

Outsourcing Government

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"We didn't want to get stuck with a lemon." That's what Homeland Security Secretary Michael Chertoff said to a House committee last month. He was referring to the "virtual fence" planned for the U.S. borders with Mexico and Canada. If the entire project goes as badly as the 28-mile prototype, it could turn out to be one of the most expensive lemons in history, projected to cost \$8 billion by 2011.

Boeing, the company that landed the contract -- the largest ever awarded by the Department of Homeland Security -- announced this week that it will finally test the fence after months of delay due to computer problems. Heavy rains have confused its remote-controlled cameras and radar, and the sensors can't tell the difference between moving people, grazing cows or rustling bushes.

But this debacle points to more than faulty technology. It exposes the faulty logic of the Bush administration's vision of a hollowed-out government run everywhere possible by private contractors.

According to this radical vision, contractors treat the state as an ATM, withdrawing massive contracts to perform core functions like securing borders and interrogating prisoners, and making deposits in the form of campaign contributions. As President Bush's former budget director, Mitch Daniels, put it: "The general idea -- that the business of government is not to provide services but to make sure that they are provided -- seems self-evident to me."

The flip side of the Daniels directive is that the public sector is rapidly losing the ability to fulfill its most basic responsibilities -- and nowhere more so than in the Department of Homeland Security, which, as a Bush creation, has followed the ATM model since its inception.

For instance, when the controversial border project was launched, the department admitted that it had no idea how to secure the borders and, furthermore, didn't think it was its job to figure it out. Homeland Security's deputy secretary told a group of contractors that "this is an unusual invitation. ... We're asking you to come back and tell us how to do our business."

Private companies would not only perform the work, they would identify what work needed to be done, write their own work orders, implement them and oversee them. All the department had to do was sign the checks.

And as one former top Homeland Security official put it: "If it doesn't come from industry, we are not going to be able to get it."

Put simply, if any given job can't be outsourced, it can't be done.

This philosophy, so central to the Bush years, explains statistics like this one: In 2003, the U.S. government handed out 3,512 contracts to companies to perform domestic security functions, from bomb detection to data mining. In the 22-month period ending in August 2006, the Homeland Security Department had issued more than 115,000 security-related contracts.

If government is now an ATM, perhaps the war on terror is best understood not as a war but as a sprawling new economy, one based on continued disaster and instability. In this economy, the Bush team doesn't run the venture exactly; rather, it plays the role of deep-pocketed venture capitalist, always on the lookout for new security start-ups (overwhelmingly headed by former employees of the Pentagon and Homeland Security). Roger Novak, whose firm invests in homeland security companies, explains it like this: "Every fund is seeing how big the [government] trough is and asking, how do I get a piece of that action?"

The Boeing border contract is just one piece of that action. Another, of course, is the security contractor boom in Iraq, currently starring Blackwater USA.

Last month, when the Iraqi government accused Blackwater guards of massacring civilians in Baghdad, it became clear that the U.S. Embassy had no intention of severing ties with Blackwater because it could not function without it.

Perhaps that's why that same bureau rushed to respond to the Iraqi government's allegations in the September shooting with a "spot report" of its own: that Blackwater guards had come under attack and had responded accordingly. Days later, it emerged that an embassy contractor wrote the report -- a contractor who worked for Blackwater. The administration then sent in the FBI to investigate the shootings. Yet it quickly emerged that the FBI investigators could well be guarded by Blackwater. The FBI announced that other arrangements would be made -- but this was an exception.

And remember Hurricane Katrina, when contractors -- including Blackwater -- descended on New Orleans? FEMA was already so hollowed-out by then that it had to hire a contractor to help manage all the contractors. And with all the controversies, the Army recently decided it needed to update its manual for dealing with contractors -- giving the job of drafting the new policy to one of its major contractors.

It still looks like a government -- with impressive buildings, presidential news briefings, policy battles. But pull back the curtain and there is nobody home.

The Blackwater scandal could have provided an opportunity to question the wisdom of turning state security into a for-profit activity -- but not in today's Washington. Instead, rather than replacing its cowboy contractors with troops, the State Department says it will put video cameras on the vehicles they guard.

Video surveillance is one of the most lucrative sectors of the war-on-terror economy. This could even turn out to be great news for the top executives at Blackwater, who have launched a new private intelligence company billed as a "one-stop service able to meet all the intelligence, operational and security needs." If the past is any indication, there is no reason why the men from Blackwater cannot be contracted to spy on Blackwater. Indeed, it would be the perfect expression of the hollow state that Bush built.

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