermine government-industrial rightsizing, as new layers of senior managers and survivors absorb scarce positions that might be used for lower-level support staff. Indeed, I have argued for some time that Congress and the president would be wise to review every senior-level post as their current occupant retires from government before filling it with the next federal employee in line. Some of these posts would prove to be critical to performance, while others could be converted into lower-level positions at a much lower cost.

At least for now, there have never been more layers of leaders, or more leaders per layer. Both are easy to count by examining every title within the five compartments of the Presidential Appointee System (PAS) of Senate advice-and-consent nominees: (I) secretaries, (II), deputy secretaries, (III) undersecretaries, (IV) assistant secretaries, and (V) administrators.

The numbers suggest that the number of leaders and layers at the top of government has grown, thereby inviting increasing numbers of career senior executives upward, thereby vacating positions for upward movement below. Like a chain of dominoes, the upwind would theoretically affect grade inflation further down through “title-creep.” This “title creep” not only
distorts information on the way up the chain of command from distant breakdowns such as veterans waiting list, the rise of the Islamic State in Iraq and Syria, or the Volkswagen deceit, but also alters guidance moving down the chain. The result is greater vulnerability in both directions.

14. Achieving and Breaking

Government’s greatest achievements and most troubling breakdowns have both involved the government-industrial complex. There have been times when federal, contract, and grant employees have worked together in converting grand endeavors into lasting achievements, and times when they have worked together in tragic failures.

Paradoxically, success and failure both expand the government-industrial complex. The easiest way Congress and the president can make grand achievements even grander is to call upon the same contract and grant employees that helped create the success in the first place. In turn, the most familiar way to repair a breakdown is to call upon the same contract and grant employees that may have created the breakdowns in the first place. Expertise is the coin of the realm for scaling achievements and fixing breakdowns, and contract and grant employees are often the ones who have the needed skills. They may also have essential skills to hire more contract and grant employees.

15. Distrusting
Americans have long held seemingly contradictory opinions about the federal government that support the freezes, caps, and ceilings that shape and reshape the government-industrial balance.\textsuperscript{85}

On the one hand, Americans are favorable toward federal employees and their departments and agencies. In 2013, for example, the Centers for Disease Control, Defense Department, and NASA all topped 70 percent in favorability, while the Food and Drug Administration, Environmental Protection Agency, and the departments of Health and Human Services, Homeland Security, and Justice all topped 60 percent in favorability. Even the long-beleaguered Internal Revenue Service has lingered at or just below 50 percent favorability for almost a quarter century.\textsuperscript{86}

On the other hand, Americans generally believe the worst about government performance as a whole. Roughly two-thirds of Americans say they are angry or frustrated with the federal government, while three-quarters say they no longer trust the government in Washington to do what is right. Favorability toward Congress bottomed out in 2010 and has yet to recover, while favorability toward the presidency is barely higher. Just as Americans love their member of Congress, but hate Congress, they seem to love their public servants and agencies, but hate their bureaucracy and bureaucrats.

Democratic and Republican candidates rarely miss an opportunity to promise smaller, smarter government. The promise gives Democrats the change to insulate themselves against their party’s “big-government” history, even as it gives Republicans a chance to embrace their party’s “business-like” reputation. Much as Democrats may embrace government and its public employee unions, they are perfectly willing to criticize it as wasteful and duplicative; much as Republicans deride government and its wasteful programs, they are always ready to
acknowledge the need for some government provided they can cut the bureaucracy and eliminate a department or agency here and there.

16. Polarizing

Industry learned long ago that profits depend at least some certainty about the future—
hence, it fights hard to assure a steady stream of government business. The federal government operates in a future of doubt driven by polarization and gridlock. Facing this deep uncertainty at the end of every budget cycle, federal departments and agencies often hedge against uncertainty by creating “surge tanks” of available contract and grant labor.

This polarization is what the nonpartisan Partnership for Public Service has courageously called “a government disservice.” Despite the federal government’s obligation to maintain past achievements even as it launches new endeavors, polarization has prevented forward movement. The “disservice” helps explain at least some of the employee disquiet discussed above, and underpin the cascade of breakdowns that plague the federal government.

17. Corrupting

A proper meshing of government and industry is impossible without creating effective obstacles against cabal, intrigue, and corruption, a troika of unwarranted influence that Alexander Hamilton called the “most deadly adversaries of republican government.” At least according to recent reports and investigations, all three appear to exist within the government-industrial complex, the only question being to what extent and effect.
No meshing is perfect, however, and the amount of corruption within the federal government’s $600-$700 billion contract and grant budget could be trivial. Nevertheless, POGO, Public Citizen, and New York University’s Brennan Center for Justice have all issued recent reports on the suspected rise in dark money spending by government contract firms and grant agencies.89

Despite his promise to change the way Washington works, and intense pressure from a coalition of anti-corruption advocates, Obama refused to stop the flow of dark money as the 2016 campaigns heated up. If and when issued, the order would affect an estimated 70 percent of Fortune 100 companies holding at least $130 billion in federal contracts for everything from fighter jet engines to computers.90

From Wrongsizing to Rightsizing

Congress and the president are fully aware of the obstacles to rightsizing. After all, they have worked toward reform year after year, decade after decade, be it through stronger rhetoric, tougher laws, tighter orders, newer systems, better measures, deeper studies, bigger commissions, tighter budgets, cleaner definitions, or grander job titles. With notable exceptions such as reinventing government, however, the problems have been addressed one by one, often related to the latest scandal. The result of this piecemeal reform has been inevitable: Congress and the president have removed one problem from the high-risk list only to find it popping up in another form at another agency.

This is not to argue that the obstacles must be permanently in place, however. Rather, it is to argue that piecemeal reform can be just as expensive and even more difficult than omnibus...
reform, especially in a highly polarized process. Just as there are economies of scale in budget bills and health policy, there are economies of scale in government reform. Consider the following summaries as examples of just how difficult it is to remove any one of the obstacles without addressing the rest:

- Little can be done to stop aging and the associated grade inflation unless Congress and the president authorize a new round of buyouts to pull senior employees out of government and harvest their positions for frontline hiring.
- Little can be done to the over-grading that often comes with the long careers that generate automatic movement unless Congress and the president have the tough discussions about limits on upward motion.
- Little can be done to repair the sluggish hiring process and the associated churn unless Congress and the president redesign the entire personnel process to make faster decisions and create career paths that allow young employees to make a difference through their work.
- Little can be done to rationalize the performance appraisal system unless Congress and the president create curves or quotas of some kind and get serious about a faster disciplinary process that leans toward action instead of a paralysis.
- Little can be done to prevent encroachment across the government-industrial complex until Congress and the president can agree on the “rules of the game” for faithfully executing the laws, and develop a system for actually moving functions to the right location.
• Little can be done to restore employee morale unless Congress and the president provide the funding to address the obvious complaints raised in the government’s own employee surveys, and force the OPM to ask tough questions about its own contributions to the dissatisfaction.

• Little can be done to resolve the never-ending debate about how to compare employee costs until Congress and the president develop a job-to-job, occupation-to-occupation calculator that would allow a precise comparison of what every job costs in the present, and accurate projections of what every job will cost in the future.91

• Little can be done to close the skill gaps that make the federal government so vulnerable to breakdowns unless Congress and the president attack the underlying drivers of the gaps, including adoption of the market-based pay needed to compete for the talent government needs.

• Little can be done toward rebuilding the acquisitions and inspections workforce unless Congress and the president embrace long-needed reform that would provide the talent and training to draw a firm boundary between government and industry.

• Little can be done about the thickening of government unless Congress and the president begin cutting down the hierarchy by eliminating posts as federal employees leave their high-level managerial posts, while sharply reducing the number of title-extenders that cloud the hierarchy with needless interference.

• Little can be done to accelerate the nomination and confirmation appointment process unless Congress and the president further reduce the number of Senate-confirmed appointees and reconcile the duplication and overlap across the hundreds of questions that each appointee must answer.
• Little can be done to sustain government’s greatest achievements and prevent government breakdowns unless Congress and the president can find some way to address the many contributors by honoring the ancient Japanese proverb, “vision plus action equals success.”

• Little can be done about public distrust unless Congress and the president can finally generate measurable, publicly understandable improvements in government performance and productivity, and clear evidence that federal employees are contributing to the gains.

• Little can be done about polarization short of major reforms in how the nation selects, funds, and elects its leaders, which is a way of saying that there is almost nothing to be done about polarization given the distribution of partisan interests, dark money, and safe congressional seats today.

• Finally, little can be done about the cabal, intrigue, and corruption within the government-industrial complex unless Congress and the president address the dark money that currently flows through the campaign process, and the unrestrained lobbying that shapes the boundaries between government and industry.

There is still for reform. Good government groups such as POGO, the Partnership for Public Service, the Center for Responsive Politics, the Volcker Alliance, and a host of other nonpartisan organizations are pursuing reforms that could be easily combined into a comprehensive package that would address many of the 15 obstacles described above. Many of these organizations are already coming together to address issues such as dark money, outsourcing, ethics, and transparency. There are still deep divisions across the party lines on legislation such as the
Workforce Reduction through Attrition Act discussed earlier and a lack of common ground between the contract lobby and federal employee unions, but there is also a growing realization that the federal government is broken. Contract firms and grant agencies rightly complain about the federal hierarchy and paperwork burdens, grant agencies struggle to manage contracts under multiple layers of rules, and federal employee unions decry the understaffing highlighted throughout this book.

If the goal is a comprehensive package designed to improve government-industrial performance, reformers can start their bipartisan conversations by dusting off the final report of the 1989 National Commission on the Public Service. Having declared a “quiet crisis” in government that is now deafening across the government-industrial complex, former Federal Reserve Board Chairman Paul A. Volcker and his commission offered a spirited bipartisan proposal that could be easily adapted to current realities. The reform community could start its negotiations by simply reading the commission’s opening paragraph:

The central message of this report of the Commission on the Public Service is both simple and profound, both urgent and timeless. In essence, we call for a renewed sense of commitment by all Americans to the highest traditions of the public service—to a public service responsive to the political will of the people and also protective of our constitutional values; to a public service able to cope with complexity and conflict and also able to maintain the highest ethical standards; to a public service attractive to the young and talented from all parts of our society and also capable of earning the respect of all our citizens.92
Although the 1989 package was only adopted in part, it contained a long list of recommendations that are ready for action today.\(^{93}\) Updated in 2003 by the second National Commission on the Public Service, the recommendations have withstood both the passage of time and the partisanship that has led to the uncertainty that buffets the entire government-industrial complex today. Volcker is well worth quoting as the final word on the need for reform:

> We depend on government in so many ways, often unseen and unrealized. But one can’t help but conclude upon seeing our institutions at work—or, more accurately, not working to their fullest potential—that we need to make some fixes. These institutions, from the UN and the World Bank, to our federal, state, and local governments for that matter—are tools that can improve people’s lives. We need them to run well. We have seen what happens when insufficient attention is given to understanding and mastering the basics of execution—the botched launch of healthcare.gov, the gaming of the veterans’ medical scheduling system, and, of course, the failure of the financial regulatory system to prevent unacceptable levels of private sector risk-taking at the expense of the stability of the economy.\(^{94}\)

Broad as it was, Volcker’s commission did not address the government-industrial complex either directly or indirectly. Although it did recognize the need for a high-performing government, it focused almost entirely on the government side of the boundary. As this chapter strongly suggests, there is plenty to do on the government side toward removing the obstacles to fast hiring, honest grading, effective discipline, strong oversight, renewed morale, and reliable skills. However, by my own admittedly biased count as an adviser to Volcker, the commission’s
recommendations address at least nine of the 17 obstacles directly (age, grades, hiring, appraisals, shape, morale, gaps, appointments, and thickening), three indirectly (cost, acquisitions, and oversight), and two more through improved performance (breakdowns and public opinion).

This count leaves encroachment, polarization, and corruption for the bargaining table. Although bipartisan reform itself might reduce polarization, it would still have to contain clear guidance on encroachment across the government-industrial dividing line and absolute transparency as a remedy to the “disastrous rise of misplaced power” and “unwarranted influence, whether sought or unsought.” As the next chapter proposes, an integrated system for meshing government and industry might well remove two more obstacles to reform (encroachment and corruption), leaving polarization for Congress, the president, and the public. Removing 14 obstacles to a proper meshing is hardly a disappointment, but another two would be spectacular.


The “difficult to use” conclusion came from CBO itself at p. 4 of its letter to Van Hollen when it complained that, “FPDS also makes it difficult to summarize federal spending on contacts. For example, each purchase is assigned a single ‘product or service code’—but there are roughly 3,000 of those codes, and FPDS offers no useful way to group them.”

Nation Analytics began its analysis by assembling the records of every federal government contract purchase recorded by the FPDS in 2005, 2010, and 2015. Nation then inspected and repaired the data where possible, and prepared each purchase for further analysis using the U.S. Bureau of Economic Analysis (BEA) regional input/output model of the U.S. economy. The model is often abbreviated as RIMS II.

At the same time, Nation assembled the records of every grant award recorded in the Federal Assistance Award Data System (FAADS), and selected all grants for goods and services such as cancer research, conservation planning, and highway construction, while removing all grants for direct assistance of any kind to individuals through entitlement programs such as Medicaid, the Supplemental Nutrition Assistance Program (SNAP), or Supplemental Security Income. Nation then inspected and repaired the data where possible once again, and prepared each award for further analysis. The Federal Assistance Awards Data System has its own problems with potentially inaccurate, incomplete, and difficult-to-use information. For an analysis of the problems; see United States Government Accountability Office, Data Transparency: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website, (Government Accountability Office, June 2014).

With the two databases readied, Nation pushed all of the spending into the BEA regional model, and estimated the total number of full-time-equivalent contract and grant employees in 2005, 2010, and 2015. Nation completed the analysis by sorting the results by industry.
professional services, manufacturing, etc.), government agency (Defense, Energy, Transportation, etc.), business size (small or not small), contracting process (competitive or sole-source), and deliverable (product or service).

It is important to note that BEA model estimates the direct, indirect, and induced employment created by any economic activity. The BEA uses the following example to illustrate these three types of employees:

The idea is that an initial change in economic activity results in other rounds of spending—for example, building a new road will lead to increased production of asphalt and concrete. The increased production of asphalt and concrete will lead to more mining. Workers benefiting from these increases will spend more, perhaps by eating out at nicer restaurants or splurging more on entertainment. See U.S. Department of Commerce, Bureau of Economic Analysis, *RIMS II: An Essential Tool for Regional Developers and Planners*, (U.S. Bureau of Economic Analysis, 2015), p. 2-9.

In this example, the construction firms hire the direct employees who use the asphalt and concrete to build the new road, while the concrete, asphalt, and mining firms hire the indirect employees who produce the materials, and the restaurant and entertainment firms are induced by increased household spending to hire the ancillary employees such as chefs, servers, hosts, ticket takers, and projectionists to meet demand.

The BEA uses its “Type I Multipliers” to identify the direct and indirect impacts of a final change in demand: “The direct impact relates to the first round of inputs purchased by the final-demand industry. The indirect impact relates to the subsequent rounds of inputs purchased by
supporting industries….The induced impact relates to the spending of workers whose earnings are affected by a final-demand change. This impact is often called the household-spending effect.” (Ibid., p. 3-5.)

Similarly, firms such as Lockheed Martin hire the direct employees to assemble fighter planes, firms such as Northrup Grumman and BAE Systems hire the indirect employees to build, program, and test the sophisticated systems that go into the fighter planes, other firms hire even more indirect employees to build sub-systems, and the economic effects continue on down through the economy until the effects finally generate the household spending that creates more employment in the community. These household effects may be the product of federal spending and its associated stimulus, but they do not involve federal, contract, or grant employees who work either directly or indirectly producing products or services that the federal government needs.

The BEA’s distinction between direct, indirect, and induced outputs is central to the estimates of contract and grant employees presented later in this paper. Once all of the induced employees are removed from the estimates, the remaining numbers of contract and grant employees can be compared against the number of federal employees on an apples-to-apples basis. Stripped of induced employment, the estimates provide a much sharper portrait of the true size of the government-industrial complex workforce, and invite further questions about its “proper meshing,” as Eisenhower might have described it.

Soloway’s concerns about the ripple effect led me to recalculate all contract and grant estimates used in this report.

Nation Analytics was not asked to recalculate the 1984, 1990, 1993, 1996, 1999, and 2003 estimates presented in Table 1. Instead of asking Nation to remove the induced employment from these past years, which would have been at considerable cost to the Volcker Alliance, I decided to deflate all contract and grant employment by 46 percent and 43 percent respectively to remove induced jobs from the totals. These deflators are based on the average number of direct and indirect employees as a percent of the total direct, indirect, and induced contract and grant employment estimated through the 2005, 2010, and 2015 analysis.


11 All of the terms in quotation marks were used to describe the grave implications of the military-industrial complex in Dwight D. Eisenhower, “Farewell Radio and Television Address


15 All of the budget figures used in this analysis are present in constant 2009 dollars, and can be found in Table 8.2 at https://www.whitehouse.gov/omb/budget/Historicals. The defense and non-defense figures are based on discretionary spending—all of the defense spending is so labeled by the United States Office of Management and Budget, but the non-defense is split between discretionary programs such as educational support grants, energy nuclear weapons monitoring and development, interior mine safety regulation, NASA, and so forth. This analysis only tracks discretionary spending.

16 The number of grant employees could not be divided into defense and civilian categories prior to 2005 and are therefore missing from the counts.

17 I attribute the 2010 figures almost entirely to Bush, but recognize that some of the increase was certainly due to Obama’s stimulus.


Ibid.

George Bush, “Remarks to Members of the Senior Executive Service,” January 26, 1989, made available online by Gerhard Peters and John T. Woolley, The American Presidency Project, at http://www.presidency.ucsb.edu/ws/?pid=16628. These were the first public remarks that the president made after his Inaugural Address.

For a fact-check of this claim, see Glenn Kessler, “Cutting the Defense Budget,” Washington Post, January 25, 2011. The fact earned the prized “Geppetto Checkmark.”


The reinventing government campaign was the common term used to reference the National Performance Review. The term referenced the David Osborne and Ted Gaebler’s best-selling government reform book, Reinventing Government: How the Entrepreneurial Spirit is
Transforming the Public Sector (Plume 1993). Although the book had a significant impact in shaping called the so-called “New Public Management,” reinventing government turned out to be very difficult to sustain from administration to administration. My analysis of the Minnesota case studies used in the book showed that one-third were dead by the time the paperback edition of the book was published in 1995, suggesting the ephemeral nature of innovation in government.


Most of this discussion is from Paul C. Light, “Pressure to Grow,” *Government Executive*, October 1, 2000.


Ibid.


Whitten’s amendment was attached to the first Korean War spending bill enacted in 1950, and was signed into law as part of P.L. 843. Whitten’s explanation of the 1950 amendment can be found at Rep. Jamie Whitten (D-MS), “Criticism of Public Officials,” *Congressional Record*, January 29, 1951, p. H763.


The 12,000 figure comes from Jeffrey Zients, the federal government’s former Chief Performance Office and Deputy Director for Management at the Office of Budget and Management, in his remarks at the Center for American Progress, February 18, 2010.


50 U.S. Government Accountability Office, Results Oriented Management: OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in SES Ratings and Performance Awards, January 2015. The GAO report does not make any recommendations for outsourcing, but suggests that freezes, caps, and ceilings may produce some of the inflation as a back-door method of rebalancing salaries.


53 See Scott A. Amey, “Public Comments on the Use of Cost Comparisons: Letter to the Office of Federal Procurement Policy,” Project on Government Oversight, April 2014, on the need for a “mortgage calculator” for guiding labor comparisons. Amey describes the broad concept as
follows at pages 3-4: “To put it into terms most of us can relate to, home buyers use a mortgage
calculator prior to buying a house in order to make an informed decision based on the total
amount borrowed, the term of the loan, the interest rate, taxes owed, home association fees, and
other factors. The government needs a similar tool to permit federal agencies to factor in both
cost and non-cost criteria to ensure that the government is making the best and most cost-
efficient human capital decisions. Cost criteria should include all life-time costs: salary,
overhead, facilities, equipment, supplies, and fringe benefits, some of which are not currently
part of cost comparison processes.”

54 National Commission on the Public Service, Leadership for America: Rebuilding the Public

55 See Robert V. Barlett, “The Volcker Commission Report Fades Away: A Case Study in Non-
Implementation,” Review of Policy Research, September 1993, pp. 55–73. I believe Bartlett’s
review came far too soon in the debate over government reform, and argue that many of
commission’s recommendations such as an across-the-board catch-up pay increase for federal
executives, judges, and members of Congress and acceleration of the presidential appointments
process eventually reached the president’s desk.

56 Quoted in Miguel Forbes, “Paul Volcker Launches Volcker Alliance,” Forbes, May 12, 2015,
available at http://www.forbes.com/sites/miguelforbes/2015/05/12/paul-volcker-
launchesvolcker-alliance/.

57 Alexander Bolton, Charles M. Cameron, John M. de Figueiredo, and David E. Lewis, “Grade
28.

Ibid., footnote 4, p. 124.


Donald F. Kettl, *Escaping Jurassic Government: How to Recover America’s Lost Commitment to Competence* (Brookings Institution Press 2016), p 12. Clinton’s Secretary of Defense, William Perry, may have been the first to use the Jurassic analogy: “Many people have vowed to reform the government,” he said in 1994, “but after they start that undertaking they mysteriously disappear, never to be heard from again. It’s as if they had decided to take a vacation in Jurassic Park.” Quoted in National Performance Review, *Creating a Government that Works Better & Costs Less*, Status Report, September 1994, p. 7.


Ibid.


Project on Government Oversight “Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors,” September 2011. I use the term “cost” to describe contract pay because pay is only part of the billable cost.


78 Ibid.


86 Once beyond broad sentiments, however, Americans do pay attention to the latest breakdowns at departments and agencies. The Pew Research Center found that public approval for the Department of Veterans Affairs dropped 16 percentage points between October 2013 and January 2014, no doubt because of the waiting list scandal. See Pew Research Center, “Most View the CDC Favorably, VA’s Image Slips,” January 22, 2015, available at http://www.people-press.org/2015/01/22/most-view-the-cdc-favorably-vas-image-slips/. However, public approval
for the Centers for Disease Control barely moved after stories about the agency’s lax safety culture and sluggish response to Ebola.


90 Ibid.

91 See Scott A. Amey, “Public Comments on the Use of Cost Comparisons: Letter to the Office of Federal Procurement Policy,” Project on Government Oversight, April 2014, on the need for a “mortgage calculator” for guiding labor comparisons. Amey describes the broad concept as follows at pages 3-4: “To put it into terms most of us can relate to, home buyers use a mortgage calculator prior to buying a house in order to make an informed decision based on the total amount borrowed, the term of the loan, the interest rate, taxes owed, home association fees, and other factors. The government needs a similar tool to permit federal agencies to factor in both cost and non-cost criteria to ensure that the government is making the best and most cost-efficient human capital decisions. Cost criteria should include all life-time costs: salary, overhead, facilities, equipment, supplies, and fringe benefits, some of which are not currently part of cost comparison processes.”
