

THE BROOKINGS INSTITUTION

A Brookings Briefing

RUMSFELD'S REVOLUTION AT DEFENSE

Tuesday, July 19, 2005

9:00 a.m. - 10:30 a.m.

1775 Massachusetts Avenue, N.W.  
Washington, D.C.

[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

MILLER REPORTING CO., INC.  
735 8th STREET, S.E.  
WASHINGTON, D.C. 20003-2802  
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C O N T E N T S

## Welcome and Introduction:

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## Moderator:

PAUL C. LIGHT, Senior Fellow  
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## Discussant:

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Vice President, National Commission on  
Terrorist Attacks Upon the United States

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P R O C E E D I N G S

MR. NIVOLA: Good morning. I am Pietro Nivola, Director of the Governance Studies Program here at Brookings. Thank you very much for coming here on probably the muggiest day of the year. I always thought I could become a millionaire selling little vats of oxygen on the street corner this time of the year in July.

One of the nice things about Brookings is that from time to time we scholars like to sit down and think about developments in government that are really not part of the day to day news cycle but that may be of a much larger, longer-range significance, and the discussion you're about to hear today fits that description.

Defense Secretary Donald Rumsfeld, as everybody knows, has been in the cross-hairs of just about every controversy associated with the Iraq war and the war on terrorism, the debate about appropriate troop levels to fight the counterinsurgency, Abu Gharib, Guantanamo and so on, and so forth.

Largely lost I think among these news stories though is a potentially much bigger one, namely, Don Rumsfeld's effort to transform the Department of Defense into an organization much better designed to meet the military challenges of the 21st century. It is this revolution along with the discussion of homeland security questions that is going to be the subject before us this morning.

I'd like to thank, first of all, my colleague and old friend, Paul Light, for conceiving of this event, and for writing this excellent little paper which is being distributed I guess out in front.

Paul, as most of you know, is one of the nation's most astute analysts of the Executive Branch, the executive bureaucracy. He has been a Senior Fellow here at

Brookings for many years. He was actually my boss for a while, so what goes around, comes around, Paul, I guess. He is also a professor of public administration at New York University's Wagner School.

Paul is a prolific writer on organizations in both the public sector and the independent sector. His most recent book titled *The Four Pillars of High Performance* provides some of the conceptual framework for this essay and for today's discussion, and also for an analysis of the Department of Homeland Security that Paul will be publishing with us this fall.

I also, of course, want to welcome our other speaker Lee Hamilton who is the President of the Woodrow Wilson Center here in town. As everyone knows, earlier he had served 34 extraordinarily distinguished years in the House of Representatives as a Representative from Indiana, including many years as Chairman or Ranking Minority Leader of the House Committee on Foreign Affairs which is now called the Committee on International Relations.

He has a resume so long and accomplished that I could be up here reciting from it all morning long. Suffice it to say that not the least of Lee Hamilton's recent great distinctions was, of course, his role as Co-Chair of the 9/11 Commission. We're honored to have Lee Hamilton with us this morning.

With that, I'm going to turn it over to you, Paul.

MR. LIGHT: I don't think I was ever Pietro's boss. You get these positions here at Brookings and you get the title boss, but Pietro and I had the wonderful opportunity to work together and he was the nicest scholar that I dealt with, or one of the nicest I should say just in case other scholars are listening.

I thought I'd talk just a little bit about this moment of reorganization because we're in the middle of a moment where if the question is how does government work better, the answer is almost always reorganize. Tides of reform come and go, but reorganization has been with us ever since September 11th, even before with the taxpayer abuse scandals at IRS, the effort to improve security at Los Alamos at the Department of Energy where we created a Nuclear Security Agency, and we've been through arguably the three biggest reorganizations and reforms in the past 30 years that are still underway.

We created the Transportation Security Administration in the fall of 2001; the Department of Homeland Security went into effect in March 2003, and the Director of National Intelligence which went into effect this March.

We are also underway with significant administrative reforms of existing agencies including Justice and Treasury, and we're doing some work to improve the management of agencies, most notably, personnel reform. Yesterday the administration released at least the working bullets for something called the Working for America Act which is to extend personnel reforms government-wide.

The question that presents itself to us as administrative reformers, and I want to admit from the very beginning that I am not an expert on defense policy or strategy, I've relied on others here at the Brookings Institution to read my paper and sort of fact check it and correct me here and there. It's not theirs, it's mine, but I am not an expert on defense strategy.

But here the question is will the reforms of the reforms actually succeed. Last Thursday we had Homeland Security with the second stage review with Michael

Chertoff announcing what I think was a very significant package of reforms. It's much more than administrative tinkering that Chertoff and his team are proposing at Homeland Security. I think it's a significant effort to improve accountability within the department. I think it's a significant effort to clarify the chain of command. There is a de-layering, a removal of several significant roadblocks inside the Department of Homeland Security that will increase accountability.

There are things that you can pick at in the reforms of Homeland Security, but in general it is an ambitious effort to get that agency restarted and refocused now that Chertoff is there, and one can only hope that he's there long enough to make the reforms stick. One of the problems with reorganization in the federal government is that many of the people who come in to do it only stay for 18 to 24 months, and it's just not long enough to make the reforms stick. We have the reorganization involved in the Negroponte shop as Director of National Intelligence with the same goals. Perhaps Representative Hamilton will talk a little bit about that.

This little paper that I've written is about the Department of Defense, and I have to say from the beginning that whatever you think of Donald Rumsfeld as one of the architects of the war in Iraq, whatever you think of his policies and his advocacy regarding Iraq, he deserves credit as a bureaucratic reformer. He has been quite serious about reform. He has been involved in the fine points of reform. He is more interested in the intricacies of the operation of the Department of Defense down to the financial system reform, the personnel reforms and so forth than most Secretaries of Defense over the past half-century.

I give him credit here for being an ambitious bureaucratic reformer and I think he deserves credit for having stayed with it. Secretaries come and go, he is clearly committed to following this through, and it's a back-channel story that gets lost in the conversation about the war in Iraq, and, in fact, the two are intimately related. The real challenge facing Rumsfeld is that the war in Iraq exacts concessions in terms of Rumsfeld's revolution and transformation of military affairs.

I argue that Rumsfeld is using many of the approaches that private companies and nonprofits and large government agencies have been using to increase their ability or their robustness to respond to increased uncertainty in the world. Robustness is a term that engineers use to describe the flexibility of bridges and roads. It's a term that statisticians use to describe the strength of their equations. It's a term that coffee makers use to describe the robustness of their roast. We say back there on our coffee urn that we serve Starbucks coffee. I'm not exactly sure what that means. I'm thinking that we use Starbucks grounds that are dried after use at Starbucks, but I'm not sure that's the case.

When I say that a cup of coffee is robust, when I buy a latte at Starbucks or wherever, it has to survive 2 days on my desk without becoming a threat to my health, and it has to withstand 2 days more in the refrigerator with repeated reheating. That's a robust cup of coffee, it bends and flexes with circumstance.

Robustness from an organizational standpoint refers to the ability of an organization to bend and flex to hedge against vulnerabilities that reside in the future and to exploit opportunities that also reside in the future. A robust organization has some reserve capacity. It really is in my experience of having looked at exemplary

organizations an organization that is able to flex and that is able to sense vulnerability and move against it before it's too late.

We have plenty of examples in the private sector and in government where we've just been caught flat-footed. Today we hear that Hewlett Packard is going to lay off 14,500 people. That was a merger of Hewlett Packard and Compaq which did not gel. There was no alignment of mission, there was really no synergy, and it's an example of a merger that did not produce much robustness.

Robustness at Defense, robustness in general, what I see in Rumsfeld's outline is a kind of approach that he may or may not have adopted explicitly but that deals with what I call the four pillars of robustness. On the one hand is aiming for greater alertness within the department. He is doing a different kind of planning within the department, capabilities-based planning which focuses on what you have and what you can do for it rather than threat-based planning which takes a set of threats that you think exist out in the future and you prepare for them. Rumsfeld's view is that we cannot prepare for any given threat, therefore, we have to prepare for a range, a landscape of plausible futures, and that is part of his focus on alertness.

Rumsfeld has invested heavily in greater agility which is the second pillar of robustness. He has put a lot of energy into flexibility in the work force. Whether you agree or disagree with the National Security Personnel System, the purpose of those reforms is to get more flexibility in the work force so that you can deploy and redeploy more effectively. As Rumsfeld says, he's not talking about agility as a small military, but a more effective military, and to his credit he is one of the few secretaries in this



administration or in previous administrations who has actually flattened his administrative hierarchy.

You can go for years looking for a secretary who has actually taken down a level of bureaucracy, but in both the Homeland Security merger and recent reorganization where Chertoff is talking about removing several key layers of bureaucracy, Rumsfeld has been very effective and durable in eliminating whole layers of bureaucracy at the top of his department.

He has added some new titles including some new chiefs of staff here and there, but as a general rule, he has created more agility through a flatter hierarchy and as somebody who studied this over the years, I can't fault it. I like a flat hierarchy, I like a clear chain of command, and I think that's one of the goals of the intelligence reorganization, I think that's one of the goals of Rumsfeld's reforms at Defense.

He is looking for a third pillar of high performance which adaptability, more jointness, more joint operations, more joint training, more interoperability, more investment in research and development which is a big problem in Defense because we don't have the money to do everything that he wants. And he's looking for more alignment within the department, more of a commitment within the senior leadership of the department, to thinking about the future, to worrying about the future and to becoming more responsive to uncertainty ahead.

I think Rumsfeld's central concern and I think the central concern of Homeland Security and many organizations in nonprofit land in the private sector is how do you manage increasing uncertainty, how do you manage the rapidity with which the future is changed? So we don't deal with just one future, we deal with a landscape of

hundreds if not thousands of possible futures, plausible futures, and what we have to do is create a different kind of organization, what I call the robust organization to deal with this, and I think that's what Rumsfeld is trying to do.

Rumsfeld's challenges are significant. I believe he is underway with a very ambitious reform effort, one of the most ambitious reform efforts in recent bureaucratic history. I think he does care about management. He is bringing great urgency to the task. He is not the first secretary to undertake management reform. A lot of what Rumsfeld is talking about has been floating around for years, but I believe he is one of the most committed.

We have an ambitious remaking underway, but we also have a very difficult remaking underway. He is facing great resistance both within his department from the work force and from the military. He is facing resistance from Congress. He is facing increasing resistance from the public.

Part of his success depends on his own standing with the public which has been steadily declining since September 11th. Immediately after September 11th in our public opinion surveys and other public opinion surveys, he was one of the most popular leaders in the federal government, even slightly more popular at one moment than the President himself. His approval ratings are now well into the low 40 percent range and that affects his ability to deliver on his internal bureaucratic reforms.

He is also facing fading memories of September 11th which is something that I think Lee Hamilton understands. The further we get away from September 11th, the less urgency we feel towards needed action. He is facing very difficult problems

with cost. He wants everything. His budget and his desires far outstrip his actual ability to fund his agenda.

He is facing a list of legacy systems that are seriously broken that need dramatic improvement. We saw in the last several weeks' news stories about the acquisitions problems surrounding the Boeing fuel tanker purchase. At the beginning of that particular fiasco, Rumsfeld was quoted as saying there was too little adult supervision of Druyun. In fact, it looks like there was too much adult supervision, including some adult supervision from the White House which we may never know more about.

He has got problems in the finance division where it's hard to keep track of spending. He's got problems with the acquisitions work force some of which actually dates back to the Clinton administration. The Clinton Reinventing Government campaign had as one of its targets control units. That's what they called them. They targeted control units like acquisitions, like personnel, like budget, policy analysis and so forth, particularly the notion that anybody who had ever said no to some of the reinventors was on the list for cutbacks. So we cut back our control units to devolve more authority to line managers, and now we're seeing some of the effects of that. The acquisitions unit at the Defense Department is woefully understaffed, woefully under trained, and it's a problem.

Finally, Rumsfeld faces problems with the Iraq war. I say at the end of the piece, and you reread these pieces when they're finally in print and you see lots of stuff that you wish you had tweaked a little bit, and Gladys has been absolutely terrific in making this policy brief happen. She finally said to, okay, enough. These changes and

blue lines, they're starting to run up. I looked at last night and I was thinking maybe I shouldn't have said that one thing at the end about Rumsfeld this and Rumsfeld that.

But it does seem to me that Rumsfeld the bureaucratic reformer is facing a great challenge from Rumsfeld the war fighter and that the longer we stay in Iraq and the longer we deal with the problems of recruitment, retention, the demoralization, the increasing resistance in Iraq, the more the revolution inside the Defense Department is at risk.

The longer the war drags on, the less the chance that Rumsfeld can pull off the reform. He clearly deserves credit for working this issue. He is clearly working these issues and I think is trying hard, but he may yet be remembered not so much for what he gained in the reorganization of the Department of Defense, but for what he has lost in Iraq, and the opportunity that he may yet lose to really remake this department so that it does have the robustness needed to respond to the landscape of many futures this nation faces in a vastly increased and uncertain world.

I'll stop there and call on Lee Hamilton to talk generally about organizational reform, and then we'll open this up for question and answer and bring this to a close at about 10 o'clock. Thanks a lot. Lee?

[Applause.]

MR. HAMILTON: Good morning to all of you. Thank you, Paul. I don't know anyone over a period of years who has done better work on Civil Service reform and analysis of the Executive Branch than Paul Light. He has really been a beacon of light for many of us in this field, and it's been a pleasure to be with you this morning, Paul.

I will not say anything about DOD reform because I don't know anything about it. I will say a little bit about government reform and then some specific comments about the DHS.

Paul and I would not agree with H.L. Menken who once said I believe all government is evil and trying to improve it largely a waste of time. Recently we had Pat Roberts at the Wilson Center, the Senator, and he was asked to comment on reform. He said, this, he said reform is a journey, not a destination. You ask how it can be done, he said, I'm all for covert actions.

[Laughter.]

MR. HAMILTON: I think all of us appreciate that it's very, very difficult to reform government. I have often tried with less than scintillating success, I might say. I think I was involved in every effort to reform the Congress for the last 30 or 40 years. I was present at the creation of the Departments of Education, Transportation, Energy and Homeland Security. I served on the Hart-Rudman Commission which made the initial recommendation for a Department of Homeland Security. Of course, I've been on a lot of commissions, including the 9/11 Commission.

Let me make a few general observations about reform, most of which really are fairly simple. You do not, of course, reform for reform's sake. Reform is a very nice sounding word. Almost every politician runs on a platform of reform of some kind. I've done it myself on a number of occasions. You have to be after you've lived through a number of reforms a little skeptical about what institutional reforms can actually achieve.

You have to be sure that you're really solving problems and not creating new ones, and that's not quite as easy as it sounds. It is hard, of course, it's exceedingly difficult, really difficult, to change the culture of institutions. In a dynamic world of enormous uncertainty with a huge number of people in organizations to adjust, there is simply no simple way to do it. The FBI, I guess, is the best example of an institution is now in the middle of a fundamental cultural change from law enforcement to terrorist prevention.

When you tackle the business of reform you face a huge amount of bureaucratic inertia. Large institutions and agencies have deeply, deeply ingrained ways of doing things, and I have seen many directors and many secretaries who have taken office vowing to reform and to change the way things are done, only to see the bureaucrats wait them out, and in the end really prevail.

When you reform, you risk productivity shifts. Attention lags during a period of reform, and people can become so focused on bureaucratic change, on changing the boxes around, that they don't focus on doing their job, and that's one of the concerns we must have about the Department of Homeland Security now: morale and productivity can suffer.

A permanent obstacle to reform, of course, is power. That's what the name of the game is in Washington. That's why people come to Washington. They seek power. When you begin to reform you begin to shift power. It's the reason that people get very concerned. You can be sure that you will face a tenacious fight from anyone in this town who has power and is being asked by reason of institutional reform to give it up. They feel their power is being threatened.

There are several keys to reform. One, of course, is implementation. There is no law that is self-implementing or self-executing. You never achieve as much as you think you're going to achieve, and you never end up where you think you're going to end up. Most often the really tough work is not in getting the institutional change brought about, but it is in the implementation after the changes have been made.

We sometimes do not understand that management is the key. It takes virtuosity in management to bring out almost always ends up being ambiguous government reforms, and there are very few Washington officials who are excellent managers. They're not brought here because of that. They are brought here because of their political skills, because of their policy interests, and only a few are brought here because of their management expertise. Even those who are brought here because of their management expertise come from the private sector and they find managing in the private sector and managing in the public sector very, very different experiences. In order to succeed in a reform, however, you really do need excellent managers, and they're hard to come by.

I believe that one of the keys to the success of reform is congressional oversight. I guess you would expect me to say that. Congress has to be a partner in the reform to look into every nook and cranny, if you would, of the agency or department that's being reformed and to see that you are in fact accomplishing what you're seeking to accomplish in the process.

The final observation I'd make about reform in general is that people, of course, are the key. We get so fixated, particularly in this town, on how the boxes are

put together and how the charts look, that we sometimes fail to understand that at the heart of any reform effort has to be the people, the performance of the people.

Better charts do now win wars, do not protect the homeland, and do not give you good intelligence. People do those things, and management has the task of bringing out the best in people, and that critical talent, of course, has to be nurtured and even improved.

Now let me say a word, changing gears rather quickly to homeland security. Throughout the 9/11 Commission hearings, all of the commissioners listened again and again and again to departments and agencies that would enumerate for us the number of changes that they had made since 9/11, well intended for sure, in order to better protect the American people. I constantly had on my mind as I listened to those enumerations whether or not in Paul's words they were robust enough to really prevent terror and prevent attacks. And to be very blunt about it, I still wonder about that, and I still wonder why, 4 years now after 9/11, we continue to have so many obvious vulnerabilities in our society.

The creation of the Department of Homeland Security I believe was a good answer to a lot of problems of coordination, not just coordination within the federal government about which much has been said, but also coordination between and among the federal, state and local governments, and between the federal government and the private sector. It's my observation that the Department of Homeland Security is moving faster than departments have in the past and that they have made some good moves.

Two things impressed me about what Secretary Chertoff said the other day. First, the rhetoric was very good. I jotted down some of the words he used, nimble,



flexible, risk-based, an analytic-based matrix. I'm not quite sure what that means, but I jotted it down anyway.

[Laughter.]

MR. HAMILTON: Full control of borders, tough choices. Those are all his words.

The second thing that impressed me is that I really do think that he announced some very good reforms, increasing the power of the secretary has to be done in that department. Reducing the layering in the bureaucracy. Creating a powerful Under Secretary for Police who deals with the question of priorities. I'll come to that in a moment. Elevating the role of the official in charge of preparedness, bringing in a chief medical officer, and focusing on the most severe threats, principally nuclear and biological terrorism.

But it remains the question, is the DHS agile enough, adaptive enough, to get the job done? And I am aware of the internal rivalries, the mishandling of a number of duties, the haphazard initiatives, and one of our prominent senators was quoted a day or two ago still saying that in his view the DHS was a monster, and several of my former colleagues continue to describe the department as dysfunctional.

I have some questions. Under that fancy chart that appeared in the paper the other day, there are 25 people reporting directly to the secretary. That's a lot of people reporting to you, and each one of those people has a number of people, of course, reporting to them. Can a secretary function efficiently with 25 people reporting to him on a daily basis?

The key issue for me in homeland security is the question of priorities, and I do not think that either the Congress or the department, despite its rhetoric, has demonstrated a willingness to set priorities thus far. You cannot protect against every terrorist attack, you cannot protect every target, policy makers have limited resource, and that's why the secretary said the other day that hard choices have to be made.

But look what happened when he said it. He said that an attack on mass transit that yielded 50 casualties was less destructive than a catastrophic attack with a nuclear or biological weapon. That seems pretty obvious to me, but he got ripped apart in the Congress for that comment. Homeland security will not work unless we get better at setting priorities, and politicians do not like to set priorities because they can be wrong. What tactics do you defend against? What targets do you protect everything, you end up protecting much inadequately and some things not at all. And we simply have to acknowledge, I believe, that a chemical plant in an urban area demands more protection than a chemical plant in rural southern Indiana, that the fire fighters in New York City need more and better and fancier equipment than the fire fighters in Cheyenne. I find then we have not yet come to grips with the question of establishing priorities, although our rhetoric is better now than it was.

I find a lack of urgency in the Congress. Four years after 9/11, the Congress has not committed itself to perform oversight or allocate resources sufficiently, adequately, on homeland security. The Homeland Security Committees in the House and the Senate still lack the power and the jurisdiction to provide effective oversight over DHS which is now, of course, the largest civilian Cabinet Department. You have a confusing patchwork of committees and subcommittees involved in oversight. Law

makers are still allocating Homeland Security funds on the basis of politics, not on the basis of risk.

This lack of urgency is also present in the Department of Homeland Security. I do not get the sense that the government department is acting with the proper sense of urgency. We called on the 9/11 Commission for a national strategy for transportation security. That strategy could set out clear priorities. The Intelligence Bill passed last December codified that and said that such a report should be available by April 11th. It is not available, and the secretary in his testimony the other day did not say when it would be completed. That indicates, I think, how difficult it is to make these judgments about priorities because that's what the national strategy is all about.

Likewise, we called on the 9/11 Commission for DHS to assess the adequacy of the government's plans to protect America's infrastructure. The Intelligence Bill passed in December adopted that recommendation and set June 15th as the date for DHS to report on a risk and vulnerability assessment. That assessment is not complete. Secretary Chertoff did not say when it will be completed.

On the question of the color-coded threat warnings, I know there's a lot of discussion of that and a lot of dissatisfaction with it, the key question to be addressed there from my point of view is when the threat level goes up or goes down, what are people supposed to do. I don't think you know, I don't think I know, I don't think local police and fire know.

Overall then, I feel that homeland security is simply not the priority that it ought to be and we are not where we should be 4 years now after 9/11. I can make quite a list for you if you want to hear it, you may not. Cyber security has to be upgraded.

Tougher standards are needed for nuclear power plants. Chemical plant security needs to be improved. The electrical power grid has to be better protected. The security of our ports needs to be sharply upgraded with a strengthened Coast Guard and better detection technology. One-hundred percent air cargo screening is not close to being achieved. Protections are needed against shoulder-fired missiles. Rail shipments should be diverted from urban centers, including Washington, D.C. A consolidated watch list has to be made available to airlines and border security guards. Biometric technology must be introduced with privacy safeguards. Vaccine stockpiles and distribution needs to be improved. And we certainly need an increased investment in emergency response personnel.

So you sum it up and you say that DHS seems in many ways to be moving well, a promising but a very slow start. It is a work very much in progress, and other real tests will lie ahead.

To conclude, what is happening today is that the United States is being challenged by the challenges of this century, and all at once we are trying to dramatically reform our national security institutions. The military is facing a new kind of enemy abroad and Secretary Rumsfeld is trying to adapt to that. The Department of Homeland Security has brought 22 federal agencies together, forging a huge and hugely important department that remains a work in progress. And our intelligence community has undergone the most dramatic transformation since the end of World War II.

In our quest for improvement, we must not, of course, let the perfect be the enemy of the good. It was Harry Truman who said whenever you have an efficient

government, you have a dictatorship, and no reform is going to achieve precisely what it was drawn up to achieve on the wiring diagram.

Surely despite H.L. Menken, we have an obligation to citizens to see that reforms yield a government that is more agile, that is more effective, more capable of protecting and serving the American people. To do that, we have to acknowledge our difficulties, we have to remain vigilant, of course, through the implementation, and we have to set very clear priorities. Thank you.

[Applause.]

MR. LIGHT: We have some time for some questions. I think that the central challenge of our time, whether it's a nonprofit, whether it's a private firm or a government agency, is the management of increased uncertainty. In the DHS reorganization I see this effort to deal with improving alertness, agility, adaptability and alignment, and I think they're trying very hard.

It's a huge undertaking. I think it's a team that's up to the challenge. You've got Chertoff and you've got his Deputy Secretary, a person who I like to call the other Michael Jackson, who are working very hard on this.

Let's see what questions you might have in mind. We've got 10 to 15 minutes. Pietro?

MR. NIVOLA: My question is to Congressman Hamilton. It seems to me that one of the unique challenges of government reorganization in our political system is that it inevitably requires reorganizing two branches of government, not just one, because we're a system of separated powers and coequal branches, and the Congress ultimately has the power of the purse.

Problems like the ones you mentioned, particularly the problem of setting priorities for Homeland Security inevitably comes down to the Congress exercising its power of the purse and taking limited resources and dissipating them on anything and everything that it considers a vulnerability or a risk.

My question is, how does one improve the congressional, the legislative side of government reorganization so that it can match the efforts that are being made on the executive side?

MR. HAMILTON: It isn't easy because of the fact that I mentioned, you're shifting power around. Congress does reform itself from time to time, and I think some modest improvements have been made since 9/11 in both the handling of intelligence matters and in handling Department of Homeland Security matters, but not nearly far enough.

I think your observation is correct that in the 9/11 Commission we linked the two and we said that if you don't get reform of both the Congress and the Executive Branch, you'll not achieve what you want to achieve. So it is important to look at both of them.

At the end of the day, debate and discussion helps in the Congress and I believe they will do the right things in many respects. I criticized the Congress, for example, for not distributing Homeland Security funds on the basis of risk and vulnerability. That's the case. On the other hand, the positive side is the House has now passed a very good bill, the Senate a less good bill, to distribute not on the basis of politics or pork, but on the basis of vulnerability. We, I think, will get that change through. It will take a time.

Likewise, on this question of the radio spectrum, this is a no-brainer. Emergency first responders ought to have the ability to communicate with one another when they arrive at the disaster scene. It is so obvious to me. It has taken us 4 years, we're not there yet, and the bill that is pending in the Senate says it won't happen until 2009. There are reasons for it being so slow, I understand, but we will eventually achieve that. So things do happen, although they happen at a slower pace than I'd like.

The area where they don't happen very fast at all is in the area of reorganization of committee structures in the Congress, and you really are up against this question of power.

But I want to say one word to you about the power of the purse. I am very worried about the power of the Congress in relationship to the power of the Executive Branch. I believe you cannot make the argument today that they are coequal branches of government. Let me give you two illustrations.

The Congress shall have the power to declare war. That provision in the Constitution is so far as I can see a total nullity. Presidents make that decision today. The Congress may come along later, but the intervention is done by the President, or the war, whatever you want to call it.

The second illustration is the power of the purse. If I were to ask you today what's the power of the Congress, all of you would say they've got the power of the purse, but be careful of that. The President is now the chief budget maker. He submits the budget. That was not true 50 years ago. And his budget despite what my colleagues on the Hill say is overwhelmingly enacted; 90 to 95 percent of any President's budget is enacted.

What the Congress does with regard to the budget is take a few hundred million dollars; I don't want to suggest this is insignificant, takes a few hundred million dollars and changes it around. The President is the budget maker, not the Congress, and the real fights over the budget today do not take place in the Congress, they take place in the Office of Management and Budget.

I know you didn't expect that sermon on the Congress and the power of the purse, but I wanted to get it in anyway.

[Laughter.]

MR. LIGHT: I should just say that on the issue of your two strategies that were required by law that I've looked at the number of reports and studies that Congress has required of the new department, and it's in the hundreds. GAO earlier this year, a wonderful agency, newly named Government Accountability Office, asked for the Department of Homeland Security to respond to more than 360 separate recommendations it had made over the last 10 years regarding problems in the legacy systems of the agencies that were made part of the merger, and Homeland Security said, could you tell us which ones are more important? GAO finally said, we'll give you 150 that you have to respond to.

So they're flooded with reports. There is no priority setting among the reports, and members of Congress will stamp their feet. There was a hold in the Appropriations Subcommittee of the House where every day that a report had not been submitted to the Chair of the Homeland Security Subcommittee on Appropriations, the Office of the Secretary was penalized \$10 million in their annual appropriation. So you got to have that kind of power to get your stuff out. It's just unbelievable.



MR. HAMILTON: Paul, I think you're right. The Congress demands way too many reports. No question about it. You can go into any Executive Branch office and they'll have stacks and stacks of requests for reports. One of the reasons that happens is that when you're dealing with legislation, you're trying to reconcile differences within a committee or on the floor and the guy that loses the fight has to be given something, and what they usually give him is, well, we'll give you a report, so you keep track of it. That happens all the time.

The other thing I want to say, I talked to Secretary Rumsfeld the other day, and the Congress then requires too many reports. That's the first point. The second point is that Secretary Rumsfeld was saying that throughout the first 4 years of the Bush administration, at all times at least 25 percent of the assistant secretary positions at the Department of Defense were vacant, and sometimes higher than that. That's a huge handicap for a secretary. That means he's operating on three-quarters power in a sense.

During a war and during a lot of other things happening including reorganization, the Congress has heavily burdened the Executive Branch not just with the reports, but all kinds of requirements in filing out these forms and getting security clearances and all the rest to the point where we have really contributed, we being the Congress, to the bogging down, if you would, of the Executive.

MR. LIGHT: Other questions? You had your hand up some time ago.

MR. : I'm just curious. It's a question about the relationship between the Rumsfeld reforms and the Iraq war. I'm curious to what extent you think decisions that have been made since the beginning of the war have been driven by the reform agenda vice best military decision making. For example, the claim has been

made that the size of the force in Iraq, the decision to have the force be a smaller force, has been driven by the reform agenda versus a pure military logic.

MR. LIGHT: I'm not privy to how they made the decisions. I think that there was a great deal of uncertainty surrounding what would happen afterwards, after the initial victory. I don't think the Defense Department did a good job acknowledging that uncertainty and planned for a relatively brief stay. I think that that has contributed to a significant problem within the Department of Defense reconciling the current war in Iraq with the secretary's own revolution. The notion is to get in and out quickly, and we're clearly not getting in and out quickly in Iraq and it challenges the basic undergirding, the basic rationale for the Defense revolution.

I'm not sure that there was an effort to reduce the footprint in Iraq to save the revolution or the Defense revolution in military affairs, whatever you want to call it. I just think that there was a failure to understand the range of plausible futures ahead in Iraq and plan accordingly for them. Other questions?

MS. BEAUMONT: I wondered if you have any thoughts or qualms as I do on the issue of pay for performance in the sense of the dissatisfaction in the public and private sector with how you measure performance and how you record it. If we're relying too much on pay for performance, what will be the implications of this dissatisfaction?

MR. LIGHT: I think Enid Beaumont (ph) here is referring to the end of the General Schedule of the Civil Service as we know it. I think that by the end of this decade there won't be very many places where you'll find the old General Schedule.

Pay for performance has been the kind of Holy Grail of Civil Service reform for decades. We've tried it repeatedly. The current reforms are based on a very modest experiment at the China Lake Weapons Facility in California that was not properly evaluated. Never has so much reform been produced by such a small experiment that was so poorly evaluated or not evaluated at all.

The General Schedule in the current system is so bad, its performance is so utterly without redeeming performance, that reformers keep coming along and saying here is the latest, let's try this or let's try that, and I think that's what you're seeing. Frankly, you can't beat something with nothing. So we're going to see the end of the General Schedule and we're going to see the end of the old Civil Service, and the question is whether Congress, and this is a case where Congress needs to be involved, will at least impose a template of basic worker rights and responsibilities under which these new authorities could be granted.

I think we're well underway with the reforms now. People keep saying let's wait until DHS and DOD are done with their reforms before we go ahead. That's not going to happen. I think we're going to see further Civil Service reform within the next several years.

MR. HAMILTON: I think Civil Service reform is a national security issue. We're at the place now there the Civil Service is just tying us in knots and managers cannot manage in our government today. The Defense Department is the best illustration of that. The acquisition process is a total mess and billions of billions of dollars are spent there every day, so I think Civil Service reform is critical.

Pay for performance has a wonderful ring to it. I don't know anybody against pay for performance, but I can see exactly what will happen. Every supervisor will be pressured to give a high performance rating in order to get the extra pay. It's bad enough today if it's just under ordinary circumstances. So I'm all for pay for performance if we can come up with a good system on it, but I can immediately see some of the problems in it.

MR. LIGHT: If anybody in this room can show me a pay for performance system that works, I'll give you a dollar.

MR. HAMILTON: Yes.

MR. LIGHT: How's that?

[Laughter.]

MR. LIGHT: There might be one out there, but I sure haven't seen one.

MR. THOMPSON: The GAO?

MR. LIGHT: GAO is a wonderful example of an agency that really is making the pay banding work, but let's think about how long it's taken. It's not been overnight. It's been 12 to 14 years of hard work, intense investment in training, a lot of angst and a lot of commitment and leadership from the top. GAO is a good example of where it seems to be working, seems to be holding, your retention rates are very high, the quality of your personnel is very good, but look at what you had to invest to make it work.

At DOD and Homeland Security it's like let's do it tomorrow. Remember just 3 or 4 weeks ago when the House decided to remove \$50 million for training of

managers for this new system to put in port security, and it was like are you nuts?

You've got to train managers to do this. It's a very hard thing to do.

I don't know whether you're with GAO or not, but it's very hard to do well. That's why we don't see much of it successfully done. Do you have a further question?

MR. THOMPSON: Thank you. I'm Jerry Thompson (ph). I guess the bottom line of my question is why should we expect anything out of the Rumsfeld Revolution? Where is the money going to come from to pay for the things that need to be done?

Up until now, if I wanted to be a critic I would say there's been a lot of rhetoric, but nothing has been accomplished in terms of real transformation because nothing has impacted the budget. We're beginning the QDR right now which will feed into the next year's budget which will hit just before the midterm elections under what I understand is leadership guidance that says we'll stay within the same top line we are now.

[End of side A, begin side B.]

MR. THOMPSON: [In progress] --that the QDR is mapped out to look into requires more. There is no place it requires less, and that's set aside the requirement to make investment to sustain the force we're got not which is seriously ground down and is going to require investment just to keep it on the road and which we all agree is the wrong force. This all looks to me like we're headed towards an exercise in shuffling chairs on the Titanic.

MR. LIGHT: That term gets floated around a little bit. I think there have been gains. Looking at agility and changes in logistics, changes in how we deploy and how we can turn around forces that there have been improvements. Some of those improvements have been underway for a long period of time, so I think there has been some demonstrable improvement.

When you talk about the QDR or the Quadrennial Defense Review, I think we're getting to a point where the rubber meets the road in terms of cost, and when Lee Hamilton talks about priority setting at the Department of Homeland Security, you need a similar conversation about priority setting a Defense: can we really have it all, and the answer is obviously not. We just don't have unlimited funds.

MR. HAMILTON: Where does the money come from? The money comes from appropriations. If you look at the defense budget in the last few years, it's just exploded. They have done very, very well in getting the money they need. They don't come close to getting the money they want because these weapons systems are unbelievably expensive. And the judgment about a weapons system is very tough because a weapons system doesn't come on board for 10 years.

So you have all of these new ideas for weapons systems presented to members of Congress, you can make a persuasive case on almost any weapons system, that it's badly needed and is a good investment for the defense of the country, and so they just keep piling on one defense system after the other.

Nonetheless, even though the demands far outstrip the resources, the way that defense budget has climbed in recent years has been remarkable. It's now approaching a half-trillion dollars. When I was in the Congress we used to talk about

\$300 billion as the top item. So don't underestimate the ability of the DOD to get money out of the United States Congress and a President because it's very popular money by and large. Very popular.

MR. LIGHT: Let's take one last question. Let's take two. These two here.

MS. : Regarding the reorganization of DHS from a managerial standpoint, I wondered if you think that DHS could benefit from lessons from industry such as successful mergers and acquisitions where giant corporations acquired other corporations in very different industries, how they wove those new entities together and made them function effectively as a new entity, avoided redundancies and the like.

Do you think they could really benefit from almost a business school case study approach or do you think that the management of a large government agency is so different from that of a private sector entity that they really can't benefit from those kinds of lessons?

MR. HAMILTON: Paul, you'd know more about that than I. My impression is you certainly can benefit from the private sector experience and from management theory and all the management that's being taught in our schools today. It can be very beneficial to government.

But managing big government and managing big business are two very different enterprises so that while you can learn a lot from the private sector, you can't learn at all from the private sector. But surely our top managers in the government have an awful lot to learn from our top managers in the private sector in my view.

MR. LIGHT: Lee talked a little bit about the productivity losses associated with a merger. That's straight out of the business literature. We know that mergers produce this sort of one time penalty in productivity and as people start to figure out where do I stand in the new organization.

I think Chertoff and his team are trying to follow some standard best practices from the business world in terms of reducing layers. It produces this huge span of control at the top in terms of direct reports, and there are pieces of this merger that you sit there and scratch your head and say, why did they put Secret Service into this agency? Was that really the right thing to do?

I think they're trying very hard, and actually I was expecting more tinkering out of this reorganization than what emerged. This is a very aggressive reorganization by Chertoff and his team, and I think it is designed to flatten the hierarchy and to create greater control and alignment down through the agency.

There are still these turf squabbles. One of the little noticed changes here is that the Air Marshal Service is being returned to the Transportation Security Administration. They broke out during the fog of the merger and moved themselves over to Immigration and Customs Enforcement because they wanted to be with people who carried guns. They're being moved back to TSA, and that's kind of a classic government problem.

I'm hopeful about this reorganization. It's going to produce another productivity loss for a while, but I think it could some significant gains, and I think DHS right now at its current point in life is a little bit ahead of past reorganizations like Energy in the late-1970s. So I think it's a little bit ahead and I think it will accelerate.



MR. HAMILTON: We focus an awful lot on the secretaries. It's not hard to get somebody to come to Washington to be a secretary. There are thousands and thousands of people out there who are happy to do it and they'll serve for a dollar a year. What is really tough is to get the third, fourth and fifth layers where you really need managerial talent, and you pay those people \$80-, \$90 or \$100,000, \$115,000 a year. If they had comparable budgets in the private sector, they would be paid many times more than that.

So what's really difficult in managing government is I really think not so much at the very top level who are largely policy people anyway more than they are management people. You don't bring a Secretary of State in because they're a good manager. You bring them in for a policy reason, and likewise that's true in most of the departments. So what's really hard in government management of these huge enterprises is getting very good people at the second, third and fourth levels of management. That's tough to do.

You have an enormous turnover there. And you will talk to those people and they will be managing hundreds of thousands of people, billions of dollars of budgets, and in the private sector of you're managing thousands of people with tens of millions of dollars, you're very, very well paid. So the incentives at this level are badly skewed and I don't know if we can really overcome the management problems until we overcome the incentive side of it.

MR. LIGHT: There's also this problem with the sheer number of appointees and the time required to fill vacancies. Every time we talk with an

administration, Democratic or Republican, about the number of appointees, they say we've got to have every last one of them. We can't afford to have any fewer appointees.

Then they report to us that we're operating with 30 to 35 percent rates. There are more vacancies right now in the Bush administration than in the hotels surrounding San Padre Island in Texas. You've just got vacancy after vacancy after vacancy.

I thought the 9/11 Commission had a pretty good idea in the sense that let's not have anybody below the rank of under secretary have to go through Senate confirmation. There are some of those positions that are very important at Executive Level 4 and 5 which are the assistant secretary and administrators. The process is just broken at both ends of the avenue, and we have too many political appointees, too many layers of career as well, but by golly, every time you bring it up the administration in power says we've got to have them all even though we're going to tolerate these large vacancy rates. You guys had quite a bit to about it.

MR. HAMILTON: This is why oversight is so important. My view of government is that you have to give managers a lot more power than they now have because they're managing huge enterprises. But if you're going to put power anywhere, you had better be sure you check it so you have accountability.

My theory of management, and I've never been to a management school so I may not know what I'm talking about here, I have no MBA, is that in government you have to give the managers far more power today than they have to manage their institutions. But if you're going to give that power to them, you had better be sure you check it carefully that there's accountability both within the Executive Branch and in the

Congress, and this is why the oversight function of the Congress is so vitally important. You have to check power. We've had a lot of experience with power unchecked through our history.

MR. LIGHT: Let's take this last question.

MR. MITCHELL: Thanks. Gary Mitchell from the Mitchell Report. Half of me thinks this is relevant to at least a couple of the questions that have been raised, and half of me doesn't, so I'm going to do it quickly and you can decide and maybe we'll end this session very quickly.

My question comes out of thinking about the question of the relationship between Rumsfeld's conduct of the war in Iraq and the reforms, and to a certain it comes out of the question that Pietro asked. And it's about something that has been written about recently by a Belgian management consultant who wrote a book called The Forgotten Half of Change. He talks about something called the paradox of strategic vision, and I'm just going to read it quickly, a vision of things is indispensable for every project and for every strategy whether it's individual or collective. But this vision is also the thing that hinders us in seeing what could prove essential for the future.

When we consider the power of some of the tools that certain leaders have at their disposal, we can understand the difficulty they have in liberating themselves from the clutches of the paradox of strategic vision--without contributing a solution because you can never resolve a paradox, you can only reframe it.

I was thinking about the four A's that you used to look at these things. My question is, is what Rumsfeld is up to and perhaps what Chertoff is up to at Homeland Security subject to this paradox of the strategic vision?

MR. LIGHT: I'm not sure I understand the paradox of the strategic vision. You and I should have a side bar on it and talk about it further. Do you want to comment on it, Lee?

MR. HAMILTON: I didn't understand it. I don't think I understand it.

MR. MITCHELL: The notion very simply is that on the one hand it's imperative to have a vision for reforming the Defense Department and reforming Homeland Security. The paradox of the strategic vision means that vision also becomes the thing that can trap you in adjusting to the future, and one could argue that the question asked earlier about the relationship between Rumsfeld's conduct of the war and the strategic vision.

MR. LIGHT: Just very quickly, that kind of a strategic vision embedded in a range of plausible futures out there is difficult to maintain. I don't think as the transformation began that Donald Rumsfeld had in mind a future among his landscape of possible futures the kind of war that's emerged in Iraq.

I think what you're saying is you can get stuck in the vision that is linked to a particular set of futures that you think are highly probable and suddenly the future contorts and confuses us, and I think that's clearly been the case.

You all face a range of plausible futures out there when you leave today. One could be that it's cool and comfortable and not humid, and I strongly recommend that you prepare yourself as if it's frigid out there. That works for about three or four steps.

[Laughter.]

MR. LIGHT: It's been wonderful to have you here today. I'm glad that you came out in this weather to join us. I'm so grateful for having Lee Hamilton here. Thank you very much. Thanks to Gladys for preparing it and all the people at Brookings who made this event happen. Thank you.

[Applause.]

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