Bring Back the BUREAUCRATS

Annual Federal Spending (In Trillions)

Number of Federal Civilian Workers (In Millions)

- Annual Federal Spending in Constant 2013 Dollars (Hundred Thousand)
- Full-Time Federal Civilian Workers, Excluding Uniformed Military and Postal Service Personnel

John J. DiIulio Jr.
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Why More Federal Workers Will Lead to Better (and Smaller!) Government

John J. DiIulio Jr.
To Donald F. Kettl

America’s foremost public administration scholar—

A great teacher, a loyal friend, and a dear man

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About the Contributors
I have learned about American government and public administration (or “bureaucracy”) from many great scholars, but I am especially lucky to have learned from these eight: Jack H. Nagel, Henry Teune, Jameson W. Doig, Gerald J. “Gerry” Garvey, Richard P. “Dick” Nathan, Mark H. Moore, James Q. Wilson, and Donald F. Kettl.

Nearly forty years ago, I took my first bureaucracy course with Jack at the University of Pennsylvania. I was hooked. Jack was my main undergraduate mentor, and he became my Penn colleague, dean, and comrade in sustaining the Master of Public Administration (MPA) program at Penn’s Fels Institute of Government. Jack is a gentle genius, and his wise counsel, both personal and professional, are among my life’s treasures. I also took several undergraduate classes with Henry, plus a de facto graduate seminar on research methods that he offered to me during weekly one-on-one office hours that ran several hours each week. I was reunited with Henry when I left Princeton for Penn, and we coadvised several
students on public administration–type theses or dissertations; by rights I should have paid Henry tuition, because he never stopped teaching me.

I cotaught the core MPA public management course at Princeton’s Woodrow Wilson School with Jameson, an unfailingly kind and generous colleague whose disagreements with my views on crime and corrections resulted only in wonderful discussions and whose seminal work on public leadership and innovation repays reading to this day. As with Jameson, I cotaught and also did training for federal workers with Gerry, who helped to inform the very best of the thinking and writing about public administration that I did while at Princeton, including my essay on the federal government’s “principled agents.”¹ He was not only the single most eclectically brilliant person I have ever known (from math to constitutional theory to you name it), but also smart with heart in profound ways that come across in much of his underappreciated work, including his monumental case study of a federal agency and the amazing public administration textbook that he published just a few years before he died.²

I also cotaught Princeton’s core public management MPA course with Dick and later collaborated with him on Brookings books on health care administration and also a field network study involving government partnerships with religious nonprofit organizations. Our collaboration continues. Even as he nears his eightieth birthday, I have to race just to keep up with him as we proceed with our ongoing
national study of the implementation of the Patient Protection and Affordable Care Act, better known as the ACA or Obamacare. And the only person to rival Dick for the title of the most inspiring and public-spirited academic I know is Mark. I never took a course with Mark, and we never served on the same faculty together (not counting my stint a few years ago as a visiting professor at the Harvard Kennedy School). He pioneered and led the “executive sessions” that helped to revolutionize thinking about policing in America. That is just one such remarkable, real-world accomplishment among many that are all to his great and lasting credit. His mentorship and scholarship have enlivened and leavened my thinking for more than three decades now, and his writing about “creating public value” is and shall remain the gold standard for creative and public-spirited public management scholarship.

Jim Wilson was my mentor for thirty-two years, including two decades during which I had the honor to be the coauthor of his magnificent American government textbook. He often beckoned me to revise his 1989 magnum opus *Bureaucracy: What Government Agencies Do and Why They Do It* and to publish it as my own. I never took him up on that absurdly generous offer, but, in the year before he died, I did promise him that I would publish an article summarizing my thinking on “big intergovernment and its private administrative proxies.” I did, and he lived long enough to read and comment on it. I also promised him that I would get around to researching
and writing a weighty scholarly tome on the subject that might make him proud.

In 2012, shortly after Jim died, my friend (and fellow Philly-bred boy) Peter Dougherty, editor-in-chief at Princeton University Press, signed me up to do that book. It is tentatively entitled *The Daddy State: Facing Up to Big Government*; it should be in Pete’s hands (and will be dedicated to Jim) in 2015. Templeton Press’s Susan Arellano worked with Pete at Free Press back in the days when it was led by the great Erwin Glikes. Erwin, for whom I did my first book, *Governing Prisons: A Comparative Study of Correctional Management*, in 1987, used to talk about a book becoming “the text of the debate” on a given issue. From my work on religion and faith-based initiatives, I have known many folks at the John Templeton Foundation for years. But I did not know Susan. In 2013, she had a bug about me doing a book on “bureaucracy” planted in her ear by Yuval Levin, editor of *National Affairs* and the most insightful young conservative thinker in America today (thanks, Yuval). She reached out to me. She suggested, and Pete agreed, that the debate on “big government” was big enough for two texts on the topic. They jointly conceived the present book as a crystallization of certain core concerns and prescriptions, and the next book as an attempt to refine, extend, and deepen the analysis and prescriptions in relation to the literature on American political development that, as I conceive it, begins not with late twentieth-century political science but with the
nineteenth-century observer of American democracy (and its penitentiaries!), Alexis de Tocqueville.

So, I am very grateful to Pete, and I am thankful and indebted to Susan for hatching the idea of doing this book and for all her editorial TLC. Her firm but gentle hand kept me from writing a much (much) longer book (Pete’s!), and she persuaded me to take her counsel on the present book’s prescriptive title: bring back the bureaucrats indeed! I am also indebted to Susan’s Templeton Press colleague, Trish Vergilio, for shepherding me through an expedited editing and production process with southern charm and northern efficiency; thanks, Trish.

But without Donald F. Kettl, neither I nor anyone else would have such general, meaningful, and true knowledge about the state of American government and public administration. In 1988, the year before Jim Wilson published Bureaucracy, Don published Government by Proxy: (Mis?)Managing Federal Programs. In the mid-1990s, when I directed the Brookings Center for Public Management, I had the extreme privilege and pleasure of working closely with Don and being his coauthor or coeditor on numerous books and published reports. I learned then and since that, when it comes to anything (anything!) that touches the topic of public administration at home or abroad, Don knows everything including, and most importantly, what we do not yet know.

I must acknowledge just one little example of so many. During Don’s too-brief time at Penn, before he left to become
the dean of the University of Maryland’s School of Public Policy, I began to get interested in the fact that, at least in Philly, faith-based organizations (mainly Catholic-affiliated ones) played what seemed like a fairly robust role in the administration of the summer food and nutrition entitlement programs of the U.S. Department of Agriculture (USDA). I began to wonder more broadly about how the programs were administered. Don told me straight off what it took me two years to “discover” for myself: there is no way to get a wholly reliable, real-time handle either on all the federal, state, and local government agencies and their full-time or part-time employees, or on all the nongovernment organizations and individuals paid on whatever basis by whichever government agencies or via whichever intergovernmental funding sources, or on all the unpaid groups and individuals that, at any given moment, might constitute the federal programs’ proxy-laden and proxy-layered administrative apparatus.

Upon this discovery, it dawned on me (as it had not done since my earliest days studying how differences in prison management relate to differences in the quality of life behind bars) that public administration matters; it really matters. In this case, millions of poor kids in America needlessly went hungry each summer because of the crazy-quilt way we administer this one federal entitlement program.

Don answered my research aspirations and “it really matters” revelations with his warm, knowing, encouraging smile. He rattled off detailed, professorial suggestions. And he
acknowledgments

offered both personal and professional assurances that getting even a semifirm handle on the programs’ proxy administration in Philly alone might prove well worth the effort in both intellectual and civic terms. With a bunch of students and several Penn colleagues, led by Joseph P. Tierney (thanks, Joe), that is what I did, and Penn picked up a USDA award along the way for building a website that helps the parents or guardians of eligible children find the summer program site nearest to their homes; that is your award, too, Don.

So, in addition to all the best work that Don and I did together at Brookings back in the 1990s, I owe not only the foundational concepts and far-reaching ideas about proxy government that inform this book, but also numerous research forays and “live action” public administration problem-solving projects to Don’s towering intellect, timely guidance, and generous spirit.

That said, I alone am responsible for the arguments, illustrations, and prescriptions in this book; blame me for whatever herein you find objectionable or worse, and credit Don and the other good friends and mentors that I have acknowledged for anything herein that you might pronounce either valuable or good.
Bring Back the Bureaucrats
I love American government. I better. Over the last three decades, I have lectured about it as a professor at three Ivy League universities; studied it as a scholar and research center director at several public policy think tanks; written about it as the coauthor of a leading textbook on the subject; and witnessed it up close as a senior White House official.

As I see it, American government is neither perfect nor pretty, but it is nonetheless majestic and miraculous. The bold experiment in “government by reflection and choice” that began more than two centuries ago in Philadelphia (my beloved hometown) is still underway. In more ways than the Constitution’s authors dared to dream, it worked. I have seen the Capitol Dome a zillion times, but each time I see it, I still get a little lump in my throat to match the one I get whenever I walk or drive by Independence Hall in Philadelphia.

But, too often now, I get a different sort of lump in my throat—the choking kind—when I hear about what is happening in Washington, read about the latest government
financial follies, or research the latest federal policy spectacle (coleading a major national study of the implementation of the Patient Protection and Affordable Care Act of 2010, also known as the ACA or Obamacare, has only heightened my concerns).

And I know that my millennial generation college students are also listening, watching, and tweeting. They are looking to their baby boomer elders for a moral compass, practical guidance, and cut-to-the-core honesty and frankness. No less than previous generations, they have indulged my love for American history and constitutional theories, but they have also pushed me harder than any previous generation has done when it comes to telling them what I really think and feel about the present state of American government. They have asked what, if anything, might be done to make it work better and be a blessing to “ourselves and our Posterity.”

Thus, I am writing this book in a patriotic and pedagogical spirit that compels me to be brutally frank and honest about how American government really works; to speak unpopular truths about how “We the People” have degraded our government and ourselves; to advance a provocatively counterintuitive but robustly factual thesis about how to trim, tame, and improve government; to prescribe far-reaching reforms that will, at least on first hearing, be selectively rejected by many libertarians and by many liberals; and to pray for nothing less than a public epiphany about “big government” that transcends ideological and partisan divides and forces those
who seek national office in 2014 and thereafter to face up to damning fiscal and administrative realities that have been hiding in plain view for decades.

Compared to today’s American government, the Roman emperors’ bread and circuses were honest democratic leadership in action. Post-1960 leaders in both parties have won and kept office by behaving as if Washington can “do something” or “do more” about nearly everything (health care, environmental protection, crime, poverty, education, national defense, homeland security, and more), and can dispense ever greater benefits to ever more people, without requiring their constituents to pay more (or pay at all) for the new or expanded government services and without hiring more full-time federal bureaucrats to administer them.

From the military-industrial complex to the entitlement-nonprofit complex, today’s American government is a debt-financed, proxy-administered, superficially antistatist form of big government. Leveraged, not led, by Washington, America’s big government works by borrowing billions of dollars each year from Americans who are not yet born and hiring millions of Americans each year who are never counted on the federal payroll. It wears two ill-fitting masks: (1) it masks its huge spending by debt financing, and (2) it masks its huge scope by employing even fewer full-time federal bureaucrats today than it did a half-century ago—the crux of my concern in this book. Big government funds state and local government employees, for-profit business contractors,
and nonprofit organization grantees to administer federal policies, programs, and regulations. In some federal policy domains, it also mandates but does not fund subnational government employees to function as de facto federal employees; and in many federal policy domains, it relies heavily on networks of grantees, subgrantees, contractors, and subcontractors mustered by subnational governments.

As I explain and illustrate throughout this book, today’s American government is “Leviathan by Proxy,” a grotesque form of big government that guarantees bad government:

- It does not spend less than the governments of many ostensibly more “statist” European democracies, and it leaves no area of social or economic life untouched (or unregulated).
- It cannot predictably, reliably, or cost-effectively do what democratically enacted public laws dictate that it must, whether that is collecting taxes, cleaning up toxic waste sites, supplying eligible low-income children with meals during the summer, getting major weapons systems delivered on time and within budget, ending improper health care payments, etc.
- It results in too few federal “acquisition workforce” bureaucrats chasing too many proxies, monitoring too many grants and contracts, and handling too many dollars; beyond well-publicized implosions like those that defined the response to Hurricane Katrina in 2005 and
the launch of Obamacare health exchanges in 2013, it routinely courts administrative meltdowns on chores as distinct as caring for hospitalized veterans, handling plutonium, and approving pesticides.

- It frustrates far-reaching “government performance and results” reforms: in addition to the sheer administrative complexity, well-documented program duplication, fragmentation, cost overruns, and other inefficiencies persist in part because many federal policies, programs, and regulations are a province of multiple and competing proxies cum “vendors” with political clout that stretches from the lawmaking process to the procurement process.

- It undercuts public administration’s democratic accountability by making the implementation of most federal policies, programs, and regulations so vastly complicated and varied that it takes teams of researchers just to begin to describe—not analyze or evaluate, just describe—which federal agency or agencies, and which, if any, other groups (including subnational government agencies, for-profit contractors or subcontractors, nonprofit organization grantees or subgrantees, or, in the case of many human services programs, individual citizens and volunteers) are actively involved, what they actually do, and how they actually do it.²

- It fosters nonstop government growth as Washington’s proxies—state and local government officials (both elected and appointed), heads of for-profit corporations, and
leaders of nonprofit organizations—incessantly advocate or outright lobby for federal policies, programs, and regulations that they administer or coadminister.

As I argue in this book’s concluding chapter, many measures are needed to reform our government. If we want to pump the brakes on big government’s expansion while improving its performance, then we must start by pruning the system’s proxies while increasing the federal workforce. To undercut the proxy-bred political pressures behind government’s growth and to bolster government performance (or at least to avert near-term administrative debacles in indisputably understaffed federal agencies), we must indeed “bring back the bureaucrats.”

As I argue in this book’s second chapter, if there is one institution to blame for the deranged state of contemporary American government and “public administration,” it is the incumbent-dominated Congress. In recent years, for example, in the name of “rightsizing the federal workforce,” some House Republican leaders have pushed for new laws that would allow federal agencies to hire just one full-time employee for every two that leave the federal service. But, make no mistake: many such proposals have a bipartisan pedigree.

In 2010, a bipartisan presidential commission noted that the federal government “employs about two million people, and extends federal staffing through thousands more con-
tractors.”⁴ As I document in this book, the truth is that the ratios of federal bureaucrats to citizens, expenditures, and proxies have plummeted since 1960, and that Washington “extends federal staffing” not through thousands but through millions of contractors and other nonfederal proxies. But the “fiscal responsibility and reform” commission’s report called for reducing the federal civilian workforce by 10 percent and “hiring only two new workers for every three who leave service.”⁵

Never mind, I suppose, that simply eliminating the entire full-time federal civilian workforce and its payroll (about $250 billion a year in wages and benefits) would save less than the federal government now spends each year just on Medicare beneficiaries (about $600 billion), and less than it now spends each year just on for-profit defense contractors (more than $300 billion); and never mind that having zero federal bureaucrats might just pose a slight problem in getting Medicare benefits claims processed and defense contracts managed and monitored.

I know, therefore, that this book, filled though it is with facts, figures, and footnoted examples, is also filled with arguments and prescriptions that are not anywhere in season. But, being as I am a pro-life and pro-poor Catholic Democrat, I am used to feeling like a person without an ideological posse or an all-embracing party.

Besides, each of my two favorite intellectual architects of American government, James Madison and Alexander
Hamilton, offers encouragement. Madison reminds us that in experimenting with constitutional government and addressing its present-day problems, each generation of Americans must rely on “the suggestions of their own good sense” and “the knowledge of their own situation.” And Hamilton, in words that should convict us, insists that “a government ill executed, whatever it may be in theory, must be, in practice, a bad government.”

I wrote this book because “good sense” and “knowledge of our situation” demands that we finally face up to the whole truth about today’s “ill-executed” American government and commence the battle of ideas and wills necessary to making it good again.
Part I

Bring Back the Bureaucrats
Everyone knows that America’s federal government has grown bigger and bigger over the last half-century. In 2013, Washington spent more than $3.5 trillion. Adjusted for inflation, that was five times more than it spent in 1960. Indeed, the roughly $6 trillion in federal budget deficits that Washington amassed from 2009 to 2013 exceeded total federal spending for the period 1960 through 1966. While annual federal budget deficits are now projected to average “only” about $500 billion a year from 2014 through 2018, Washington’s financial problems remain far from solved. For instance, Medicare, the federal health insurance program that covers most senior citizens, has an unfunded, long-term liability of about $40 trillion.¹

Still, the big story about big government that matters most to America’s future is not all about Washington’s finances. It’s not captured by the usual partisan and ideological debates. And it’s dimly perceived and barely understood even by most
academics who make their living by studying American government and public policy.

The really big story about big government in America can be glimpsed by eyeballing the figure that appears on this book’s cover. In constant 2013 dollars, annual federal government spending doubled between 1960 and 1975. It then doubled again between 1975 and 2005. This expansion in federal spending was accompanied by an expansion of the federal bureaucracy. Since 1965, six new federal cabinet agencies have been established (including, most recently, the Department of Homeland Security in 2002), many new sub-cabinet agencies have been created (for example, the Environmental Protection Agency in 1970), and the total number of pages in the Federal Register, which catalogues federal government policies, programs, and regulations, has increased about fourfold (to more than 80,000 pages).

And yet, during the same half-century that federal government spending increased fivefold, the number of federal bureaucrats increased hardly at all.

In fact, during several post-1960 periods when federal spending spiked and new federal cabinet departments and agencies launched, the number of full-time federal civil servants, excluding uniformed military personnel and postal workers, actually decreased.

When George W. Bush won the presidency in 2000, as when John F. Kennedy won it in 1960, the executive branch
employed about 1.8 million full-time civilian workers. And when Ronald Reagan won reelection in 1984, there were slightly *more* federal bureaucrats (about 2.2 million) than when Barack Obama won reelection in 2012 (about 2 million).

Using constant 2013 dollars, in 1960, the federal government spent about $726 billion and employed about 1.8 million full-time federal bureaucrats; in 1975, the federal government spent about $1.4 trillion and employed 2.1 million full-time bureaucrats. Thus, between 1960 and 1975, Washington’s annual spending increased by about 200 percent, but its full-time workforce increased by less than 20 percent. By 2005, Washington spent around $2.9 trillion, which was about four times as much as it spent in 1960. But in 2005, as in 1960, there were about 1.8 million full-time federal civilian bureaucrats: federal spending was about four times larger, but the federal workforce was about the same size. Indeed, the full-time federal civilian workforce was actually smaller in 2013 than it was in twenty-six of the fifty-three years since 1960.

Washington now spends billions of dollars a year on homeland security, housing, environmental protection, elementary education, child welfare services, health care, urban transportation, and much more. Today’s federal government has laws, policies, programs, bureaucracies, and regulations on numerous matters that were not on the federal agenda (or
were barely on it) when Dwight D. Eisenhower was president. Even though it now leaves no area of American life untouched, the federal government with its multitrillion-dollar annual budget has roughly the same number of full-time federal bureaucrats today as it had when Ike left office.

But how?

“Big government” in America is a Washington-led big intergovernment by proxy. This fundamental truth about how big government in America really works has been hiding in plain view for decades. Big intergovernment’s proxies are state and local governments, for-profit businesses, and nonprofit organizations.

State and Local Government Proxies

- More than two dozen federal departments and agencies spend a combined total of more than $600 billion a year on more than 200 intergovernmental grant programs for state and local governments.3
- Adjusted for inflation, between 1960 and 2012, federal grants-in-aid to states increased more than tenfold.4
- Over the last half-century, while the federal civilian workforce remained around 2 million full-time bureaucrats, the total number of state and local government employees roughly tripled to more than 18 million.
- In 2011, there were 14.8 million full-time and 4.8 million part-time workers employed by state and local governments.5
• The single largest budget item in most state budgets is Medicaid, a means-tested federal-state program that pays the medical expenses of persons receiving federal welfare or supplemental security income payments. In 2011, Washington spent about $275 billion and states spent about $157 billion on Medicaid; the federal government paid at least half of the states’ administrative costs for Medicaid.6

**For-Profit Business Proxies**

• The federal government spends more than $500 billion a year on contracts with for-profit firms.7 Many for-profit firms, from small businesses to huge corporations, have the federal government as a major or sole customer.

• In 2012, the Department of Defense (DOD) obligated roughly $350 billion to contractors. The DOD had about 800,000 DOD civilian workers plus the equivalent of some 710,000 full-time contract employees.8

• The federal government’s DOD-anchored military-industrial complex is a first cousin to its entitlement-industrial complex involving both for-profit and nonprofit proxies.

• With more than 300 different federal programs, the Department of Health and Human Services is not only the single largest federal grant-making agency (81,000 grants totaling nearly $350 billion in 2012), but it is the third largest federal contracting agency ($19 billion in contracts in 2013).9
• All told, in 2012, businesses that received federal contracts employed an estimated 22 percent of the U.S. workforce, or about 26 million workers.¹⁰
• From Superfund to Social Security, from child welfare services to nuclear safety services, there is virtually no federal government domestic policy, program, or regulation that is untouched by for-profit contractors.

Nonprofit Organization Proxies

• The nonprofit sector encompasses about 1.6 million organizations registered with the Internal Revenue Service plus many thousands more tax-exempt organizations that are not required to register and opt not to do so.
• The subset of nonprofit organizations that filed reports with the IRS (about 40 percent of all registered nonprofits) has about $2 trillion in annual revenues, and roughly a third of the money comes from government grants plus fees for services and goods from government sources.¹¹
• In 2012, governments entered into about 350,000 contracts and grants with about 56,000 nonprofit organizations (an average of six contracts/grants per nonprofit organization) and paid $137 billion to nonprofit organizations for services.¹²
• Billions of dollars in federal “pass-through grants” flow from Washington through state capitals and into the coffers of local governments and nonprofit organizations.
In 2012, Washington supplied nearly $80 billion in such grants.\textsuperscript{13}

- In 2010, the nonprofit sector employed about 10.7 percent of the U.S. workforce, or nearly 11 million people—the nation’s third largest workforce behind only retail trade and manufacturing.\textsuperscript{14}

- In addition to receiving government grants and fees, many nonprofit organizations own tax-exempt properties, receive tax-deductible donations, and have beneficiaries or clients who receive tax-funded payments, subsidies, or loans with which to “purchase” the nonprofit organization’s goods or services.\textsuperscript{15}

- In the late 1990s and early 2000s, my own fairly well-known case for federal “faith-based initiatives” and “levelling the playing field” was essentially about ensuring that urban congregations and small, community-serving religious nonprofit groups were eligible for federal and intergovernmental grants or contracts on the same basis as other nonprofit organizations, both religious and secular, that had long received such grants and contracts.\textsuperscript{16}

Not without good reason, the rise of “big government” is commonly discussed in relation to record public spending and public debt. In recent years, federal government spending has averaged about 24 percent of gross domestic product (GDP)\textsuperscript{17} and combined state and local government spending has averaged around 16 percent of GDP.\textsuperscript{18} After reaching 27
percent in 1960, total government spending (federal plus state and local) in the United States as a percentage of GDP remained in the thirties in most years from 1980 through the mid-2000s, but it increased to 42 percent in 2009, and by the early 2010s, it hovered around 40 percent.¹⁹

At roughly 40 percent, America’s government spending to GDP ratio rivals that of many European democracies. Indeed, adjusted for cross-national differences in health insurance accounting practices, it has been estimated that total government spending in the United States as a percentage of GDP (46.8 percent) is just a couple points below the average for the seventeen so-called Euro Area democracies (49.3 percent).²⁰

By the same token, federal government debt per capita is about $53,000, and total government spending (federal, state, and local) per capita is about $19,000—a total of more than $70,000 a year in government finances for each man, woman, and child in the country.²¹ In recent years, both America’s per capita government spending and its debt-to-GDP ratio were actually higher than those of many European democracies.²²

Thus, America’s big government does not spend or borrow significantly less than all the supposedly more “statist” European democracies do. Rather, what is most distinctive about big government or “the state” in America is not how much it spends or borrows, but how the nation’s policies, programs, and regulations are administered.

Most European democracies restrict “outsourcing” far
more than the United States does. For example, German law dictates that all persons involved in administering national policies must be directly supervised by a government official, and in France, the United Kingdom, and most other European democracies, there are either constitutional, statutory, or customary limits that favor direct public administration. The same is true for Japan and many other non-European democracies.

Uniquely, big government in America is *Leviathan by Proxy*. Following are just a few brief examples:

- The Patient Protection and Affordable Care Act of 2010, also known as the ACA or Obamacare, is a big-government program that uses contractors by the dozens (including both for-profit firms and nonprofit organizations) that have been paid by the U.S. Department of Health and Human Services or the U.S. Department of the Treasury to build information technology systems, help consumers navigate the health exchange marketplaces, and more.23 As the Health and Human Services Office of the Inspector General has noted, “Contractors have played, and will continue to play, a vital role in building, maintaining, and fixing the computer systems that underpin the implementation” of the ACA and its health “exchanges.”24
- At one point the Department of Homeland Security had more private contract employees (about 200,000) than federal employees (about 188,000).25 It has distributed
hundreds of billions of dollars to cities, big and small, and allocated the funds by the same so-called fair-share formulas that Congress uses to allocate certain highway funds among the states. Between 2001 and today, more than 500 private companies specializing in “security and counterterrorism” have come into being; many of the 1,400 for-profit firms in that industry that existed prior to 2001 have expanded via federal funding.26

- The Department of Agriculture administers its summer food and nutrition entitlement programs through a mazelike network of state government agencies, local government agencies, nonprofit organizations, and stipend-receiving individual citizens.27

- The Environmental Protection Agency relies heavily on for-profit firms and other proxies to identify and treat the roughly 3,400 toxic waste sites on its “national priorities list.”28

- The Department of Energy spends 90 percent of its annual budget on contracts and pays for-profit firms to implement all programs, including its most important and high-risk ones (like the Plutonium Disposition Program).29

- For decades now, the aforementioned Medicaid program, including its long-term care in nursing homes, has been administered mainly by state government agencies via state government employees and their for-profit contractors and nonprofit grantees.30
In the 1990s, the Clinton administration created mantras about “reinventing government” and “making government work better and cost less.” But, over the last two decades, government performance has not improved significantly, and the federal bureaucracy has not been “reinvented.” Putting aside sweeping claims regarding “waste, fraud, and abuse,” there are scores of well-documented cases of federal agency fragmentation, overlap, duplication, and forgone cost-savings. Putting aside sweeping claims regarding “waste, fraud, and abuse,” there are scores of well-documented cases of federal agency fragmentation, overlap, duplication, and forgone cost-savings. Putting aside sweeping claims regarding “waste, fraud, and abuse,” there are scores of well-documented cases of federal agency fragmentation, overlap, duplication, and forgone cost-savings. Putting aside sweeping claims regarding “waste, fraud, and abuse,” there are scores of well-documented cases of federal agency fragmentation, overlap, duplication, and forgone cost-savings.

Washington and the federal bureaucracy are among the last places most people would look for administrative best practices. Here are just a few tips of this iceberg:

- $125.4 billion in “improper payments” made by 70 federal programs spread across 20 different agencies (counting just a subset of all federal programs) made in 2010 alone.
- Scores of billions of dollars in improper Medicare and Medicaid payments made in each year for more than a decade now.
- The famously feckless FEMA response to Hurricane Katrina in New Orleans.
- The flawed Hubble Space Telescope.
- Numerous scandals and failures in federal housing programs and persistent “resource management” problems at the Department of Housing and Urban Development.
- Failures to monitor and manage nonprofit and for-profit clinical health providers and other contractors that do work for the Department of Veterans Affairs.
• Extensive noncompetetive contracting by the Department of Defense.\textsuperscript{38}
• Chronic problems with the Department of Transportation’s procurement programs and “acquisition workforce.”\textsuperscript{39}
• “Priority” toxic waste sites identified by the Environmental Protection Agency that have yet to be cleaned up.\textsuperscript{40}
• More than $350 billion each year in Internal Revenue Service–identified taxes that go uncollected.\textsuperscript{41}
• Spotty implementation of the Government Performance and Results Act of 1993 and the Government Performance and Results Modernization Act of 2010.\textsuperscript{42}
• Profound implementation problems that awaited the Clinton “health alliances” plan in 1993 (problems that were averted only because the plan was never enacted).\textsuperscript{43}
• Profound implementation problems that plagued the Obama “health exchanges” in 2013 (problems that went well beyond mere “computer glitches”).\textsuperscript{44}

But the problems go deeper than policy implementation failures or frustrated hopes for making government work better and cost less. Leviathan by Proxy reflects a derangement of our constitutional system, a loss of responsible republican representation, a decline in responsible democratic citizenship, a plague of poor public administration, and an insidious, almost irresistible, force for government growth. Here are some examples:
• Subverting the separation of powers, Congress and the federal courts, not the executive branch and the president, lead in deciding how to “faithfully execute” federal laws.
• Trivializing federalism traditions, state and local governments function ever less like sovereign civic authorities and ever more like Washington’s administrative appendages.
• Hollowing James Madison’s hopes for “proper guardians of the public weal,” congresspersons win reelection by fighting phony ideological wars with each other, lavishing debt-financed benefits on constituents, taking campaign cash from groups that get government grant or contract dollars, and using proxy administration to shroud government’s size and attenuate their accountability for its performance.
• Many for-profit businesses and nonprofit organizations relate to government as narrowly self-interested factions. For example, drug companies virtually wrote certain Obamacare provisions, and in 2011 and 2012, organizations that won federal funds to implement Obamacare spent more than $100 million on lobbying.
• “We the People” demand ever-greater public benefits for ourselves, casually handing the bill for big government to our posterity while pretending not to touch Leviathan’s hand.
• Even when capable, full-time federal bureaucrats strive to do a good job, they often cannot because there are simply
too few of them relative to the myriad tasks they are supposed to perform, the massive amounts of money they are responsible for disbursing, and the parades of proxies they are charged with managing and monitoring.

Leviathan by Proxy is the method behind Washington’s ever-worsening madness. The public has worried about sky-high public debts, witnessed mile-high policy implementation failures, and blamed the inside-the-beltway politicians, bureaucrats, and “special interests.” But the public has also wanted big-government benefits, not only without big-government taxes, but also without ever-bigger government bureaucracies. Over the last half-century, the bipartisan, safe-seat coalition on Capitol Hill, joined by both conservative Republican and liberal Democrat presidents, and with a constitutional carte blanche from the federal courts, has placated the public by using both debt financing and proxy administration to fuel government’s growth while fogging it. Only in recent years, amidst debt exploding deficits and headline-grabbing administrative debacles, has the truth about how big government in America really works become somewhat harder to avoid.

In Leviathan by Proxy, federal civil servants function mainly as grant monitors or contract compliance officers, but the bureaucrats are not the proxies’ bosses. Rather, each proxy sector—state and local governments, for-profit businesses, and nonprofit organizations—has a highly active interest
group presence in Washington. The proxies influence the federal policymaking process both at the front end (bills that do or do not become law) and at the back end (the administrative rules that govern how—and by whom—laws ultimately get funded and translated into administrative action).

For instance, in 2011, during a threatened (but avoided) government shutdown, the bipartisan congressional “super committee” made noises about finding ways to trim the federal budget. In response, proxy-government providers within and across every federal government policy domain were on high alert and went more public than usual. Speaking at the National Press Club, the president and CEO of the Aerospace Industry Association noted that the “industry supports 2.9 million jobs across all 50 states” and urged federal lawmakers to “consider whether eliminating hundreds of thousands of jobs over the next decade is at all consistent with the national imperative to create jobs.”

Echoing that plea, Independent Sector, an umbrella organization that advocates for hundreds of nonprofit leaders, rallied members and supporters to send a message to Pennsylvania’s Republican senator, Pat Toomey, who was then a member of the Joint Select Committee on Deficit Reduction, better known as the “super committee.” Toomey was then weighing reductions in the charitable deduction and pushing for some spending cuts. Independent Sector’s recommended sample message to contact Senator Toomey read in part: “Nonprofits in Pennsylvania employ over 647,000
people, almost 12 percent of the workforce, and provide programs, goods and services to millions of people all across our state.”48 Ten days later, another message blast stressed that “it is imperative that members of Congress hear from you. . . . It is important to remind them that our sector is a powerful economic engine that employs 13 million workers.”49

Governors, mayors, state and local government commissioners, for-profit defense industry contractors, nonprofit sector grantees from secular university presidents to religious charity executives, and others are the strange-bedfellows lobby for Leviathan by Proxy. Whether in defense, health care, homeland security, environmental protection, education, veteran affairs, transportation, or other areas, they hardly ever lose, which is why government never stops growing.