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10 questions and answers about America’s “Big Government”

[John J. Dilulio, Jr.](#) Monday, February 13, 2017

The ongoing debate over the Trump administration’s plan to freeze federal hiring has thus far involved arguments and “alternative facts” from those on both sides of the question. This obscures certain hard truths about America’s “Big Government” and its real federal bureaucracy. What follows is an (I hope brief and user-friendly but duly detailed) attempt to mediate that debate and spotlight certain deeply inconvenient truths about the character and quality of present-day American government and “we the people” to whom it is accountable.

1. What is “Big Government?”

As commonly used in America, “Big Government” refers to three features of the national or federal government headquartered in Washington, D.C.:

- How much it spends
- How much it does, and
- How many people it employs

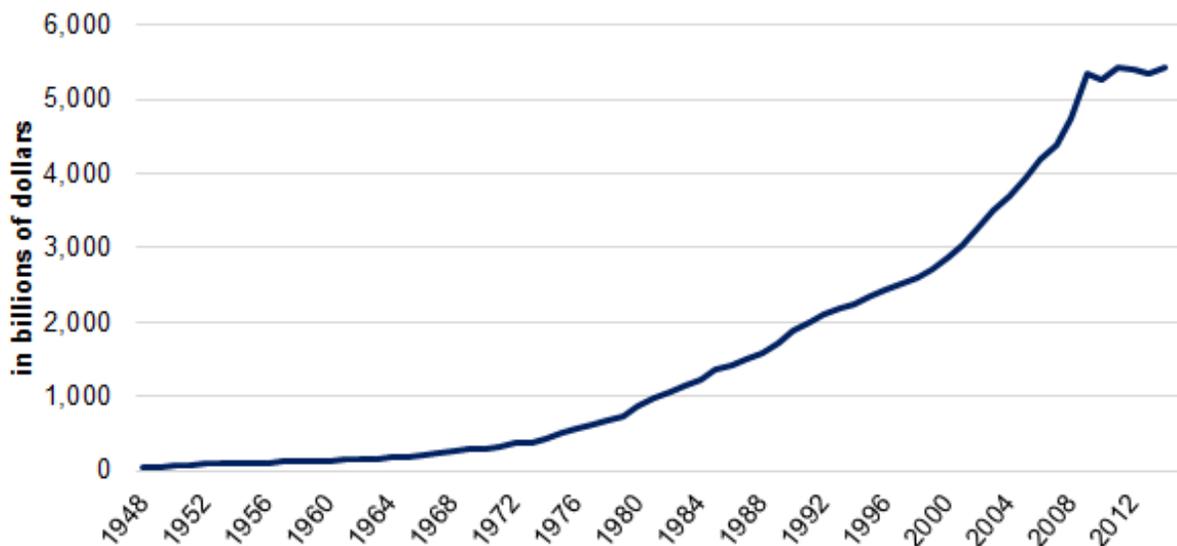
2. How much has federal government spending grown?

Since 1960, annual federal spending (adjusted for inflation) has increased about fivefold: it doubled between 1960 and 1975, and doubled again between 1975 and 2005.

3. Has Washington been doing more or just spending more?

Doing lots more!

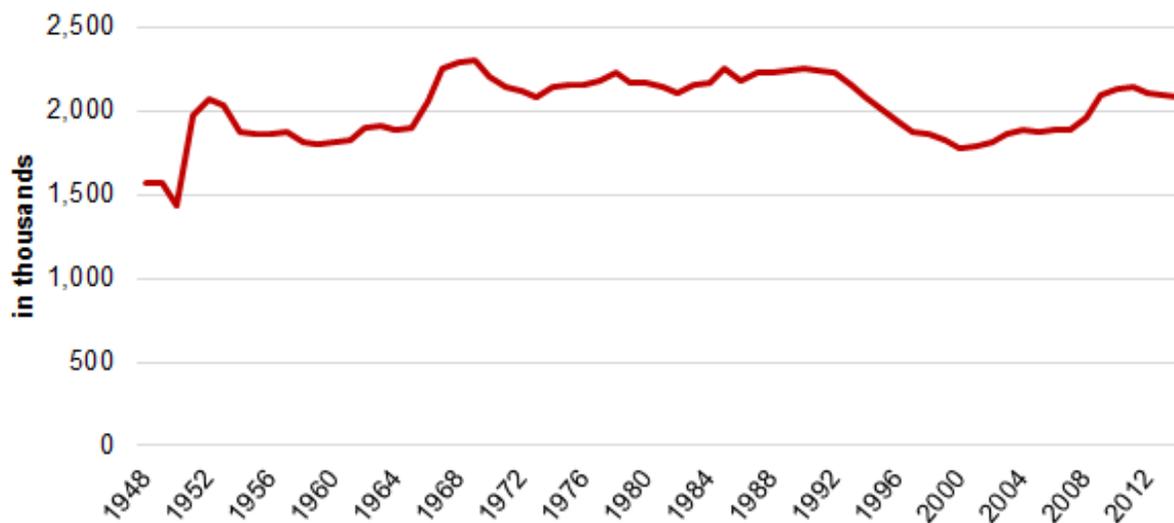
Total government expenditures, 1948-2014



Source: Office of Management and Budget, Fiscal Year 2016: Historical Tables -- Budget of the U.S. Government, Table 14.4, "Total Government Expenditures By Major Category of Expenditure, 1948-2014"

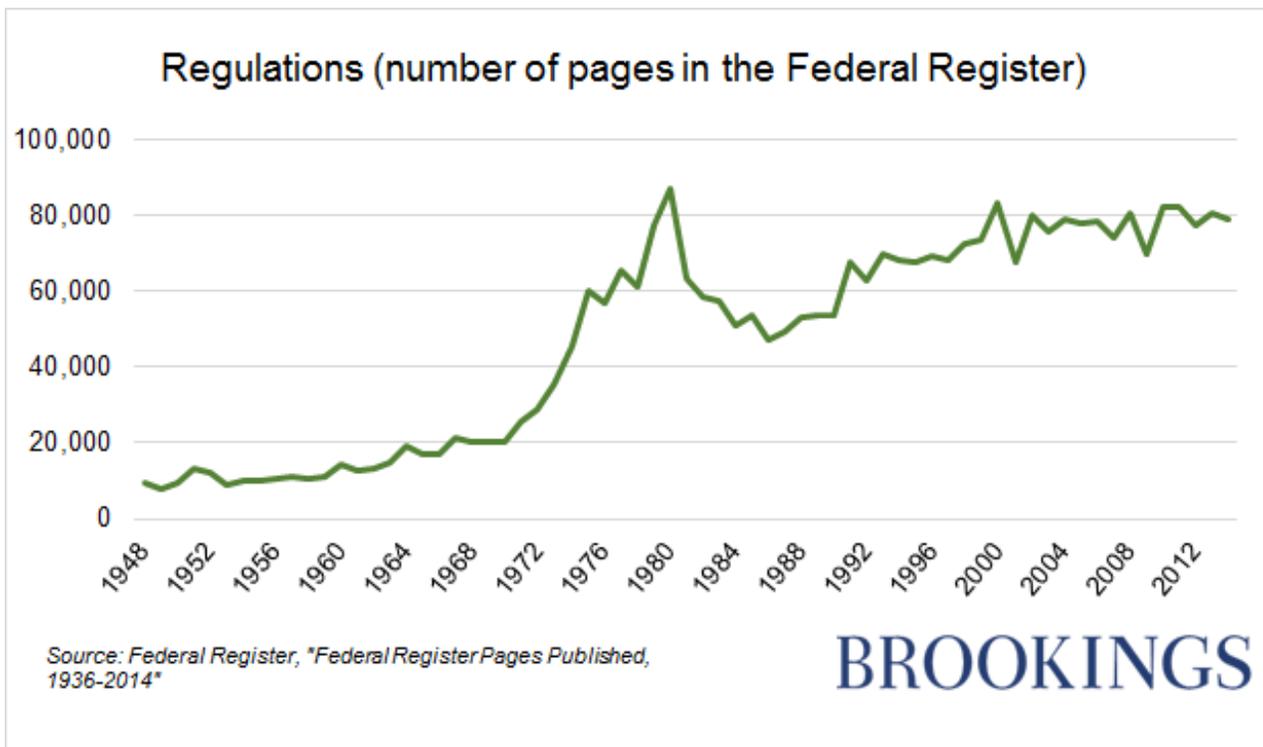
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Executive branch civilian employment



Source: Office of Personnel Management, Data, Analysis, & Documentation: Federal Employment Reports -- Historical Federal Workforce Tables, "Executive Branch Civilian Employment Since 1940"

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Seven new federal Cabinet agencies have been established since 1960—from Housing and Urban Development in 1965, to Homeland Security in 2002.

Dozens of new sub-Cabinet agencies were also established, like the Environmental Protection Agency in 1970 and the Federal Emergency Management Agency in 1979.

Batteries of new federal laws, regulations, and programs were enacted on issues that were virtually absent from the pre-1960 Federal policy agenda—crime, drug abuse, campaign finance, sexual orientation, gun control, school quality, occupational safety, the environment, health care insurance, and others.

Take a look at the three figures above. A crude if suggestive measure of this post-1960 growth in what Washington does is the *Federal Register*, which catalogues all federal rules and regulations.

As federal spending increased five-fold, the number of pages in the *Federal Register* increased about six-fold to more than 80,000 small-print pages.

So, spending lots more, *check*.

Doing lots more, *check*.

4. What about growth in the federal government workforce and in the ranks of federal bureaucrats?

Well, as suggested by the middle figure above, it would appear that there has been... none at all!

We have had roughly the same number of federal workers, not counting uniformed military personnel and postal workers, for the past 57 years.

When John F. Kennedy was elected in 1960, we had about 1.8 million full-time federal bureaucrats—the same number as when George W. Bush was elected president in 2000.

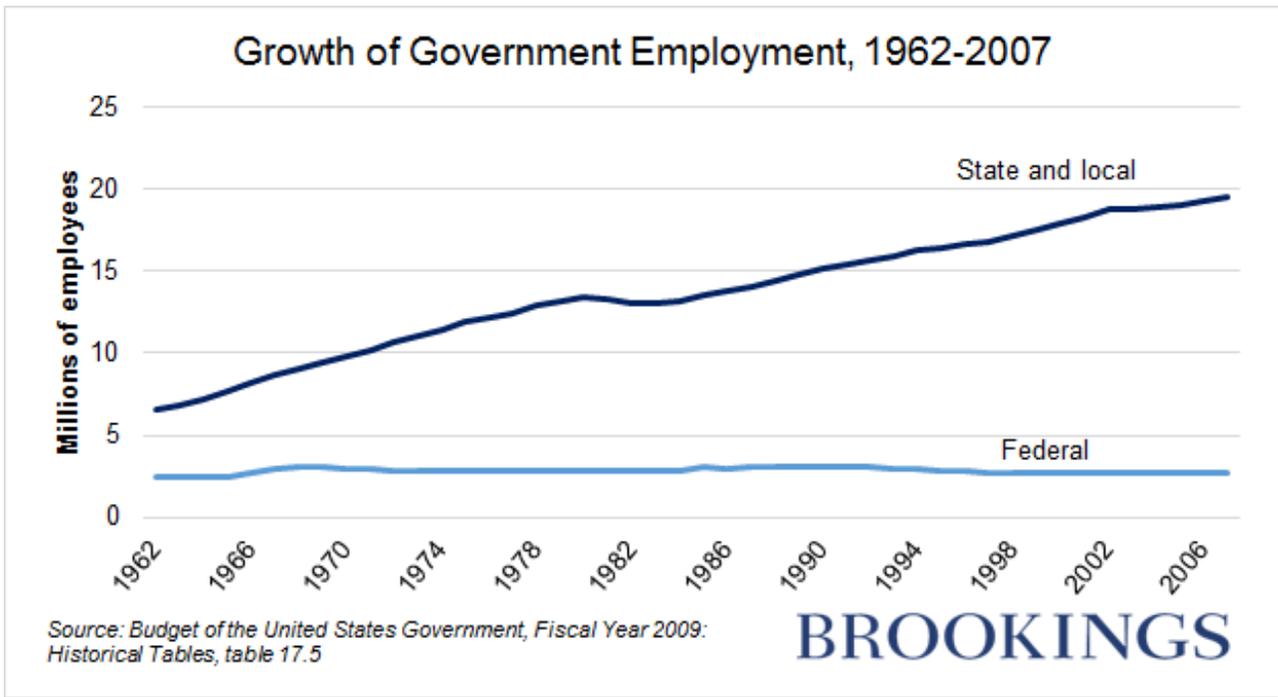
When Ronald Reagan was reelected in 1984, there were about 2.2 million bureaucrats—nearly 200,000 more than when Barack Obama was elected in 2008.

5. So, how did post-1960 United States have a five-fold increase in national government spending, establish seven new cabinet agencies, effect a steady expansion in programs and regulations, and yet experience zero growth in the workforce responsible for stewarding trillions of tax dollars and translating 80,000-plus pages of words into action?

By employing three species of administrative proxies:

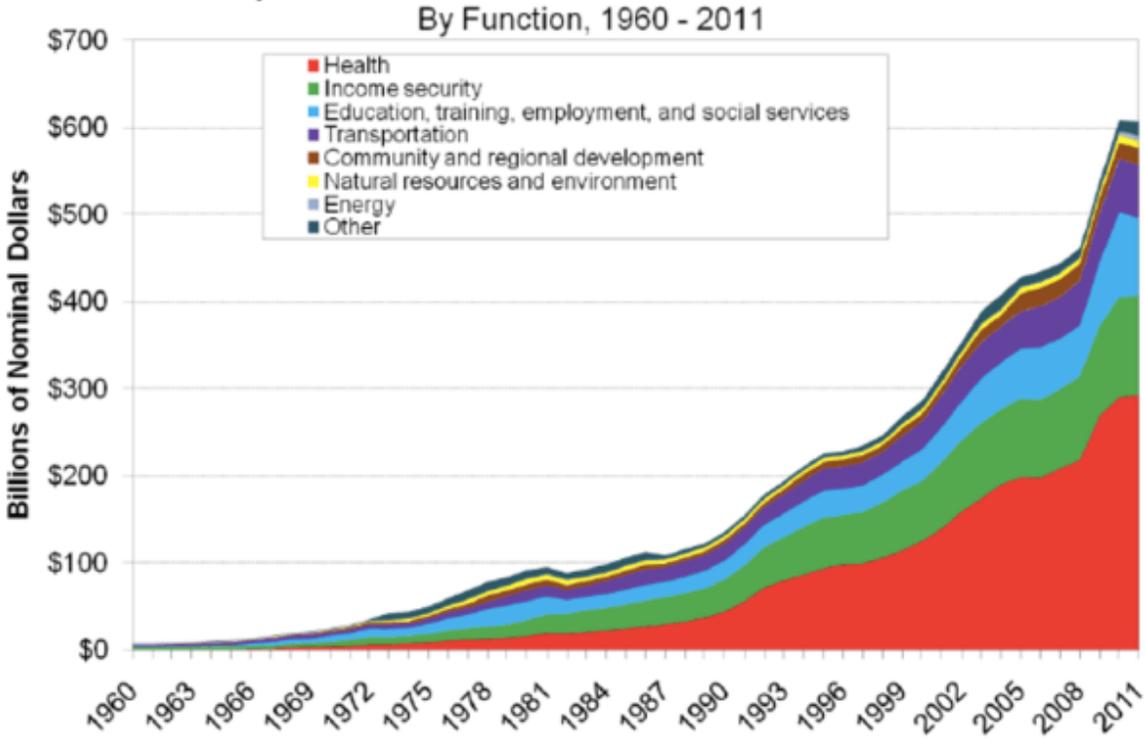
- State and local governments
- For-profit businesses
- Nonprofit organizations

De facto Feds: Since 1960, while the federal workforce hovered around two million full-time bureaucrats, the total number of state and local government employees tripled to more than 18 million workers.



This sub-national government workforce expansion was fueled by the feds. Adjusted for inflation, between the early 1960s and the early 2010s, federal grants-in-aid for the states increased more than 10-fold.

Post-1960s Explosion of Federal Grants to State and Local Governments



For instance, take the Environmental Protection Agency (EPA), with its fewer than 20,000 employees spread across 10 administrative regions. More than 90 percent of EPA programs are administered A-to-Z by state government agencies that employ thousands of environmental protection workers.

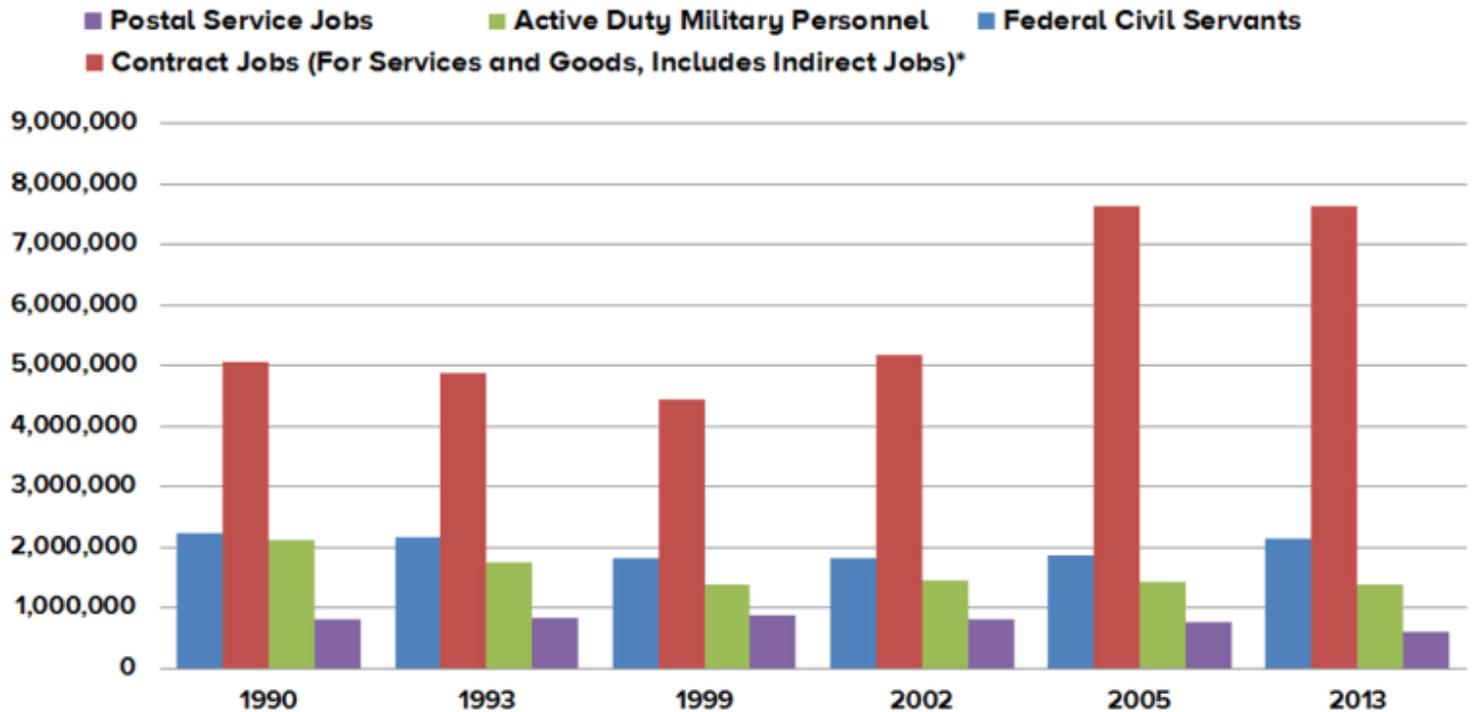
Or consider the federal center directly responsible for overseeing Medicare and Medicaid administration—the Centers for Medicare and Medicaid Services (CMS). It has fewer than 5,000 employees handling two mega-programs that together account for about a quarter of the federal budget. The federal government pays for at least half of the states' administrative costs for Medicaid.

By the same token, local police departments received increased federal funding and expanded their payrolls via successive post-1968 federal crime bills and the federal homeland security initiatives that began in 2002.

Measurements and estimates vary, but by conservative estimates, there are about three million state and local government workers that funded via federal grants and contracts.

Armies of paid contractors: For-profit contracting businesses are used by every federal department, bureau, and agency. There are many thorny data issues that make it difficult to obtain an exact count, but the best available estimates indicate that the total number of federal contract employees increased from about five million in 1990 to about 7.5 million in 2013.

Estimated Contractor Workforce



Source: Paul Light, "The New True Size of Government"; Bureau of Labor Statistics; Defense Manpower Data Center

For instance, the military-industrial complex that President Eisenhower warned Americans about in 1961 is today the massive Defense Department-private contractor complex. Over the last nine years or so, the Department of Defense has had the full-time equivalent of about 700,000 to 800,000 federal civilian workers, plus the full-time equivalent of between 620,000 to 770,000 for-profit-contract employees—nearly one full-time contract employee for every DoD civilian bureaucrat.

During the first Gulf War in 1991, American soldiers outnumbered private contractors in the region by about 60-to-1; but, by 2006, there were nearly as many private contractors as soldiers in Iraq—about 100,000 contract employees, not counting subcontractor employees, versus 140,000 troops.

Government-supported nonprofit workers: Employment in the tax-exempt or independent sector more than doubled between 1977 and 2012 to more than 11 million people. Just the subset of nonprofit organizations that files with the IRS has more than \$2 trillion a year in revenues.

Nonprofit Organization Employees (millions)

1977	5.6
1982	6.5
1987	7.4
1992	9.1
1999	9.7
2010	10.7
2012	11.4

So, beyond the two million civilian federal bureaucrats, how many people now make a living administering federal government policies and programs? Roughly a third of those nonprofit revenues flows from government grants plus fees for services and goods from government sources. Each year, tens of billions of federal “pass-through” dollars flow from Washington through state capitals and into the coffers of local government and nonprofit organizations—nonprofit hospitals, universities, religious charities, and others.

Nobody can say for sure, but let’s quickly do some informed guesstimating and federal workforce arithmetic:

- With one-third of its revenues flowing from government, if only one-fifth of the 11 million nonprofit sector employees owe their jobs to federal or intergovernmental grant, contract, or fee funding, that’s 2.2 million workers.
- As noted, the best for-profit contractor estimate is 7.5 million.
- And the conservative sub-national government employee estimate is three million.
- That’s 12.2 million in all, but let’s scale down to call it 12 million.
- 12 million plus our good-old two million actual federal bureaucrats equals 14 million.
- And how many were there back in 1960? The feds had some administrative proxies even then, maybe as many as two million, plus two million actual federal bureaucrats.
- So, let’s call it 14 million in all today versus four million back when Ike was saying

farewell.

So, the real federal bureaucracy, defined as the total number of people (federal civilian workers, de facto feds in state or local government agencies, for-profit contractor employees, and nonprofit workers) paid to administer federal policies and programs, probably increased at least 3.5-fold during the same five-and-a-half decades that real federal spending increased five-fold and the number of pages in the *Federal Register* increased six-fold.

7. **What, then, is the one “must-know fact” about “Big Government” in America today?**

It is that “Big Government” in America today is both debt-financed *and* proxy-administered.

The first half of that essential fact is well known, much discussed, and much debated. For all but five post-1960 years, the federal government has run deficits, and the national debt is now bordering on \$20 trillion. But the latter half of that essential fact—rampant proxy administration—is little known, poorly understood, and, except in certain moments of crisis, ignored.

8. **But *why* is “Big Government” both debt-financed and proxy-administered?**

There are three separate but related reasons: public opinion, lobbying by the proxies, and congressional electoral politics.

1. ***Public opinion:*** For all the polls proclaiming mass public mistrust of government and for all the bad-mouthing of Washington, most Americans want the very government benefits and programs that the post-1960 federal government has enacted. The only thing that a near-majority of Americans wants to cut is foreign aid, which is not even static on the static in the federal budget adding machine.

Few Americans Favor Cuts in Government Spending

Would you increase, decrease, or keep spending the same for:	INCREASE (%)	SAME (%)	DECREASE (%)
Agriculture	34	42	20
Aid to needy in U.S.	27	44	24
Aid to world's needy	21	28	48
Anti-terrorism defenses	32	45	19
Combatting crime	41	41	14
Education	60	29	10
Energy	36	38	21
Environmental protection	33	43	22
Food and drug inspection	33	50	14
Health care	38	34	22
Medicare	36	46	15
Military defense	32	41	24
Natural disaster relief	34	50	12
Roads and infrastructure	38	43	17
Scientific research	37	40	20
Social Security	41	46	10
State Department	14	46	34
Unemployment aid	24	41	32
Veteran's benefits	53	38	6

Source: Pew Research Center for the People and the Press, "As Sequester Looms, Little Support for Cutting Most Programs" (poll, February 22, 2013, poll conducted February 13-18, 2013).

<http://www.people-press.org/201302/22/as-sequester-deadline-looms-little-support-for-cutting-most-programs/>.

2. **Lobbying by the proxies:** State and local governments and their governors associations, mayors associations, state legislatures, corrections commissioners, and more; big and small business lobbies; and, yes, nonprofit sector lawyer-lobbyists—all three federal proxies exert nonstop pressure in favor of federal policies that pay them to administer federal business, with as few strings attached as possible, and with lots of paperwork but little real accountability for performance and results.
3. **Congressional electoral politics:** To oversimplify but only a little, when it comes to "Big Government," Americans are philosophically conservative but behaviorally liberal. They want big government benefits and programs, but they do not want to pay big government taxes and they prefer not to receive their goods and services directly from the hand of big government bureaucracies. Since the late 1960s, congressional incumbents in both parties have been reelected at a rate of about 90 percent because they give the public exactly what it wants. Republicans are, for this purpose, the party of "tax less." Democrats are the party of "benefit more."

Together, they have won every post-1960 election.

The late, great American politics scholar, our Brookings Institution colleague Professor Martha Derthick, said it all:

“Congress has habitually chosen the medium of grants not so much because it loves the states more as because it loves the federal bureaucracy less. Congress loves action – it thrives on policy proclamation and goal setting – but it hates bureaucracy and taxes, which are the instruments of action. Overwhelmingly, it has resolved this dilemma by turning over the bulk of administration to the state governments or any organizational instrumentality it can lay its hands on whose employees are not counted on the federal payroll.”

— Prof. Martha Derthick, *Keeping the Compound Republic* (Brookings, 2001)

Congress, the keystone of the Washington establishment, has spent half a century promising us that, so to speak, we can all go to heaven without needing to die first. The American way of “Big Government” has produced massive deficits, both financial *and* administrative.

9. How does the real federal bureaucracy—the bureaucracy-by-proxy—perform?

Not well!

In his recent book “Escaping Jurassic Government” (Brookings, 2016), the public administration scholar of scholars, Prof. Donald F. Kettl, analyzed the federal programs on the U.S. Government Accountability Office (GAO) list of programs that have suffered the worst cost overruns, management meltdowns, or other acute or chronic failures. Some have been on the list for more than two decades straight.

High-Risk Federal Programs/Hyper-Proxy Federal Programs, 2015

Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks	Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland
Management of Federal Oil and Gas Resources	Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information
Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance	Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability	Improving Federal Oversight of Food Safety
Funding the Nation's Surface Transportation System	Protecting Public Health through Enhanced Oversight of Medical Products
Strategic Human Capital Management	Transforming the EPA's Processes for Assessing and Controlling Toxic Chemicals
Managing Federal Real Property	DOD Contract Management
Improving the Management and IT Acquisitions and Operations (new)	DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management
DOD Approach to Business Transformation	NASA Acquisition Management
DOD Business Systems Modernization	Enforcement of Tax Laws
DOD Support Infrastructure Management	Managing Risks and Improving VA Health Care (new)
DOD Financial Management	Improving and Modernizing Federal Disability Programs
DOD Supply Chain Management	Pension Benefit Guaranty Corporation Insurance Programs
DOD Weapon Systems Acquisition	Medicare Program
Mitigating Gaps in Weather Satellite Data	Medicaid Program
Strengthening Department of Homeland Security Management Functions	National Flood Insurance Program

Source: Adapted from U.S. GAO *High-Risk-Series*, 2015 (GAO-15-290, February 11, 2015), and Donald F. Kettl, *Escaping Jurassic Government: How to Recover America's Lost Commitment to Competence* (Brookings Institution, 2016), 100-101.

Note: **BOLD** indicates high proxy-administration quotient.

Kettl found that 28 of the 32 programs on that GAO high-risk list were among the very federal programs with the highest proxy-administration quotients—all the ones in bold in the boxes just above.

To be more graphic, consider the tale of the two FEMAs. The left-side photo below represents the FEMA that, just before Hurricane Katrina, had had its full-time federal staff slashed to under 3,000 people while being loaded up with more than a dozen new

official chores relating to homeland security.



A woman looks at homes damaged by Hurricane Katrina in a marina on Lake Pontchartrain in New Orleans, Louisiana, August 25, 2007. New Orleans continues to recover from the damage incurred when the hurricane struck the city almost two years ago on August 29, 2005.



A combination photo shows debris piled outside of homes damaged by the storm surge of Superstorm Sandy on November 8, 2012 (top) and a recent view of the same street in the Queens borough neighborhood of Belle Harbor, New York on October 23, 2013 (bottom). The historic superstorm made landfall on October 29, 2012.

The right-side photos, however, represent the FEMA that, in the wake of post-Katrina congressional investigations, got its staffing not only restored but doubled, just in time for the agency's imperfect but far superior response to Hurricane Sandy.



Now, gaze at the logos above. They represent just three of many severely short-staffed federal agencies that are losing veteran staff members. If they do not get more full-time federal bureaucrats before too long, they are likely to implode administratively—and they have arguably already begun to do so:

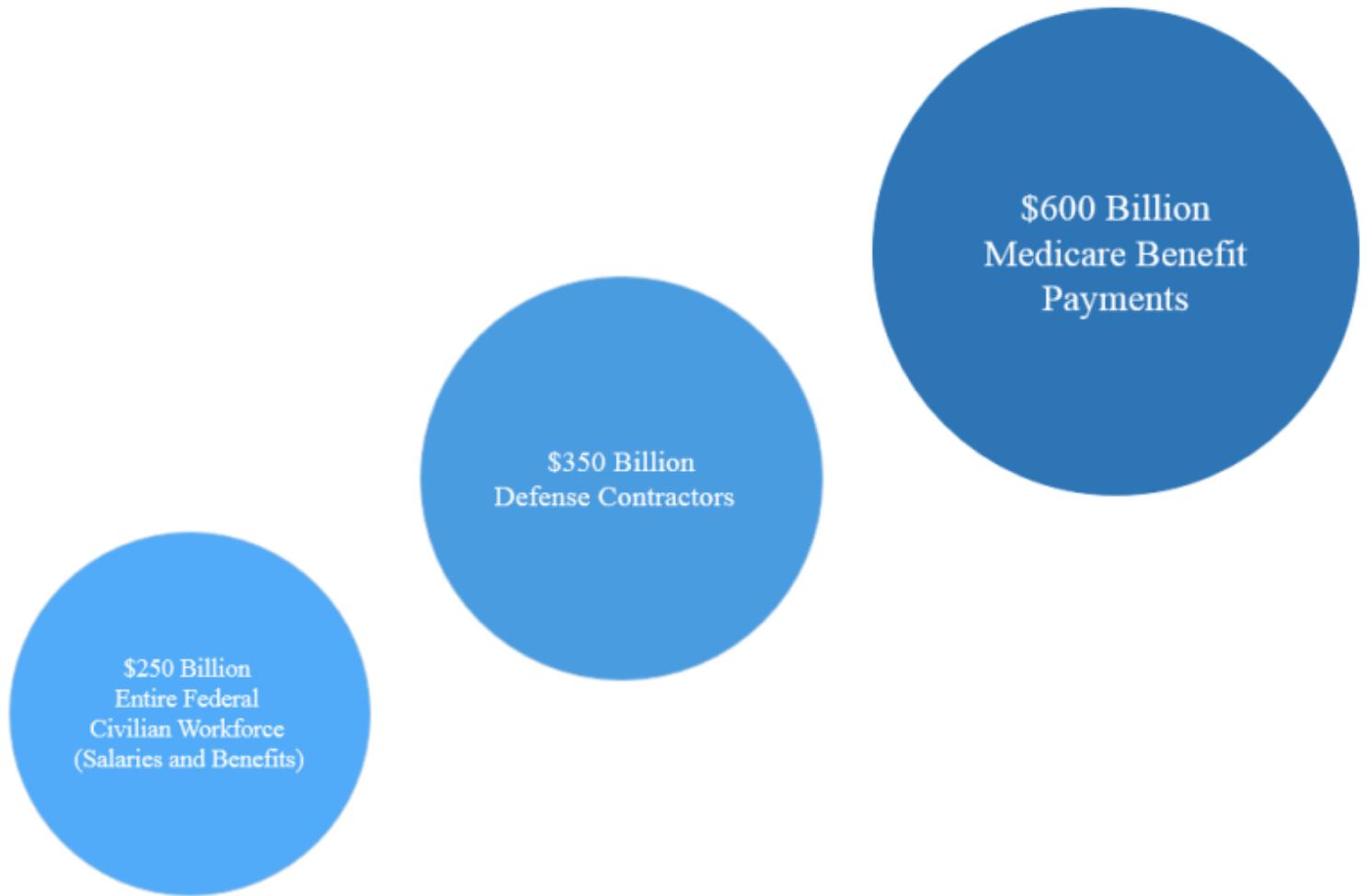
- The short-staffed IRS fails to collect \$400 million in taxes per-year.
- The skeleton-staffed EPA has thousands of toxic waste sites that have been on the clean-up list forever, gives provisional approval to scores of pesticides that it has not the staff capacity to fully examine before allowing to go to market, and even at one point had to contract out a congressionally mandated report on what it should not contract out.
- The SSA is losing a third of its veteran workforce at a moment when its beneficiary population is booming and its disability claims are exploding. Nearly 180,000 people visit SSA offices and another several hundred thousand call SSA offices each day, and within the next decade, the agency will disburse nearly \$1.8 trillion per year!

And before your next flight, take a look at this January 2016 report. It states that about one-third of the nation's 13,800 air traffic controllers will turn over by 2021, and that the FAA has an air traffic control system that is so badly antiquated technologically that nobody truly knows how to begin to modernize and patch it.

10. Does Washington actually spend more on defense contractors alone than it does on the entire federal civilian workforce?

Yes. It spends about \$250 billion in wages and benefits for "bureaucrats" versus \$350 billion or so for defense contractors. And it spends more than twice as much on Medicare beneficiaries as it does on the entire federal civilian workforce.

Federal Spending, 2014



We the people

So, let's not kid ourselves, or let politicians in either party or at either end of Pennsylvania Avenue, kid us:

- America has over-leveraged, not limited, government. Our debt-financed and proxy-administered system has been growing for a half-century under both parties.
- Freezing our federal workforce, which is the same size today as it was in 1960, will have no significant impact on federal spending.
- To “drain the swamp” in Washington, D.C. would mean draining state and local governments, private contractors, nonprofit grantees, and middle-class

entitlement beneficiaries like most Medicare beneficiaries.

- Debt-financed, proxy-administered, poor-performing, American-style “Big Government” now represents about 40 percent of the nation’s GDP.

In Federalist Paper No. 63, James Madison warned about the duty of elected leaders (U.S. senators, in particular) to guard “the people against their own temporary errors and delusions.”

But “we the people” are a half-century into the errors and delusions behind our debt-financed, proxy-administered “Big Government” and the real federal bureaucracy.

In Federalist Paper No. 68, Alexander Hamilton, who remains the most finance savvy leader in American history, and who was by no means allergic to stronger national government, lectured that “the true test of good government is its aptitude and tendency to produce a good administration.”

For all the partisan and ideological fights, and across all the usual demographic and regional lines, Americans and their leaders are today ever more strongly united, not badly divided—united, that is, in failing Hamilton’s good government test.

John J. DiIulio, Jr., a Nonresident Senior Fellow at the Brookings Institution and professor at the University of Pennsylvania, is the author of *Bring Back the Bureaucrats: Why More Federal Workers Will Lead to Better (and Smaller!) Government* (Templeton Press, 2014).