A Brookings Forum

HOMELAND SECURITY:
The White House Plan Explained and Examined

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****THIS IS AN UNCORRECTED TRANSCRIPT****

MR. JAMES B. STEINBERG: Good afternoon ladies and gentlemen and welcome to Brookings. It's a great pleasure to have such a large and enthusiastic crowd in our first days back in the September season.

I'm pleased to welcome you here for a very important discussion today on homeland security. We're privileged to have as our principal speaker today Richard Falkenrath who is the special Assistant to the President for Homeland Security and Senior Director for Policy and Plans in the Office of Homeland Security. It's obviously an extremely important position and a very timely topic that he's come here to discuss.

We're particularly pleased to have him here because he is the model of what we like to think of ourselves here as being scholars and practitioners. His career is really a model example of that.

He joined the Office of Homeland Security in October 2001, but prior to that he served as the Director for Proliferation Strategy in the National Security Council, a very distinguished body in its own right.

Before joining the Bush Administration he was at the Kennedy School where he was an Assistant Professor of Public Policy and he remains on leave from the Kennedy School at this time.

From 1995 to 1998 he was the Executive Director of the Belford Center for Science and International Affairs which is one of the premier centers for the study of international security in the United States.

He has a very distinguished academic background with a suma cum laude degree, undergraduate degree from Occidental College and a PhD from the Department of War Studies at Kings College in London.

Rich is going to begin the study with a presentation about the Administration's policy and some of the issues that we're now facing in the public debate and the debate up in Congress and following that we'll have a panel discussion. I will introduce the panelists after Rich is finished with his talk.

I just want to also announce that this event will be archived on the Brookings web site and we'll be providing streaming audio and video of the event to users who click where indicated on the main Brookings homepage which is "www.brookings.edu", and there will also be a full transcript of the event posted on the Brookings web site shortly after today's talk.

First let me ask you to join me in welcoming Rich Falkenrath.

MR. RICHARD A. FALKENRATH: Thank you very much, Jim. It's really a privilege for me to be here and I thank Brooking for inviting me and hosting it. It's also a terrific panel coming up with people I respect a lot, so I look forward to that discussion.

Let me just give you the outline of my talk. I'm going to go through four things. I'm going to start off by talking to you about the President's National Strategy for Homeland Security. It's this document which is available on the web site in hard copy if you haven't gotten it around town. I'll give you a quick overview of that.

Second, I'm going to give you some observations on the first year since 9/11. It's not quite a year but we're getting close. These are personal observations. They're both as a practitioner since I've sat and experienced some of this, and also as an academic since I've thought about it and written about it before joining the government. I'm just going to share with you a few observations.

Third, I'll describe to you something that's pretty familiar I think to most people who follow the news, the President's proposed to create a Department of Homeland Security. I'll run through that quickly and describe some of our principles in crafting the proposal.

Fourth, where I think I'll probably spend the most time is on the differences that we have, that the Administration has with the Senate reported bill creating a Department of Homeland Security. That's getting a lot of media attention right now. It's a very heated debate. Lots of this debate is carried out in very short sentences and sort of sound bytes and I'm going to spend some more time going through with you the issues as we see them at a sort of slower pace than is normally done in much of this.

The National Strategy for Homeland Security, this document.

The country's never had a comprehensive National Strategy for Homeland Security. This is the first. Partly that's because homeland security itself was not a distinct policy area. It's not something people recognized like economics or fiscal policy or national security. It was new. Experts were beginning to zero in on it as a very important emerging area of governance but it wasn't until 9/11 that everyone accepted that this was a distinct area and it needed a distinct strategy.

9/11 revealed that fact. It was always there. For the experts, I think they identified it, but 9/11 revealed to everyone that we need to think of homeland security as a distinct activity of our

government, the federal system, and that's really the purpose of the document.

The President's Executive Order of October 8th creating the Office of Homeland Security gave that entity, which is exactly what he could create as Executive -- he couldn't create a department but he can create an entity within the White House -- that gave the office where I now work as its first charge to develop and coordinate the implementation of a comprehensive national strategy. So we got to work on it right away. It took awhile, it took about eight months to complete but it was published a little less than two months ago now.

Strategy has a lot of different definitions and meanings. I surveyed many of them both before entering government and then in government when I was engaged in this exercise.

There's no perfect template for what a strategy should look like. Very sophisticated, experienced people have different ideas of how it should be defined and how it should be structured. We did our best to find one that we thought worked for the country at this time and for this President and this Administration.

At its heart a strategy is an explicit ends/means relationship. A statement of what our goals are and what we're going to do to achieve those goals. I think when we distill strategy, that's what you're left with. It's about your ends and your means for achieving them, and it's an explicit statement of how those two things relate.

Put somewhat more academically, it's our theory for how we're going to cause security for ourselves. That is how people define grand strategies, for instance.

I recognize that this strategy is sort of incomplete in the sense that it doesn't deal with the international dimension of homeland security. It does not deal with the war on terrorism. That we as an Administration have defined as national security and we've been criticized for that. A very good report by the Aspen Strategy Group took us to task for that and said no, they should be integrated, they should not be separated in the way that the Administration has proposed to do so. We're aware of that, but nonetheless we had to proceed.

The end, the first step in strategy, figuring out what your goals are. At the highest level of abstraction our goals are three. To prevent terrorist attacks within the United States, first. Second, to reduce America's vulnerability to terrorism. And third, to minimize the damage and recover from attacks that occur. These are not operational objectives. We can't measure our progress against specific yardsticks with these objectives, but we needed a high level statement of what we're trying to do and that's it.

The means by which we're going to try to achieve them, what we are trying to do to achieve these goals are many. When you start racking up all the things that the federal

government, state and local governments, private sectors, citizens are doing right now to achieve the goals that I just identified, it is an enormous list of things that are going on.

Very few people in my experience take a comprehensive view of everything the federal government is doing to secure the homeland. Very few people take a comprehensive view of everything a nation is doing to achieve these goals. It's a huge list. The steps we are taking is also many. We're not just talking about the federal government here. I've said that -- with a less labored audience I would have to belabor it, but everyone now understands that homeland security is a national responsibility, not just a federal task. It involves state and local government, the private sector, and citizens.

We had so many things that were already underway to achieve our homeland security objectives that we needed to find some way to categorize them, some typology of our activities. There are many different typologies that are out there. The Brookings Institution Book, a good book, has one, a sort of four-part breakdown. The Hart/Rudman Commission has one. The Gilmore Commission has one. Ashe Carter, Phil Zelikow, a lot of people who have written on this have suggested their own typologies of breakdowns. In a previous work I suggested one.

We spent a lot of time at the Office of Homeland Security sorting out our typologies as a first step. How do we break it down? What we arrive at is this:

Ten basic areas. First what we call critical mission areas. Intelligence and warning, border and transportation security, domestic counterterrorism, critical infrastructure protection, catastrophic threats, and emergency preparedness and response.

We think that you can take every federal dollar spent on homeland security and put it in one of those six areas. One and only one of those six areas. We in fact will do that in the '04 budget. We'll break it down in that way.

We combined border and transportation security because we think they are increasingly integrated. With the pressures of globalization there is really less and less difference between managing a border and managing an airport and managing a seaport, so we bring them together and treat them as one.

Domestic counterterrorism is primarily a law enforcement function.

Protecting critical infrastructure and key assets I'm going to talk about in a minute.

On the right these foundations, these cut across them all. We broke them out. We identify them as separate because every one of these four -- the law, science and technology, information sharing and international cooperation -- impacts one of the six on the other side. So we had to

pull them out.

For budgetary purposes we can't make them discreet categories because they are embedded within the other six in complicated ways, but we pull them out. These ten areas become our basic categorization of the homeland security activities of the country. We think pretty much everything we do fits into one of them. One and only one on the left-hand side.

As you get into the document you'll see there are 84 specific activities, major activities and new initiatives that we cull out as especially important for achieving our goals within these ten. Most of the time, frankly, these are things that were already happening -- securing the borders, securing the transportation system, developing new vaccines, improving our information systems. In a few cases they were genuinely new and they weren't around before.

The strategy document summarizes them at a very high level of generalization. It's not an operational plan by any means. We lacked the capacity to do so, and if we had tried to do so we would have produced a document as thick as a telephone book, and we didn't try to do that.

In many cases these operational plans do not exist, how we're going to exactly accomplish what we say we're going to accomplish. Let me give you an example.

One specific initiative that resides in the information Sharing and Systems chapter is the following: Adopt common meta-data standards for electronic information relevant to homeland security. Now we could spend a lot of time talking about the importance of that. I don't want to get into it. Take me at my word, it is a very important initiative. It is an extremely complicated matter, how you put that into effect. What you can do in a strategy document which is issued by the President and the White House, is you can say this is what we need to do. This is where we need to end up. Then you have to have another more complicated process of actually implementing it. That's true of all 84 initiatives that we have.

Some have criticized this document for being a laundry list of things we needed to do. In fact a Brookings scholar who I respect a lot, Paul Light, was on a radio program with me at one point and he said it had more activities than his daughter's summer camp, which is a fine point to make on the radio. But what I haven't heard is anyone say that we missed anything and I haven't heard anyone say that any of the 84 don't matter. So for me that's somewhat encouraging and it makes me think we sort of got it. If there's anything in there that someone says this is irrelevant to homeland security, no one has told me yet. So I think we got a lot of content in there, and if you go through you'll learn that the reason it's long is because there's a lot to do to secure the homeland. It's not just a few simple things that you can sort of throw out.

How are we going to use this document? We'll use it to structure the FY04 budget and it will be explicitly around those six areas I just identified for homeland security. We use it for

priority setting among the 84. You'll see that nine are pulled out as especially important. And we'll use it for organizing the interagency committees, it will be increasingly along these lines, and for setting specific milestones and developing the operational plans we need.

That's an overview of the strategy.

Let me give you now a couple of observations.

Threat and vulnerability. We can tell a lot of stories about specific terrorist threats, what we've learned about them, what we now know al Qaeda was up to or any of these other organizations. But the sum of all that information is not really a threat assessment because it tells us only what we know about what's already happened and transpired before.

The truth about the terrorist threat I think is that we're talking about an endogenous and essentially unknowable number of increasingly capable strategic actors and each word in that matters.

Endogenous meaning how many terrorists there are out there is not sort of fore-ordained. It's a result of our own activity, both in terms of defeating them as they're there already, bringing them to justice, incapacitating them in other ways, and inspiring new ones to rise up against us for whatever it is about our way of life or our presence in the world that they despise.

Unknowable is we can never know how many there are. We can only know the ones that we're aware of and we must assume there are some out there that we don't know about.

Increasingly capable, that's easy to understand. Over time inexorably non-state actors are going to be able to cause more and more massive destruction and disruption in our society. It's just a by-product of progress. Our information systems are better, our education systems are better, our economic systems of supply are better, and they are learning. There's nothing we can do about that over the long run.

Finally, that they are strategic. That means they are not statistically patterned. They're not robots who just mimic what they did before. They attack us in ways which they think are going to be most productive for their end. They attack us in ways in which they perceive us to be particularly weak.

That's one of the real lessons of 9/11. Here we had a strategic actor who saw a weakness in our society and took advantage of it. We must assume that every future terrorist threat we face is going to be like that. It's not just going to follow some statistical pattern derived from past activity but it's going to sink and see where we're adapting and where we're strong and will attack us where we're not strong and where we are vulnerable. That's the adversary we face. It's a

very challenging one.

Vulnerability. Vulnerability in any developed free and open society is almost infinite. We are an enormously rich society. We rely increasingly on densely packed infrastructures that are subject to catastrophic attack and disruption. We congregate in very dense packs at very predictable, well-advertised ways. You can count on the fact that there are going to be lots and lots of people packed into the subway every morning at rush hour or a big event. You can move around in our country without fear of being watched by any kind of secret police. You can gather information about all kinds of potential targets. You bring this together and what you see is a society that because of its openness and its freedom and its wealth and its frequent concentrations is extremely vulnerable to catastrophic terrorist attacks if someone does it.

We can do a lot about that, but we can never reduce our vulnerability to zero. It is impossible. We can reduce it a fair bit through a sustained, systematic and comprehensive effort, but we're never going to get it to zero.

The last point I'll make about threat and vulnerability is for strategic policy purposes, threat assessment is a lot less important than net assessment. By net assessment I'm talking about something as familiar as the students of Andy Marshal in defense studies. Net assessment is the relationship between the strength of the enemy and the strength of the friendlies, of us. It's the comparison of threat to vulnerability and it's the nexus of threat and vulnerability that matters most. Understanding that nexus is what will allow us to understand better the real dangers that we face and the greater dangers.

For tactical purposes, threat assessment matters a lot, but for long term planning and for budget allocations, net assessment matters even more.

The implications of taking prevention seriously. Everyone agrees prevention should be our top goal -- preventing attacks. It's why we're fighting this war on terrorism so that we're taking the war to the terrorists that we know about and we're trying to defeat them so they cannot attack us again. We have a deterrent posture which says essentially anyone who attacks us, you can be absolutely sure that the United States government will search you out forever and will never give up. It will never stop looking for you and never give up its effort to bring you to justice. That's a policy that's completely non-partisan. Any President -- Democratic or Republican -- is going to have the exact same posture and that's the foundation of our deterrence.

But at home much of what we do about prevention I'd say enjoys unanimous support in abstract only. When you get into the specifics of our preventive strategies they tend to be very very controversial and problematic. I don't wish to go through them all, but policies that have been talked about or put in place with respect to student visas, alien registration, preventive detention, biometric identifiers, adding absconders of the immigration laws into the national

databases, screening passengers at airports, these we all do in the name of prevention and these turn out to be extremely controversial when put into practice. It's one of the challenges that we have to come to grips with.

The implication of taking protection seriously. We have to define a goal. We have to get some concept of what level of protection we want given the incredible depth of our vulnerability. There is no pre-existing metric. It is a huge challenge. Further, we need a comprehensive approach to protection. We know that if we adopt site-specific or sector-specific strategies that because we're dealing with a strategic enemy all we're really doing is shifting risk to other sectors and that's why the President's proposal for a department calls for one place, one major office within the federal government to do critical infrastructure protection comprehensively, not sector specific. Not with one agency worrying about agency and one worrying about water and one worrying about agriculture and one worrying about -- One agency to do it all so they can see it and they will not be susceptible to risk-shifting.

Also on the implication of taking protection seriously, our principles of limited government are very seriously challenged by this. Here's what I'm talking about. We, by and large, have not grown up a federal government with the expectation that it is going to go out into private industry, which in fact owns most critical infrastructure, and induce it to procure a higher level of security than it otherwise would. That's something that people are now starting to talk about increasingly, but if you look at the regulatory powers of the United States government, we have not chosen to give it those sorts of powers, by and large.

We also, by and large, do not create tax incentives to do that and we do not compel private companies to take these sort of steps. We do not compel state and local agencies when they have these authorities to do it themselves.

So one of the things that we wrestle with is people say you need to protect more and more targets, more and more infrastructure. To what extent is that changing the basic limits in government that we think are so important? So our federal limits and our involvement in the private industry.

The role of the media. What is news? It disturbed me as I watched some of the news reporting on homeland security. The thing that disturbed me the most is specific vulnerabilities to become newsworthy. I've seen too many stories, frankly, where a reporter will go out and find some potential target and note its vulnerability to some sort of catastrophic attack, and then talk to the owner or security manager at that target and ask them what has the federal government done to secure your facility? The answer often is, well we haven't gotten a check, they haven't done anything for us. Sometimes we have done a lot. But there are plenty of places where the federal government is not actively engaged in building up security. That in any other environment would be regarded as just normal, just fine.

I think this is a sort of myopic approach to reporting. I also think it's sort of irresponsible. It doesn't recognize the fact that this country, this is a new mission for this country. The premise that we should be out protecting every target, every vulnerable target, everything that could be catastrophically attacked by some terrorist, that the federal government suddenly has a responsibility to itself provide higher level security for that target or that infrastructure, that is a new idea and it's not one that's reflected in current law and in current government structure. So I worry about this in terms of what is news. I wish the specific vulnerabilities were not regarded as newsworthy.

The role of experts in higher education. As we've staffed up more and more offices within the federal government and even in state government and local government, we've found there are not too many people who are really trained to think about homeland security comprehensively across the threat of all the things that have to be done. I think it's inevitable and it's also very important that over time our institutions of higher education build up curricula related to homeland security as they have related to national security over the Cold War period. I think that will happen.

The cost of homeland security. My main point here is the costs of homeland security are potentially so high and the need is so great that we cannot afford symbolic budget allocations. As an academic I was guilty of this too, as I sort of wrote things before having served in government and had the benefit of OMB analysis of programs. It was easy to say well this particular activity is really important so the President should increase its budget.

Well, you need to do more than that to figure out how to spend the taxpayers' money responsibly. You need to ask yourself is the administrative capacity there to actually turn that increased budget into real outcome? That's a form of analysis that by and large outsiders and academics do not do. Here I could point to others besides myself, but I will point to myself. In my own book, *America's Achilles Heel*, we did not go through this exercise and we allocated money symbolically and we said it could be worth about this much. Those numbers are just not credible. It's just not credible to say X activity is important, increase the budget by Y hundred million dollars. That's not an appropriate way, it's not fiscally responsible, and it's not how this government goes about it.

The first question we ask when we decide to allocate any money is does the administrative capacity exist to make a difference if the money is made available? Second is, are there unexpended balances in that program right now that should be spent before we start talking about throwing new money in that direction? That's a fiscally conservative approach to homeland security but it's the approach of this Administration. I think it's the right one.

Federal government organization. It's not up to the task. It's too complicated a mission,

it's too large and too new. Presently structured, the federal government organization not up to the task that's why the President proposed to create the department. I'll talk about that in a minute.

The role of the White House. There is an enduring need for a strong and expert White House staff dedicated to homeland security. The first purpose of that staff is of course going to be to provide advice to the President. That's what any White House staff has to do first. It also has to coordinate the interagency, including budget. Even after we create the Department of Homeland Security there will still be interagency issues, lots of them. We also have to do some intergovernmental coordination.

There's one interesting question which the Aspen Strategy Report raises which is should it be separate from the NSC system or not? We're aware of that view, it's been talked about. This President wants a separate system and a separate advisory council for homeland security. It's such an important area of governance today that he believes it requires that specialization and that expertise. There's also a fair bit going on in the rest of the world which the National Security Council and the National Security Advisers need to stay focused on.

The Department of Homeland Security. The President proposed it on June 6th, a lot of people know that. This coincided with some congressional testimony and some criticism of the FBI, I think Pauline Raleigh was testifying that day. I was a little amused, I must say, that the media, some in the media concluded that these two things were related. That the President proposed it on June 6th just because that day there was some critical testimony happening against the FBI on Capitol Hill. I can tell you that's nonsense. It's not how it happened. It was underway long before that. The people who were involved in that were hardly aware that that was going on, there was such a key focus on the immediate proposal at hand.

This is the structure. I think people are familiar with how we proposed it. I don't propose to go through it now.

We turned this into legislation a few weeks after the initial proposal and we sent that legislation to the hill. Let me just tell you how we went about turning a general policy position and an org chart into legislation.

We were very very disciplined about what we sent up to the Hill and what we asked for a law. We wanted just enough law to create this department and to give it the tools to succeed, but we wanted no other substantive changes in law. There are lots of things about the law that we might want to change that would be useful for achieving homeland security goals that are desirable, but we didn't laden any of those onto this particular legislative vehicle. It's a very spare and parsimonious bill that we sent up. It was 35 pages long. That's how we sent it up.

We didn't just want to move the boxes around. That's explicitly something we didn't want

to do. We wanted to make sure that the new Secretary, the head of this, would have the ability to make it work better than it's working right now. We didn't just want a confederation of existing offices with a new super secretary sitting on top of it with no real power to make any difference. That's why we included in the proposal what we call the Freedom to Manage package which I'm going to talk about in a minute.

That structure was driven by pragmatism. We wanted a simple bill, a bill that could move quickly and a bill that brought with it no unnecessary policy controversies. It was not ideologically driven, it was just pragmatism. What new department can give us the best implementation mechanism for the strategy that we have.

What we sent up vested all the powers of the units that were moved there in the Secretary, so everything's vested in the Secretary. Then he has the authority to delegate it back down to his subordinates as he sees fit with these four major under secretaries identified. He would have the authority to streamline and simplify the bureaucratic structures. He was given broad responsibilities that he had to achieve, but our legislative proposal did not micromanage how he had to do it. It created it, set out what needed to be done, vested the powers in him, and then allowed him to organize and delegate as necessary to get the job done. We think this is the right management concept for the 21st Century and for a policy area this important.

As you know, that approach to creating the department is not what either chamber of the Congress has pursued. The House passed a version of the bill creating the department that was over 200 pages long. We actually like this bill. We think it does a pretty good job. We have some problems with it. We want to try to address those in conference, but we think it basically gets the job done.

The Senate bill is a different story. Our differences with the Senate right now are getting a huge amount of attention in the media. As I said in my introduction, it's often quite simplified. People say it's just about the worker problem. Well, a lot of the arguments that are flying around about it are incorrect so I'm going to spend a little bit of time going through with you as clearly and methodically as I can what the differences are and why we have the position that we have. It's a very complicated piece of legislation and I would suspect most of the people who are commenting on it in public have not actually read it, not actually gone through all 380 pages of it and seen what's in there. And for anyone who takes seriously these issues, I urge you to do so.

We have issued a SAP, a Statement of Administration Policy, something Administrations do. We did it yesterday. It has a very clear veto threat in it, one of the clearest veto threats the President has ever issued.

These are issues of difference with them.

Management flexibility. There's no reorganization authority in the bill. There's no transfer authority in the bill. And there's a lack of personnel flexibility. In addition, it creates a very intrusive statutory office inside the White House. It limits established national security authority to the President, separates immigration enforcement from border security, fragments the administration of immigration law, disconnects the analysis of threat from vulnerabilities, and has lots of extraneous provisions. The ones in red were called out as veto items. If either of the two on the bottom stay, the President will veto it, and if there's not an acceptable combination of the above three, the President will veto it. That's Administration policy.

Let me just sort of tick through them.

No reorg authority. We think the bill as reported out by the Government Affairs Committee would create an extremely rigid bureaucracy. There would be a huge gap between the responsibilities of the Secretary to integrate the units as to what it says in Article 102, and to actually do that in practice. If you read Section 191 carefully you'll see that it grants at one hand the Secretary broad reorganization authority but in the very next provision it takes it all away by saying that that authority does not apply to any entity established in law and named in that bill. So the Customs Service cannot be touched; FEMA cannot be touched; the Coast Guard cannot be touched; INS cannot be touched. Now if you can't touch them, you can't do even the simplest form of integration at the border points of entry which everyone agrees is necessary.

The implication in addition is that it's impossible to eliminate redundant overhead. If you can't combine INS and Customs in a sensible way, you can't combine their separate human resource system, or their separate information technology systems. That in a stroke eliminates much of the efficiencies that we hope to realize by carrying out this reorganization.

Some have suggested that the reorg authority that the President requested in this bill was unconstitutional. They say this is the prerogative of the Congress to create, to reorganize. That's not true. The Congress has granted broad reorganization authority to the President, to the Executive Branch before. The President in fact had it government-wide until 1984, this reorganization authority. And the Secretary of Energy has it today. And the Secretary of Education has it today. So what you're seeking in the reorg authority is basically what the Secretary of Energy has today or the Secretary of Education or what the President has. We think we've got a pretty good reason to do it in this particular area given the importance of homeland security.

No transfer authority. We asked for a five percent transfer authority. It's a very complicated account structure for Executive Branch entities and we basically wanted the ability to take five percent of any account, up to five percent of any account and move it to another account. We need to do this to pay for the transition. We know that by realizing efficiencies and saving some money that we can pay for the transition and we don't need to ask for any additional

money from Congress and we don't want to do that.

We want to be able to realize efficiencies over the longer term. We want to be able to consolidate human resources and all the back rooms and information systems and general counsels offices and all that, and to do that you need transfer authority.

And maybe most importantly, we want the Secretary to be able to adapt and allocate money quickly based on a rapidly evolving threat picture and vulnerability picture. Sometimes that information about our threats or vulnerabilities cannot be released to the public, cannot be made part of a big supplemental budget request, and is ambiguous and subject to interpretation. We would like this Secretary to, for instance, be able to secure new drugs for the pharmaceutical stockpile if we received intelligence that there was a new pathogen out there that needed a particular kind of drug. Without transfer authority you can't do that. That's why we asked for it.

The House bill gave us less than we thought, but it gave us enough and we could live with it. The Senate bill gives us nothing. There's nothing in there. In fact it goes out of its way by reaffirming existing law explicitly, it goes out of its way to deny the new Secretary and the President the sort of flexibility in the financial area that we would seek.

It's not widely understood but the Senate bill, even if passed, would not allow the department to come into being because it would set up a mechanism by which the President had to prepare another budget, a supplemental budget request, send it to the Hill, have it acted upon and monies appropriated and then the transition could begin. With the Senate bill as reported right now there's no way to get the department up and running even after the President signs it. It has a whole other process and a delay of unknown duration and we can't accept that.

Further, people have said well, the sort of transfer authority you seek is unconstitutional and unprecedented. That's just not true. It's just not true. There is transfer authority right now in Department of Energy, Department of Agriculture, Department of Defense, Department of Health and Human Services. It's well established that the Congress can provide the executive some amount of flexibility and there is an oversight mechanism which this department will be fully accountable to the Congress to deal with it. So that's item number two.

Item number three, by far the most complicated area. The debate right now is being played out in the media. It sounds like sort of a fugue played before an audience of the deaf. We keep saying the same things, they keep saying the same things, and really nobody's changing their position.

What did we ask for? We asked to give the Secretary of Homeland Security the authority to create a new human resource management system that is flexible, contemporary, and grounded in the principles of the merit system, notwithstanding Title V of the U.S. Code. This is

what we asked for.

There are many other elements of U.S. law that would continue to apply to these workers so by no means is this the elimination of all legal protections for these workers. The Fair Labor Standard Act would still apply. The Civil Rights Act would still apply. The AIDS Discrimination Act would still apply. The Family Medical Leave Act would still apply. The Rehabilitation Act would still apply. Veterans Preferences would still apply. Social Security benefits would still apply. There are lots of other provisions in U.S. law that protect federal workers that continue to apply aside from the Title V parts that sought flexibility in. That's the first point.

Now admittedly, what was asked for was a fairly sweeping and open-ended request. It's provided ample opportunity for people to assume the worst about our intentions on what we would do with that.

We worked with the House of Representatives, the moderates in the House, for a more targeted form of flexibility. A flexibility that would allow the Secretary to recreate the system in six essential areas, six essential captors of Title V. Classification, pay, discipline, adverse action which is firing, performance appraisals, labor relations, and appeals. So those areas are carved out. The rest of Title V, over 70 different chapters, will continue to apply under the House bill, so there will still be protections against political retaliation, nepotism, whistleblowers, veterans affairs, no arbitrary demotions, the right to collective bargaining, sick and annual leave. Under the House bill all those rights are still protected and the Secretary will be granted flexibility only in the six most important ones.

Why do we need this flexibility? First, we're talking about 22 different federal entities that we need to bring together and have one sort of, just for housekeeping, one common human resource system. Right now 15 of the 22 units have got different basic pay systems. Twelve of the 22 have different special pay. Eight of the 22 different overtime rates. Seven of the 22, different benefit systems. And five different locality pay. So we just have a hard housekeeping problem bringing them together.

Second, though, the civil service system currently structured needs to perform better for the people and for the means of securing the homeland.

The columnists concluded that even though that's what we were trying to do, we were trying to create a civil service system that could integrate disparate systems and then perform better. Instantaneously, people concluded that we were seeking this only because we wanted to waive whistleblower rights or we had some ideological and partisan ax to grind with the unions. These charges are just wrong. They are so laden with emotion, however, that I think they've masked a really fundamental point about our government today. It's understood by most of the people in this room I think but it's worth summarizing.

Here I'm not even going to tell you my own view. I think I'll just refer to what the experts have actually been saying about homeland security.

This is a Brookings Report from 1996. "Quite simply, the federal civil service system is no longer up to the job of managing what the federal government must manage. The federal government is trying to use early steam engineer administrative technology to perform in an administration-age nation. It is little wonder that far too often programs struggle or fail, citizens are disappointed by results, money is wasted, and the public distrusts in government growth."

We recognize that and we recognize that with a mission as important as homeland security we could not continue to labor under this sort of flawed system.

Another quote, this one from Paul Light of the Brookings Institution who's done really excellent work in this area. "The old system underwhelms in virtually every task it undertakes. It is sluggish in hiring, hyperinflated at appraising, permissive at promoting, week kneed at disciplining, and mind numbingly elongated at firing. The President is absolutely right to ask for something more contemporary."

As an academic at the Kennedy School, I'll be honest and say I didn't really ever pay any attention to issues of civil service reform. All I knew about federal civil service was that my students didn't seem to want to sign up for it.

In the past few months since this proposal has been underway I have gotten into it a lot. I've read a lot of books about it, read the studies, gotten the briefings, read the law. I must say I'm surprised and deeply impressed by the absolute unanimity of opinion on this question of does the federal civil service perform up to the standards we should expect of it. Virtually every book and every report I've read agrees with the basic point that the federal civil service system not and needs reform.

It's not a partisan issue at all. It's not an ideological issue. It's simply an issue of if you've taken the time to study how it works and you care about government results, you agree that the system is flawed and it needs to be reformed. So the notion that this is in some way partisan I find sort of offensive as an academic and as an expert since it throws out the window the entire body of non-partisan expert opinion on the quality of the civil service system as it is now. And it should be no surprise that someone as determined to secure the homeland as the President of the United States or Governor Ridge whom I work for, would want some flexibility with respect to that system in creating this new department.

The big problems with it are remarkable. There is this iron-clad statutorily written classification system that was drafted in the '40s and '50s that simply does not fit the modern

workforce. It's the GS-1 through 15 system. Pay is statutorily prescribed, it is fixed, it is not tied to performance. There are automatic within-grade increases and there is no incentive for better performance. Hiring takes forever, on average five months to hire someone

Discipline and dealing with poor performers is a chronic problem. OMB estimates that out of 1.8 million civil servants today only 3.7 are what we call poor performers. Most of them are really dedicated people who are working hard but there are a few, like in any workforce, who are poor performers. Nonetheless, only about 434 people were fired last year. It takes forever to fire someone. This is what Paul is referring to here -- mind numbingly elongated at firing. And the reason is because it has a 1940s concept of discipline. The non-performing employee has multiple opportunities to prove that he or she is meeting minimal acceptable standards and that can go on forever. There is no notion of organizational success and improvement in the system and very few incentives for really improving performance which is what we want. The appeals process can go on forever.

So as far as I can tell everyone who knows anything about the civil service system but has not got a stake in its continued operation and cares about good government agrees that the system is flawed and that any area of government would benefit from greater flexibility in that area.

Even federal workers agree. The Merit System Protection Board surveyed almost 10,000 workers and they found at the end here, that 55 percent of them thought their organization had a major problem dealing with employees who cannot or will not improve their performance. So they even agree. This is not just like academics, outsiders complaining.

So when Senator Lieberman or whomever says, as he said last week, that the Administration has all the power it needs to create and run an effective performance-driven department, he said this in a letter, something's not right. There's this body of expert opinion which is absolutely unanimous on this opinion, and yet people are acting as if this is a partisan or ideological issue with the Administration bashing the union and it's just not correct.

The only debate as far as I can tell, and the point is should you do the department in isolation or the government as a whole? That's a serious point. This Administration would like to do the government as a whole, but must focus as its higher priority on this department.

These are the sort of flexibilities that they've already enacted. The Congress has already enacted for other entities. As you can see they've given the Transportation Security Agency Administration flexibility; FAA flexibility; IRS flexibility. The House bill gives the Department of Homeland Security some flexibility. The Senate bill as reported gives none to the Department of Homeland Security with the exception of these two areas which were the result of the good labors of Senator George Voinovich who is a longstanding proponent of civil service reform.

I'll quickly mention the five areas and then I'll stop.

Statutory White House office. I actually was in favor of this idea as an academic. I signed up to that recommendation under the Gilmore Commission. I've learned a lot in the two years I've worked in the White House and I also think we need to take account of the fact that a new department we'll be creating and whatever need existed before for such an office much diminishes now.

There is 22 pages of detailed statutory casting in the Senate bill which would reach into the President's inner circle and tell them how to do their business and require them to report on it to the Congress and that's just not acceptable. This President won't accept it. It would weaken the presidency. And no one who holds the office of the President or will hold it I think would want that kind of intrusion into their innermost circle of advisers.

Limiting established presidential national security authority. This is a remarkable -- Let me just give a little history.

In 1962 federal workers had no right to collective bargaining. President Kennedy gave them that right in an Executive Order. It said that right does not apply to the people who work at the CIA, the FBI or who work for critical national security functions.

In 1978 President Carter in a comprehensive civil reform package that he sent to the Hill asked for that same framework to be enacted into law and it was by a Democratic-controlled House, actually the largest margin of Democrats in the House since the '30s.

So the current structure today says federal employees may collectively bargain but not in these critical national security areas and that the President may disallow collective bargaining agreements where the interests of national security require it. And every President since Carter has exercised that with deliberation and care. That's the context.

The Senate-reported bill would try to roll that back and basically eliminate that authority which dates back to Carter and Kennedy for this new department. So they're changing a status quo that has emerged out of 30 years of Democratic party policy and a very clear bargain that was struck with the union over that time to allow them to be in the government but nonetheless recognizes special needs in the national security area. They're trying to roll that back in this bill and that's not acceptable.

The President has not called for it. It's not a fight we asked for. We didn't want this fight but we have it. If it's in there the President would veto the bill over it.

Separation of immigration enforcement from border security. The bill creates a separate immigration directorate so the Border Patrol is not subordinate to the Under Secretary for Border Security and we think that doesn't make any sense.

Fragmentation of the administration of immigration law. There is an office that is in the Department of Justice that adjudicates immigration claims and tries people being held for violations of the immigration code. That office is an administrative law office, it's subordinate to the Attorney General. The Senate bill would make it independent, on its own, so that it could just set its own policy and it would not be part of the current, existing status quo of how immigration laws are administered in this country. That's a very serious problem. It's a very profound change in the structure of how we do immigration adjudication in this country and it's a big problem.

We want one office, one Under Secretary to do threat and vulnerability integration, to lash that up and see the locus of greatest danger. They create three different offices that would do it -- an Under Secretary of Intelligence; an Under Secretary of Critical Infrastructure Protection; and an Office of Risk Analysis in the science and technology area. We reject that.

There's a lot of extraneous provisions. $1.2 billion for Amtrak and the blanket expansion of the Davis Bacon wage guarantees for the entire department which has nothing to do with homeland security and many others I could mention but I won't.

I'll end with this thought. If you were going to assume the awesome responsibilities of being Secretary of Homeland Security, and it is a daunting task, I'll tell you that, for anyone that thinks seriously about this problem. What sort of organization would you like to assume the mantle of? The sort of thing that the President proposed and sent up -- a lean, parsimonious fair structure where the powers are vested in you and you have the authority to actually live up to your awesome responsibilities? Or the sort of cumbersome and rigid bureaucracy that the bill would create?

As you go through that analysis, and there are people where I work who actually have to think those sort of questions through, you can understand why the Administration is so determined and so dogged in its struggle to get a really good bill out of the Senate and we think the current bill just doesn't do it. So if you are noticing a heated tone that's coming from the Administration, that's why. We take this deadly serious and we're not convinced that this bill would give the Secretary the authorities needed to live up to the awesome responsibilities that will be imbued on that person.

Thank you very much for your attention.

[Applause]

MR. STEINBERG: Thank you for that characteristically lucid and comprehensive account of the Administration's approach both to the overall strategy and to the specific proposal for the department. It's given us a lot to think about and talk about and we're quite grateful.

I'm going to invite our panelists to come up and join us now and I will do very abbreviated introductions because they all have remarkably distinguished histories, so I want to give them a chance to talk and for a few questions.

In keeping with the general theme we have, this is a panel of scholar/practitioners. We have with us today Ruth David who is the President and Chief Executive Officer of ANSER which is an independent, non-profit public research institution that provides research and analytic support on national and transnational issues.

Dr. David is really one of the pioneers in this field of homeland security and ANSER was way ahead of the pack for many when she in 1999 initiated ANSER's homeland defense strategic thrust and in May 2001, obviously well in advance of the tragic events of September 11th created the ANSER Institute on Homeland Security. Before that from 1995 to 1998 she was the Deputy Director for Science and Technology at the CIA. She had a long and distinguished career at Sandia, and remarkable contributions to her country.

We next have Dr. Phil Zelikow with us. He is the Director of the Miller Center of Public Affairs and the White Burkett miller Professor of History at the University of Virginia. Phil taught at the Department of Navy, he served as a career diplomat in the Foreign Service and on the staff of the NSC during the first Bush Administration. He is the leading voice in the very important study that Mr. Falkenrath mentioned from the Aspen Strategy Group of which he is the Director, and is also the Executive Director of another important task force, the Markel Task Force on Security in the Information Age which I have the privilege of serving on as well.

From Brookings we have Peter Orszag who is a Senior Fellow in Economic Studies at Brookings and one of the co-authors of our most recent study called Protecting the American Homeland. In addition to his distinguished academic work Peter served as a Special Assistant to the President for Economic Policy at the White House during the Clinton Administration and is the Senior Economist and Senior Adviser on the President's Council of Economic Advisers.

Finally, certainly not least from our own Foreign Policy Studies, Dr. Michael O'Hanlon who is a Senior Fellow here. In addition to his work on homeland security and national defense at Brookings, his public service included his work in the Congressional Budget Office during the 1990s.

So what we're going to do here is briefly have comments from the panelists and then we'll have time for at least some brief questions to the panel and to the speaker.

Let me just say in advance that when we get to the questions if you could raise your hand, wait for the microphone and then identify yourselves we'll go forward with the questions.

Let me ask Ruth to kick off the discussion and we'll go quickly through the panel.

MS. RUTH A. DAVID: Thanks, Jim.

First I have to say I can't claim to be a scholar, so I must fall into the practitioner category. My perspective is certainly shaped by 27 years in and working with the national security apparatus but it's also biased by the fact that I'm an electrical engineer by training. So I need to get that on the table right up front.

Let me first start with an observation. We're at war. I say this because I think we have already lost the sense of urgency that we had a year ago. That frightens me, to be quite candid. We have been discussing the need to prepare to reshape our national security apparatus to deal with asymmetric threats, unconventional threats, catastrophic terrorism, call it what you will, for at least a decade. We've had legislative proposals introduced over the last few years and yet we're sitting here nearly a year after one of the worst attacks our nation has ever confronted and we still have not moved.

That said, progress has been made but it has been painfully slow.

I think we need to regain that sense of urgency and keep in front of us the fact that we're at war not against an individual, not against Osama bin Laden, but at war against terrorism. Terrorism as a tactic that may be employed not just by bin Laden and his cohorts, but by nation state adversaries or by other terrorist organizations.

This is not a war that we can clearly see the finish line for, clearly see victory in sight. I believe this is a sustained battle and we need to keep that in mind.

That's why I think it's important that we move forward rapidly. I look at the proposed department as certainly the centerpiece of implementation of the national strategy. It is not the only element by any means, but it is the centerpiece. I think we must get moving and get that in place so that we're able to begin true implementation of the national strategy.

Let me just very quickly give you what I think are a few of the critical keys to success in moving forward. I mentioned the Department of Homeland Security. This to me is the first step but it's by no means the end of the journey. But it is a critical first step.

The need to ensure the security of our homeland isn't new. Our founding fathers in the Constitution wrote of the need to provide for the common defense. That isn't a new concept. What's new are the capabilities that will be required to be successful. That represents a fundamental shift in our thinking. We're confronting, as Richard pointed out, a very different type of threat today. Of thinking adversaries who will adapt and evolve over time. This requires a new set of capabilities. It's going to require that existing capabilities be re-thought in a new strategic context. It will require implementation of fundamentally new capabilities. It will require integration across a broad sweep of relevant capabilities. One of the reasons that I think the ability to restructure, to integrate, to reorganize is a critically important aspect of the success for this new department.

Another item, I think we have to prepare for the long haul. We're in this for the long haul against a thinking enemy, an adaptive enemy, someone who will watch what we do and will identify new vulnerabilities. This isn't something where we publish a plan, we implement the plan and we're done. This is going to be an iterative process that will be with our nation for the foreseeable future, to be quite candid.

What this says to me is several things that must exist in terms of organizational flexibility and agility, in terms of creating an environment where individuals are motivated and are incentivized to do their very best, to demonstrate the initiatives, to take prudent risks. We have to create a culture and environment where that's the case. This is about networks, not hierarchies.

Another point, we need synergies among the stakeholders. This is inside the department, it's with the department and other agencies at the federal level, and it's vertically with federal, state, and local governments as well as private industry. By that I mean we have to have not just information sharing as it's very often called, but a collaborative environment where people work together towards common goals. We can't afford the seams, the fault lines, the stovepipes, pick the euphemism of your choice. We can't afford that in this new environment. We will not succeed in implementing the national strategy with that kind of an approach.

Finally, I believe that success will require unprecedented partnerships with the private sector. We've historically, at least those of us who have grown up around the national security community, have thought of the private sector largely as a supplier of solutions, an enabler of performance. In the homeland security environment they certainly fulfill that role but they also are stakeholders in many other dimensions. Private industry will deploy solutions because they own and operate so much of our critical infrastructure. They will require the information to understand the threat so that they can better assess, better defend, better prevent their own piece of our nation. And frankly, they're stakeholders in the sense that they rely on government processes to continue to work efficiently and effectively. Things like trade and commerce. Things that oil our economy.

So the private sector has a much broader role in the homeland security mission that has been characteristic in our national security missions. That's why I say I think it will require unprecedented partnerships for success.

MR. STEINBERG: Philip?

MR. PHILIP ZELIKOW: I'd like to begin by echoing Ruth David's opening observation which is that implicit in all of this discussion about managerial reform, and by the way, it's vivid in the contrast between the approach in drafting the Transportation Security bill and the argument over this bill, is that clearly lots of people really don't believe there's a threat any more.

Jim didn't mention, I'm also a member of the President's Foreign Intelligence Advisory Board. I'll tell you frankly my conclusions from the available evidence which is the threat has not gone away. We are in a race against time. I believe we have bought some time by our operations in Afghanistan. I don't know how much. We disrupted al Qaeda severely, we have bought some time. They do not have the same organizational space to plan global operations they had before. I don't know whether we have bought weeks, months, maybe if we are exceptionally fortunate we have bought a year or two. This gives us a precious window to try to develop capacities our government does not have at all right now in order to cope with the threats that these or other groups will inevitably be able to mount against us because of the social trends that you've already heard about us. The immensity of the managerial task is such that to be quibbling over some of the issues that Rich described is such a luxurious attitude, one that would be so instantly displaced if there were another major attack on the United States that I can only reflect then about the temper of the country as we approach 9/11 a year later that we are even able to have a debate over some of these issues. I hope that that complacency is not disturbed soon, but I hope that that complacency has not settled so deep that we don't take advantage of the window of opportunity we have now.

That's my first observation.

Second observation. New capacity.

Most of the discussion of the bill implies, and early Administration pronouncements contributed to this, that what this is really about is rearranging the boxes to achieve managerial efficiency. And many previous government reorganizations have that tone. Reorganizations improve managerial efficiencies.

I don't believe that's the most compelling reason to do this. The compelling reason to build this new department is to create capacity for government actions that do not exist now in

the United States government or in state and local governments at all. Rearranging the boxes doesn't solve that problem. Entirely new capacities need to be built.

Now why is that so important? Because when you look at arcane-like transfer authority, that's where that's cut. Then you ask yourself, where do I get the money to build new capacity? All that money is flowing out of existing pipelines. The entire $38 billion fiscal '03 budget does not have one penny for Department of Homeland Security. That is all money flowing out of pipelines tied into existing capacities.

If in the creation of this department you can't re-route two drops of that water in order to create 50 people to do something else, or let me give you a concrete example. The Intelligence Directorate is written in both bills is that they'll acquire all the capacity they need from detailees as if the government has an abundant supply of people who can do this sort of work. It does not, let me tell you.

That directorate is probably going to need 700 professional analysts to be serious. That itself would be a tiny, tiny fraction of the total size of the department. That would be serious.

There is no evident budgetary capacity the way things are written now to obtain even a fraction of that 700. That's a glimpse of what's meant by the kind of managerial authority and why some of these arcane issues are so important. New capacities. New capacities in information, new capacities in intelligence, new capacities for national actions.

That brings me to my third point, national action. A criticism I have of the Administration's strategy is that while it has the appropriate things in it about bringing state and local governments on board and treating this nationally, it's a sentence here, a paragraph there. The front line of homeland security is state and local agencies, state and local first responders. That's where the [inaudible] fraction is, that's where the threats will first be encountered, that's where intelligence is going to be acquired in the field, by the state cops making traffic stops, by people wondering why an airplane is left on a runway in Florida, by doctors in the emergency room who see an odd case. Therefore the creation of this agency is an opportunity to create an agency that has a major presence, a fundamental presence in organizing and a hub for state and local action. With regional entities in every state, organized probably in partnership with representatives of the governors and their public safety directors. This is a whole organizational dimension that the Administration strategy, which is still a fundamentally inside the beltway perspective has not yet fully expressed, although I think Tom Ridge gets it and I think a lot of the people near him get it, but that document did not yet have time to internalize and articulate the full dimensions of a national strategy as opposed to a federal strategy and all that implies for the organization.

A fourth comment. Another area in which I disagree with the Administration is as Rich

mentioned, I do think that ultimately homeland security and national security will be treated as indistinguishable. Indeed, what a fortunate country we are. The only country in the world that might think that homeland security is a separable concept from national security. Can you imagine any other country having the luxury to say so or organize themselves that way?

Our enemies do not see this bifurcation. Our enemies are not so compartmentalized. Our strategies for combating those enemies must be initially offensive and international in shape, complemented by the homeland security effort and it should be seamless.

So first, don't bifurcate the strategy. Don't reproduce the foreign/domestic divisions that others have criticized so long and so well.

Second, what about the diffusion and division of the chain of command for military forces for which there will now be a new CINC operating in the United States? That's one reason why you need a single advisory system.

Third, intelligence community management. Both the House and the Senate bills, which I have read cover to cover, and it takes awhile, both bills place Department of Homeland Security Intelligence Directorate squarely into the national foreign intelligence program as a matter of statute. They say it is part of the intelligence community. That entire system is managed in the National Security Council. You have to work through the implications of that for a little while and I think that's another argument for consolidation.

Finally, crisis management. Simply to pick one example. The White House's 24-hour alert center is the White House situation room. It's run by the National Security Council. I spent many hours there when I was on the NSC staff. The notion that you will then have a different advisory system, create a completely separate 24-hour alert center also working for the President and analyzing and reading some of the same information is just absurd. So again, you have to work through these issues. The case for consolidation is there.

Here actually is yet another criticism of the Senate bill. I think actually the reason why the President doesn't want to do this is A, because of the current configuration of personalities and his contentment with them. B, the sense that everybody feels their plate is full and they don't want to mess around. C, the fact that the new department ain't stood up yet so right now they still have to do all this work. Basically, ask me in a couple of years when you've got this new department and it's really doing a lot of these functions whether I now have the luxury for consolidation. That's why that makes sense the President should be comfortable with the arrangements that work for him now, so give him the flexibility to fix this and change it in a year or two once he's stood up the new department and as the personalities evolve, which is precisely the reason why you don't want to write the White Office of Homeland Security into the statute and foreclose the President's ability to reorganize this once he sees that another advisory system

will suit his purposes better.

My last comment here is to reinforce a point that Rich made towards the end of his presentation. In the Senate bill Senator Lieberman created a separate Under Secretary of Intelligence, breaking out analysis of vulnerabilities to critical infrastructure to another Under Secretary, and then having an Office of Risk Analysis that also analyzes our vulnerabilities given to yet another Under Secretary for Science and Technology. So it doesn't bifurcate the analysis of the problem it trifurcates it. I call attention to this because I think Senator Lieberman meant well. I think Senator Lieberman sincerely was trying to strengthen the Under Secretary for Intelligence, believing that the House bill had diluted it by throwing in critical infrastructure too. I think he and I share the same goal. But the implementation of his goal has had the sad result which anyone who's looked at this, including this Markel Foundation effort that I lead and which will issue its report on October 7th, everyone involved from whatever party realizes that if you do it this way you will actually cripple the intelligence analytical capabilities that you're trying to create in the name of strengthening them. So you have to consolidate the analysis of threats and vulnerabilities to create a potent ability to do net assessment and I hope the bill is changed to accomplish that goal.

That brings me to my concluding comment which is that if some of these things are not fixed, as indispensable as I think this new department is, we'd be better off not having it, and let me tell you why. What will happen is this. If the department gets created and it's created with fundamental flaws, a year or two years from now no one will remember this argument. If you read the stories about CSA today, who remembers how much the managerial problems of CSA today were foreshadowed in the congressional debate of eight months ago? A few people maybe. And a year from now that number will be fewer still. So two years from now the President is going to be held accountable for the management of this department and everybody will, have forgotten that Congress put in this provision or that provision. No, it's part of the Executive Branch. You'd better come up to the Hill and explain why it's not working.

From that perspective creating a department that purports to be the centerpiece of a solution that in fact does not allow you to solve it is worse than useless because it will create the illusion of solvency and the illusion of effective national action when in fact you hinder the capacity to create just what the government needs to be able to address the problem.

But my great hope is, and I think the hope of many Democrats and Republicans, is that these problems will be worked out, that people will not be complacent about the threat, and they'll seize the opportunity we now have to make the country safer.

MR. STEINBERG: Peter?

MR. PETER R. ORSZAG: Thank you. I'd like to make five points. The first is that

there was a detail of Richard's bio that Jim left out which is that today is his third wedding anniversary and his wife is in the audience, so I just want to congratulate them on that.

MR. STEINBERG: That wasn't in my notes.

MR. ORSZAG: And to thank Richard for appearing on this day.

The second point is that as an economist I'm particularly heartened by the general approach in the strategy of weighing costs and benefits. In particular, language like it is not practical or possible to eliminate all of risks. There will always be some level of risk that cannot be mitigated without the use of unacceptably large expenditures I think is exactly right. It was underscored in Richard's talk and is also the basis for much of what we wrote in the Brookings volume and is absolutely critical in an area like homeland security where, as Rich pointed out, there's always a vulnerability de jour and the opportunity to spend a lot of money for very little return if we don't go about it in a smart way.

That having been said, however, I do have a concern with part of the strategy and I think this is reflected in the Administration's actions to date, that has to do with critical private sector infrastructure. The strategy mentions that in many private sector settings like for example large buildings and large events, sports events for example, the government may not need to be involved. You could just leave things up to the private sector and that market forces will take care of the problem.

I think as we argue in the Brookings volume, that is a problematic way of looking at the situation. Marketing centers indeed are quite potent, but they need to be directed in the right way to produce the efficient result or to produce security at the lowest possible cost, and market forces in and of themselves won't do that. And even in large events or large buildings, in fact one can make an argument as we basically do in the Brookings volume, that's precisely where government intervention of some sort will be most important because the return for government intervention in smaller scale activities are not particularly high basically because it's impossible to protect all of them at reasonable cost.

To say however that government intervention would be beneficial is not to say that it could be done in a silly or counterproductive way, and it's very important to pay attention to how government intervention is done. That's one of the reasons why it's, as was mentioned, we're in a race against time. At least my perception is that we haven't made enough progress in intervening in smart ways in critical private sector settings, whether it be chemical facilities or information technologies or what have you, there has basically been no governmental activity. There has been talk about, let's focus on chemical facilities. There's been deference to industry groups who have developed voluntary standards. In many situations the industry group doesn't cover all of

the participants that would need to be covered, chemicals being a good example. The American Chemistry Council has developed voluntary standards but that only covers about 1,000 chemical facilities out of the 12,000 to 15,000 that exist in the United States. The sanctions for not participating aren't particularly costly. It's just a very weak mechanism for getting the private sector to do the sorts of things that one would need them to do.

How to go about providing the right incentives is a very difficult question and one that I would hope the Administration would devote at least more public attention to. I don't know what goes on behind the scenes. But in the Brookings volume we put forward an approach that we think mixes market incentives with performance-oriented regulation in a way that will minimize costs, allow innovation, and not interfere unduly with technological developments and the basic functioning of the market, but rather give the market a good push in the right direction when it's warranted. I refer people to the Brookings volume for that.

Finally, I just want to talk for a moment about the budget implications. I agree completely with Richard that it is often too easy -- the Brookings volume was partly guilty of this too -- to just throw money at problems. One of the difficulties with anyone operating outside of government is that you don't have access to the resources like the OMB staff that provides much more detailed, micro-buildup estimates that would provide a more rigorous approach so you're sort of stuck with taking guesses and approximations.

But that having been said I do want to put the spending amounts, at least the ones that have been proposed for next year in context, because while it's important that we maintain fiscal discipline and there are statements to that effect in the document, we really do need to put things in context. It's almost as if one spouse says to the other, honey, you really need to cut back because we have to put in a security system. The other spouse says, well what about the new Ferrari you just bought? The first spouse says, oh, don't worry about that. That's separate.

If you look at the amounts that have been implemented for homeland security outside of the Defense Department and not offset by fees that people pay, in the fiscal year 2001 that was just under $11 billion. In fiscal year 2002 the enacted base was about $12 billion and there was another about $12 billion added in the supplemental appropriations that have taken effect since September 11th. The Administration is proposing $25 billion for fiscal year 2003 in this non-defense, non-fee funded category. That's a significant increase, but let's look at that in the context of other budgetary changes that have occurred.

If you take the standard approach and take those amounts and inflate them out through 2012 like CBO will do and compare that to what would have occurred before 9/11, the amounts before 9/11, you're looking at a difference of about $150 billion between 2002 and 2011. If you add in interest costs on those higher expenditures you're up to $200 billion. The forecasted surplus since January 2001 over that same period has fallen by $5.3 trillion, of which about $2.3

trillion is due to economic and technical changes, about $3 trillion is due to policy. So you've got $200 billion or so associated with homeland security at least on the current path, and admittedly there may be additional expenditures required in the future, out of a $3 trillion change that's due to policy.

While I agree there is a need for fiscal discipline, this is not the change that's driving the shift in the surplus and I don't want to tie the two together, but if you ask the question what is the biggest chunk of that $3 trillion, there's a very obvious answer which is that $1.65 of it comers from last year's tax cut.

So on the budget, I would agree that we need to be very careful about the monies that we are expending in this area. I also agree that outside analysts often don't do a good enough job in scrubbing their number when putting forward proposals, but that's partly because of limited resources and better resources inside the government. But I also do think it is very difficult to just look at this in isolation without looking at the there pieces of the budget that are changing at the same time.

MR. STEINBERG: Mike?

MR. MICHAEL E. O'HANLON: Just two brief points and I'll try to be succinct so we have a little time for discussion.

One is that to reinforce the theme of urgency that I think we've heard expressed so eloquently today. I'd like to make the same point by saying I admire greatly what's been done in the last year, but as amazing as it is how much we've done, it's amazing how much we still have to do. If you look at the Brookings four-tier framework that we produced which Richard mentioned earlier about how to think about homeland security, I would argue Peter's been talking about one of the areas called domestic protection of key sites. There are also areas of border security, consequence management, and then prevention. These begin to sound pretty similar to a lot of what's in the Administration's current plan.

The way we look at this basic approach, I would tend to say the Administration has a very good conceptual framework for maybe 2.5 or three of the four pieces. The biggest problem would be the one Peter mentioned about how much we rely on the private sector to figure out some of its own vulnerabilities for itself, where I would also question the current approach.

But there's some very good thinking done on 2.5 or three of these areas. A lot of ideas are in train but there is so much still to do. I'll give one example, container traffic. Cargo coming into this country.

I am very impressed at how much Customs has done in the last year with the support of the Office of Homeland Security and the Congress and the government as a whole to begin to implement this idea of trying to get better databases to know what traffic is coming into this country and try to put American officials overseas into a number of ports where the cargo is leading, being loaded, what have you, to try to inspect or get a handle on security when containers are being loaded, not at the impossible point of inspecting them once they're arriving here in the United States. But as impressive as this is, we're now talking about maybe a few ports in the world that we're able to have some kind of collaboration with. Maybe we're up to having a good handle on five or ten percent of all container traffic coming into the United States, far far short of the sorts of goals that we have to aim for. The goal doesn't have to be 100 percent but it has to be probably 20, 30, 50 percent. So you have some kind of monitoring or inspecting done.

So I'm at the same time extremely impressed by the progress to date and very nervous about how far we still have to go at a time when al Qaeda may very well be reconstituting or may be in a position to do so within let's say a year or two. At the current pace of progress it may take us five years to have a more systematic framework for monitoring cargo. That's going to be a Herculean effort in and of itself. Any kind of falling off from that pace and that sense of urgency could really be catastrophic because I doubt we'll have five years, and I certainly doubt we'll have 10 or 20.

That's a broad observation on how much needs to be done, not in terms of creating institutions but in terms of identifying and solving problems addressing vulnerability.

My second point though, returning very briefly to the organization issue and Paul Light is not here so I'll venture a little bit onto his turf and he may want to correct for the transcript what I'm about to say. But it strikes me if you look at the five areas where Richard has identified veto threats from the President, a couple of their positions are simply unassailable to my mind. Now I could be oversimplifying myself or taking his side too quickly since he was kind enough to come to Brookings today to give us his excellent presentation. But on reorganization authority and on transfer authority, the case is very compelling for allowing the Administration to create new mechanisms. And Philip made the same point, we've heard it from several speakers today.

However, the idea of civil service reform, Richard himself acknowledged he has a cart before the horse or a horse before the cart problem. Should we use this particular issue to begin to remake the civil service or should we get this issue done first on the grounds there's enough to do in the way of creating a new institution without trying to make civil service reform happen simultaneously? Even though an ideal civil service would make a new department better than it would otherwise be, it may not be essential in that first year. So maybe you concede the fight on civil service reform, maybe get Congress to promise to have it next year and to have it government-wide next year. This may be the sort of thing you have to consider as a compromise. Because one thing I know, and I'll stop with this point, we cannot afford to spend the fall

dickering on this issue, and as far as I can tell right now, that's the course we're headed upon. We need to think about addressing our vulnerabilities, identifying those we haven't yet identified, creating whatever kind of institutional structures we're going to address and going to begin to form. We cannot afford to spend months haggling over boxes on a government diagram especially because we already have enough in the way of thinking about where those boxes go, thinking about which people are going to go and fill them may be a debate we have to put off for a few more months.

So I would point as a possible compromise, let the Administration have the transfer authority; let the Administration have reorganization authority; let it work out the White House staff issue the way it wants to; but perhaps put off the civil service debate for a different say.

MR. STEINBERG: Thank you, Mike.

Our time is almost out. If I can impose on Richard for maybe a few more minutes and take a couple of questions from the audience that would be great. I'll reserve my own temptation to step into the debate until perhaps the very very end.

Questions, please?

QUESTION: My name is Leonard Oberlander. I have a couple of questions about leadership.

The leadership is very strong at the federal level in the Administration and in the Congress. Do you think that the positions or the framing of the debate would be different now if we were past the upcoming congressional elections? Are the elections an impediment to the cooperation?

A related question is that at the state and local level we haven't seen very much action by governors, mayors, county executives who are the leaders in the jurisdictions where we talk about first responders. Why isn't there a debate going on, why isn't there a major role for these political leaders at the state and local level in intelligence, in prevention, just like there had been in the anti-crime effort in the late '60s and early '70s with the formation of the Law Enforcement Assistance Administration in the Justice Department, and in most of the years of FEMA where state planning developed and there were major roles for governors, mayors and county executives and so forth?

I have a feeling that the reason might be, the question where is the money, people following the money. Is it that the money is so much at the federal level and homeland security in the private sector is working with the federal level and people at the state and local levels in leadership positions are relatively quiet for that reason? Thank you.

MR. STEINBERG: I'll give you the first shot and then I'd like Phil at least to maybe take a shot at the state and local thing because I know you've thought about it quite a lot.

MR. FALKENRATH: On the first one, the implication that congressional elections, I don't know if it would make any difference if this were happening shortly after the congressional elections. Who knows what a different Congress would look like?

The proximity of the elections creates sort of a deadline. There's a huge momentum to get this done in this session before they adjourn so maybe it's useful in that respect. But what another Congress would look like, I don't know.

State and local I have a different observation. I think they're quite engaged. There probably are some mayors and governors who are not engaged, but the National Governors Association, there's a weekly conference call with them on just homeland security. All of their professional associations have really focused on homeland security. It's not just about following the money, it's about doing things and helping their people.

We travel around, you talk to California emergency managers or to the New York City police or fire or the Atlanta -- We travel a lot and they come to Washington a lot. They're very engaged. They're doing a lot I think.

MR. ZELIKOW: My observation is similar. There's a huge amount going on. In fact given the fact that most of them have no money, what's impressive is how much they're doing and how much energy they're expending. What's impressive is there are pioneer projects and pilot projects and efforts to reorganize that are just springing up all over the country and in a way there is just so much ground-up effort and so much energy it's actually quite heartening when you see all these pilot efforts that are being run on a shoestring by this entrepreneurial person in the Los Angeles County Sheriff's Office or this FBI agent in Dallas who's worried of getting stepped on by FBI headquarters, or people in the NYPD or the Governor of Utah -- That's actually where there's an opportunity because if you set up the new department right and you set it up with this national perspective in mind the federal government isn't going to have to make them do stuff. If they will provide an organizing framework and ways of coordinating this and some common standards, some common guidelines for equipment procurement, for sharing R&D and other things, we can harness a huge amount of energy and desire that's coming out from the field because 99 percent of the people who work on these problems are outside of Washington and they care about them a lot.

QUESTION: Randy Mikelson with Reuters. I'd like to ask Mr. Falkenrath to respond to Michael's suggestion. Why not take a deal in which you put off the civil service issue which has proven to be divisive for later?

MR. FALKENRATH: There's no deal to be had in that area because the antagonists are totally different. The people who are opposed to the civil service flexibility are completely different than the ones who are opposed to the transfer and reorganization, so the deal is not present.

Second, the notion that you can just sort of put it off and Congress will take it -- It's going to be a new Congress and who knows what will happen then?

If you read Pat Ingraham's book which he edited on the future of merit, which I recommend to people who want to get to know this issue better, you'll learn that there's a long history of the Executive proposing changes in the civil service that really started shortly after the Pendleton Act of 1883 and being rejected by the Congress. The only major change in the civil service was Carter's proposal which resulted in the Civil Service Reform Act of 1978 and it was greatly watered down and generally now judged by the experts to have been ineffective at achieving the goals it set for itself. That's not my judgment, I'm just reporting what I've read. That was done with huge expense and huge labor by a President who put enormous effort onto that in a time when he basically ran against the civil service bureaucracy and he was able to get it done when his party controlled the Congress at great effort. Every other effort has failed.

So what you've got are extremely difficult entrenched special interests who are able to stop this against this diffuse expert-driven good governance lobby which is a very weak lobby.

So I'm sympathetic to the people who, like Paul Volker and the [inaudible] Commission based in part here, and Paul Light who has worked so hard on this, George Voinovich who's got a really terrific government-wide package that the Administration supports and really wishes Congress would enact, but it's just not going to happen. So we can't let this be the enemy of the good, and we need good flexibility to make the single most important domestic department work right, for the American people to secure it, and it's a hope -- we support it. It has the Administration's support and we have put some effort, but it's just not going to happen. So a deal's not on the table. No goal is higher or more important than the Department of Homeland Security and security as the objective, and to secure the homeland we need this flexibility. So that's why we're adopting this department specific flexibility.

You should know that last year the Administration had a management agenda which resulted in a legislative proposal for civil service reform which we think is quite good that Senator Voinovich adopted with our strong support, we worked together, and it was roundly opposed by the special interests.

QUESTION: Mick Anderson with the LA Times.

On the civil service issue again, reading the votes that occurred in the House of Representatives on the amendment that dealt with that issue and reading the quotes that are coming out of the Senate right now, it is extremely partisan. One also gets the sense that the Administration's original bill may have spurred some of that partisanship because the original bill's provisions, whereas you said rather strong, broad I think was the word you put. So what I wonder is do you think that the Administration bears some responsibility for the partisan warfare that has developed around this issue? And what is the end game on this? How do you come back to a bipartisan consensus or do you think that in the end you're just going to have to jam it through on that particular issue with a partisan vote and hope that you get bipartisanship in the end on the big bill?

MR. FALKENRATH: I wish I had an answer for you on your second question on what the end game is, but I don't. I don't know exactly how it's going to work out. It has become a partisan issue and I regret that greatly. I think every serious expert and person who's paid attention to civil service and the problem that presents to modern American governance should regret that it has become a partisan issue. It's not a partisan issue, it's not an ideological issue. It's an issue about good governance and making government work better. We want to make it work better all over, but there's one area, homeland security which is so transcendentally important that we think a sweeping sort of flexibility as we reflected are appropriate.

Perhaps we are to blame for not fully assuming the extent to which people would impute in us malign intent. We are immediately charged, for instance, that because we sought flexibility with respect to Title V that we wanted to waive whistleblower protection. Everything the Administration has said about whistleblowers since the inauguration has been supportive of whistleblowers. Nonetheless, it was immediately said because there's a story about the Administration which is a dependence of secrecy, that we must want to get rid of whistleblower protection because we -- We didn't. We supported the whistleblower protection. We actually want to strengthen it. So there was no intention of that, and when it came to compromising with the moderates in the House an effort which we embraced, we readily agreed to allow that to maintain it's statutory base. It's not a problem. We want certain critical areas which are absolutely critical to performance. We're seeking a moderate voice to do, to sort of deal with, to work through with as happened on the House floor. We haven't found it yet, but we're going to keep working on it.

QUESTION: Bridget Blair with Federal Times.

I was wondering, is there any compromise that the Administration would go for and if not, is the Homeland Security Department in danger of not being created?

MR. FALKENRATH: We're very ready to compromise. The House provision which the President supported was a compromise. I think it was getting pretty close to the bone of what we

wanted. But we're ready to talk. We in fact are in conversations right now with Senate leaders. So yes, compromise, this is not an ultimatum. Nonetheless there are certain red lines and the President's statement of the Administration policy makes them clear.

No student of the legislative process could look at the current configuration and conclude there was no risk that a bill would not be enacted before the end of this Congress.

QUESTION: Mimi Hall, USA Today.

Rich, I just want to ask you, in terms of collective bargaining as a practical matter, in terms of running the department, is that as important to the White House or is that more a matter of maintaining presidential prerogative on that issue?

MR. FALKENRATH: Both are important. We're determined to maintain the status quo with respect to the President's authorities to eliminate collective bargaining rights for national security reasons when needed. We're absolutely determined to maintain that status quo. As I said, that goes back to President Kennedy.

QUESTION: But that's more an issue of presidential prerogative than practical running the department, keeping --

MR. FALKENRATH: It's the sort of thing that might matter. There are no issues right on the table right now, but the President has exercised that authority once in this Administration and it was actually some Assistant U.S. Attorneys who were about to unionize and there was a concern -- I was not involved in that issue, but that would prevent the ability of the Department of Justice to move them around to deal with different cases as was needed to deal with the terrorism caseloads. So it has been used once.

We have no agenda to employ that authority. But we are determined to maintain it.

QUESTION: Stanley Newman from the Community Manning and Information Network. I'd like to follow up on the state and local and ask what your thinking is about the use of the National Guard, the citizen soldiers, and also the federally funded communications system that was used in 9/11 called GuardNet. I don't know if you knew much about it. But I was wondering what is the thinking about, we haven't heard very much about the first responders, etc., the use of the National Guard which as you know is run by the Governors and then can be federalized by the President. Thank you.

MR. FALKENRATH: The Guard since 9/11 has played a very important role. They've provided short term security at the airports, they've helped reinforce the northern border. Some of the Air National Guard flies combat air patrols when those are needed for homeland security.

So they are involved. The Weapons of Mass Destruction Civil Support Teams are out there providing support to state and local responders as necessary. So it may be that we don't talk about that a lot. I think there probably are some who do. I personally don't. Because it works pretty well we think.

They work most of the time for the Governors and the Governors can use them and do use them a lot. In some states the National Guard Adjutant Generals, the TAGs, are essentially the Governor's homeland security staff. Louisiana is that way. They're there and they provide advice for the Governors to do things they need to do.

MR. STEINBERG: I'm going to use my prerogative as the moderator to ask you to say a little bit about -- For those of us who believe that the Congress will pass the bill and the President eventually will sign it before they go out, what should we be looking for in the next three to six months in terms of the strategy for us beginning to implement the department? How will this roll out?

MR. FALKENRATH: There's a big question as to whether the bill that's passed contains within it the fiscal mechanism to stand up the department. If it doesn't what you should expect is the preparation of a budget that's an initial submittal of that budget and then a delay of unknown duration until Congress appropriates money and then we can get started. So that's scenario one. We're very strongly opposed to that and I don't think a bill like that is going to reach his desk.

If the bill contains within it its own mechanism what is going to happen is the following. There exists right now a transition planning office in OMB. It's just a planning office, it's not a transition office because the thing doesn't exist yet, but they are getting ready and they're looking at headquarters issues, they're looking at some of the logistics and they're starting to plan out the more detailed bureaucratic structure of the office and very importantly the account structure for the '04 budget which is a phenomenally complicated, important issue. So they will work through a lot of the details that the initial policy proposals do not.

Second, sometime after enactment the President will make decisions about senior leadership and nominate individuals to the Congress for Congress to consider and act on, and hopefully that will happen fast. Once that's in place then the thing will actually exist. Once the Secretary is confirmed there will be an office, the Office of the Secretary of Homeland Security with certain authorities.

The bill that we propose and which both chambers seem to be enacting gives the President the discretion to decide when things move over in a one-year period. The planning office is in the process of trying to sort out what the sequence of movements would be. Our decision rule is that there's no change in operational authority and chains of command until the

move is actually made, so until that move is made the current structure continues to apply. The Customs Service still works for the Secretary of Treasury. At some point the President moves them over. When that move is made, and we want to be absolutely certain that the administrative capacity to oversee it and to exercise the authorities that adhere in those units is raised, so we're going to be delivering. I don't have any, we don't know -- That work is underway right now and I'm not here to report on it exactly which ones will go over or when they will go over to that.

Then related, there are a few new capacities that Phil talked about. The intelligence evaluation unit is one of the most important, the vulnerability analysis unit, critical interest protection, those are effectively capacities that don't exist anywhere in the government today and need to be created. That will take some time. We won't just throw a switch and have those, so we'll need to build that up. If we lack transfer authority and we lack reorganization authority, then it effectively cannot happen until Congress acts again. That's, again, a delay of unknown duration which we don't like.

So it's a very complicated set of things that have to happen and we're not entirely in control of it.

QUESTION: I'd like to go back to the civil service question and sort of the fact that it's come up as often as it has. I'm Jackie Collins with the Wall Street Journal, by the way. Is indicative of just how divisive it has been in what's otherwise been a remarkably bipartisan effort for something as huge as this.

I just wondered if you could give, since you've had some experience now running an office in the White House, some examples of where the Administration and a new Secretary would be hindered from putting this department together specifically. Because I haven't been able to get any specific examples of what you could do with the changes or why the current law and the flexibilities it has would inhibit you from doing what you need to do.

And second, given all the challenges ahead for this department are you concerned about the morale problem? The record is replete with mergers both in the private and public sector that don't work, and productivity that goes down. And aren't you concerned that if you have a place full of 50,000 employees who are worried about job security that you're just increasing the odds of this department not working?

MR. FALKENRATH: On the second question, there's a really great study, a Brookings study actually, that surveyed the morale of federal workers pre-9/11 and post-9/11, and what it found is that morale generally has fallen for all federal workers except for defense employees where it's risen. That gives me reason to believe, it gibes me an empirical basis to believe what I suspected, which is that the workers who do move to the new department are going to have better morale. They're going to feel a greater sense of unity of purpose and mission in this new

larger, greater department than wherever they may be right now. And I think that's supported by the empirical evidence that those people who work in Department of Defense, even if they're GS-7s in an effectively clerical support role, are now reporting one year later better morale than they were before. So that I'm not too worried about.

On the first one, we can give a lot of examples. Some are incredibly mundane like the one that I mentioned that you've got 15 different basic pay systems and eight different special pay and seven different overtime pay rates. So that an INS officer and a Federal Protective Service officer and a Customs officer working an additional hour are all compensated at a different rate for that additional hour. So at some level they're extremely mundane like that and it's kind of a nuisance so that the members of the department will look across at their departmental colleagues and see that they're being compensated differently for the exact same type of work.

On the other hand, though, you've got a problem in the classification schedule. The GS scale, GS-1 through 15, if you read the code, and it's a book about that thick and very narrow type, if you read Title V, you'll see that there are precise job descriptions for each general schedule level, 1 through 15. They tell you exactly what they are. That was designed in the '30s and '40s, actually it was in the late '40s when that took form as it is now. The federal work force then was totally different. It was mostly clerical. It was clerks who kept track of note cards and that sort of thing because it wasn't computerized. If you look at the chart, and it's all on the OPM web site now, back then there were vastly more at the low end of the scale and very few at the high end of the scale. Today it's exactly the opposite, and most of the people the federal government is hiring are skilled. They have some particular skill. They're scientists or they're engineers or they're police officers or they're baggage screeners or they're bomb detection technicians or whatever. And we are unable to fit those categories into the statutory definitions of the general schedule, the 15, that were written back in the late '40s. They just don't fit anymore.

To take an explosive detection system technician and slot him into a job description that's identical to a Customs officer or a back room human resources support personnel, they just don't fit. We need some flexibility to redefine the jobs. And we also need flexibility for pay so that we're not just paying people at automatic rates with automatic within-grade increases for meeting minimal standards which is what the current system does. We want to incentivize good performance, we want to reward good performance.

The crazy thing right now is if you have two people performing the exact same job in the same GS level, -- GS-11 Customs agents for example, and one is a go-getter and is ambitious and determined and industrious and the other just fills out the form, they get the exact same raise every year automatically, and there's no, you have almost no discretion on that. It just automatically happens.

Anyway, those are the sort of things we'd like to do. You can go to the OPM web site and the materials are going to be appearing and some of the debate on the floor. There are a lot of examples of what has and hasn't happened. But I deliberately didn't use those in this talk because I prefer not to make anecdotal arguments. I'd rather make the kind of systemic arguments. And when you look at the system as a whole, as the Volker Commission has done, as Paul Light has done, as Pat [inaudible] has done and Don Beal and Constance Warner and the rest, the people who have written these books, and you read the articles, you will see they all agree, absolute unanimity. It's remarkable as an academic who has surveyed many different literatures to see this level of unanimity, absolute agreement in terms of the basics. It's a conclusion that we had internalized and it was one that informed our original proposal, and Michael didn't say it, but as far as I'm concerned and I think most people we talk to frankly who don't have a stake in the fight in some way, it's unassailable. This is the right thing to do for the country.

MR. STEINBERG: Let's thank Richard and all the panel for a stimulating session.

[Applause]

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