

Conversations with Bill Kristol

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KRISTOL: Welcome to CONVERSATIONS. I'm Bill Kristol. I'm joined today by my good friend John Dilulio.

DIULIO: Thank you.

KRISTOL: Distinguished political scientist, first at Princeton and then at Penn, not forgetting your PhD at Harvard with [James Q. Wilson](#). And ending up being a great collaborator of his on that great American government textbook that he began and you're still – are you now the –

DIULIO: I'm still going.

KRISTOL: You're hanging on. This is still the most popular textbook?

DIULIO: Well, I think it should be.

KRISTOL: Totally. It deserves to be the most popular American politics textbook. John, I'll just give the title, is the Frederick Fox Leadership Professor of Politics at Penn, and the founding director of the Partnership for Effective Public Administration and Leadership at Penn. And great teacher and a great political scientist.

And so there's so many things I could ask you about today, and would like to pick your brain on, but maybe, you've brought this little book that you wrote four or five years ago?

DIULIO: Five years ago, yes.

KRISTOL: I remember when you sent it to me, [Bring Back the Bureaucrats](#). I thought really, really? So let's begin with that provocative thing, because I think one of the great things about your work is it's been so reality-based, if I can put it that way.

DIULIO: Oh, thank you, Bill.

KRISTOL: You're good at occasionally disabusing people like me of our dreams of transforming things. Or you have a good understanding of, a very good understanding of, how the government works. So why do we need more bureaucrats, what's the argument?

DIULIO: Okay, well first of all I apologize for my voice being a little hoarse.

But let me put it this way, if you go back to 1965, okay, and roll the camera forward to the present we've had about a five or six times growth – real, inflation-adjusted – in the amount of government spending, federal spending, national spending.

We've added seven cabinet agencies; we've added dozens, scores, of sub-cabinet agencies. Over that same 50 or so year period, the federal government has gotten involved in things it wasn't involved in back in the '60s or before, whether it's crime, or environmental protection, or rights of the disabled, etc. And yet for all that growth and spending, for all that growth in programs, and for all that growth in what the federal government does, in that entire period there was no growth in the number of full-time federal bureaucrats. Contrary to what you hear.

KRISTOL: That is kind of amazing, so the size of the federal government in payroll, in actual people –

DIULIO: Didn't change.

KRISTOL: And that's not because – and that's not a military, civilian thing?

DIULIO: No, throw out the military, throw out the postal service, and we're talking about full-time, federal civil servants. So it hovers around two million for that entire – I mean if Barry Goldwater on the night he lost his landslide election to Lyndon Johnson was told, "Well you know, Mr. Senator, if you look into the crystal ball, by the time you get to 2015, 2018, there are going to be the same number of federal bureaucrats as there is tonight. You must have won, you lost the election but won the debate."

But of course he didn't win the debate, and the puzzle really is why, how is it possible? That you could have the same number of bureaucrats when John F. Kennedy was inaugurated, when Ronald Reagan was inaugurated, when George W. Bush was inaugurated, when Barack Obama was inaugurated.

And the answer is not – and you won't be very surprised by this – that they've had a tremendous increase in productivity, that they're doing much, much more with less.

KRISTOL: And it's not just that the federal government is sending out millions of entitlement checks and it doesn't take more bureaucrats to send 80 million Social Security checks than 50 million?

DIULIO: No, although there may be a little bit of that. But the real answer is that there has been an increase in the number of people who work, in effect, full-time for the federal, for the national government, just they're not counted on the federal payroll. And there are three types of such that I call government proxies, or proxy employees, or proxy feds.

One type we all know about right, it's the for-profit contractors. You know the defense contractor budget alone last year was about \$350 billion. The Department of Defense had 700 to 800 thousand people, full-time equivalents, who were full-time contractor employees. There are only about seven, eight hundred thousand full-time actual civilian Defense Department employees. By the way, that \$350 billion is more than what it costs us for the entire two million person federal civil service, which is about \$250 billion a year in salaries and benefits.

So just the defense contractors alone. But it's not just for-profit defense contractors. There are for-profit contractors in every area of public law and policy from the national level: health and human services, you name it. So for-profit contractors are one type.

There are probably six or seven people who work as for-profit contractors off of federal grants and contracts for every one full-time actual federal bureaucrat. And that number has just grown and grown and grown over the last 50 years.

But they're not alone, because the second category is state and local government employees. While the federal employment has remained flat, around two million, state and local government employees, sub-national government employees, have tripled in size. Now not all of that growth is due to federal grants and federal inter-governmental relations funding but a lot of it is.

So many, many people who work for state and local governments are de facto feds, that is they're paid through and by federal programs. And there has been a tremendous growth there as well.

KRISTOL: And the total number of people who work for state and federal? State and local governments in America?

DIULIO: About 18 million.

KRISTOL: So about nine times as many people work for states and localities compared to the feds.

DIULIO: Right. And it's grown as, in '65, '70, '75, as you begin to see this proxy process begin to really ramp up and heat up you see that growth.

So it's for-profit contractors, it's sub-national government employees. My wife who was the assistant director of Medicaid for New Jersey at one point you know had a four billion dollar budget, had 100 line employees, they were all pretty much de facto feds, right? They're New Jersey government employees, so you see that phenomenon.

But there's a third category, and it's the one that's least talked about of these so-called proxy government employees for the federal government, and that is non-profit organization employees. The non-profit sector, independent sector so-called, is more than two trillion dollars a year, way more than two trillion a year now. And it's growth, about a third of its revenues, 40% by some estimates, come from government grants and contracts.

And it's number of employees have increased, again through the aegis, through this process of federal government creating these proxies, in what I call the health and "human services non-profit complex." You know you've got the "military-industrial complex," there's a "non-profit human services complex." Now, there's nothing inherently wrong with this.

KRISTOL: That's what I was going to say. So give some concrete examples. I mean obviously the Defense Department contracts with Lockheed to produce a new airplane so that's –

DIULIO: Yes, \$35 to \$40 billion a year to Lockheed, yes.

KRISTOL: But that's the way we've traditionally built weapons, and so you could, it sounds a little weird, but in the end you probably don't want the Defense, maybe you do or you don't, but you might not want the Defense Department itself building the airplane.

Medicaid checks go to all these hospitals, for-profit or not for-profit and so they're, I mean they're contractors right, I suppose when you – So I guess that would be the question, why is this –

DIULIO: So I think there's, I think the answer has a couple different parts. The first part of the answer is you know there are two fundamental facts about American government. And by fundamental I mean you know the person who knows these two facts knows more about American government than the person who knows everything else, but not these two facts. The first fact is pretty well known and you know fairly widely acknowledged, if not well debated, and that is the fact that we are a deficit-budgeted, debt-financed government.

Why are we that? Because we want a lot of stuff that we don't want to pay for, okay. In February of 2019, I believe we had a \$262 billion dollar, maybe it was \$264 billion dollar, federal one-month deficit, the largest in history. So we spent \$401 billion dollars, took in about \$167 billion dollars. I mean it's just, right, a trillion dollar a year deficit is nothing now. You know, \$20 plus trillion dollar national debt, okay. That's the first fact.

But the second fact, and I think the more deleterious fact, is the reality of this proxy government. Now we have the first problem because we don't want to pay taxes. We have the second problem because we don't like the second way in which policy gets translated into action. We don't like taxes but we also don't like bureaucracy, so we hide the bureaucracy. We hide the sheer size and scope of what is really the shadow federal bureaucracy.

And as you well know Bill, I am no Libertarian. So I don't have a problem with government. I am a proud Democrat. And I don't have a, there's nothing inherently wrong with this. But there's something very bad about the way we've done it.

And it's happened because Congress likes policy proclamation but it doesn't like the instruments of policy action, which are taxes and bureaucracy. So it doesn't tax, right? Or under-taxes, in my view, relative to all that we want, if you want all that stuff. And it most definitely has essentially hidden the extent to which we rely on federal government employees to manage this massive, probably to the two million, probably twelve million more all told, if you were to sort of do it by full-time equivalents.

And why is this bad? So why is it bad? Very briefly, and then you can tear me apart.

KRISTOL: No, no, I'm interested.

DIJULIO: There's three things. Think about the three I's, right? You know when you're an old American Government teacher you have to always have these mnemonic devices. The first is implementation problems and failures. The second is interest group politics. And really the third is you know, well I'm going to save, I'll save the third "I" for you because it really goes to incumbency issues.

Implementation, you don't need to know a thing about this to understand that the longer an implementation chain is, the more things that have to happen in sequence for something to happen at the end, to have a desired outcome, the less likely it is to happen. So if I tell you there are three things that have to happen in a row, they have to happen in a particular sequence in order to achieve the outcome, achieve the goal, that's you know, one, two, three, that's a – If I tell you there's five or six or seven, if I tell you there's more than seven. If I tell you that, you know each one of these steps in the implementation chain, from policy to action, is 90% likely to go well. By the time you got to the seventh right, .9 times, you're under 50% okay.

But it's not just the length of the implementation chain, it's that the implementation chain that has grown up in this system of "leviathan by proxy," as I also call it, is convoluted and twisted. How?

Think about what, think about all that you hear in the headlines. Think about what you don't hear in the headlines, about how this system of government by proxy actually works or fails to work. It chokes routinely on tasks and chores as distinctive as what, handling plutonium, approving pesticides, caring for the health of hospitalized veterans, right. Delivering summer meals to children, to poor children in cities. Delivering weapons systems on time and on budget, I mean these are a remarkably diverse. I mean collecting taxes or not collecting them. It's a remarkably diverse range of things that it does very poorly.

If you look at the General Accounting Office's list of high risk programs, the same 32 programs have been on the list for decades, right? And guess what, they are among the programs – and my colleague Don Kettl with the University of Texas at Austin who is the great genius of public administration, along with Paul Light at New York University have looked at these issues – They are the programs that are most likely to be indirectly administered, or proxy administered, or have the highest ratio of direct to

indirect administration. So it's bad implementation. It creates failures, it creates cost overruns. That's the first.

The second reason this is problematic in addition to the implementation failures really has to do with the extent to which in this system of proxy government we have a bureaucracy where the people holding, you know, the first link in this chain, okay, are ill-trained, undertrained, or not trained at all, right. We pay so little attention to it.

KRISTOL: Is there evidence that programs that are directly administered by the federal government using federal employees work better than programs that are administered through this indirect proxy arrangement, either through federal, state, and local governments, or through the private sector or whether profit or not for-profit? It seems like a lot of these changes happen, I know in the Defense Department case, you know maybe they used to make their own meals or whatever, then they decide well that's crazy everyone else is outsourcing. You know, the New Jersey Turnpike doesn't run its own food service anymore. They have a food court and they have a Sbarro's and so forth, and every college and university in the country seems to think it's more efficient for them not to have – Princeton doesn't have probably a lot of Princeton University employees serving food in the dining halls, they outsource to Marriott or to people who do this for a living.

So why is this necessarily any different from what the private sector – Apple doesn't run its whole production chains and so forth. Right?

DIULIO: But no business has a supply chain as long, convoluted, twisted, and over which it has as little control ultimately as what we've grown up. No one – this is not the product of any design-directing mind. It is as I'll say in a moment the product of some rather I think nefarious political motives on the part of both Democrats and Republicans and incumbents generally.

But the evidence – it would be great to have studies of insourcing versus outsourcing.

KRISTOL: Right.

DIULIO: We can't have them because the Office of Personnel Management doesn't keep data on contractors, by federal law. It be great to know lots about the procurement process, but apart from the wonderful reforms that were made under President Clinton and Vice President Gore during the National Performance Review or reinventing government effort, efforts that were led actually by our friend at Harvard, Steve Kelman back in the day when he was in that office – Procurement reforms there, before which, by the way, the federal government, it was basically forbidden from taking past vendor performance into account in deciding how to let grants and contracts.

It would be great to have the data but we don't have it. And there are very few meaningful studies of insourcing versus outsourcing, but we do know, however, for sure that this system does not work very well.

KRISTOL: So, presumably Apple, Apple has very good data on which of their suppliers is providing stuff on time and well-made and the ones who aren't doing a good job. Which the federal government does not do, is what you're saying.

DIULIO: No, well I mean the backdrop is you have the federal government spending money, block grants, or you know people debate block grants. We've had lots of them. But when you have a federal government that spends money that it doesn't have, for purposes that it won't specify, with results that it doesn't try to measure, you get what you'd expect. And you get it, again, in very diverse areas.

Go back to the famous or infamous failure of the health exchanges under President Obama. Why did that occur? Well you have the Centers for Medicare and Medicaid Services. They have fewer employees than Harvard University. I think 5,000 employees. They're sitting, they're the first link in this chain. They're presiding over this vast empire. Medicare, Medicaid, I mean a huge piece of the federal budget, and you

know five thousand people. Then you want to change the way in which the system goes. So they let contracts. And of course it didn't go very well, right?

Look at FEMA, look at what happened with Hurricane Katrina. FEMA was an agency which — and the then director Michael Brown got blamed for a lot of this and so forth. But the reality is that FEMA had been folded into the Department of Homeland Security, had been given a vast number of new things to do, was a very small agency to begin with, right? Relied mainly on reserve employees. And so when Katrina hit, even if it had been the most effective organizational response, it just didn't have enough employees, and it didn't have enough contractors, and enough of the right contractors.

But contrast what happened in '05 with FEMA and Katrina to what happened in 2012 with FEMA and Sandy, Hurricane Sandy in New Jersey. That was a very different story. That wasn't perfect, but by every measure, the FEMA response was much better. Why? Because in the interim, FEMA was able to more than double the size of its workforce, to change its contractor workforce, and to do a lot better job of monitoring those contractors, under the pressure that was created by those failures.

So we don't have, we have anecdotal evidence; and as we know the plural anecdote is not data, but we don't have systematic studies. What we do know for sure is that this system, you know, people look at these failures, especially the headline failures and say, "oh my gosh, terrible federal bureaucracy." Look what happened at the Veterans Hospitals. Look what happened with the Obamacare exchanges. Look what happened with the hurricane disaster response. And all that's true. But it's not the federal bureaucrats in most cases. Or its them plus this chain, and this is where I think the real failure occurs.

If you don't keep data on it, and if you can't have the acquisition and procurement officers have real authority over who they grant, I mean essentially the federal workforce is a bunch of grant and contract administrators at this point. And —

KRISTOL: But without the authority you're saying that the grant and contract administrators for Harvard have because you know what, Harvard can decide if you're not producing the, if you're not cleaning the Harvard Yard as well as you're supposed to be, you know Mr. Janitorial Company there, you know we fire you and get someone else.

DIULIO: Which is why, and people talk about —

KRISTOL: Well why can't they do that?

DIULIO: Well people know about privatization, I'd be all for privatization, if we could ever get it. We don't have privatization. We don't have, this is not — we have a Congress, okay. So let's talk about the interest, let's talk about the second I, the interest group politics. What I like to call the implementation group politics.

You talk about cutting the federal government, let's say someone wants to cut federal spending. "We need to limit government, we need to — right." So you have the folks who are philosophically conservative but operationally liberal. They don't want big government, but they want big government benefits. But let's talk about the state and local governments. What happens when state and local government folks hear about the feds are considering cutting — Corrections commissioners, police commissioners, mayors associations, governors associations, you know, their K Street lawyer lobbyists line up against what? Any rollbacks or cutbacks. They want more money and fewer strings, consistently for 50 years. Okay.

Let's now go to the next level, the for-profit contractors, and need I say more right. They give you a thousand and one reasons why you can't cut anything, you shouldn't cut anything. And the nonprofits, I mean there's also — the nonprofit folks. You know I've spent my whole career virtually right, in nonprofit sector. Hey, we are as big a part of that, every major university, everybody has. Everybody's advocating for themselves.

So you have the proxy, you have folks who advocate for policies that they in effect get paid to administer. Right. Testifying at the front end, for the part about the policy, and getting the contracts and grants at the back end. There's something wrong with that, right?

And it's also why you really, and I'll come to my incumbency point. It's really why you can't change. It's why this system really is a machine that goes of itself, and keeps going in a very bad, very bad direction.

KRISTOL: So I suppose that would explain why it's hard to cut programs. One could then say well what okay, but we can still make them – You know let the federal bureaucrats stop the contract, or not renew a contract by a vendor who's performing poorly and give the contract to vendors who would perform better.

DIULIO: That'd be great.

KRISTOL: And Harvard, let's just stipulate that either Harvard or Apple or whatever, does that because they can do it right? I mean and they may have their own internal lobbying and interest groups but basically in theory they could do it, and there's accountability to the CEO and the shareholders of Apple, and there's accountability to whoever, the President of Harvard.

And I guess the question –this is James Q. Wilson's point, right – I mean we don't actually let federal, and maybe we shouldn't let federal bureaucrats easily or quickly make a decision to take the contract away from Diulio Inc. and can give it to –

DIULIO: Kristol Inc.

KRISTOL: Kristol Inc. because we don't want arbitrary action, and it has to be done through federal you know various procedures, and notice and kind of, is that right? I mean we want, you know we want procedural regularity which makes it very hard then to –

DIULIO: Right, well one person's red tape is another person's treasured procedural safeguard. I think Herbert Kaufman, the great Yale political scientist said that, and it's true.

But I wish that it were the case that the reason we have limited discretion on the part of federal bureaucrats to effectively and cost effectively let contracts, I wish it were these high-minded reasons. But it's not.

KRISTOL: Okay.

DIULIO: It's the incumbency.

KRISTOL: That's my problem, I'm just too, I'm too high minded.

DIULIO: No, it's exactly –

KRISTOL: This is why it's good to have an old city urban Democrat type here you know.

DIULIO: All I got to tell you is the way it works is this, so we have two parties in this country, well at least two right, but two big ones. So I'm told. One is the party of "tax less." That's called Republican. The other is the party of "spend more." That's called Democrat. And together they win every election.

KRISTOL: Right.

DIULIO: Okay, for 20, actually 30 years I taught Introduction to American Politics and Government and no matter what else I taught or what else I assigned – and my former students will attest to this – I always assigned the last thing they read, by way of a case study, was a book called *The Showdown at Gucci Gulch* by Jeffrey Birnbaum and Alan Murray. Wonderful story of the tax reform bill of '86 which had a very happy ending, the special interests were overcome. The K Street lawyer lobbyist in the Gucci loafers was

pushed out and through this strange bedfellows coalition that ended with a handshake between Tip O'Neill and Ronald Reagan, we had this tax reform bill.

And I would always say you know, "Ladies and gentlemen, boys and girls, kids of all ages. No matter how bad it looks, no matter what you think about this wonderful system of separated institutions sharing powers and being unable to function now, it's still possible to get general interest legislation. See, here's like here's an example."

And then I woke up about five years before I stopped teaching that course and I realized that I had been misreading the book, or looking past the reality. Actually what happened in that case, which by the way that tax reform bill was undone in about 15 seconds after that as you know.

KRISTOL: Right.

DIULIO: But what really happened was Tip O'Neill said I'm going to spend more. And Ronald Reagan said I'm going to tax less. And you know what, they did.

And that's why incumbency advantage, Bill, 90 plus percent of incumbents re-elected, who seek re-election get reelected. Democrat or Republican, doesn't matter in years when the House changes from one party to the next, why? And here's the hard reality. Here's the really hard part of this little, you know this argument about "leviathan by proxy," because they're giving the people what they want. What the people want is Medicare and Medicaid, and college loans. What the people want is lots of these government benefits without, having to pay taxes for them, and without having to take it at least from the hand of "the bureaucracy," the government.

So again, and what is this about. It's about wanting to go to heaven without having to die. It's a very perverse system. It's anti-democratic in the most fundamental sense. And it certainly doesn't – there are certainly not "proper guardians of the public will," as Madison would say, running this. There's nobody refining and enlarging the public views here. What you have is people giving people, giving – You have politicians, representatives, both ends of Pennsylvania Avenue, both parties for 50 years.

And we've built this system which gives you poor government performance, gives you, you know, spiraling debt, debt and deficits as far as the eye can see. Gives you poor government performance. And yet we entertain ourselves with all these ideological debates and all this other business, the actual business of governance, a government that can't collect its own taxes, a government that cannot effectively deliver meals to kids in the summer. Government that can't affect you know, I mean all the things we ask this government, and we ask it do virtually everything.

You take the Environmental Protection Agency, say you're big on that. I have mixed views on environmental policy, but say that – How does that work? Well you have the same 17,000 people as you had only they've tripled the size of the agenda. And so 90% of what that agency does it does through state and local government agencies. You have the Department of –

KRISTOL: So why is that so bad? So if I were playing devil's advocate I'd say so far there's a lack of – So the deficit thing is one thing, that's a clear case I think you can say of wanting to spend and not tax.

DIULIO: You've even got academics who debate that right?

KRISTOL: Right, they could, but let's just stipulate that that debt and deficit number is almost an emblem of a kind of irresponsibility on the part of the politicians, which reflects irresponsibility on the part of the public, or failure of the politicians to make the public be responsible, however.

But on the indirect governance through federal and state bureaucracies, or through the private sector or the not-for-profit sector, why couldn't one say, maybe there's some sacrifice of efficiency. But there's also a case for having New Jersey EPA administer these federal laws in Jersey with some knowledge of local circumstances with a greater ability or whatever. And the same in Utah EPA and so forth. If it were done

more directly, if you didn't have your proxies. I guess the federal government would have larger workforces in Utah and New Jersey. Would they really do it that differently? I mean how much is really sacrificed by this?

And the same, in a sense, with the Defense Department. If Halliburton provides the meals at the forward operating bases in Iraq and Afghanistan. I mean I don't know if the military would save money or lose money if they had to you know increase the size of the actual military and have privates making these meals. But it's not crazy to say. I don't know, why can't Halliburton make them you know.

DIULIO: And you could, you know people have tried to come up with an estimate of how much of it is kind of good and how much of it is questionable. Right? But the reason it's fundamentally not good, two reasons. First it's not the product of, I mean no one sat back and said let's do it this way because we want to make sure that even at the cost of certain efficiency gains we want to – no one did it for that reason.

KRISTOL: Not a Madisonian system, it's just decentralized power and –

DIULIO: This was done because again Congress loves policy proclamation. It always wants to be responsive, no matter what the demand is it will come up with a law, whether it's crime or environment or whatever it is and it will come up with laws. But what it won't come up with is the taxes to pay for the benefits of the programs. And it will not increase the size of the federal, it will not increase the number of people on the federal payroll because nobody, Democrat or Republican, wants to be accused of being in favor of bureaucracy or big government which ostensibly was over in 1996 when Bill Clinton said it was, right?

This is the problem. So we're not doing it for the right reasons. And when we do do it, we have the results that speak for themselves. How many, you know, we had, when did Superfund start, I forget was it '78? I can't remember. How many thousands of toxic waste sites are still not clean? I mean we can go down the list. It doesn't work well. The implementation chain is too long. It's too twisted and convoluted. There's nobody responsible and then when things go badly, everybody points at – you point to the state, they point to the contractors, the contractors point. Everybody points at everybody else.

So I'm not saying – here's the real challenge. I'm not saying that – I would probably keep almost everything the federal government does. We might disagree about some of that right. But I wouldn't do it this way. I would tax to pay for it, and I would directly administer as much of it as possible, precisely because when you don't do it that way you're not really having a true referendum on big government.

You see, essentially what people have been able to get is a – you remember the famous you know “get government off my back and away from my Medicare,” right? “I don't want government involved in my Medicare.”

KRISTOL: Right.

DIULIO: That person wasn't irrational. You know why. As Don Kettl points out, his late mother-in-law Mildred was in the hospital for several years and she was a wife of a military veteran. So she, or her health care was paid for by government. In her several years, you know, doctors, hospitals, physicians assistants, you know home health care. She never met a single government bureaucrat. Everybody and everyone that she came into contact with was a for-profit or other contractor of some kind. Okay. And there's nothing, again in principle wrong with that.

But I mean the fact that most people couldn't tell you that, you know, that's the reality flat line. It's one of the, it's hiding in plain view.

And again if I was a libertarian conservative, which I most definitely am not, the constitutional amendment that I would push for is one that says here, you know, henceforth everything that the national government does shall not only be paid for in current dollars with taxes but also shall be administered

directly by national government employees themselves. If you applied that across the board right to these agencies, I mean you'd have a dramatic shrinkage in the size of government. Of course we're not going to do that right. That's fantastical and farcical.

KRISTOL: There was a conservative talking point sort of "no unfunded mandates" that got to a little bit of that right. I mean "don't make the states and locals do anything that you're not willing to pay them back for doing" so to speak.

DIULIO: Right, but they're all unfunded, but now essentially they're all quasi-funded or semi-funded mandates. And it just keeps going and growing, and it's not just the national government that runs these deficits right. It's the state and locals as well. Right? I mean we've had how many commissions to look at the size of and the scope of the financial problem. You know, the deficit budgeting and the debt financing. What have they done? What was the last one, Simpson-Bowles was that 2011?

KRISTOL: Yeah.

DIULIO: They were saying go big right? Go big was what. I forget what the number was. Whatever it was we didn't do it, and we are now running trillion dollar a year, trillion dollars now is nothing.

KRISTOL: Right.

DIULIO: I mean there is an end in sight, but it's not a happy ending. And I, you know there has not been a single presidential candidate, not one, in the last several election cycles who has had anything coherent and cogent to say about the size and scope of the federal bureaucracy.

Since Bill Clinton declared that the era of big government was over, Democrats played the same games that Republicans have traditionally played on that. So it's not a happy, it's not quite a Roman bread and circus but it's getting close.

II: Accountability and Efficiency (31:25 – 50:56)

KRISTOL: But just to come back to the actual, so take crime, a subject you quite are quite expert on, wrote a ton about, as did your mentor James Q. Wilson. I don't know, was it crazy for the federal government to say in '94 or whenever it was, to say, "Look we don't directly deal with crime in most cases and that's probably a good thing. We don't really want a federal massive federal police force dealing with homicides or burglaries and so forth. But we think it's a national problem. So we're going to basically make money available to everyone," as I understand it, I mean basically in every police department around the country. Maybe you should make it differentially more available to the places that have higher crime rates, and they'll figure out what to spend it on. And you know we what should be spent on in Buffalo is probably different from what it should be spent on in rural Nebraska. And so we're taking some federal money, a little easier to get federal money because we can run a deficit. States and localities can't do it that much, there is that element of responsibility. But in terms of actual crime policy, criminal justice policy, it doesn't seem to be that's such a crazy way to run the system. Or that it would have bad effects necessarily.

DIULIO: Right. And again in principle, in theory that would be great. But what they actually did in that case was a \$24, \$25 billion, roughly a third for prevention, a third for enforcement, and a third for treatment. And you know the incentives they gave to states to, at that point, toughen their laws in terms of keeping folks who had committed multiple violent crimes in for a larger fraction of their sentence was an incentive to the states. You can make a federalism argument that the federal government should or shouldn't be doing that but there it is. But actually, Bill, all the things that were in that bill, like the legendary a "hundred thousand cops" which was never a hundred thousand cops and never came close to funding a hundred thousand cops, were done for political effect and reasons. And when you look at, when people study how those dollars were actually implemented it's largely a story of perverse and unintended consequences. And largely a story of failed implementation. Not that some good things didn't come out of that, especially in drug treatment.

But you know most of these large, you know, federal bills that do this sort of you know, “Medicare modernization” and you know and all these sort of things, they are all, they are all administered through this system and you can go through and look at all the leaky bucket effects along the way.

Again I'm not arguing for becoming France, or having a direct public administration. What I'm saying is the system we have is not well understood. So it's the first obligation of civic education is to look at the world in order to know what it's like, look at your government to know what it's like. Most people got the memo about, you know, deficits; they just want somebody else to take care of it or not have their benefits cut.

But most people don't understand that this is in fact how their government works and their dissatisfaction with “government” and with “bureaucracy” is really more often – I mean, almost all of the major problems you've heard about, all the major scandals involving government performance, almost always it doesn't end here, the first link in the chain, the actual government bureaucrats, including by the way the state and local ones, it's always down the implementation chain.

And it's not because the bureaucrats were bad people and they don't want to do a good job. They're hemmed in, you know they operate under terms and conditions that are set for them by their political masters. And those political masters know – look at who do these grants and contracts go to? It's incremental, all you know the Republicans' friends get theirs, the Democrats' friends gets theirs. In and away we go and everybody's in on it. The nonprofit sector is in on it, right. The for-profit sector is in on it. State and local governments in on it, we're all in on it.

KRISTOL: I suppose one of the strongest arguments, to sort of reverse myself now, against it – so one can write a kind of Madisonian or maybe a Hayekian if you want defense of this as kind of not trying to over plan, and disperse authority and power, and that it's healthy because it's not France or Tocquevillian let's say you know. But it's not genuine decentralization. I think that's what struck me as the biggest – you could argue it's the worst of both worlds. It's not actual local control, it's not citizens meeting to decide on something. It's a sort of weird interlocking set of bureaucracies and contractors and no one's quite accountable to anyone because no one can quite see who's making any decision here.

But the customs of, the habits of heart, or so to speak, to use the Tocquevillian phrase, or the customs that grow up around it are not to have people taking control of their lives in states and localities or in the private sector even. It's people becoming supplicants to the next higher level of government, to be treated well by them, or to get the extra money for the grant for them. Am I right, is that –

DIJULIO: It turns everyone into either a dependent or a supplicant at one level or another. Sometimes a high class supplicant on K Street, you know a lawyer or a lobbyist. But it's perverse at its core. And it's, you know speaking of Mr. Madison you know, one of the things that at least the Senate is supposed to do right is to check and balance the delusions of the public. The notion that you can have all this government, all this spending, all these programs, all this activity and yet not somehow have to pay for it in real time, and yet not really have to be responsible for how it gets administrated.

How the human financial and organizational resources to translate policy into action get mobilized. It's farcical. I mean and it shows up, Bill, in ways that are profound and in some ways poignant.

You know in Philadelphia we have every, you know child in the country who gets a free or reduced price meal during the school year is entitled under federal law to getting the same meal in the summer. Okay. But there's literally in that case no implementation regime. That is to say the federal – it's an entitlement, but the federal government leaves it to states and localities to do it or not do it as they see fit. So in Philadelphia we're pretty good. We have a spectacular Department of Recreation and Parks. We have a pretty good state Department of Education and together they've been able to sort of run these programs in Pennsylvania to where in Philadelphia about half the kids who have this need get it.

But we have like 600 Play Streets and we have [the Salvation Army, everybody is involved. In other parts of the country, there's nothing. And so childhood hunger spikes, that's an implementation failure.

That's because nobody, when it's important to connect – and I'm not trying to resist as a big you know inequality issue. But let me tell you that when we want to connect the dots on this proxy system, and make sure that even if they trickle down with leaky bucket affects, the people who we want to get the benefits, or the politicians want to get the benefits get them, we do it.

When my mother, who died in 2010, good old South Philly lady would go on the bus to Atlantic City to the casinos you know with all the other, old Italian ladies, and you know I remember one day, for reasons I won't bore you with, I was with her. And on the bus comes this man and he's handing out things to all the old ladies. And it's about how you can get your Medicare Part D benefits, and do you know how to get them. And you know what. Well you know the political establishment wanted those people to get those benefits, and they were going to be sure that they knew, and if they couldn't figure out how to do it on the internet, they would have somebody call them, and in big letters.

So there's also certain inequities that build up in the system. Vulnerable populations, benefits that go to people who aren't in a position to advocate for themselves, who aren't up the food chain so to speak in this implementation group liberalism, interest group liberalism system we have, they get shafted. They get marginalized. Whereas you know classes of people you know like the elderly who vote a lot, or politically powerful people, they get benefited. But in the overall we all lose from it.

And if I may say a word about Mr. Madison?

KRISTOL: Please. Always happy to discuss Mr. Madison, Mr. Hamilton, any other of my favorite founders.

DIULIO: Absolutely. Well, you know I'm not going to tell you I talked to Madison last night because then you'd really think – But you know speaking of my late mother, you know in 1965, Bill, I got my first Holy Communion. And my mother never tired of showing people the picture of me in my Communion suit. I mean she said I was husky. That was quite a euphemism. But and I was pretty, I was okay in my Communion suit. But if I wore that Communion suit here today we'd probably have me arrested right? I mean I'd look like the Incredible Hulk or worse. Right? That's our system of government.

Up to about 1965 our system of separate institutions sharing powers, which was designed for a limited government, which was designed for a government, a national government, that did relatively few things and left most things to state and localities. Coming off The New Deal, but with the Great Society, it's the Great Society that began really this leviathan by proxy system, because it was easier to get the policies approved if you can say we're not going to increase the size of the federal bureaucracy. We may have to spend more money, right?

KRISTOL: Right.

DIULIO: But we're not going to have – you know we may run some deficits, but we're not going to going to increase the bureaucracy. Nobody wanted to do that, okay. Well what happens over time is we've broken out of this system and we're still wearing that suit.

This is a big government. And either you – and you may favor some or all of what it does. I favor most of what it does but we're not doing it right. We're not doing it right financially, and we're not doing it right administratively. And we're paying a pretty, pretty severe, pretty significant cost on both counts.

Our posterity is going to pay the bill for the former, you know for the debt financing. We right now are paying a cost for the failed administration. And we're going to continue to pay that cost unless we change the system. And I think we could. I mean I can tell you what we could do to change the system but I don't have any hope that it's going to happen.

KRISTOL: Well I want to get to that in a minute. But would you also, I mean it also seems to me like we're paying a cost politically in the sense of political legitimacy and political, I don't know what to say you know just the polity, in the sense that we're having, we don't feel like we have control over it. We don't feel that let's, "okay let's debate education policy, let's debate immigration." But instead of having a real debate about policy with real costs and real benefits and real tradeoffs and a real discussion of whether this policy would work or that one wouldn't or what we want. Everything gets sort of weirdly as you say sort of outsourced and confused, and then we scream we're very upset that some private company is, I suppose, making money as a contractor by providing beds for children at the border, you know who are separated from their parents. But that, presumably that company is not the problem right?

DIULIO: No.

KRISTOL: The problem is whatever, well what immigration policy do you want for people who come to the border with children or unaccompanied children who come to the border? I'm personally kind of liberal on immigration, so I'd probably want a different policy than people in the Trump administration. But that's a legitimate debate for a country to have.

But somehow everything gets diverted into a certain kind of both, kind of uninformed debate and I would say maybe more potential for demagoguery, because then you find some, you know with like Katrina. This guy did a horrible job of Katrina. Or this company is benefiting from I don't know, for-profit prisons or for-profit immigration facilities, instead of having a debate about, "Well what are the tradeoffs" and in each of these areas. We seem very, we seem to have many fewer substantive debates than we used to. Maybe that's my nostalgia, I don't know.

DIULIO: No, I think, I mean I haven't done the – I've seen some people who've tried to do the systematic analysis that would speak to that, be germane to that. I'm not so sure that they've dotted every I and crossed every T, but I have no doubt that what you just said is correct. And it's strange, at a time when we've never spent more, and at time when there's pretty interesting consensus about what the major problems are and where the lacks are. We're unable to do much about it because we, we're not having serious significant debates, honestly looking at the costs and benefits, and thinking about again you know ultimately no policy is self-executing. Ultimately you have to translate public laws and rules and regulations into action. And the action can be more or less humane and cost effective. I mean it's just that simple.

And you can do that in lots of different ways. There's no, there's nothing inherently wrong again with you know outsourcing. And so, I have absolutely nothing to say against "privatization." I just, you know I also have nothing to say against "world peace." We don't have it. It's not privatization when you run it through this system.

And the bureaucrats are holding the first link in the chain, but behind them holding the bureaucrats is a political class that in my estimation has become ever more cynical and ever less interested in governing. If I look at Congress today on these issues and terms, 25 years ago you had people who at least seriously debated these issues.

I mean say what you will about the Clinton/Gore reinventing government effort. I mean it was a pretty serious effort. And people like you know Senator Roth in Delaware and others, people debated these things. The Government Performance and Results Act of '93. I don't think you can find 28 people on Capitol Hill who would even care to think about these issues.

KRISTOL: I suppose it goes the other way in that respect. That is, once you have this government set up and functioning in this extremely complex way in which citizens are sensitive to A) not paying too much taxes, but B) getting their particular, understandably, getting their particular benefits or access to the programs that they feel they need and deserve, and have been told they were going to get, whether it's health care or education and so forth.

Everyone, yeah then if you show up as a new congressman or senator I think you quickly learn you probably don't want to raise taxes at the national level. You don't want to increase the size of government at the national level, but you really want to make sure that your constituents in this town get this, and this group gets that, and you have all these groups showing up in your office.

I'm really struck by talking to people on the Hill, how many, the interest groups that show up in their office are not all of the, one thinks more classically of it's the "oil industry, its business you know lobbying for better tariffs or tax break or subsidies." But actually a lot of them are the not for-profit sector. A lot of them are contractors, direct or indirect, and lobbying for "we want this designation in as a preferred provider in here, or practice that's covered here, because that will help us back there."

And so you end up with the kind of, I don't know, yeah it is – So I think the politicians learn the lesson there both, as you say they preside over the system where there's no kind of accountability, no clear tradeoffs. People don't behave as citizens, they behave, as you say, as supplicants.

DIULIO: Right, you know a good crash course in this, go back to what, Simpson-Bowles. Right, which again went nowhere but I thought was a pretty good, I actually thought was a pretty good report. I actually thought it was pretty honest, thoughtful, and even for its moment somewhat ambitious. Look who came out against it. Look at the arguments they made. The nonprofit networks coming out and saying "you know X number of people in the state of Y will be affected, could be affected by this and lose. Remind your congressman that you know this fraction of the folks in this city are in the nonprofits you know earn their living."

I mean that's okay, you can say at one level that's just they're advocating for themselves that's fine. But what we have is – The policies, if you are a proper guardian of the public weal, you're trying to look at this and what's in the common interest, the permanent and aggregate interests of the community, right. And you try to change something. You're serious about wanting to change something, the first people you're going to hear from are your proxies. You're going to hear from your state and local proxies, you're going to hear from your nonprofit proxies, and you're going to hear from your for-profit proxies.

And they are all, and by the way, all of them to one extent or one degree or another, are actively involved. I mean this is the other – I mean, I've had people say to me when the little book came out some years ago, "how do you talk about this without talking about campaign finance reform." I say well how you talk about this without talking about quantum mechanics. I mean everything is related to everything else. There are all these realities, but it's true that there is a rather insidious relationship to this, between this system of proxy, leviathan by proxy as I call it, and the explosion in the amount of money that gets poured into campaigns and the sources from which it comes.

It's basically to preserve, protect, and defend this system and to make it impossible for anyone, no matter what their party or ideology, to come in and really say, you know what, if we really want to do drug treatment well, if we really want to do summer meals well, if we really want to build a better, you know, bomber well and on time and on budget, there may be other ways of going about it.

And some of it may involve insourcing and some of it may involve outsourcing to different groups. But the system is really almost, I would say almost fossilized in a way. And yet all our attention is diverted to everything else.

KRISTOL: Now is this related to the sort of Mancur Olson, is that his name, the kind of interest group gridlock argument –

DIULIO: Yeah, it is, it is kind of.

KRISTOL: – of advanced societies?

DIULIO: It was Jonathan Rauch and *Demosclerosis* and all that. There was a lot to that. But I think what people have missed, the most fundamental thing people have missed, I mean public administration is boring. I admit it. I like it –

KRISTOL: I would never say that.

DIULIO: I never edited a journal, never wanted to, but if I did, I would call it the “Journal of Obvious Realities,” that would be my journal.

KRISTOL: That’s good. That’s a great Orwell line right, in this age, or is “the obligation of every person is to say the obvious,” you know.

DIULIO: Right. But you know the obvious thing is we have a government, you know which is a beautiful, wonderful creation that worked really well for the first hundred and fifty plus years, but was not intended to do the things we’re asking it to do, in the way we’re asking you to do it. And so we’re frustrated and upset. So every president, no matter who it is, is below 50 percent and Congress is at eight or nine or ten or twelve or fifteen percent approval.

And nobody likes anything, and everybody dislikes, and federal government is the number one problem, federal government itself is the number one problem and all this stuff. And yet when you ask people specifically right about particular government programs and benefits, with the exception of foreign aid, right.

KRISTOL: Right which everyone’s against.

DIULIO: Which is static, which is static in the machine, you can’t get people to say we want to spend less. And you can’t get people to say you know just to think of hiring enough bureaucrats full-time to bring us to where we were, the ratio of full-time bureaucrats to the American population in 1960 which should be about a million by the way over the next 25 years, you know fifty thousand year.

That, you know, that proposal is, you might as well walk the plank. It’s not going to happen. But if it doesn’t happen, you have the Social Security Administration imploding, imploding. The Internal Revenue Service, which is not a very popular agency, imploding. You have people retiring and not being replaced so that the people holding that first link in this long convoluted chain are becoming less and less capable, right. So the administration, the implementation failures are bound to and are, there’s evidence that they’re getting worse.

III: Toward Better Government (50:56 – 1:23:38)

KRISTOL: So I want to, that’s important, so I think I want come back to that, so that would give us more urgency than a sense of “well this was not working too well, but it’s statically not working too well.” And you’re saying that as things go on there’s more and more pressure, more and more strain.

But before we get – I think one way maybe of saying – the point we were at just a minute ago ,on the just we’ve combined dissatisfaction with the status quo, we’ve combined an increasingly entrenched and difficult to change and confusing and complicated status quo with increased dissatisfaction with the status quo. And then a failure to change it. And that can’t be a healthy thing.

So I mean maybe one instance of this, I don’t know if you’d agree, it just occurs to me as we talk, Trump gets 45 percent of the Republican primary vote in 2016 running against of course the establishment, the Party, the ‘drain the swamp’. Sanders gets 43 percent, I think it turned out to be, of the Democratic primary vote, running against his own party and his own party’s legacy, and against Bill Clinton and so forth.

It’s kind of strange, I mean it wasn’t, the country wasn’t falling apart in 2016. We’d had a slow but recovery from the financial crisis, we weren’t at war particularly, and so you’ve got a situation where

there's such dissatisfaction with the federal government, the parties, the political establishment, Washington, that people running – and I'm not even saying this judgmentally – but just running, analytically running against the parties and the establishment, get almost half the vote with these different kinds of populist appeals. I guess one could call it. And yet the system is very hard change, and in fact one of the wins, Trump, and has there been any change? I mean there's very little, right.

DIULIO: No, I mean I think if you go back all the way, really.

KRISTOL: And that's, I guess what I'd finally say is that seems intrinsically unhealthy.

DIULIO: It is unhealthy, yeah.

KRISTOL: It's unhealthy to have on the one hand grist for demagogues on left and right, if I could be permitted that appellation for Sanders and Trump, different kinds of demagogues, but grist for demagogues. But then also not actual reforms and improvements in the system. So it's sort of the worst of both worlds.

DIULIO: Go through and content analyze or read carefully, however you want to put it, the various planks and platforms of the two parties, and also what each of the candidates in '16 stood for. And look at the level of detail, or lack thereof, in their respective plans and proposals. You know it gets thinner and worse and thinner.

KRISTOL: Worse and worse, yeah.

DIULIO: And it's all, you know these, they're all sort of, it's all valence politics of a kind right, which is you know trying to attach themselves to universally approved conditions, and attach their opponents to universally disapproved conditions. So one universally approved condition is the federal government or the national government or the government is bad, the government is doing terrible things.

And that's, but that's been a winning claim all the way back to the late '60s and early '70s, with two exceptions and they were, they were back to back, Bill Clinton and George W. Bush. Neither of whom, I mean each of whom, and of course Clinton again the era of big government is over. But both of whom actually if you go back and look at what they said, and then look what they did when they were in office, really were deeply concerned about how to make things work better and cost less, to use the Clinton term.

And you know in my own experience with the Bush administration with you know faith based organizations in the White House office, people sometimes say to me, "You don't like proxies? I thought you wanted to give everything over to the churches and faith based." And my point is yeah, I do if they're better at it than the otherwise comparable proxies who are for-profit or non-profit secular. But not if they're not right. But I think they probably are in many cases.

But the, those two, those two presidents and those two administrations for 16 years kind of I think put their fingers and toes in the dike of a lot of this. They really did. And if you look at specifically what they did in procurement reform. President George W. Bush came in and they didn't continue in name with the National Performance Review. But President George W. Bush did a tremendous amount in the way of government modernization, government performance and results. I mean there was a real emphasis on that in the Bush, George W Bush administration as there was in the Clinton administration. Which also is why, by the way, the first faith based effort and contracting effort really was with Clinton, with Andrew Cuomo then at the Department of Housing and Urban Development. And that continues.

So that whole charitable choice, now you're talking about ancient history, but all that effort was really a focus, the focus on nonprofits and religious organizations, as a way of opening up the government contracting process, was part and parcel of a wider effort to get a handle on improving government performance.

But the Obama years, there were some good efforts on the part of the Office of Personnel Management. Shelly Metzenbaum I think did excellent job. But by and large, it's been a walk away. And now going on 12 years. And I think, and I think the evidence for that is everywhere you look.

KRISTOL: And why are you so worried about the near and medium term future, in terms of things getting worse. Why can't we just drift? I mean it's not healthy civically and it is problematic. But why couldn't we, why can't the status quo stay?

DIULIO: Yeah there's a lot of ruin in a nation, as has been said. And we're very affluent and successful nation, and we've had this problem for a long time and it hasn't proven fatal yet.

KRISTOL: Right. And when the Social Security checks really don't show up at the right address people will go crazy, and we'll hire another ten thousand people.

DIULIO: But I don't even say the day of reckoning is coming, I say the day of reckoning is here. We just don't hear about it. Nobody reads GAO reports right. But go and read the GAO reports. Look at what's happening within all – I mean from the Defense Department to the Social Security Administration, then down to the smaller agencies, the Department of Energy, which 90 percent of what it spends is spent on private contractors. The EPA, look at what's happening.

Look at the character of the workforce, as people retire, right? And national government, federal employment, you know it's also a question of – forget about attracting the best and the brightest, attracting people who are competent and caring, but who you know really, I mean it's not a very attractive thing for a lot of people, for many people to do, right? I mean even the public policy schools many of them eschew public service, right?

KRISTOL: It's amazing how small the percentage of graduates who go to government.

DIULIO: So what happens is we have real problems. The number of people who knew how to work the system, knew how to keep a handle on the down supply, the downstream of the implantation chain. There are fewer and fewer such people. And you're starting to see, stories are appearing here and there, little implosions, administrative implosions here.

I don't know that you're going to wake up one morning and it'll be the Hindenburg disaster or something. But you know it's death by a thousand cuts. It's being nibbled to death by ducks sort of. It's happening on the installment plan. And anybody who, people who study this their whole lives. I happen not to, I don't put myself in the category with the great Don Kettl or the great Paul Light, people who really know this stuff. Or the late Jim Wilson. But people who really study this stuff closely are very concerned. Because they see things and they hear things they haven't heard before about, from within the federal government, within the federal bureaucracies, within the federal agencies.

KRISTOL: Yeah that has a little bit of the ring of truth to me knowing, as I live in Washington, I'm friends with a number of people who've worked in federal government. Maybe this is just age bias, one always thinks one's peers are better than people who come after. But I do think in foreign policy a lot of people went into the federal government who cared about the U.S. role in the world, who wanted to defeat communism. Some of them went to the Defense Department, some of them went to the State Department, some of them went to intelligence agencies. They're all aging out now, basically, if they went in as career civil servants.

And in the domestic area, conversely, a lot of liberal, very intelligent young idealistic liberals went to work for the EPA and other such agencies in late '70s, early '80s, even if it was Reagan you know then Clinton got another wave of them in. Some of them, a lot of them are aging out. Again I'm sure I'm biased by my particular age cohort you know, but I do have the vague sense that maybe the people who came in 10 and 20 years later are not –

DIULIO: I mean and they're also less well trained. I mean this is the other thing. We had 30, 40 years you know government commissions reports, the Volcker Commission, the great Paul Volcker, one of my great heroes. The Volcker Commission report, we need to train them better, we need to do pre-service training, in-service training. We've gone the other way. We've gone the other, we've gone precisely the other way. And you know because everything is viewed as "a perk" or whatever. I mean training somebody on how to use the latest technology which will be cost saving is not a perk. It's training. They would do it at a good for-profit firm.

When you have federal government agencies trying to manage people who have technologies that they don't have, and are basically using organizational forms and formalities that they don't use because they're boxed in by the rules and the regulations that govern what they do, and they can't afford to buy the latest system, or they can't change the hiring protocols so as to attract people who do have these skills, rather than skills that were apropos and needed 15 years ago.

That's the problem. And it's a boring problem to talk about. Nobody cares, but you know it's showing up. And again it's not a good thing, it's not a healthy thing when you have the public –

Again, to me it comes down to the most fundamental aspect of this is do we want as much government as we have. Okay, do we want all this? Or how much of it do we want? what do we want? If you want it, okay how do you finance it? And how do you administer it?

You know, the Founding Fathers were pretty good at thinking through those kinds of questions, but they had a different answer to those questions than we do. And frankly you know all the way through the 19th and into the 20th century we had different answers. You know the New Deal had a different answer than the Great Society.

The Great Society was a different answer to that question. It was more. And Republicans fell in line behind Democrats. You know Ronald Reagan didn't advocate getting rid of Medicare. I mean he did, at one point he was opposed to it, but you know –

KRISTOL: Not by the time he became president.

DIULIO: No, by the time he became president, Social Security, Medicaid, Medicare wasn't creeping socialism, it was stuff to be protected and defended.

There's nobody on Capitol Hill who wants to have a serious, will have a serious discussion. If someone can say with any degree of credibility, pull out some nanosecond sound bite that you said something that you wanted to cut back these programs – But there's no discussion at all of how do we administer these programs? Again it's boring stuff, but it's really important stuff.

KRISTOL: I suppose one could say, well you know often the system doesn't react until there are real emergencies. New Deal came out of the Great Depression, obviously. So are you at all hopeful that we could be shocked into beginning to fix this system? Since you don't seem to think routine politics offers much hope.

DIULIO: No. I wish I could say yes, but if I said that I would be lying to you and Pollyannaish, and I'm often wrong but I'm never dishonest.

So if you had told me that in 2005, Katrina would happen as it did that we would learn from it what we did about what went wrong and why it went wrong, I would've said oh, oh boy. You know now that that's the wakeup call, I mean. Or if you had told me about 2012, 2013 I mean it was I think one of the saddest days for President Obama with whom I had a great deal of, who I thought was a pretty good president, really. But sad when he had to go and stand there and sort of apologize for the failure of the health exchanges, and the administrative debacle that it was. And it was you know, that was a massive, politically significant, I mean massively significant thing. And nothing really accomplished from that.

So I kind of, I don't know that the emergency or the crisis will do it. And if I were to tell you well but there is a new generation of thoughtful people and sort of – I'd like to believe that. But I don't see that either.

KRISTOL: I mean for me 9/11 might be an instance along these lines too. So you have this real catastrophe obviously. And out of it we get the Department of Homeland Security and TSA and everything, but doesn't that say something about a lack of seriousness.

DIULIO: Well, that may be the example. I mean so you know Katrina what didn't happen after it. The health exchanges, what didn't happen. Even the Veterans Hospitals, what hasn't happened since that. But 9/11 and Homeland Security may be the most depressing example because what does happen is first you have a debate about whether we need an Office of Homeland Security, you may recall, and there was a back and forth about that.

And then it was sort of politicized in the 2002 midterm elections and it was decided that there would be a Department of Homeland Security. The Department Homeland Security is simply cobbled together from 20 or so existing agencies, things are thrown together including FEMA by the way. And no design, no real thoughtfulness and within two years it has more contract employees than it has actual employees, full-time like full-time equivalents.

And that became a slight scandal, right. And I'm not saying that's it's not a good department now. I'm not saying that people, again the people who work for it are doing the best in most cases really something to be proud of, doing the best that they can. But they have too many missions, they have too many contractors, they have too many cross-cutting regulations and rules. I mean that example, you would have thought that we would have had the most rational, sane, mature response in creating this, you know this new Cabinet agency to protect the homeland. And we really didn't.

KRISTOL: And I'm struck in our conversation, you mentioned [James Q. Wilson](#), one of the great virtues of his political science was that it was about reality, it seemed to me, not fanciful accounts of things or how things could be. And of course the focus on bureaucracy which he had as a very young man, young political scientist, is indicative of that. I feel that may seem boring but he understood to be, well talk a little bit about maybe about Wilson and bureaucracy.

DIULIO: Jim Wilson, James Q Wilson loved the subject of bureaucracy. I think he loved it more than anything other than American government itself. And he loved reading about it, writing about it, teaching about it and he loved, he loved arguing about it. And we argued a lot about it.

And it just so happens that the only reason we're having this conversation, Bill, and I wrote that little book, was really Jim Wilson. Because as Jim got sick, and before he died, one of the things I had begun to write up a version of, well there are three sets of proxies, and here are the data and so forth. Of course he wanted the data, and he wanted to, you know – And he said to me, "You have to publish this," you know, which he rarely said to me that you have to publish this. So I actually published a version of it using somewhat different terms in *The National Interest* [sic] with our friend Yuval Levin.

And, but Jim said, "No, you've got to", he said, "this is really important."

KRISTOL: *National Affairs* right.

DIULIO: Yeah, *National Affairs*, sorry. And he said "this is really important." And he was fascinated by the American political development stories. How did we come to this was a puzzle for him that unfortunately he never had a chance to puzzle through. I'm sure we would know the answer if he had been able to. And then shortly before he died he actually, it was one of the more stunning and to me you know one of the most touching things. He asked, he said you know his book *Bureaucracy* 1989 by some accounts is probably, is the finest single, he thought his 1993 book *The Moral Sense* was his greatest work. And indeed it's a, it's a pretty good book, but *Bureaucracy* really was his sort of magnum opus and he asked me, he said would you think about rewriting this or updating this and so forth.

And I said to him it's like asking a guy who does finger painting to redo Michelangelo's David. No, I'm not. Under no circumstances. But he was very concerned that the field of political science not – just had walked away from public administration, traditional studies which Jim himself did not have a whole lot of you know regard for traditional public administration studies. But the field political science had sort of lost interest in, academics generally, in public administration. In the actual practice of public administration and how government works. You know bureaucracy is what government agencies do, and how they do it. You know he begins the book by saying it has neither theoretical nor practical significance. Of course it has both. And as you look, as I look at this problem now, I sometimes wonder what would Jim say, what would Jim do?

And I think he would be surprised that as you were intimating earlier, Bill, that sort of just the sheer accumulation of problems and so forth, if not some crisis, hasn't yet kind of you know shocked us into changing the system or giving it a serious look see.

KRISTOL: I want to maybe finally ask about both the politics in the near future, and then political science. On the political side, I don't know, I'm struck on the one hand in reaction to Trump there's been I think an honest as well as a kind of politically useful rediscovery of the virtues of institutional-ism and the importance of institutions, rule of law procedures. You see this particularly obviously in the more law enforcement, FBI you know, special prosecutor type issues.

But elsewhere too, you know, sort of great respect for the Defense Department because they don't simply do what, if Trump wakes up and tweets something they actually have processes in place that don't allow you to simply arbitrarily fire people or change procedures. You think that might lead to a sort of greater appreciation at least among liberals, I guess and maybe among some conservative critics of Trump, of a kind of the workings of government as opposed to simply denouncing government.

But I suppose maybe the counter argument is that it just leads to a kind of defense of the status quo. I mean, against Trump, which was fine as far as it goes.

DIJULIO: We're in a very, I, honestly I would be lying if I told you I had good coordinates for how to interpret the present. But I will tell you that we're in a very strange moment where you have Democrats who traditionally defend government agencies arguing as in the case of immigration, a case where they disagree with the administration's direction or policy, that we should get rid of a government agency and you have Republicans arguing for a government agency.

But in both cases, I think not out of the highest of motives, or the most serious of purposes. I think you know, it's been now I would say you know closing in on 10, 15 years we had a serious look at the size scope and operations of our national government, our intergovernmental governmental relations system. There's a wonderful book just published by Paul Volcker called Keeping At It where he talks about his career at the Fed and so forth but also talks a lot about public service, public administration and why it's so important to him and you know and his concerns about it. His concerns about the academy and how it's kind of walked away entirely including the public policy schools from you know the task of making government work better and cost less or thinking about that and so on.

And one of the things that you know that I was fortunate shortly after Mr. Volcker, Chairman Volcker's, ninetieth birthday to see him in New York and talk to him a little bit about this. And I asked him what, how he sees it, and how he sees it as just, he sees it as fixable, keeping at it. He sees it as something that you know, and you know he's been around, and he has a longer time series, he has more time series data than you or me. Not you and me put together, but then you and me. And he's still optimistic. You know he still believes it can turn around.

And you know I don't want to, again I don't want to say I believe that too. I'd like to believe that but I can't point to any particular path forward that I think is likely.

KRISTOL: And one problem, just to pick up I guess and clarify what I said earlier, to think about the – So the reaction to Trump, it seems to me among a lot of people is, and I've done this too, is to defend the

FBI, defend Justice Department norms, defend other such things, against this attempt to politicize and personalize everything. Which I think is the right thing to do, basically. But then you sort of do end up defending all these things that probably could use reform as well.

DIULIO: Right.

KRISTOL: But you can't really, it's hard to be both for defending them against a sort of somewhat authoritarian figure in the Oval Office, and say "but incidentally, we're going to reform them too." And I guess that the Democratic assault is just, I don't know what it will be on Trump exactly in this next year. But it doesn't look like there's a huge "reform of the federal government" agenda as part of it.

DIULIO: No, I mean I actually I think we're in a funny moment when nobody's paying much attention to the character and quality of the people who you know – bureaucracy is the hands and feet of democracy. I mean that's not the way bureaucracy is normally thought of. But you know you can pass the laws and put the ink on paper, and have the ribbon cutting ceremony in the Rose Garden.

But you know the morning after stuff has to begin to happen, or not. And we entrust these people and we vest them with a fair amount, but not enough in my view, discretion in order to figure out how to translate those rules and policies and programs into action. And the good news of all, from all this, and I know this, when this book came out I got sick, and I've had health issues since, but I went on some of these talk radio shows very briefly, and some of were libertarian, and "How can you say that? You know these bureaucrats –"

And I say, "Well all I can tell you is I am amazed by how well most people who work full-time for government, how they – I mean they may not be always the hardest chargers, and obviously nothing is perfect under the sun. But how they really in most cases do strive to do public service, serve the public in a way that is honest and effective and within the boundaries of their legal and regulatory authority to do the right thing. But also how frustrated they are."

I mean that's the thing that comes out in the surveys is people who work in these agency have never been more frustrated. And they're not frustrated about "I'm not making enough money, I'm not getting enough training." They're frustrated because they have been working at something for years. You know, they do know something about, how to know the difference between this contractor and that contractor. They do know something about better ways of addressing problems that they've mastered substantively, whatever the issue might be. And yet they're not duly empowered and of course they're far from duly appreciated.

KRISTOL: Yeah. And what about the political science world? Are things at all better or worse? I mean there was this old public administration which people like Jim Wilson were not huge fans of and somewhat rebelled against, I think I must say, and I think you're very much part of that too. But I don't know, are people studying and thinking creatively about this?

DIULIO: I think there are some really brilliant young political scientists, and by young I mean anybody under 45 or 50.

KRISTOL: Yeah, I'm with you.

DIULIO: Who are doing work that is relevant to bureaucracy. A lot of its higher order math and game theory type stuff, but it's meaningful, it's thoughtful stuff. And there's been, I wouldn't say an explosion of that but there's more of that in the last seven, eight, nine years than there was in the previous decade.

That's the good news. And the bad news is that no one – within political science, even back to our ancient history days – no one was going to get rewarded for writing detailed case studies, and that's it, of how to make a particular – the things that the Brookings Institution used to make people senior fellows for way back in the day – of how a particular agency works, and figuring out how to make it work better. So that was never the case.

But now the very notion of being problem-centered, and actually looking at government up close and personal, and doing things in a way that really in the end it's got to be some mix of, I mean it's got to be empirical research but with a strong ethnographic component that's, you know, I mean, you know that's journalism with footnotes maybe. It's not valued in the way it should be.

And people like the late great [Martha Derthick](#) at the University of Virginia. Martha, by the way, who I should have cited here earlier because it was Martha who basically crystallized this problem with respect to, you know, Congress and policy proclamation, not wanting to do taxes and not wanting to do a bureaucracy, and so finding any instrumentality it could lay its hands on that was not counted on the federal payroll, it was Martha who crystallized that in her writings on federalism.

Martha Derthick – and I saw her not too long before she passed away, at a conference at Montpelier actually, so what better place, Madison's pad. And she was saying to me basically like, and she's was a bit older than me. You know people aren't, you know young scholars aren't interested in these kinds of problems, and how to make government work better. And you know, there's not a lot of professional rewards left so, for it. But that could turn around.

KRISTOL: And it seems to me the public policy schools were invented partly to deal with this. I mean they were about public policy, they weren't going to be theoretically academic, or academically theoretical, the way political science departments have become. But I don't know, I don't, I'm not in close touch, but I don't have the sense that the public policy schools are, that's not really quite what they're doing.

DIULIO: Yeah, the centrifugal forces have overcome those centripetal ones that we're kind of focused on, public administration, management, leadership, you know wellbeing. Knowing your econometrics or knowing your economics for public decision making and knowing your data analysis or statistics but you know, and being conversant if not fluent in technical policy science type subject matters and techniques.

But being interested and engaged in actual, there's a lot of policy, like people arguing over which immigration policy is best you know, which crime policy, which welfare policy, which housing policy, which – there's a lot of that. But there's almost nothing that comes behind that with respect to, so let's assume I agree with you on –

KRISTOL: How would you set this up?

DIULIO: How do you do it? Back in '90, was it '94, I guess '95. When I was at Brookings running the Center for Public Management, which now has Dr. Elaine Kamarck, it's now the Center for Effective Public Management which means, which is why we went out of business, we were not effective.

KRISTOL: Apparently right.

DIULIO: But Elaine is spectacular at the Center for Effective Public Management there. Back in the day when Don Kettl and I started that in the mid-90s, our very first report was something called "Fine Print: the Contract with America and the Administrative Realities of American Federalism."

And we went through, all we all we did was we went through the Contract With America. And said "that's interesting, how could you implement this? That's interesting." Well we got a reaction, you know "the liberal Brookings Institution has attacked the new speaker." We didn't attack anybody. We just sort of lined it up. We did the same by the way with the Clinton/Gore health alliances and health care plan. We did the same exact thing. "Oh that's interesting. That will work in Washington state, it's not going to work anywhere else."

That kind of thing nobody, nobody does that kind of thing. And it's important that somebody do it. I'm trying through this partnership for effective public administration leadership at Penn to begin to sort of you know rally old curmudgeons like myself, and maybe some younger scholars, to focus on those kinds

of questions. And maybe be able to fund and reward them to do that sort of thing. We had some initial interest and success, but that's a steep boulder to push up that hill.

KRISTOL: And when you go back and look at *The Federalist Papers* they're pretty concerned about having the government be reasonably effective, actually you know.

DIULIO: Well, there's old Hamilton, right.

KRISTOL: *Federalist* what is it? Sixty – ?

DIULIO: The true test of a good government is a government well administered.

KRISTOL: Yeah.

DIULIO: But the stunning thing is when I would teach *The Federalist Papers* which I did for the better part of 30 plus years I would tell students you know pay attention obviously to the Federalist verses the Anti-Federalist and all that, but pay attention to how much interest and concern these gentlemen have with figuring out how things are going to work. You know there's a lot in it right. And you know we, you know we allied it all as sort of separate institutions sharing powers or checks. But you know the intricacy of it, it was about making something work.

And you know what. It worked, it didn't work perfectly but it worked and it worked for a long time in the history of regimes. It worked remarkably, for republics. But we made a decision in the mid-20th century that we didn't want to have it. I don't say we got together and all made it. But de facto political dynamics were such that Americans decided they wanted a much bigger government and now we have it.

KRISTOL: And we haven't rethought accordingly.

DIULIO: And we haven't, you know we're still wearing my Communion suit.

And you know some people say well that's why we need a parliamentary system. I say well you know gee I'm not sure of that – you know that alternative existed in you know 1789. I'm not sure what the answer is. But I know what the answer can't be. I mean this can persist at a cost. And maybe look, maybe we'll get to the point where something will happen in the way of, I hope not, a catastrophe or maybe the accumulation of things.

But what I really think more than anything else I wish that people, and I kind of at the end of this little book from 2014, I have two commentators, critics ones E.J. Dionne. The other is Charles Murray. So I get sort of two different points of view there. But what I think what both E.J. and Charles both appreciated was my real hope isn't any one of my particular prescriptions or hire a million federal bureaucrats. Is that people know what we have. Understand this system for what it is, right? That the first rudimentary requirement of democratic citizenship, right, is to know thy government, right, for what it is. And we don't. And maybe people will say "that's fine, I like it, it's cool. You know, no harm no foul."

Or maybe people will study and say, "what do you mean we have 12 million people but there's only 2 million on the books." Or maybe they want to go farther down the path of outsourcing, I don't know. But it's the not knowing, it's basically this near total disconnect between the system we still teach about in high school civics classes – And frankly, if I may just say, you mention political science. I was out at Stanford a couple of years ago and gave a lecture. I don't do much, with my health, do much traveling and stuff anymore but, and I talk to these administrative law professors. And this is true really for most of the law schools. You know people who teach administrative law are teaching administrative law for a nation that doesn't exist, and a regime that doesn't exist. It's as if it's a direct public administration regime. It's not, hasn't been for a long, long time. And yet most of their discussions and debates and – I said you know the reality of government by proxy, right? Most of stuff you guys are arguing about and fighting about has nothing to do with this.

So, you know so but in the end, Bill, enlightened statesmen will not always be at the helm. They were at one point. They knew it.

KRISTOL: We could use a few. We could use a few.

DIULIO: We could use a few right now.

KRISTOL: Yeah. The enlightened statesman could occasionally be at the helm. That would not be too much to ask for.

John DiIulio, thank you very much, for a really stimulating conversation.

DIULIO: Thank you Bill.

KRISTOL: And thank you for joining us on Conversations.

[END]