Executive Reorganization
Six Lessons from the 1970s

By Harrison Wellford, Jitinder Kohli, and James Hairston June 2011

Introduction and summary

In his January State of the Union speech, President Barack Obama promised to reorganize the executive branch. He said the last major restructuring was in the “days of black and white television,” referring to Carter’s successful reorganization of federal agencies. The Center for American Progress joined Harrison Wellford, who led the Carter administration’s reorganization effort, to pinpoint key lessons the Obama administration should heed as it develops its detailed proposal.

White House officials are scheduled this week to present the president with recommendations for reorganizing the executive branch to better promote a more competitive America. The idea is not new. Presidential aides in 1978 proposed the formation of a “Department of Trade, Technology and Industry.”

That idea was never enacted, but the administration of then-President Jimmy Carter did oversee a large-scale and successful reorganization of government with the formation of the departments of energy and education, and comprehensive civil service reform.

Reorganizing government agencies is not for the faint of heart. Like reducing the deficit, everyone is in favor of it in the abstract, but its allure fades when presidents confront the winners and losers of change. The iron law of reorganization is that the intensity of a stakeholder’s interest is often inversely proportional to the size of the stake at risk. No unit of government is so obscure or redundant that an agency head or member of Congress will not stoop to defend it. Structural reorganizations, in which agencies are eliminated or shifted on an organizational chart, are especially difficult.

1 Harrison Wellford, now chief executive officer of Wellford Energy Group in Washington, D.C., was executive associate director of the Office of Management and Budget and led the President’s Reorganization Project under Jimmy Carter.

2 On March 11, 2011, President Barack Obama issued a presidential memorandum directing that “Within 90 days from the date of this memorandum, the Chief Performance Officer shall submit recommendations to me for presidential and, ultimately, congressional action to restructure and streamline Federal Government programs focused on trade and competitiveness.” The 90 day deadline expires today.
The last president to undertake a reorganization of the type Obama is contemplating was Carter, who campaigned on the promise of cleaning up Washington. Part of his pledge was to conduct a comprehensive reorganization of the executive branch similar to the one he did as Georgia’s governor from 1971 to 1975. Carter’s “Presidential Reorganization Project” was successful.

The Department of Energy Organization Act of 1977 created the Department of Energy by bringing together the Atomic Energy Commission, the Federal Power Commission, and energy programs from the departments of agriculture and the interior. Two years later, Carter’s proposal to form a new Department of Education was enacted by Congress. Lawmakers also agreed to 10 smaller reorganization plans, covering civil rights enforcement, disaster assistance, and nuclear power regulation, among other areas. Carter also oversaw major civil service reform including the creation of the Senior Executive Service.

President Obama has made a similar promise to reorganize government, saying “We can’t win the future with a government of the past.” In March he tasked Jeffrey Zients, the U.S. Chief Performance Officer, with developing specific proposals for reorganization focused on trade and competitiveness. Specific recommendations are due to the president this week.

As the Obama administration shifts gear from developing proposals to getting them enacted and implemented, the president should take account of six lessons from the Carter era:

• **Be crystal clear about reorganization’s goals.** The more concrete and policy-related the better.
• **Don’t underestimate the political capital required of the president.** He must also be prepared to invest his personal time to achieve a successful reorganization.
• **Be ready for the war within.** The president must spend as much time selling his plan internally as he does to outside groups. Cabinet members and agency heads care deeply about turf and will fight hard to defend it.
• **Be ready for the war on the Hill.** Reorganizations can only be enacted by Congress. Resistance is vehement especially among lawmakers whose power base is threatened as committee boundaries change.
• **Enlist external allies and understand foes.** Key trade organizations, interest groups, governors, and mayors with a stake must be identified and brought on board, to preempt opposition to the president’s plan.
• **Reorganization requires organization.** There is more to reorganization than the politics. They are major organizational change projects and require a skilled team to lead them.

There is one overarching truth of reorganization that underlies these recommendations: Reorganization must follow policy—not vice versa. Shuffling boxes on an org chart is not a substitute for policy reform. On the other hand, a badly organized government can hold back implementation of good policy.
In the December CAP report “A Focus on Competitiveness,” John Podesta, Sarah Wartell, and Jitinder Kohli argued that the current fragmentation of responsibility for competitiveness policy made it difficult for the federal government to successfully implement policies to promote our future prosperity. We believe a better policy framework is needed and that government needs to be better organized to implement it.

The president’s reorganization initiative could set the stage for that new framework, and heeding lessons from the Carter era will improve its chances of success.

Six lessons from the Carter era

Here are six broad lessons from the Carter era that the Obama reorganization team should keep in mind as it attempts to implement its own major restructuring of the executive branch.

Be crystal clear about reorganization’s goals

A successful reorganization requires the president to set out a compelling case for change. Carter campaigned on the need to make government more efficient, responsive, and accountable—and he relied on his track record as governor of Georgia, where he had led a wholesale restructuring of the state’s executive branch. Each reorganization proposal from the Carter team specified detailed objectives in cost savings, accountability, openness, and execution.

During the campaign, Carter promised the American people that if elected he would reduce the number of government agencies and committees from nearly 2,000 to 200. While the promise to cut the number of agencies was compelling campaign rhetoric, the White House realized after the election that it tied the president to a questionable metric of success, so it was quietly abandoned after the first 100 days. Instead, the White House saw eliminating agencies or overlapping functions as a means towards better government, not an end.

To make a successful case for reorganization, the president has to convincingly answer three questions:

- Why is reorganization necessary right now?
- What does reorganization seek to achieve?
- What will be the metrics of success?

Having a clear policy agenda for supporters to rally behind—be it competitiveness, job creation, deficit reduction, or improving government performance—is essential to the success of reorganization. In the current political and economic climate, the administration will want to frame the benefits of reorganization as saving money, creating jobs, or both.
Don’t underestimate the political capital required of the president

Reorganization took up an enormous amount of Carter’s political capital. Of the four major reorganization proposals the Carter administration developed, only two were enacted. A more streamlined department for economic policy never emerged and a proposed Department for Natural Resources fell away as the president found he needed to use his political capital to defend his education proposals, which had run into difficulties. Even a 50 percent success rate required significant political capital from the White House.

Acutely aware of this, Carter’s team looked for ways to reduce the political capital needed. They advised him to adopt a “multiple option strategy” with lots of different reforms pursued simultaneously. This allowed Carter to make a personal push for specific proposals when and where the political terrain was most favorable. It also made it hard for opponents to unite against a single big reform, because there were literally dozens of proposals at different stages of development.

Reorganization was also disproportionately demanding of Carter’s personal attention. He spent considerable time talking to senators and congressmen. And within the administration, the reorganization project required Carter to arbitrate on differences of view between agencies, lead numerous cabinet discussions, and steer the team on key decisions including tactics for the Hill. The reorganization team sent Carter dozens of decision memos—each of which he read and annotated in detail.

Be ready for the war within

In his first address to Congress on December 3, 1929, president Herbert Hoover said of reorganization:

“This subject has been under consideration for over 20 years…. But the presentation of any specific plan at once enlivens opposition from every official whose authority may be curtailed or who fears his position is imperiled by such a result.”

He was right. Reorganization does to the president’s official family—the Cabinet—what an estate settlement sometimes does to a private family. It turns them into a pack of grasping, snarling canines. They will literally do anything they can to defend their interests.

Any assumption that agency heads will be “loyal” to the president once his proposals are released is incorrect. Instead, Carter found they would lobby for their agencies inside and outside of government. The Commerce Department was threatened with reductions in its responsibilities, and so its staff went to the Hill and told key congressional staff that their subcommittees would lose power. They went to the Chamber of Commerce and got them to write letters. Agriculture did not want to lose the Forestry Service, so it recruited environmentalists to oppose a new Natural Resources Department.
During the reorganization process, territoriality trumps loyalty. Agency memoranda addressed directly to Carter reveal several "defenses" that are just as likely to appear today:

• **The bad seed (or Typhoid Mary) defense:** Take a unit from us if you must, but we’re so bad we’ll contaminate everything we touch. This line was deployed by defenders of the old Department of Commerce, which opposed a new Department of Trade, Technology and Industry.

• **The counterimperialism defense:** If you take a bite out of us, you must take a bigger bite out of someone else and give it to us. Joe Califano, Carter’s secretary of Health, Education, and Welfare, used this defense in response to the proposal to remove education from his purview. In response, he insisted that nutrition and food programs should be taken out of the Department of Agriculture and transferred to him.

• **Grant wars:** Agencies during the Carter era threatened to use grants to reward or punish interest groups who have taken sides in the reorganization struggle. This defense was employed by the Department of Housing and Urban Development in response to pressure to reorganize community and urban development.

Simply proposing structural change can be a powerful engine of reform.

The Carter team found that often an agency would make improvements to demonstrate that structural reform was not necessary. Even rumors of possible changes could be enough to transform performance. One rumor was that the reorganization team had proposed shifting the Coast Guard from the Transportation to Treasury because they gave a low priority to stopping drug smuggling. Within weeks of the rumor drug seizures by the Coast Guard reached record highs. (That was a significant achievement considering the rumors weren’t even true.)

Similarly, when Treasury’s Border Patrol learned that it might be combined with the Immigration and Naturalization Service at the Justice Department, the interdiction of illegal aliens in Texas and California suddenly increased.

**Be ready for the war on the Hill**

The success or failure of reorganization ultimately lies on Capitol Hill. That’s because restructuring the federal government requires congressional approval. And any significant changes in the executive branch impact on the thing that matters most to members of Congress: Their own power. Changes to the boundaries of agencies inevitably mean changes to the boundaries of congressional committees. Take a major bureau or program out of an agency and you may significantly reduce the power of a congressional committee.
An excellent Hill strategy, therefore, is essential to any successful reorganization. Carter’s reorganization team decided that it couldn’t rely on the White House’s overworked legislative affairs team to lead on congressional relations. Instead, they asked for and got the right to set up their own legislative affairs team loosely coordinated by the White House.

Presidents need influential champions in Congress to build support for change. These champions can speak directly to senators and congressmen about why reorganization will be beneficial. They can negotiate necessary changes to ensure that the proposals garner the necessary support. In reality, a reorganization proposal will require significant bipartisan support to pass, and proponents on the Hill are more likely to marshal bipartisan support than will the White House.

Two figures on the Hill were pivotal to the 1970s reorganization: Sen. Abraham Ribicoff (D-CT), chairman of Senate Government Affairs Committee, and Rep. Jack Brooks (D-TX), chairman of House Government Operations Committee. Both embraced and championed reorganization, and worked to shape proposals as they proceeded through Congress. They came to “own” the reorganization proposals, and played a crucial role in selling them to their colleagues shaping compromises on the Hill. While there were often disagreements between the lawmakers and Carter, all three were committed to successfully reorganizing government to improve its effectiveness.

The Carter administration soon worked out that it was unlikely to win over those committee chairs who stood to lose considerable power as a result of reorganization. That these members were Democrats made little difference; they just couldn’t see past the impact on their personal power base. Carter’s team therefore felt they needed to win over everyone in Congress whose power was not likely to be curtailed. In the late 1970s, that meant getting a lot of Republicans on board.

Enlist external allies and understand foes

The support of external allies is crucial to overcome the loud voices of resistance to change. Congress, lobbyists, and external organizations will resist even modest changes to agencies or their programs. The smallest programs or bureaus will often have the staunchest defenders. Threatened with the loss, absorption, marginalization, or relocation of programs or bureaus, these groups come out of the woodwork and mobilize to fight reform. Understanding the perspectives of these stakeholders early and having a strategy for managing them is essential.

The administration needs a detailed map of stakeholder views early on in the process. Carter’s team worked out which agencies, interest groups, and congressmen would be most resistant—and which ones could be won over. Armed with this information, they were able to craft and revise proposals to maximize their chances of success.
They spent months in meetings with academics, interest groups, unions, nongovernmental organizations, businesses, and other external stakeholders to garner support for change, or at least understand the basis for resistance.

Even when the administration had watered down significantly its original plan to build a Department of Trade, Technology and Industry, and replaced it with proposals for smaller scale changes to the commerce and trade agencies, resistance was fierce and there was an alternative plan floating around on the Hill. So the Carter team went to all the major business groups to get their views. Ultimately, they persuaded the Business Roundtable and the Emergency Committee on American Trade, an influential group of 140 multinationals, to publicly advocate for the administration's plan.

There’s no guarantee that all consultations with groups outside of government will be successful or even civil. Harrison Wellford, head of the president’s reorganization team, received anonymous harassing calls at home soon after meeting with officials of a federal worker’s union. Separately, when Wellford testified in support of the elimination of an obscure agency called the Battle Monuments Commission, an oversight subcommittee member replied: “Mr. Wellford, we may have to make a battle monument out of you.”

Cataloging and empowering external stakeholders who can champion reform is an essential undertaking. Their support is critical to convincing the American public and detractors throughout government that the time is right for reorganization.

Reorganization requires organization

Successful reorganization is about more than getting proposals through Congress. The implementation stage is equally challenging—and the project team needs to think about that phase as proposals are being developed.

Mapping out and timetabling implementation is the first step. Congress will make significant changes to the president’s proposals, and the project manager needs to ensure that changes that make the plan impossible to implement are resisted.

Affected agencies also need leaders who are also skilled at managing change. The period before reorganization plans are enacted will involve significant uncertainty. The White House should bring in agency heads with the necessary skills to maintain morale and performance in their organizations, while debates about an agency’s future take place on the Hill and in the media.

That won’t be easy. Political appointees, with an average tenure of 19 months, have little incentive to dig into and “own” the execution details of a reorganization that will only bear fruit long after they have gone. Most would rather spend their time either defending their agency against change, or tackling highly visible crisis management. The White House should look to make appointments that buck this norm wherever possible.
Once reorganization legislation has been passed, agency heads have a crucial role ensuring that new agencies have a clear sense of purpose in order to fulfill their mission. Otherwise, there is a risk that years after creation, new agencies are no more than holding companies with the cultural traits and inefficiencies of their various predecessors. They also need to ensure that information technology, human resources, and other support units come together coherently in any newly formed structure.

The rushed creation of the Department of Homeland Security in the aftermath of the September 11 attacks is a good cautionary tale. In the wake of FEMA’s blundering response to Hurricane Katrina in 2005, The Washington Post reported:

“Nearly three years after it was created in the largest government reorganization since the Department of Defense, DHS does have a story, but so far it is one of haphazard design, bureaucratic warfare, and unfulfilled promises. The department’s first significant test—its response to Hurricane Katrina in August—exposed a troubled organization where preparedness was more slogan than mission.”

Done badly, reorganization can do a disservice to the American public. Careful planning, strong leadership, and a mission-driven approach to reform can help ensure that reorganization accomplishes real improvements in the working of government.

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**Conclusion**

The Obama administration has done considerable work in recent months to develop its reorganization proposals. But the development of detailed recommendations is just the beginning. The coming months will require an acceleration of effort if these proposals are to be realized.

The White House should take heed of the above six lessons from the age of black and white television. Successful executive branch reorganization is difficult—and it may be more difficult today than it was in the 1970s. That’s because at that time there was greater acceptance of the need to reorganize government for effectiveness.

Congress had granted the presidency so-called reorganization authority, which meant that most minor changes could be enacted without full legislation. If Congress didn’t object over a 90-day period, changes went into effect. Even though Carter’s reorganization authority could not be used to form new departments, it indicated Congress’s acceptance of the need for restructuring.

Despite the difficulties today, it’s important to pursue proposals that bring government into the modern age. Three decades after Carter’s reforms, the time is right for another reorganization to modernize the federal government.
About the authors

**Harrison Wellford** is chief executive officer of Wellford Energy Group, a firm specializing in finance for clean energy. He retired as a partner at Latham & Watkins in 2006 where he was chairman of the energy and international practice. In 2008, he advised then-Sen. Barack Obama on White House organization and strategic planning for the presidential transition during the pre-election period and served as transition advisor after the election. In 2004, he chaired presidential nominee John Kerry’s pre-election transition taskforce responsible for organizing the transition of the White House Staff and the Executive Office of the President. At the White House from 1977 to 1981, Wellford was executive associate director of the Office of Management and Budget, the top managerial policy job in the executive branch. In this role, he led the government reorganization and reform work for the Carter administration.

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doing what works

CAP’s Doing What Works project promotes government reform to efficiently allocate scarce resources and achieve greater results for the American people. This project specifically has three key objectives:

- Eliminating or redesigning misguided spending programs and tax expenditures, focused on priority areas such as health care, energy, and education
- Boosting government productivity by streamlining management and strengthening operations in the areas of human resources, information technology, and procurement
- Building a foundation for smarter decision-making by enhancing transparency and performance measurement and evaluation