

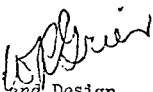
# Memo of the Month

## MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
SOCIAL AND REHABILITATION SERVICE

TO : SRS EXECUTIVE STAFF

DATE: May 23, 1974

FROM : W. R. Grier, Acting Director   
Division of Systems Analysis and Design

SUBJECT: Communication with DSAD Staff

All communications to this staff will be in writing through me.

The members of this staff have been instructed not to have any communication with anybody in SRS except at their discretion.

Any commitments by them will be in writing directed to me.

# Flim-Flam, Double-Talk, and Hustle: The Consulting Industry

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by Daniel Guttman and Barry Willner

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In the past two decades the federal budget has increased from \$70 billion to nearly \$370 billion. Popular wisdom to the contrary, the number of full-time federal civil servants has remained relatively constant. How does the government manage?

A large part of the answer lies in the growth of an invisible bureaucracy of private corporations whose services are contracted for by the official bureaucracy. In 1946 the largest single portion of the federal administrative budget—30 per cent—was spent on the civil service payroll. By 1966 34 per cent of the administrative budget was spent on contractors and only 22 per cent on full-time government employees. Today it takes almost 80,000 full-time employees to administer the nearly \$60 billion annually spent on

contractors and the more than \$50 billion given in grants to state and local governments and nonprofit organizations such as universities.

The grant and contract budget pays not only for costly weapons systems and high-technology equipment but for an incredible array of hardware and services—food and fuel, paper and paint, construction and repair work, guard services, and trash collection. A smaller but significant amount purchases managerial or planning “expertise.” In most cases the government buys such expertise from private corporations that stock experts as if they were assembly-line commodities. Private expertise not only helps plan and manage the over \$100 billion spent on grants and contracts, but virtually every other kind of federal spending as well. Moreover, by writing and administering federal rules and regulations, the experts exercise the kind of profound and continuing influence that has no ready monetary measure.

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*Daniel Guttman and Barry Willner are authors of The Shadow Government from which this article has been adapted. The book will be published in March by Pantheon. Copyright ©1976 by Center for the Study of Responsive Law.*