



# **AFGE** Congressional Testimony

**STATEMENT BY**

**J. DAVID COX, SR.  
NATIONAL PRESIDENT  
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO**

**BEFORE THE**

**HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**

**ON**

**IMPROVING GOVERNMENT EFFICIENCY AND PERFORMANCE**

**JUNE 18, 2013**

American Federation of Government Employees, AFL-CIO  
80 F Street, NW, Washington, D.C. 20001 ★ (202) 737-8700 ★ [www.afge.org](http://www.afge.org)



Mr. Chairman and Members of the Committee: My name is J.David Cox, Sr. and I am the national president of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 670,000 federal and District of Columbia workers AFGE represents, I thank you for the opportunity to testify today on efforts to establish a so-called "Government Transformation Commission."

After reading the May 1, 2013 "white paper" prepared by the Government Transformation Initiative entitled "*Making the Federal Government More Economical, Efficient, and Effective*," my initial reaction was quite negative. I looked at the list of government contractors and contractor pressure groups that form GTI's coalition and its leadership, and noticed one name that has been associated with allegations of government inefficiency and ineffectiveness for decades, and wondered why he was at it again. But I was also awestruck at the audacity of someone who has spent the last five years fronting Wall Street billionaire Pete Peterson's<sup>1</sup> campaign to exploit the temporarily high deficits caused by the collapse of the housing bubble as an opportunity to cut and/or dismantle our nation's most popular and successful government programs, Social Security and Medicare. After doing as much as he could to undermine support for these popular, efficient, and important government programs, he now presents himself as the leader who can tell Congress what to do with all of government.

The record of the Peterson Foundation's campaign for fiscal austerity and social insurance cutbacks is quite relevant in evaluating GTI's proposals. The Foundation and its associated "*AstroTurf*" organizations such as Fix the Debt, the Can Kicks Back, and Comeback America – Keep America Great have all sought to impose extreme austerity on the government. The Foundation can take a lot of credit for the Budget Control Act and sequestration, which have succeeded in imposing terrible hardship on the unemployed, the poor, and federal employees suffering from pay freezes and furloughs and job cuts, while leaving the government's service contracts almost entirely untouched. But its intellectual arguments, projections, and analytic framework have all been utter failures.

The messages of these Peterson Foundation groups has been proven to be empirically wrong, logically wrong, and morally wrong. In contrast to their dire predictions and claims, there has been no increase in inflation, no crowding out of private investment, no increase in interest rates, and no difficulty in selling Treasury bonds. Nothing they predict occurs. They are never correct, yet they never admit error. Indeed, they repeat the Peterson Foundation trope in this white paper saying "...a "grand bargain" that includes budget controls, social

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<sup>1</sup> Pete Peterson Chairman was Commerce Secretary under President Nixon, and has served as CEO of Bell & Howell and Lehman Brothers. He is a co-founder of the private equity firm, the Blackstone Group.

insurance, tax, and other policy reforms is necessary...” even though not one element of that statement is true. Budget controls, by which they mean caps on domestic discretionary spending, are not necessary, especially when 12 million American citizens remain mired in long-term unemployment. Social insurance does not need “reform” that involves benefit reductions; because the private pension system has all but disappeared, Social Security needs to be expanded, not reduced. And lower taxes for corporations and the wealthy, which is what they mean by tax “reform”, should not be considered for a moment since the trickle-down arguments that justify them have proven to be empirically invalid again and again.

These purveyors of austerity and social insurance cutbacks like to insist that their motivation is the interest of future generations. However, the policies they push have left more children in poverty, left more parents unemployed and hopeless for their future, more schools without adequate numbers of teachers and other educational resources, cutbacks in Head Start, childcare assistance, and more. Excluding the children of the very rich, the only thing the next generation will thank the Peterson Foundation for is impoverishment, family breakdown, and missed opportunity.

Perhaps they have tired of the incessant effort to undermine Social Security and Medicare, given that 78% of Americans oppose raising the eligibility age, 77% understand that Social Security contributes nothing to the deficit and oppose cutting benefits as a way to reduce the deficit, and 70% say the economic crisis points up how important Social Security is.<sup>2</sup> You can call Social Security “unsustainable” seven ways ‘til Sunday and Americans continue to know better, no matter how many millions the Peterson Foundation spends to convince them otherwise.

So here comes the GTI, a coalition of government contractors, contractor pressure groups, and Peterson Foundation alumni presuming to tell the American people that what is necessary is to establish a committee of Seven Wise Men (and perhaps a woman or two) who will tell the legislative branch what to do with the executive branch. And because it is always wise to make at least a gesture toward democracy, they kindly permit Congress a small bit of time to vote the wisdom of these Wise Men up or down.

The white paper makes reference to President Reagan’s Grace Commission, President Clinton’s Reinventing Government, George W. Bush’s President’s Management Agenda, and President Obama’s Simpson-Bowles Commission.

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<sup>2</sup> [http://www.ncpssmfoundation.org/unh\\_poll\\_report.pdf](http://www.ncpssmfoundation.org/unh_poll_report.pdf).

The GTI also harkens back to the Hoover Commission, created by President Truman in 1947 and headed by Herbert Hoover. It leaves out reference to Mr. Walker's long-running colloquia on "Human Capital (sic)" while at GAO, the Commercial Activities Panel, or the new Volker Alliance, all of which aim for more or less the same corporatization and privatization of government.

When I use the term "corporatization" I mean efforts to remake the operations of government on the model of private firms: at will employment to replace the civil service, pay systems that differentiate by individual and reallocate salary dollars to the top at the expense of those in lower grades, and an ethos of fast and cheap and buyer beware. Importantly, there are two areas where these "reformers" diverge from the "best practices" of the private sector. One is in procurement. They would take away managers' flexibility to decide whether to "make or buy" and force outsourcing, regardless of risk, cost, or law, whenever possible. The second has to do with the recommendations of management consultants. Private firms are free to consider, accept, or reject the recommendations of management consultants. GTI would require federal agencies to implement the management consultants' suggestions, regardless of whether those with actual responsibility for outcomes consider the suggestions wise or foolish.

The federal government's outsourcing and privatization wave, which has enjoyed enthusiastic support and advocacy by all of these commissions and initiatives, speaks for itself. More than \$330 billion spent annually on service contracts, an uncounted and unaccountable shadow workforce that is not only larger and more costly than the federal workforce, but whose costs also grow annually by amounts that should give deficit hawks at least some pause. And now that the enormous, unjustified, and terribly harmful spending reductions these austerity peddlers sold to both Congress and the administration have gone into effect, the contractors have escaped almost unscathed.

When considering the GTI proposal, please note that the very same people who would appoint themselves to this new committee of Wise Men just a decade ago focused on marketing privatization and outsourcing as a means of creating a flexible, disposable, contingent government workforce. But low and behold, it turns out that only federal employees are flexible, disposable, and contingent. Only with the federal workforce do agencies have the flexibility to impose furloughs and Reductions in Force in response to sequestration. Service contract spending continues apace. If Edward Snowden hadn't made the newspapers last week, there would be no consideration of the \$6 billion given to Booz Allen Hamilton each year to perform functions that almost no one in either

the executive or legislative branch can describe. And Booz Allen Hamilton has many of the GTI coalition members to thank for that.

### **What Problem Would the Wise Men Solve?**

The authors of the white paper try to make the case that managers of executive branch agencies, including both political appointees and career civil servants, are incapable of prudent, “economical, efficient, effective and respected” stewardship of government. They want to “streamline government and reduce the regulatory burden on both business and individuals.” They acknowledge that the Office of Management and Budget and the Government Accountability Office and Inspectors General all come up with good ideas for improving government efficiency, but lament that Congress rarely enacts legislation that forces implementation. But there are good reasons Congress does not authorize implementation of every idea put forth as an efficiency enhancer. In particular, there has been some resistance to the notion when the policy is to strip federal employees of their collective bargaining rights, or to outsource and privatize anything deemed “commercial” or capable of performance by a government contractor. In short, because they so often conflict with the public’s interest in transparency, accountability and economy, lawmakers do not always rush to implement proposals that would impose a corporate agenda on government.

Government does not run perfectly. Neither does any private business. There are always challenges in government agencies, but in most cases, federal employees and agency managers make honest attempts to meet these challenges. There are those who ignore conflicts of interest and sign contracts to make their friends and associates wealthy at taxpayer expense. But there are far more who resist political pressure to steer lucrative contracts to those with strong political connections. Yet even without political interference on the question of which contractor should be awarded a particular contract, the pressure to contract out government work is pervasive. A preference for contracting out is built in to our budget practices. Funds available to spend on federal employees are subject to hard annual limits, while funds available to spend on contracts are uncapped and flow far more freely throughout the year.

### **The Real Answer to why Many Good Ideas are Never Implemented**

In 1980, President Reagan established within OMB the Office of Information and Regulatory Affairs (OIRA) pursuant to the enactment of the Paperwork Reduction Act, but it was not until 1993 when President Clinton issued Executive Order Number 12866 that regulatory “efficiency” came into full flower. The Executive Order put into place extraordinarily rigid and narrow cost-benefit standards that

make it all but impossible to establish any regulation that would promote the public good at some cost to private business. Proposed regulations promoting public health, clean water and air, fair trade, workplace standards, and product safety have all been rejected because they do not pass muster with this brainchild of earlier “efficiency” and business-oriented government reform initiatives. In 2007, President George W. Bush took this further and required that agency “guidance documents” also submit to OIRA’s severe cost-benefit analyses.

I can save the taxpayers all of the money the GTI would spend on itself by assuring them that I already know why many good ideas (ideas that do not involve contracting out more government work) from GAO and IGs and agency managers do not go forward. They run into the obstacle course at OIRA and if OIRA decides that they cost money, they die. That is the plain and simple answer to why good ideas often go nowhere. It is because they cost money, at least in the short run. And even if the proposed policy would produce results that are valuable, that increase efficiency (and lower long-run costs), or meet an important public need; if OIRA does not like it, the idea will not go into effect. OIRA is known as the place where good ideas go to die.

Assuming OIRA continues to exist, the only GTI suggestions apart from increased contracting out (which needs no OIRA approval) which will go into effect are suggestions that fall into the category of spending reductions. How convenient for the purveyors of austerity and increased outsourcing and privatization, but how damaging for those who value economy, transparency, and accountability in government.

### **Commissions, Fast-Track, Democracy, and the Role of Congress**

The authors seek to head off criticism by anticipating “frequently asked questions” and dispensing with them one by one. They insist they are not out to eliminate my members’ jobs, not using this as another of their notorious subterfuges for more program elimination and austerity, not usurping the role of Congress, GAO, Inspectors General, OMB, or C-level executives in agencies, and finally, not the same as all the commissions that have preceded them in recent years.

I am not convinced. I believe that a commission with the same individuals and the same corporate sponsors as previous commissions will produce the same sorts of recommendations that have been previously rejected. More important, I urge the committee to question whether the very same Wise Men who have been wrong on the deficit, wrong on interest rates, wrong on Social Security, wrong on

Medicare, wrong on privatization, wrong on outsourcing, wrong on tax policy, wrong on federal employee pay, wrong on federal retirement benefits, wrong on health care, wrong on civil service protections, wrong on government accounting standards, wrong on procurement generally, wrong on deregulation, wrong on almost everything they claim to understand will produce the right answers in this instance. As such, I urge the members of this committee to withhold support for this initiative.

Further, for believers in democracy and the democratic processes developed over decades of professional and apolitical management of government, the notion of investing so much power in the hands of seven unelected individuals should be offensive. GTI claims that its Council of Wise Men would be above politics, and would dispassionately analyze the government for efficiency, effectiveness, results-orientation, and redundancies. But we know that such assurances are nonsense. These are not Oxford Dons at the High Table, steeped in the wisdom of the great philosophers, able to decide important matters of state and how to achieve the good and just society. That is not what the Government Transformation Initiative's commission would be.

It would be politics behind closed doors, where the powerful reign supreme and the interests of the many are ignored. Commissioners would be lobbied intensely by special interests, including the corporate sponsors and coalition members with vested interests in the government's continued expansion of service contracting. And the only role for elected officials, those operating in the light of day and subject to accountability from a broader constituency, would be a quick thumbs up or down on a law that might completely remake our nation's government.

Further, we know that as in the past and in spite of the GTI's assurances, the commission's agenda will involve fewer rights for federal employees, fewer safeguards that protect the operation of government from political interference, more costly and unaccountable outsourcing and privatization, and a diminution in both quantity and quality of services provided to the public. The very same individuals who spearheaded the campaign to focus both political parties on austerity rather than job creation, and who designed the destructive fiscal policies that have created the ruinous spending caps and sequestration would assume the role of telling the government how to manage what's left.

One point cannot be emphasized strongly enough: Sequestration, furloughs, RIFs, pay freezes, spending caps, personnel ceilings, hiring freezes, and the across-the-board elimination of overtime and temporary and term positions are all the direct result of the successful campaign by Peterson Foundation

representatives to make Americans believe that deficit spending during a recession with persistent high unemployment was worse than high unemployment. And that the “solution” to deficit spending during a recession caused by the collapse of a housing bubble is to cut Social Security benefits. If you like that reasoning, then you’ll love the GTI commission’s ideas about how to make the government they underfunded more efficient.

### **Management Jargon vs. the Reality of Government Administration**

The “best practices in the private sector” standard is particularly dangerous. Private sector best practices are about profit maximization. They are inconsistent with the mission of many federal agencies to protect public health, provide assistance in times of food insecurity, homelessness, poverty and old age. They are not standards appropriate for law enforcement, data gathering, scientific research, national security, or the defense of civil rights or equal employment opportunities. Private sector best practices, as defined by business schools, are unlikely to include respecting employees’ rights to a voice at work through collective bargaining. Veterans’ preference in hiring and retention is not a private sector best practice, and neither is accommodation of workers with disabilities or service-related impairments.

Before Congress agrees to cede its role in deciding which agencies and programs to authorize and what level of funding it considers adequate for efficient and effective operation and delivery of services, I urge you to consider that there is nothing any commission could recommend that cannot also be accomplished through normal, democratic processes. Our regular legislative process allows bills that would eliminate duplicative government programs to be introduced, allows hearings held to solicit input from stakeholders and others with expertise, allows debate to occur among lawmakers, amendments to be offered and considered, and votes to be taken. *Who would choose an unelected commission of Seven Wise Men over this? The corporations for whom democratic processes are a nuisance and a bother.* With a commission they can control behind the scenes, they can get exactly what they want without the hassle of lobbying and manufacturing arguments fit for public consumption.

The most conspicuous of those manufactured arguments, in terms of government operations, have been those used to justify contracting out of government work. It has been argued that it saves money. It has been argued that it gives the government access to skills and talent that it would not otherwise be able to attract. It has been argued that it gives agencies flexibility that the federal workforce lacks, since it is so much easier to cancel or decide not to renew a contract than it is to terminate a federal employee. It has been argued

that contractor employees are smarter, work harder, and provide higher quality than boring old federal employees.

All these and more were argued by members of the congressionally-mandated Commercial Activities Panel, a mini-commission designed to facilitate the outsourcing of about half of the federal workforce. The Panel's findings in 2002 emphasized the "importance of competition and its central role in fostering economy, efficiency, high performance, and continuous performance improvement." It was assumed that subjecting work performed by federal employees to competition from private contractors would result in optimal performance no matter the outcome. Competition itself was the magic recipe that would create all the results that the GTI proponents promise from their deliberations. Contracting out was the answer to whatever question one might have. But that was more than a decade ago when the government spent \$120 billion a year on service contracts. Now that we spend \$320 billion a year, following the logic of the Panel, all of our problems should be solved many times over. But now contracting is the problem, and surely more contracting cannot be the answer.

### **GTI's Commission vs. Congressional Authority**

GTI's vision is to transfer to its unpaid commissioners much of the power that now rests in the legislative branch. In many cases, it would reduce Congress' role in authorization and appropriations to a simple vote – up or down – on whether to continue to authorize and appropriate the programs "selected" by the Wise Men. When deciding whether to support GTI's proposal, please consider whether the Committee on Veterans' Affairs wants to cede its authority to make decisions about which operations and programs should be authorized for veterans health care and benefits. Does the House Armed Services Committee want GTI to take over defense authorization, deciding what is duplicative, efficient, and effective? We could go on and on. The committees of jurisdiction could be forced to bow to the wisdom of unelected commissioners, aided by the private consultants of GTI, if Congress agrees to this proposal. What if a majority likes what they do with DoD, SSA, EPA, and Labor, but does not want to approve of everything they propose for Commerce, HUD, Education, or the Department of Homeland Security (DHS)? Even if GTI decides, *and it would be their decision*, to offer Congress agency-by-agency packages for approval, it still amounts to a profound usurpation of the role of Congress.

The federal government employs nurses in the Department of Veterans Affairs, the Department of Defense, the Bureau of Prisons, the Indian Health Service, at the National Institutes of Health (NIH) and at other agencies. Are these services

duplicative? A GTI management consultant with no concern whatsoever for outcomes or the impact on veterans, soldiers, inmates, Native Americans, or cancer patients could consider them redundant in order to secure a contract or show “savings” in year one. What if the merging of nursing functions in one, easy- to-contract-out agency was a relatively hidden, small element in the GTI package? Multiply this question times many thousands and you see why our system of government, that allows Congressional committees and their staffs to develop deep expertise in the minutia of agency operations, is a better alternative than a commission of Seven Wise Men who are so rich they can serve for three-year terms without pay.

## **Conclusion**

The GTI proposal for a seven-member commission to remake the executive branch according to the wisdom of private sector management consultants should be rejected by the committee. It is a profoundly undemocratic initiative that would minimize the role of elected officials and maximize the power of corporate special interests operating behind the scenes to advance their agenda of contracting out, reallocation of salary dollars away from middle and lower graded employees, a reduction in civil service protections and collective bargaining rights, and the constriction of government programs, services, agencies, and access. The winners would be the GTI coalition’s corporate sponsors and the losers would be Members of Congress, democratic processes, citizens without special access, and federal employees who work hard every day on behalf of the American people who depend upon them to deliver high quality services with integrity, efficiency, and a strong belief in the good government does on behalf of our nation.

## **J. David Cox**

*National President*

### **American Federation of Government Employees, AFL-CIO**



Jeffrey David Cox Sr. was elected National President at AFGE's 39th National Convention in Las Vegas. Cox was elected National Secretary-Treasurer of AFGE in August 2006 and was reelected by acclamation in August 2009. As Secretary-Treasurer, Cox focused on upgrading AFGE's use of technology as well as committing to make AFGE a "green" union. Building on the success of My Local, AFGE's online membership database, Cox led the union on the development of similar tools for bargaining councils (My Council). These tools assist council officers and national-vice presidents with monitoring membership and financial data. Cox spearheaded the union's online training programs for financial officers that include a comprehensive program for filing federal forms LM-3 and 990 EZ Tax forms. AFGE was the first labor union to provide a financial officer training course online. The training program also is accredited by the National Labor College.

As a nationally recognized labor leader, Cox was appointed by President Obama to serve on the Federal Salary Council and the Federal Prevailing Wage Council, which make recommendations to the president on pay and locality modifications. He is vice president of the North Carolina State AFL-CIO, a position he has held since 1993. Cox also was unanimously elected chairman of the Executive Committee of the Department for Professional Employees (DPE), AFL-CIO which serves as an advocate for professional workers within the AFL-CIO and before legislative bodies, the media and the public.

Cox is known for his passion for organizing. Since Cox was first elected to national office, AFGE has boosted membership by more than 52,000 members and has increased the union's political clout by expanding the size and scope of the union's political action committee and its legislative action fund.

Prior to serving as NST, Cox served more than 11 years as first executive vice president of the AFGE National Veterans Affairs (VA) Council and 18 years as president of Local 1738, which encompasses several North Carolina VA facilities in Salisbury, Winston-Salem, Charlotte, Fayetteville and Durham. He also served as co-chair of the VA National Partnership Council. He is currently vice co-Chair of the AFL-CIO's Union Veterans Council, which seeks to help veterans with employment opportunities through the VA and in the building trades.

Cox began his private sector career in health care in 1970 as a food service worker, progressing to nursing assistant and licensed practical nurse in 1972. In 1983, Cox became a registered nurse and started a public sector career with the VA that lasted until September 2006 when he became AFGE secretary-treasurer. A native of North Carolina, Cox is a graduate of North Carolina's Rowan-Cabarrus Community College and a former member of

its board of trustees. He also attended Gardner Webb University in Boiling Springs, N.C. Cox and his wife Lynn, a VA appeals management center employee, have two adult children, Jeff and John. John currently serves as President of United Transportation Workers Union Local 783 in Linwood, NC.

**Committee on Oversight and Government Reform  
Witness Disclosure Requirement – “Truth in Testimony”  
Required by House Rule XI, Clause 2(g)(5)**

Name: **J. David Cox, Sr.**

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1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

**N/A**

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

**American Federation of Government Employees, AFL-CIO. I serve as the elected National President.**

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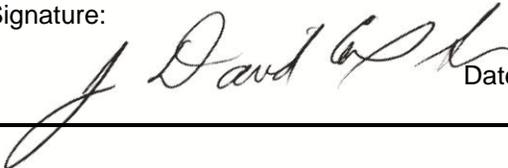
3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

**N/A**

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*I certify that the above information is true and correct.*

Signature:



Date: June 14, 2013

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