

# The Washington Times

## In big government, breaking up is always hard to do

*Bureaucrats know how to add programs, but not to subtract them*

By David Boaz  
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Those governments are engaged in far more disparate lines of work, and yet their executives never seem to downsize, spin off noncore [businesses](#), close down non-performing units, or split into smaller, more manageable entities. Do corporate executives know something that political officials don't?

[Hewlett-Packard](#) isn't alone. Two weeks ago, eBay announced it would spin off its PayPal division.

Lots of large [companies](#) have decided to split up because they have become too large and diverse to be managed efficiently. ITT and AT&T both did that in 1995. Viacom and CBS split in 2006, as did Time-Warner and AOL in 2008 and Rupert Murdoch's News Corp. in 2012.

However, this never seems to happen in government, which just keeps on growing and adding new programs.

One reason that government grows too big is what Milton and Rose Friedman called "the tyranny of the status quo." That is, when a new government program is proposed, it's often the subject of heated debate. (At least if we're talking about big programs, such as farm subsidies or Medicare. Plenty of smaller programs get slipped into the [budget](#) with little or no debate, and some of them get pretty big after a few years. "Emergency" measures, such as the Patriot Act of 2001 and the 2009 stimulus bill, may pass with little real deliberation.) Once it has passed, debate over the program virtually ceases.

After that, [Congress](#) just considers every year how much to increase its budget. There's no longer any debate about whether the program should exist. Reforms like zero-based budgeting and sunset laws are supposed to counter this problem, but they haven't had much effect.

When the [federal government](#) moved to shut down the Civil Aeronautics Board in 1979, it found that there were no guidelines for terminating a government agency. It just never happens. President Clinton's "reinventing government" project said, "The federal government seems

unable to abandon the obsolete. It knows how to add, but not to subtract.” You could search any president’s budget for a long time and not find a proposal to eliminate a program.

One [element](#) of the tyranny of the status quo is what Washingtonians call the Iron Triangle, which protects every agency and program. The Iron Triangle consists of the congressional committee or subcommittee that oversees the program, the bureaucrats who administer it, and the special interests that benefit from it. There’s a revolving door between these groups: A congressional staffer writes a regulation, then he goes over to the executive branch to administer it, then he moves to the private sector and makes big bucks lobbying his former colleagues on behalf of the regulated interest group. Or a corporate lobbyist makes contributions to members of [Congress](#) in order to get a new regulatory agency created, after which he’s appointed to the board of the agency — because who else understands the problem so well?

Corporations face a different test; namely, the bottom line, as decided by consumers. Companies that don’t constantly improve their ability to satisfy consumers will lose out in the marketplace. Particular products or divisions may fall out of favor. The incumbent management may be so flawed that a [board of directors](#) will decide to sell the division and let new management make changes.

Of course, companies sometimes merge or buy other companies as well. Managers constantly seek to find the best combination of resources to meet consumer demand. So far this year, companies around the world have made just over \$2 trillion worth of mergers and acquisitions. Meanwhile, they have also sold or spun off \$1.6 trillion worth of subsidiaries and [business](#) lines, according to The Wall Street Journal. Investors are getting more aggressive in demanding that firms “right-size” themselves, whether that means expanding, shrinking or rearranging their lines of business. Global markets are fast-paced, and managers are constantly challenged to keep up with changing consumer demand and improvements by competitors.

Very little of that happens in government, which just keeps on adding new projects — from retirement plans to child care to the Iraq war to the Transportation Security Administration to the Wall Street bailout to municipal golf courses — and hardly ever shuts them down. If corporate managers and [investors](#) with their own money at stake find that businesses can get too big to be run effectively, can it really be possible for [Congress](#) and 2 million federal bureaucrats to effectively manage a \$4 trillion government — to say nothing of a \$17 trillion economy?

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