THE ENDURING BARRIERS TO ADAPTATION
 IN U.S. INTELLIGENCE

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U.S. intelligence agencies do not adapt well or easily to new threats. To be sure, no intelligence system is perfect. As Richard Betts wrote in *Foreign Affairs* shortly after 9/11, "The awful truth is that even the best intelligence systems will have big failures."[1] However, a great deal of evidence indicates that the CIA, FBI, and other intelligence agencies failed to adapt to the rise of terrorism after the Cold War ended and continue to languish today, fifteen years after the fall of the Soviet Union and more than five years after the worst terrorist attack in U.S. history.

This essay examines why.[2] Part one reviews briefly the evidence of adaptation failure before and after the September 11, 2001, terrorist attacks. Part two turns to the academic literature, assessing what organizational theorists and political scientists do and do not know about adaptation failure. Part III builds on these literatures to construct a general model that attributes intelligence agency adaptation failure to three systemic barriers: the nature of organizations, which makes internal reform exceedingly difficult; the self-interest of presidents, legislators, and government bureaucrats, which works against executive branch reform; and the fragmented structure of the federal government, which erects high barriers to legislative reform. Part four concludes by arguing that prospects for future adaptation are dim. Adaptation is not impossible, but it is close.

Adaptation Failure after the Cold War

During the forty years of the Cold War, America's principal enemy was observable, accessible, and relatively static. The Soviet Union had territory on a map, posted officials in embassies to deal directly with foreign governments, and paraded its deadliest weapons through Red Square for the world to see. Soviet planning, moreover, was so bureaucratized that when Nikita Khrushchev secretly tried to deploy nuclear missiles to Cuba in October 1962, the launch

sites were built exactly as they were inside the Soviet Union—without camouflage, which

enabled American U2 surveillance planes to spot them.[3] As one veteran U.S. clandestine official

put it, "the Soviet Union was constrained by borders [and]…it was on a, God bless them, a five

year program. Everything was predictable."[4]

All this changed when the Soviet Union dissolved in 1991 and the Cold War ended.

Suddenly, intelligence required understanding weak states rather than great powers, and the large

destructive power of small groups of individuals that moved more freely and secretly across

borders, were driven by fanaticism, untied to national governments, and hidden from view.

Tracking this threat, along with the old and other emerging dangers, was a tall order that

demanded radical changes in the mission, capabilities, functions, and cultures of the 13 agencies

comprising the United States Intelligence Community.[5] As another intelligence official

reflected, "we were dealing with a rapidly changing world. Don't forget, we had been focused

almost exclusively on the Soviet Union for a long time. Almost exclusively for a large

percentage of our resources…you woke up every morning and it was there. Terrorism

represent[ed] something very different than what the Soviet Union was for us."[6]

U.S. intelligence agencies did not stand still. As former Director of Central Intelligence

George Tenet and former FBI Director Louis Freeh have noted, both the CIA and FBI undertook

a host of new counterterrorism initiatives during the 1990s. These included the creation of a

special multi-agency unit to track the activities of Osama bin Laden and his network; dramatic

increases in the number of FBI offices overseas; a fivefold increase in counterterrorism spending

across U.S. intelligence agencies; and a concerted effort to forge closer relationships with foreign

intelligence services which resulted in the disruption of terrorist cells in roughly twenty

countries. [7]

The Difference between Change and Adaptation

Change, however, is not the same as adaptation. As sociologists have long pointed out, organizations are constantly changing.[8] The issue is whether those changes matter, or more precisely, whether the rate of change within an organization keeps pace (or lags behind) the rate of change in the external environment.[9] Manifestation of this concept is more easily observed in the private sector, where responding to shifting market forces, consumer tastes, and competitive pressures can mean life or death for a firm. The concept may be less obvious, but no less important, for evaluating national security agencies. The question is not, "Are you doing anything differently today?" but "Are you doing *enough* differently today to meet the challenges you face?" One former intelligence official put it more colorfully: "There's no point in saying we're going at half the speed of Moore's Law when the world is going at Moore's Law. Not enough people…ask the right question. It's not how fast we've changed. It's how fast we've changed compared to the world. The good news is that other countries have organizations that are more feckless than we are."[10]

Closer examination reveals that intelligence officials and policymakers saw the looming al Qaeda threat and understood the need for radical overhaul of U.S. intelligence agencies years before 9/11, but failed to achieve the reforms they believed were vitally needed. As early as 1994, the director of central intelligence began identifying terrorism as a major national security danger in his annual threat assessment to Congress. Terrorism, in fact, made the threat list every year from 1994 to 2001 and ranked in the top tier of threats starting in 1998.[11] As one intelligence official lamented after September 11, "You know, we've been saying it forever, [bin Laden] wants to bring the fight here, he wants to bring the fight here."[12]

Policymakers also issued a crescendo of warnings about the terrorist danger throughout the 1990s. To give just a few examples: starting in 1994, President Clinton mentioned terrorism in every one of his State of the Union speeches, the most important policy address to the nation;[13] in 1997 two different strategic assessments, the Pentagon's Quadrennial Defense Review and the National Defense Panel, included strong warnings about threats to the American homeland;[14] in 1998 President Clinton delivered an address at the opening session of the United Nations General Assembly in which he declared terrorism "a clear and present danger" that should "be at the top of the American agenda and…the world's agenda;"[15] a year later, U.S. Secretary of Defense William Cohen wrote an op-ed in the *Washington Post* in which he explicitly predicted a terrorist attack on American soil. "Welcome to the grave New World of Terrorism," he declared. Bush administration officials were also aware of the terrorist danger. The 9/11 Commission found that intelligence briefings that included a substantial focus on terrorism occurred throughout the 2000 presidential campaign and transition to the new administration.[16] Policymakers "told us they got the picture," the 9/11 Commission concluded, "they understood bin Laden was a danger."[17]

The imperative for intelligence reform to combat terrorism was also well known. Between 1991 and 2001, no fewer than twelve major blue-ribbon bipartisan commissions, governmental studies, and nonpartisan think tank task forces examined the U.S. Intelligence Community and U.S. counterterrorism efforts. All of their reports urged substantial changes within intelligence agencies, across the Intelligence Community, and between the Intelligence Community and other parts of the U.S. government.[18] Together, these studies issued 340 recommendations for intelligence reform. Only 35 recommendations were fully implemented, and these were mostly insignificant changes—urging, for example, continued study of a problem

rather than the adoption of a particular solution.[19] The vast majority, 268 recommendations or

79 percent of the total, produced no action at all.[20] Investigations since 9/11, moreover, reveal

that the organizational deficiencies highlighted by the pre-9/11 reports turned out to be the

crucial ones. Eighty-four percent of the recommendations focused on just four problems: the

Intelligence Community's lack of coherence or "corporateness," weaknesses in setting priorities

and matching resources against them, poor human intelligence, and information sharing

deficiencies. The 9/11 Commission and House and Senate Intelligence Committees' Joint

Inquiry found that these same problems created a dysfunctional intelligence apparatus that was

incapable of penetrating the al Qaeda plot or capitalizing on opportunities to disrupt it. As the

Congressional Joint Inquiry concluded, "the Intelligence Community was neither well organized

nor equipped, and did not adequately adapt, to meet the challenge posed by global terrorists

focused on targets within the domestic United States."[21]

9/11 and the Limits of Catastrophe

It is often said that dramatic change requires a catastrophic event which jolts the system

and exposes the dangers of the status quo. But for U.S. intelligence agencies, 9/11 has not been

enough. Five years after the World Trade Center and Pentagon attacks, all of the worst

intelligence problems remain. There are now more intelligence agencies to coordinate than ever

but still no one in firm charge of them all, despite Congress's creation of a new director of

national intelligence (DNI) in 2004. Intelligence officials and experts, including the architects

of the 2004 DNI legislation, have since expressed grave concerns about the DNI's ability to

forge the Intelligence Community into a coherent whole.[22] As one intelligence official put it,

"The American public has been sold a bill of goods. When the next attack happens, an awful lot of people will say, 'How could this happen? We created a NDI.'"[23]

Information sharing and strategic analysis, two critical shortcomings raised in the wake of 9/11, have not improved much and in some cases have gotten worse. In its 2005 report card, the 9/11 commission gave information sharing efforts a "D." [24] A July 2006 study by the Markle Foundation Task Force on National Security in the Information Age found that information sharing continued to be hampered by "turf wars and unclear lines of authority," officials who "still cling" to old ways of doing business and a diminishing sense of commitment.[25] The task force concluded that despite dozens of initiatives, guidelines and statutory requirements, "systematic, trusted information sharing remains more of an aspiration than a reality." [26]

Strategic analysis deficiencies are more problematic. In 2005, a bipartisan presidential commission chaired by federal Judge Laurence Silberman and former Sen. Charles Robb (D-Va.) concluded that strategic intelligence was bad and worsening. "Across the board," the commission concluded, "the intelligence community knows disturbingly little about the nuclear programs of many of the world's most dangerous actors. In some cases, it knows less now than it did five or 10 years ago." [27] In his May 2006 confirmation hearings as CIA Director, General Michael Hayden singled out strategic intelligence as a top priority. "We must set aside talent and energy to look at the long view," Hayden warned, or else the United States would be "endlessly surprised." Doing so, he added, was harder now than ever before, thanks to the heightened operations tempo in Afghanistan and Iraq and the pressure for current intelligence driven by the rise of 24-hour news media. [28]

The CIA's human intelligence capabilities also have made little progress. To date, the agency's approach has focused on increasing the number of clandestine operatives—tripling the

number of trained case officers from 2001 to 2006—rather than improving quality or

dramatically increasing nontraditional recruitment models to penetrate terrorist groups. [29] As

former bin Laden Unit chief Michael Scheuer noted, "The conditions of looking for human

intelligence are so different from the Cold War that just more money and more people doesn't

guarantee you anything." [30]

The FBI, finally, has attempted ambitious changes to transform itself from a law

enforcement agency to a domestic intelligence organization. But old priorities and attitudes have

been slow to change. In 2005, 47 of the 56 field office heads still came from the Criminal

Division, [31] a Justice department survey found that FBI analysts were being given secretarial and

menial tasks and on average spent only half their time actually doing analysis, [32] and the Trilogy

technology program, an urgently needed upgrade to the FBI's antiquated computer system, was

abandoned—at the cost of $170 million—because it did not work. In 2006, newly hired agents

still received more time for vacation than counterterrorism training.[33]

As one Congressional Intelligence Committee lawmaker remarked in the fall of 2005,

"We still stink at collecting. We still stink at analysis….all the problems we set out to correct are

still there." [34]

Explaining Failed Adaptation: Crossing the Theoretical Divide

Existing research does not offer a ready-made explanation for the adaptation failure of

U.S. intelligence agencies. This is because the CIA, FBI, and other intelligence agencies live in

an academic no-man's land, overlooked both by scholars who study organizations as well as

those who examine national security affairs. On the one hand, organization theorists (who

usually come from sociology, economics, and business schools) investigate organizational

pathologies but focus almost exclusively on understanding private sector firms. On the other hand, political scientists examine national security affairs but treat intelligence agencies as inputs to policy decisions, not as phenomena to be studied in their own right.[35] Taken together, however, these literatures provide the building blocks to construct a general model of intelligence agency adaptation failure.[36]

The Bottom Line of Organization Theory

When it comes to understanding adaptation, organization theory provides two main insights. The first is that adaptation is difficult even for private sector firms. This idea is more important than it sounds. Political scientists and politicians often lament the fact that government is not run more like a business.[37] But leading sociologists note that businesses also frequently fail to adapt for a host of reasons.[38] Consider the most basic test: whether firms adapt enough to survive. Of the 5.5 million businesses tracked by the U.S. Census Bureau in 1990, 1.7 million, or 31 percent, were no longer in business four years later.[39] In New York City, more than 60 percent of all restaurants surveyed in the *Zagat* guide between 1979 and 1999 folded.[40] Between 2000 and 2003, more than 400 public companies went bankrupt, including Enron, which rose to 7th on the *Fortune* 500 list; and Bethlehem Steel, one of the great industrial giants of the 20th century.[41] Each year, more than 500,000 businesses fail in the United States. That's more than 1,500 per day, or about one every minute.[42] As these examples suggest, success today does not guarantee success tomorrow. Adaptation is fraught with peril.

The second insight is that the internal barriers to organizational change are powerful and deeply entrenched. While the organization theory literature is vast and filled with vigorous debate, much of it examines what most people know intuitively to be true: employees inside

organizations become wedded to habits, thinking, routines, values, norms, ideas, and identities, and these attachments make change difficult.[43] As the saying goes, old habits die hard.

The most serious limitation of this work is that it cannot be applied easily to the political realm. This is understandable. The field emerged with firms in mind and has remained focused on the private sector ever since. As Richard Cyert and James March noted in the introduction to their 1963 classic, *A Behavioral Theory of the Firm*, "We had an agenda …. We thought that research on economics and research on organizations should have something to say to each other."[44] More than thirty years later, the focus on business organizations continues.[45] The result is that organization theory has developed without paying much attention to political incentives, interests, institutions, or power, forces that turn out to be crucial for understanding the development of government agencies.[46]

The Tally for Political Science

The political science literature has different insights and limitations. On the positive side, this work makes two vital contributions. First, political scientists explain outcomes by examining what makes individuals alike rather than what makes them unique. The field's dominant approach, rational choice analysis, argues that all officials are driven by the incentives of office to behave in certain ways: namely, to take positions, select policies, and devote their energies to activities that maximize their political benefits and minimize their political costs. The desire to win reelection, for example, encourages all members of congress, democrats and republicans alike, to secure pork barrel projects and choose committee assignments that further their districts' interests. It is no coincidence that the agricultural committees are stacked with representatives from places like and Des Moines and Sioux Falls and not Los Angeles and New

York City.   Similarly, although no two presidents are alike, all wield the same formal powers,

confront same institutional players, and seek to secure their place in history within the same short

time horizon. For political scientists, politics is all about interests, incentives, and institutional

power and constraints—about how individuals are both motivated and limited by the positions

they occupy in government.

Second, this work emphasizes that bad results often come from individually rational

decisions. Nobody likes wasteful government spending, but every member of congress has

strong incentives to draft legislative earmarks to fund his district's pet projects. The same logic

explains why intelligence agencies in the Pentagon and other parts of the U.S. government have

always fiercely protected their own turf and budgets from centralized control by the CIA and its

post-9/11 successor, the Office of the Director of National Intelligence. Reform opponents in

these other intelligence agencies are not bad people with evil intentions. They are employees of

organizations who see benefits in autonomy and costs in ceding it. For each agency, resistance

to centralized management is rational.   For the entire intelligence system, it is disastrous.

The most serious limitation of political science is that it rarely peers inside the black box

of government agencies to examine internal forces like norms, routines, and cultures that make

the bureaucracy resistant to change. Indeed, most political science research assumes that

government agencies can and do adapt; major work over the past twenty years argues that

Congress controls the bureaucracy, and in surprisingly efficient ways. [47] Congressional

dominance scholars such as Mathew McCubbins and Barry Weingast contend that evidence

usually thought to suggest poor oversight, such as sparsely attended congressional committee

hearings, actually reveals oversight hard at work. How can this be? The answer, they argue, is

that legislators hard wire the system to respond to their demands from the start, so that they do

not have to expend much time identifying or fixing problems later. Much of the literature

examines how lawmakers craftily ensure their preferences are heeded by building control

mechanisms into the very design of government agencies, or by using (or threatening to use)

existing controls such as withholding appropriations, or both.[48] The mechanisms vary but the

logic is the same: government bureaucrats usually respond to legislators' demands. Agency

officials are not stupid. They know, as McCubbins puts it, that "Congress holds the power of life

or death in the most elemental terms" for their existence.[49] The mere anticipation of possible

congressional punishment makes bureaucrats fall into line from the start. The overall picture is

one in which government agencies are savvy and responsive, adjusting their priorities and

activities to satisfy congressional desires.

This is strange. All of this work suggests that agencies are out there, on the move, doing

things. Usually agencies respond to congressional wishes; sometimes they pursue the interests of

presidents and others in the political system; and sometimes they shirk to serve their own

interests. Nowhere, however, is there a sense that government agencies may be *unable* to change.

According to this literature, the challenge is to keep agencies from running amok. But as

September 11 suggests, the greater danger may be that agencies are stuck running in place.

A General Model of Agency Adaptation Failure

Although neither organization theory nor political science rational choice theory offers an

off-the-shelf explanation of adaptation failure, together they provide useful foundations for a

general model. Organization theory offers insights about internal impediments to agency reform,

while rational choice theories in political science explain external impediments to reform.

One must begin by assuming the bureaucracy's perspective. Any agency leader confronting a changing environment must answer two questions: "How can I get the necessary reforms so my agency can keep pace with the challenges it faces?" and "What obstacles are likely to stand in my way?"[50]

Answering these questions reveals three major sources of bureaucratic reform: internal reforms made by the agency itself, whether in memos, speeches, revised guidelines, or sanctions of undesired behavior; executive branch action, for example, executive orders, presidential directives, or efforts by executive branch officials outside the agency in question such as the National Security Council; and statutory reforms that require the involvement of both Congress and the executive branch. These paths suggest that impediments to adaptation are likely to emerge from both inside and outside the agency. Some changes may fail because they challenge deeply held organizational values and threaten to alter established routines. Others may trigger opposition from competing government agencies that stand to gain or lose depending on the outcome. Proposed statutory changes that require the consent of multiple congressional majorities and the president bring institutional forces more centrally into play. Thus, developing a better understanding of agency adaptation failure requires combining the enduring realities operating within organizations with those operating outside them. More specifically, these are: (1) the nature of organizations; (2) the rational self-interest of political officials; and (3) the fragmented structure of the U.S. federal government. Taken together, these three forces raise exceptionally high obstacles to agency adaptation.

The Nature of Organizations

  The first route to agency reform is through the adoption of internal changes. Yet much of the work in organization theory argues that organizations do not change easily by themselves.[51] Examples abound. The U.S. Army kept a horse cavalry until World War II. Until the mid-1990s, U.S. Customs forms asked ships entering American ports to list the number of cannons on board, and federal law required the U.S. Agriculture Department to keep field offices within a day's horseback ride to everyplace in the United States. As noted above, even private firms, which have considerably more leeway over personnel decisions, more access to capital, and fewer management constraints than government agencies, do not fare well when changing circumstances require adjustment. Three reasons explain why.

BOUNDED RATIONALITY. The first reason organizations adapt poorly on their own has to do with individuals and their cognitive limits. Even the smartest and most powerful organizational leaders are not omniscient. Instead, they operate in a world of tremendous uncertainty about the future, imperfect information about alternatives, and only limited ability and time to consider their options. These facts of life make fully rational decision-making within organizations impossible.[52] Instead, decision makers operate in a world where rationality is limited of bounded. Confronted with an unknown future, incomplete information, and cognitive constraints, organizational leaders do the best they can, settling for options that appear "good enough" but may in fact be nowhere close.[53]

  When it comes to adaptation, bounded rationality suggests real limits at work: because organizations are filled with imperfect decision-makers, changes that could improve organizational performance often are not identified or implemented, and changes that are

selected may be the wrong ones, making matters worse. Both the CIA and FBI encountered

tremendous bounded rationality problems when the Cold War ended. Confronted with the Soviet

Union's sudden collapse, the Central Intelligence Agency spent the early 1990s cutting costs

without much of an eye toward emerging threats or needs, while the FBI simply clung to its old

crime-fighting mission. The responses were different but the problem was the same: in the days

immediately following the Soviet Union's collapse, leaders in both agencies, as well as their

congressional and executive branch overseers, struggled with profound uncertainties about the

changing nature of the world and made choices that ultimately led both organizations in the

wrong direction.

STRUCTURAL SECRECY. The very structure of organizations also impedes their ability to

adapt. In their quest for efficiency, organizations specialize, dividing work into sub-units that

become proficient at specific tasks. Specialization, however, also prevents the transfer of

knowledge within an organization in some powerful and often unforeseen ways. The deepening

of specialized knowledge means that people in one part of the organization often lack the

expertise to understand the work of people in other parts of the organization. Over time, the

performance of individuals and even entire divisions can become unobservable to senior

managers, leaving them in the dark about what is working well and what isn't. Employees,

meanwhile, grow increasingly disconnected from the organization's goals, unsure of where they

fit into the picture or what improvements they could be making. Solutions to these problems

often exacerbate adaptation failure: managing across sub-units often takes the form of routine

reporting processes and automated information technology systems. But these measures weed

out ideas and stifle innovations that do not fit easily into existing forms or channels. As a result,

managers often find it even more difficult to ascertain what an organization is doing or what it

needs to be doing differently. The very structures, rules, and technologies designed to improve

efficiency sabotage an organization's ability to learn. [54]

These abstract ideas can have very real consequences. In the FBI's case, for example,

structural secrecy proved devastating before 9/11. The Bureau's decentralized organization

ensured that different FBI offices operated in isolation, unaware of what agents in other offices

or headquarters were thinking or doing or finding. The Bureau's inability to learn from one part

of the organization to another was a major concern years before the September 11 terrorist

attacks. Former U.S. Attorney General Janet Reno told the 9/11 Commission that during her

tenure in the Clinton Administration, she "lacked confidence" in the FBI's ability to "know what

it had" and "share what it had."[55] She was right. In the summer of 2001, three different FBI

field offices uncovered clues to the 9/11 plot: an agent in the Phoenix office wrote a memo

warning that bin Laden might be sending terrorists to train in U.S. flight schools; in Minneapolis,

agents detained a suspicious foreign flight school student named Zacarias Moussaoui, the only

person subsequently charged (and convicted) in the United States in connection with 9/11; and

the FBI's New York office began searching for Khalid al-Midhar and Nawaf al-Hazmi, the two

of the hijackers who ultimately crashed American Airlines flight 77 into the Pentagon. But

because the Bureau was divided into 56 relatively independent and specialized field offices, none

of the agents working these cases knew about the others.[56] As a result, these clues led nowhere.

The FBI's field office structure enhanced specialization—enabling individual field offices to

address local law enforcement priorities—but prevented officials in one part of the organization

from learning what others in the organization already knew.

THE LIABILITY OF TIME. Finally, time is almost never on the side of government agencies that must adapt. All organizations become more resistant to change as routines, norms and relationships become firmly established.[57]

Part of the problem comes from deliberate policy choices. Managers often go to great lengths to develop training programs, issue policies, create standardized ways of doing things, and instill values that motivate employees.[58] These measures often provide substantial benefits, enhancing an organization's reliability and stability. Standard operating procedures, for example, ensure that financial reports are prepared in the same way each quarter and guarantee that every military pilot operates with the same rules of engagement in wartime. However, these measures can also lock in ways of doing things that become maladaptive over time.[59] As Charles Perrow writes, "most bad rules were once good, designed for a situation that no longer exists."[60]

Natural social pressures also fuel resistance to change. The longer people work together, the more homogeneous their outlooks usually become and the more hostile they feel toward behavior or views that deviate from the norm.[61] Over time, people inside an organization also develop vested interests and fight to maintain them.[62] Organizational norms, relationships, and behaviors take hold. Employees become increasingly comfortable doing things the way they have been done before and expect newcomers to do the same. While these internal social pressures can reinforce positive aspects of organizational culture, creating an esprit de corps and a shared belief in "the way things are done," they also provide strong natural resistance to change.[63]

<u>Why Government Agencies Have the Hardest Time of All</u>

For government agencies, bounded rationality, structural secrecy, and the liability of time are only the beginning. While all organizations have difficulty adapting to changing environmental demands, government agencies have the hardest time of all because they lack three key advantages that businesses enjoy.

The first is the imperative of markets to adapt or suffer the consequences. In the private sector, organizational survival is never guaranteed and everyone knows it. As Enron, Tyco, Kmart, Global Crossing, WorldCom, Polaroid, and United Airlines executives can attest, even industry leaders can fairly rapidly go from profitability to insolvency. Markets create the ultimate incentive to adapt. There is nothing quite like the prospect of bankruptcy and unemployment to focus the mind.

Government agencies live in an altogether different world. Although congressional scholars have made much of Congress's oversight powers, the fact is that government agencies almost never fear that poor performance will lead to their death and replacement by newer, fitter organizations. [64] More than 25 million small businesses operate in the United States. There is only one Internal Revenue Service, it has been in business since the Civil War, and nobody is about to let it go under. The House Intelligence Committee's Report authorizing the 2005 intelligence budget makes clear just how weak congress's oversight powers can be. The committee wrote: "After years of trying to convince, suggest, urge, entice, cajole, and pressure CIA to make wide-reaching changes to the way it conducts its HUMINT [human intelligence] mission…[the] CIA, in the Committee's view, continues down a road leading over a proverbial cliff." [65] This sounds more like a plea for help than an iron-fisted demand for change.

The truth is that government agencies are not built to adapt. They are designed to be reliable and fair, performing tasks consistently and predictably and ensuring that all citizens receive the same level of service, regardless of their wealth or connections. Every state has a Department of Motor Vehicles and every neighborhood has a post office, no matter how small or remote. The mail may be slow, but everyone in the United States can get it. The lines at the DMV may be long, but detailed rules and procedures guarantee that everyone must stand in them. Reliability and fairness have their benefits. But these benefits come with a price: The more often things are done in the same way, the harder it is to alter them.

The second advantage that firms possess in the adaptation struggle is that their creators and employees want them to succeed. No one foists a new company on reluctant owners. No employee cheers silently for the day when company profits tumble and layoffs are announced. Instead, businesses are filled with organizational well-wishers who have vested interests in the company's continued success. Competitors may be plentiful and powerful, but they must do battle from the outside.

By contrast, government agencies are created by many who want them to fail. In politics, new agencies are forged by winning political coalitions who must compromise to succeed. The important point is not that winners win but that losers have a say in the organization's design and operation. The fragmented structure of the American political system ensures that political opponents have plenty of opportunities to sabotage the creation of any new agency at the outset—hobbling it with all sorts of rules and requirements— and possess the interests and capabilities to dog the agency forever after. [66]

Third and finally, business leaders have far more freedom to run their organizations than public sector managers do. Business executives can determine the organization's mission; hire and fire personnel with relatively few restraints; institute the policies, procedures, and customs they believe necessary; and attract capital from a multitude of sources. Government officials can only dream about this kind of freedom.[67] Any manager working for Coca Cola knows that his mission is to sell soda. But conflicting goals are built into the very mission of public sector agencies. The U.S. Forest Service, for example, is supposed to help harvest timber and protect national park lands at the same time. In addition, although intelligence agencies are technically exempt from a number of civil service regulations, the process of hiring and firing personnel is still riddled with bureaucratic red tape. Before 9/11, for example, managers in the CIA's clandestine service found personnel procedures so cumbersome, they often retained and even promoted poor performers instead of firing them. As one intelligence official complained, the Intelligence Community "is the Commerce Department with secrets. Fifty percent of every manager's time is spent managing the three percent of the people in the office who shouldn't be there….Up or out? Survival of the fittest? We can't go there."[68] Finally, intelligence agency leaders must answer to many but have few places to turn to for help. The CEO of Intel can acquire needed resources from any number of financial institutions and investors around the world. The head of the U.S. Intelligence Community cannot.

Together, these forces suggest that prospects for internal reforms are not promising. What is a difficult challenge for businesses is a Herculean feat for government agencies. To adapt, all organizations must contend with bounded rationality, structural secrecy, and the liability of time. But firms are relatively lucky. They are fueled by market competition (and its shadow of death), focused by a unified mission, filled with stakeholders seeking success, armed

with broad managerial discretion to match resources against organizational needs, and built to adjust as conditions change. Government agencies lack all of these adaptation advantages from birth. Agencies that do not adapt on their own may be subjected to change from the outside, either through executive branch action or through legislation. In such cases, the rational self-interest of political actors and the fragmented structure of the federal government work to block success.

Rational Self-Interest of Presidents, Legislators, and National Security Bureaucrats

Government officials are constrained by the incentives and capabilities that come with their positions. Although individuals have their own ideas, skills, and policy preferences, institutional incentives and capabilities exert a powerful influence, making some courses of action easier and less costly than others. These incentives and capabilities explain why, before the September 11 attacks, no president championed intelligence reform, why legislators largely avoided and blocked it, and why national security agency bureaucrats opposed it.

PRESIDENTS. All presidents have strong incentives to improve organizational effectiveness. To make their mark on history, they must make the bureaucracy work well for them. Perhaps even more important, presidents are also driven to enhance organizational effectiveness by the electorate, which expects far more of them than they can possibly deliver. Held responsible for everything from inflation to Iraqi democratization, presidents have good reason to ensure that government agencies adapt to changing demands as much and as fast as possible.[69]

The problem is that presidents are weak.[70] With little time, limited political capital, few formal

powers, and packed political agendas, presidents lack the capabilities to make the changes they

desire. Instead, they almost always prefer to focus their efforts on policy issues that directly

concern (and benefit) voters rather than on the arcane details of organizational design and

operation. And who can blame them? Tax cuts and social security lock boxes win votes, but no

president ever won a landslide election by changing the CIA's personnel system. Moreover,

presidents are especially reluctant to push for agency reforms in the absence of a crisis or in the

presence of anticipated resistance. Presidents are thus loath to reform existing agencies through

executive action or legislation. Although dozens of investigations, commissions, and experts

identified shortcomings in the U.S. intelligence community between 1947, when the CIA was

created, and the September 11, 2001 terrorist attacks, no president attempted major intelligence

reform.[71] Rational self-interest explains why.

LEGISLATORS. Self-interest leads most legislators to avoid tackling intelligence reform

altogether or seek to block it. Legislators, like presidents, have little incentive to delve into the

complicated inner workings of intelligence agency design because doing so does not provide

tangible benefits to voters back home.[72] Indeed, the weak electoral connection is one of the

reasons Congressional intelligence oversight committees continued imposing term limits for their

members throughout the 1990s, long after it became clear that these regulations severely

weakened the development of congressional expertise and after numerous commissions

recommended abolishing them.[73] When crises do arise, intelligence committee members are

rewarded more for airing dirty laundry than cleaning it. They frequently hold hearings but only

rarely take corrective action. The Bay of Pigs, the congressional investigations into CIA abuses

during the 1970s, the Iran-Contra scandal, and the Aldrich Ames spy case all triggered major investigations but none produced fundamental change in the Intelligence Community. In addition, members of Congress care about maintaining the power of the institution. Generally, this means that legislators prefer executive arrangements that diffuse authorities and capabilities; the more agencies in the executive branch, the more power bases can accrue in Congress to oversee them.

NATIONAL SECURITY AGENCY BUREAUCRATS. Finally, national security agency bureaucrats have their own interests at stake and powerful means to pursue them. Whereas most domestic policy agencies operate in relatively autonomous policy domains—the Environmental Protection Agency (EPA), for example, has no reason to think about the design or operation of the Social Security Administration—U.S. national security agencies are more tightly connected. Policymaking inevitably crosses bureaucratic boundaries, involving diplomacy, the use of force, economic policy, and intelligence. In such a complex web, national security bureaucrats see reform as a zero-sum battle for agency autonomy and power. EPA officials may not be conjuring up ways to gain advantage over another government agency, but national security bureaucrats are. In the interdependent world of national security affairs, no agency wants to yield authority or discretion to another.[74]

The Problems of Decentralized Democracy

Rational self-interest makes reform difficult; self-interest coupled with the decentralized structure of the U.S. federal government makes it more so. Paradoxically, some of the cherished features of American democracy impede effective agency design and raise obstacles to reform.

Separation of powers, the congressional committee system, and majority rule have created a system that invites compromise and makes legislation hard to pass. This has two consequences for government agencies. First, political compromise allows opponents to cripple any new agency from the start. As Terry Moe writes, "In the political system, public bureaucracies are designed…by participants who explicitly want them to fail."[75] Political compromise unavoidably leads to suboptimal initial agency design, even for critical national security agencies such as the Central Intelligence Agency.[76] Indeed, critics who contend that the CIA is poorly suited to meeting the needs of the post-Cold War world are only partially right: the agency was not particularly well designed to meet the United States' Cold War needs. Opposed from the outset to the CIA's creation in 1947, existing intelligence agencies in the FBI, State Department, and military services succeeded in stripping the agency of any strong centralization powers. When the CIA was created in 1947, it was flawed by design.[77]

The decentralized structure of American democracy also means that the worst agency problems usually are the hardest to fix. Although agencies can make some changes on their own and can also be altered by unilateral presidential action, the most far-reaching reforms almost always require new legislation. But legislative success is difficult even under the best of circumstances because it demands multiple majorities in both houses of Congress. As Philip Zelikow, executive director of the 9/11 Commission put it, "the most powerful interest group in Washington is the status quo."[78]

Conclusions

Taken together, these three enduring realities —the nature of organizations, rational self-interest, and the fragmented federal government—provide a basic model for understanding why

U.S. intelligence agencies failed to adapt to the terrorist threat before September 11, why they have not done much better since then, and why they are unlikely to improve substantially in the future. Government agencies are not built to change with the times. Because reform does not generally arise from within, it must be imposed from the outside. But even this rarely happens because all organizational changes, even the best reforms, create winners and losers, and because the political system allows losers multiple opportunities to keep winners from winning completely. Indeed, the greater the proposed change, the stronger the resistance will be. As a result, organizational adaptation almost always meets with defeat, becomes watered down, or gets shelved for another day, when the next crisis erupts.

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1 Richard Betts, "Fixing Intelligence," Foreign Affairs 81 (Jan/Feb 2002), p. 44.

[2] For a more extensive discussion of intelligence adaptation failure and 9/11, see Amy B. Zegart, *Failure and Consequence: Understanding U.S. Intelligence and the Origins of 9/11* (Princeton, NJ: Princeton University Press, forthcoming 2007).

[3] Graham Allison and Philip Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis*, 2d ed. (New York: Longman, 1999), pp 207-214.

[4] Interview, December 2004.

[5] The Intelligence Authorization Act of 1993 explicitly defined the United States Intelligence Community for first time. Public Law 102-496, 102nd Cong., 2d session, October 24, 1992, Title VII, "Intelligence Organization Act of 1992."

[6] Interview, December 2004.

[7] Disruption figures from Samuel L. Berger, "Counterterrorism Policy," testimony before The 9/11 Commission eighth public hearing (transcript), March 24, 2004, p. 69. http://www.9-11commission.gov/archive/hearing8/9-11Commission_Hearing_2004-03-24.pdf (accessed February 22, 2006). For new initiatives in the FBI and CIA, see Louis J. Freeh, "On War and Terrorism," written testimony before The 9/11 Commission, tenth public hearing, April 13, 2004. http://www.9-11commission.gov/hearings/hearing10/freeh_statement.pdf (accessed February 22, 2006); George Tenet, "Activities of the Intelligence Community in Connection with the Attacks of September 11, 2001," testimony before the Joint Inquiry, 107th cong., 2d sess., October 17, 2002; George Tenet, written testimony before The 9/11 Commission, eighth public hearing, March 24, 2004, http://www.9-11commission.gov/hearings/hearing8/tenet_statement.pdf (accessed November 29, 2006); George Tenet, written testimony before The 9/11 Commission, tenth public hearing, April 14, 2004, http://www.9-11commission.gov/hearings/hearing10/tenet_statement.pdf (accessed November 29, 2006);

[8] James G. March, "Footnotes to Organizational Change," *Administrative Science Quarterly* 26 (December 1981), p. 563.

[9] Michael T. Hannan and John Freeman, "Structural Inertia and Organizational Change," *American Sociological Review*, Vol. 49 (1984), p. 151.

[10] Interview, February 2004.

[11] R. James Woolsey, "World Trouble Spots," testimony before the Senate Select Committee on Intelligence, 103d cong., 2d sess., January 25, 1994; R. James Woolsey, "World Threat Assessment Brief," testimony before the Senate Select Committee on Intelligence, 104th cong., 1st sess., January 10, 1995; John Deutch, "Worldwide Threats to U.S. National Security," testimony before the Senate Select Committee on Intelligence, 104th cong., 2d sess., February 22, 1996; George Tenet, "Worldwide Threats to National Security," testimony before the Senate Armed Services Committee, 105th cong., 1st sess., February 6, 1997; George Tenet, "Worldwide Threats to National Security," testimony before the Senate Select Committee on Intelligence, 105th cong., 2d sess., January 28, 1998; George Tenet, "Worldwide Threats to U.S. National Security," testimony before the Senate Armed Services Committee, 106th cong., 1st sess., February 2, 1999; George Tenet, "Annual Assessment of Security Threats against the United States," testimony before the Senate Select Committee on Intelligence, 106th cong., 2d sess., February 2, 2000; George Tenet, "Worldwide Threats to National Security," testimony before the Senate Select Committee on Intelligence, 107th cong., 1st sess., February 7, 2001.

[12] Interview, April 2002.

[13] William J. Clinton, "State of the Union Address," January 25, 1994, *Public Papers of the Presidents: William J. Clinton—1994*, vol. 1 (Washington, DC: GPO): 126-35; William J. Clinton, "State of the Union Address," January 24, 1995, *Public Papers of the Presidents: William J. Clinton—1995*, vol. 1 (Washington, DC: GPO): 75-86; William J. Clinton, "State of the Union Address," January 23, 1996, *Public Papers of the Presidents: William J. Clinton—1996*, vol. 1 (Washington, DC: GPO): 79-87; William J. Clinton, "State of the Union Address," February 4, 1997, *Public Papers of the Presidents: William J. Clinton—1997*, vol. 1 (Washington, DC: GPO): 109-17; William J. Clinton, "State of the Union Address," January 27, 1998, *Public Papers of the Presidents: William J. Clinton—1998*, vol. 1 (Washington, DC: GPO): 112-21; William J. Clinton, "State of the Union Address," January 19, 1999, *Public Papers of the Presidents: William J. Clinton—1999*, vol. 1 (Washington, DC: GPO): 62-71; William J. Clinton, "State of the Union Address," January 27, 2000, *Weekly Compilation of Presidential Documents*, vol. 36, no. 4 (Washington, DC: GPO): 160-72.

[14] National Defense Panel, *Transforming Defense: National Security in the 21st Century*, December 1, 1997. http://www.fas.org/man/docs/ndp/toc.htm (accessed February 22, 2006). William S. Cohen, U.S. Department of Defense, *Report of the Quadrennial Defense Review*, May 1997. http://www.defenselink.mil/pubs/qdr/ (accessed February 22, 2006).

[15] President William J. Clinton, "Remarks to the opening session of the 53rd United Nations General Assembly" (speech, United Nations, New York, NY, September 21, 1998) http://www.state.gov/www/global/terrorism/980921_pres_terror.html (accessed February 22, 2006).

[16] During one four-hour intelligence briefing at Bush's Texas ranch, for example, Ben Bonk, then deputy chief of the DCI's Counterterrorist Center, spent one hour on terrorism, bringing a mock suitcase to show how the Japanese cult Aum Shinrikyo had released sarin nerve gas in the Tokyo subway in 1995, killing twelve people and wounding thousands. Bonk recalled that he told Bush Americans would die from terrorism during the next four years. *The 9/11 Commission Report*, p. 198.

[17] *The 9/11 Commission Report*, p. 342. It bears noting the Commission remained skeptical about the full extent to which policymakers recognized the magnitude or imminence of the threat. The Commission concluded that given the pace of the Clinton and Bush policy efforts, "we do not believe they fully understood just how many people al Qaeda might kill, and how soon it might do it. At some level that is hard to define, we believe the threat had not yet become compelling." *The 9/11 Commission Report*, pp. 342-43.

[18] There were six commission reports, three reports from nonpartisan think tanks, and three reports issued by governmental initiatives. The commission reports were: Commission on the Roles and Capabilities of the United States Intelligence Community ("Aspin-Brown Commission"), *Preparing for the 21st Century: An Appraisal of U.S. Intelligence* (Washington, DC: GPO, 1996); National Commission on Terrorism ("Bremer Commission"), *Countering the Changing Threat of International Terrorism* (Washington, DC: GPO, 2000); Commission to Assess the Organization of the Federal Government to Combat the Proliferation of Weapons of Mass Destruction ("Deutch Commission"), *Combating Proliferation of Weapons of Mass Destruction* (Washington, DC: GPO, 1999); Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction ("1999 Gilmore Commission" and "2000 Gilmore Commission"), *First Annual Report to The President and The Congress: Assessing the Threat* (Washington, DC: GPO, 1999), and *Second Annual Report to The President and The Congress: Toward a National Strategy for Combating Terrorism* (Washington, DC: GPO, 2000); United States Commission on National Security/21st Century ("Hart-Rudman Commission"), *Road Map for National Security:*

Imperative for Change (Washington, DC: GPO, 2001); Commission on the Advancement of Federal Law Enforcement ("Webster Commission"), *Law Enforcement in a New Century and a Changing World: Improving the Administration of Federal Law Enforcement* (Washington, DC: GPO, 2000). The three nonpartisan think tank reports were: Council on Foreign Relations, *Making Intelligence Smarter: The Future of U.S. Intelligence* ("CFR Report") (New York: CFR, 1996); National Institute for Public Policy, *Modernizing Intelligence: Structure and Change for the 21st Century* ("Odom Report") (Fairfax, VA: NIPP, 2002); Twentieth Century Fund, *In From the Cold: The Report of the Twentieth Century Fund Task Force on the Future of U.S. Intelligence* three governmental reports were: ("TCF Report") (New York: Twentieth Century Fund Press, 1996). The *Draft FBI Strategic Plan*; National Performance Review, "The Intelligence Community: Recommendations and Actions," in *From Red Tape to Results: Creating a Government that Works Better and Costs Less* ("National Performance Review 1993") (Washington, DC, GPO, Sept. 1993), and *National Performance Review Phase II Initiatives: An Intelligence Community Report* ("National Performance Review 1995") (Washington, DC: GPO: 1995); House Permanent Select Committee on Intelligence, *IC21: The Intelligence Community in the 21st Century* ("IC21") (Washington, DC: GPO, 1996).

[19] For example, the National Performance Review recommended that the Foreign Broadcast Information Service reexamine its mission for a post-Cold War threat environment, and the FBI's 1998 Strategic Plan suggested the FBI explore the feasibility of instituting a capability to exchange unclassified investigative material to others in the law enforcement and Intelligence Community.

[20] For a more detailed discussion of these studies and their findings, see Amy B. Zegart, "An Empirical Analysis of Failed Intelligence Reforms Before September 11," *Political Science Quarterly* vol. 121, no. 1 (2006): 33-60.

[21] *Joint Inquiry Report*, p. xv.

[22] In February 2006, Senator Susan Collins, one of the chief architects of the 2004 intelligence reform bill, noted "Director Negroponte has battles to fight within the bureaucracy, and particularly with the Department of Defense. DOD is refusing to recognize that the director of national intelligence is in charge of the intelligence community." Quote in Scott Shane, "Year into Revamped Spying, Troubles and Some Progress," *New York Times*, February 28, 2006, p. A12. Similar concerns about the DNI's weakness were expressed in the House Permanent Select Committee on Intelligence, Intelligence Authorization Act for Fiscal Year 2007, 109th Cong., 2d. sess., April 6, 2006, Report 109-411 and in a television appearance by House Intelligence Committee Chairman Peter Hoekstra and ranking committee member Jane Harman on "Fox News Sunday," April 23, 2006. Six current and former intelligence officials from a variety of agencies expressed similar views in personal interviews between October 2005 and February 2006.

[23] Interview, February 2006.

[24] *Final Report on 9/11 Commission Recommendations*, 9/11 Public Discourse Project, December 5, 2005, available at www.9-11.pdp.org [accessed December 5, 2005], p. 3.

[25] Zoe Baird and James Barksdale, chairmen, Markle Foundation Task Force on National Security in the Information Age, *Mobilizing Information to Prevent Terrorism: Accelerating Development of a Trusted Information Sharing Environment*, July 2006, p. 7.

[26] Zoe Baird and James Barksdale, chairmen, Markle Foundation Task Force on National Security in the Information Age, *Mobilizing Information to Prevent Terrorism: Accelerating Development of a Trusted Information Sharing Environment*, July 2006, p. 1.

[27] *Silberman-Robb Commission*, p. 4.

[28] Testimony by General Michael B. Hayden, U.S. Senate Select Committee on Intelligence, *Hearing on the Confirmation of General Michael B. Hayden to become Direct of the Central Intelligence Agency.* 109th Cong., 2d sess., May 18, 2006.

[29] Mark Mazzetti, "CIA Making Rapid Strides for Regrowth," *New York Times*, May 17, 2006, p. A1.

[30] Quoted in Siobhan Gorman, "Fewer Better Spies Key to Intelligence Reform, Former Official Says," *National Journal*, March 18, 2005.

[31] *Silberman-Robb Commission Report*, p. 453.

[32] Office of the Inspector General, Audit Division, U.S. Department of Justice, *The Federal Bureau of Investigation's Efforts to Hire, Train, and Retain Intelligence Analysts*, Audit Report 05-20, May 2005, pp x-xi, 64. See also *Silberman-Robb Commission Report*, p. 455; hearing of the House Appropriations Subcommittee on Science, State, Justice and Commerce and Related Agencies, 109th cong., 1st sess., September 14, 2005; testimony of Glenn A. Fine, Inspector General, U.S. Department of Justice, Senate Judiciary Committee hearing, "FBI Oversight," 109th Cong., 2d sess., May 2, 2006.

[33] For training specifics, see Alfred Cumming and Todd Masse, "FBI Intelligence Reform Since September 11, 2001: Issues and Options for Congress," Congressional Research Service RL 32336, August 4, 2004, pp. 14-15. http://www.fas.org/irp/crs/RL32336.pdf (accessed February 23, 2006).

[34] Interview, October 2005.

[35] Understanding the evolution or deficiencies of U.S. national security agencies has never been central to political science. For decades, international relations theory has concentrated on relations between states, not what goes on inside them. To be sure, a number of international relations theorists do study inside-the-state variables (Graham Allison, *Essence of Decision: Explaining the Cuban Missile Crisis*: (Boston: Little, Brown, 1971); Morton H. Halperin, *Bureaucratic Politics and Foreign Policy* (Washington, D.C.: Brookings Institution Press, 1974); James D. Fearon, "Domestic Political Audiences and the Escalation of International Disputes," in *American Political Science Review* 88, 3 (September 1994), pp. 557-992; Kenneth A. Schultz, "Domestic Opposition and Signaling in International Crises," in *American Political Science Review* 92 (1998), pp. 829-44). However, the main intellectual currents of international relations scholarship flow elsewhere. The most popular recent arguments, for example, are Joseph Nye's work on American "soft power" and Samuel Huntington's "Clash of Civilizations." Both gaze beyond national borders at how American values and conflicts between civilizations shape international dynamics rather than looking within them, at how a country's national security agencies respond or fail to respond to changing threats. (Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004); Samuel P. Huntington, *The Clash of Civilizations and the Remaking of the World Order* (New York: Simon& Schuster, 1996).

In American politics, research on the bureaucracy has focused almost exclusively on American domestic policy agencies. In the 1970s and 1980s, capture theory studied U.S. domestic regulatory agencies like the Interstate Commerce Commission and argued that private industry designed and operated government agencies for its own benefit (George J. Stigler, ""The Theory of Economic Regulation," in *Bell Journal of Economics and Management Science* 2 (1971), pp. 3-21; Sam Peltzman, "Toward a More General Theory of Regulation," in *Journal of Law and Economics* 19 (1976), pp. 211-40; Gary Becker, "A Theory of Competition Among Pressure Groups for Influence," in *Quarterly Journal of Economics* 98 (1983), pp. 371-400). More recently, new institutionalists have used transaction cost economics to explain bureaucratic design and behavior, but have applied these new ideas to the same old agencies (Weingast and Moran 1983; Dan B. Wood, "Principles, Bureaucrats, and Responsiveness in Clean Air Enforcement," in *American Political Science Review* 82 (1988), p. 213-34; Mathew D. McCubbins, Roger G. Noll, and Barry R. Weingast, "Administrative Procedures as Instruments of Political Control," in *Journal of Law, Economics, and Organization* 3 (1987), pp. 243-77; Moe 1989; Lawrence S. Rothenberg, *Regulation, Organizations, and Politics: Motor Freight Policy at the Interstate Commerce Commission* (Ann Arbor: University of Michigan Press, 1994). The study of U.S. national security agencies remains an under-tilled field.

Although a number of historians and political scientists have reinvigorated the historical study of the American state in recent years, as Daniel Carpenter writes, this work still concentrates on the creation of agencies rather than their transformation. Carpenter, *The Forging of Bureaucratic Autonomy: Reputations, Networks, and Policy Innovation in Executive Agencies, 1862-1928* (Princeton, NJ: Princeton University Press, 2001), p. 11

Intelligence agencies have received particular short shrift. Even after 9/11 and the Iraq War, with intelligence issues capturing headlines and policymaker attention, professors at America's best universities have continued to teach and write about nearly everything except U.S. intelligence agencies. For example, only four of the top twenty-five U.S. universities ranked by *U.S. News & World Report* in 2006 offered any undergraduate courses on the U.S. Intelligence Community. Given the number of courses on the history of rock and roll, undergraduates stood a better chance of learning about the hit band U2 than the spy plane by the same name. ("Best National Universities," *U.S. News & World Report*, August 29, 2005, Vol. 139, No. 7, p. 80; analysis of online university course catalogs conducted March 24-31, 2006). Between 2001 and 2006, the top three scholarly journals in political science, *the American Political Science Review*, the *American Journal of Political Science*, and the *Journal of Politics*, published 750 research articles. Only one article examined intelligence issues. The other 99.9 percent discussed other topics. (Based on analysis of article abstracts from January 2001 though May 2006). For more on journal rankings, see James C. Garrand and Micheal W. Giles, "Journals in the Discipline: A Report on a New Survey of American Political Scientists," *PS: Political Science and Politics*, April 2003, pp. 293-308.

[36] Notable examples of such cross-disciplinary work are: Scott Douglas Sagan, *The Limits of Safety* (Princeton, NJ: Princeton University Press, 1993); Charles Perrow, *Normal Accidents: Living with High-Risk Technologies* (Princeton, NJ: Princeton University Press, 1999); Diane Vaughan, *The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA* (Chicago: University of Chicago Press, 1996); Lynn Eden, *Whole*

World on Fire: Organizations, Knowledge, and Nuclear Weapons Devastation (Ithaca, NY: Cornell University Press, 2003).

[37] David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (New York: Penguin, 1993); David Osborne and Peter Plastrik, *Banishing Bureaucracy: The Five Strategies for Reinventing Government* (New York: Penguin, 1998); James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 2000). For more on differences between public and private sectors, see Joel D. Aberbach and Bert A. Rockman*, In the Web of Politics: Three Decades of the U.S. Federal Executive* (Washington, D.C.: Brookings Institution Press, 2000); Terry M. Moe, "The New Economics of Organization," in *American Journal of Political Science* 28 (1984), pp. 739-77; Moe, "The Politics of Structural Choice: Toward a Theory of Public Bureaucracy," in *Organization Theory: From Chester Barnard to the Present and Beyond*, ed. Oliver E. Williamson (New York: Oxford University Press, 1990).

[38] For James G. March, one key lies in whether an organization can properly balance exploration, or the search for new ways of doing things, with what he calls exploitation, the ability to harness these new ideas and stop doing things the old way. March 1991. Howard Aldrich, by contrast, sees adaptation as a deadly four-stage Darwinian process where organizations must develop variations, select the right ones, replicate them effectively, and compete for scarce resources as the organizations around them also change. Aldrich 1999. Michael Hannan and John Henry Freeman believe that adaptation almost never occurs within organizations. Instead, it takes place between them, through the death of unfit firms and their replacement by newer, fitter entrants in a process of natural selection. Hannan and Freeman 1977, 1984, and 1989.

[39] Aldrich 1999, p. 262.

[40] Proprietary data based on surveys from 1979 to 1999 provided by Zagat to author.

[41] For a useful examination of the decline of Bethlehem Steel, see Carol J. Loomis, "The Sinking of Bethlehem Steel," *Fortune Magazine*, 5 April 2004, p. 174.

[42] U.S. Census Bureau, Statistical Abstract of the United States: 2003 (Washington, DC: Government Printing Ofice, 2003), p.506. Firm birth rate figures based on 1999-2000 annual data.

[43] In the 1950s, Merton argued that organizations have difficulty meeting even stable goals because workers tend to focus their efforts on building and maintaining the organization rather than advancing broad organizational aims. Robert K. Merton, *Social Theory and Social Structure*, 2nd ed., (Glencoe, IL: Free Press, 1957). Ironically, the very devices used to enhance an organization's reliability such as the creation of standard operating procedures also diminish its ability to achieve organizational goals. Hannan and Freeman take this thinking further, arguing that organizational structures, which are crucial to developing reliability and accountability, often become so accepted by workers that they assume moral and political importance. Hannan and Freeman 1984, p. 154. With employees viewing proposed changes in moral terms ("this is wrong!") rather than technical terms ("this is not efficient!"), organizational changes stand little chance. Even James March, who views organizational adaptation with greater optimism, admits that organizations often get lulled into keeping existing routines and technologies rather than adopting new alternatives out of a sense of comfort from past experience. Levitt and March 1988.

[44] Cyert and March, p. xi.

[45] In his 1999 book about organizational evolution, *Organizations Evolving*, Howard Aldrich criticizes the selection bias of organization theory. Notably, though, he is troubled by the inordinate attention paid to large publicly traded corporations instead of smaller, privately held businesses. Aldrich's idea of broadening organization theory is to include different kinds of businesses, not political organizations (Aldrich 1999).

[46] For more on difference between private and public sector, see James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 2000); Terry M. Moe, "The Politics of Structural Choice: Toward a Theory of Public Bureaucracy," in Oliver E. Williamson, *Organization Theory: From Chester Barnard to the Present and Beyond* (Oxford: Oxford University Press, 1990): 116-53; Terry M. Moe, "The New Economics of Organization," *American Journal of Political Science* Vol. 28 (November 1984): 739-77.

[47] Mathew D. McCubbins "The Legislative Design of Regulatory Structure," *American Journal of Political Science* 29 (1985): 721-48; Barry Weingast and Mark Moran, "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission," *Journal of Political Economy* Vol. 91 (1983): 775-800.

[48] Sharyn O'Halloran and David Epstein make this distinction between *ex ante* and ongoing oversight mechanisms. David Epstein and Sharyn O'Halloran, "Administrative Procedures, Information, and Agency Discretion," *American Journal of Political Science* 38 (1994), pp. 697-722. For major work on *ex ante* controls, see Murray J. Horn, *The Political Economy of Public Administration: Institutional Choice in the Public Sector* (New York: Cambridge

University Press, 1995); Mathew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Policy Patrol Versus Fire Alarm," *American Journal of Political Science*, Vol. 32 (1984), pp. 165-77; Mathew D. McCubbins, Roger Noll, and Barry Weingast, "Administrative Procedures as Instruments of Political Control," *Journal of Law, Economics, and Organization*, Vol. 3 (1987), pp. 243-77; Mathew D. McCubbins, Roger Noll, and Barry Weingast, "Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies," *Virginia Law Review,* Vol.75 (1989), pp. 431-82. For work on ongoing controls, see Randall Calvert, Mark Moran, and Barry Weingast, "Congressional Influence Over Policy Making: The Case of the FTC," In *Congress: Structure and Policy*, ed. Mathew McCubbins and Terry Sulivan (Cambridge: Cambridge University Press, 1987); Jerry L. Mashaw, "Explaining Administrative Process: Normative, Positive, and Critical Stories of Legal Development," *Journal of Law, Economics, and Organization*, Vol. 6 (1990), pp. 272-98; Randall Calvert, Mathew McCubbins and Barry Weingast, "A Theory of Political Control and Agency Discretion," *American Journal of Political Science*, Vol. 33 (1989), pp. 588-611. For a discussion of how legislators choose between different options, see Kathleen Bawn, "Political Control Versus Expertise: Congressional Choices about Administrative Procedures, " *American Political Science Review*, Vol. 89 (1995), pp. 62-73; David Epstein and Sharyn O'Halloran, *Delegating Powers* (New York: Cambridge University Press, 1999).

[49] Mathew D. McCubbins, "The Legislative Design of Regulatory Structure," *American Journal of political Science*, Vol. 29, No. 4 (1985), p.728.

[50] I do not mean to suggest that all agency heads are so well-intentioned and interested in maximizing organizational performance. Instead, the device is a heuristic, used to tease out the ways in which agencies can be reformed and the forces that are likely to block reforms from succeeding.

[51] It is important to note that this claim is vigorously debated. For an alternative view, see James G. March and Johan P. Olsen, *Ambiguity and Choice in Organizations* (Bergen, Norway: Universitetsforlaget, 1976). Moreover, explanations of adaptation failure vary widely, as well. For James G. March, one key lies in whether an organization can properly balance exploration—the search for new ways of doing things—which exploitation, or the ability to harness these new ideas and stop doing things the old way (March 1991). Howard Aldrich, by contrast, views adaptation as a deadly four-stage Darwinian process where organizations must develop variations, select the right ones, replicate them effectively, and compete for scarce resources as the organizations around them also change (Aldrich 1999). Michael Hannan and John Henry Freeman believe that adaptation almost never occurs within organizations. Instead, it occurs *between* them, through the death of unfit firms and their replacement by newer, fitter entrants in a process of natural selection (Hannan and Freeman 1977, 1984, and 1989).

[52] This view is commonly referred to as the Carnegie School of organization theory. See Herbert A. Simon, *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations*, 3d. ed. (New York: Free Press, 1976); James G. March and Herbert A. Simon, *Organizations* (New York: Wiley, 1958); Cyert and March 1963.

[53] Simon 1976.

[54] For a rich discussion of structural secrecy, see Vaughan 1996.

[55] Janet Reno, testimony before The 9/11 Commission tenth public hearing (transcript), April 13, 2004, p.62. http://www.0-11commission.gov/archive/hearing10/9-11Commission_Hearing_2004-04-13.pdf (accessed February 11, 2006).

[56] *Joint Inquiry Report*, p. 25.

[57] Major work arguing that administrative agencies become more durable as they get older includes: Anthony Downs, *Inside Bureaucracy* (Boston: Little, Brown 1967); Herbert Kaufman, *Are Government Organizations Immortal?* (Washington, D.C.: Brookings, 1976); Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States* (New York: Norton, 1979); Lewis, David E., *Presidents and the Politics of Agency Design: Political Insulation in the United States Government Bureaucracy, 1946-1997* (Stanford: Stanford University Press, 2003). A great deal of work suggests government agencies are like firms and other organizations in this regard. See, in particular, Arthur L. Stinchecombe, "Social Structures and Organizations, " in James G. March, ed., *Handbook of Organizations* (Chicago: Rand McNally, 1965).

[58] For more on efforts to motivate employees, see Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence: Lessons from America's Best-Run Companies* (New York: Warner Books, 1982).

[59] In a seminal article, Hannan and Freeman (1984) discuss this idea with respect to firms, noting that the very characteristics that give an organization stability and reliability reduce the probability of change.

[60] Charles Perrow 1986, p. 26.

[61] Rosabeth Moss Kanter, *Men and Women of the Corporation* (New York: Basic Books, 1977); Stasser, G., L. A. Taylor, and C. Hanna, "Information Sampling in a Structured and Unstructured Discussion of Three- and Six-person Groups," *Journal of Personality and Social Psychology*, 57, 1 (January), pp. 67-78; Donald T. Campbell, "Variation and Selective Retention in Socio-Cultural Evolution," *General Systems*, 14 (1969), pp. 69-85; Irving L. Janis, "Escalation of the Vietnam War: How Could it Happen?" from *Groupthink: Psychological Studies of Policy Decisions and Fiascoes*, 2nd. Ed. (New York: Houghton Mifflin, 1982).

[62] Meyer and Zucker 1989; Jeffrey Pfeffer and Gerald Salancik, *The External Control of Organizations* (New York: Harper & Row, 1978); Hussein Leblebici, Gerald Salancik, Anne Copay, and Tom King, "Institutional Change and the Transformation of Interorganizational Fields: An Organizational History of the U.S. Radio Broadcasting Industry," in *Administrative Science Quarterly* 36, pp.333-363.

[63] Major work arguing that administrative agencies become more durable as they grow older includes: Downs 1967; Kaufman 1976; Lowi 1979; Lewis 2003. A great deal of work suggests that government agencies are like firms and other organizations in this regard. See in particular Arthur L. Stinchecombe, "Social Structures and Organizations," in James G. March, ed. *Handbook of Organizations* (Chicago: Rand McNally, 1965).

[64] Mathew McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols Versus Fire Alarms," in McCubbins and Sullivan, eds., *Congress: Structure and Policy* (Cambridge University Press, 1987), pp. 426-440; Barry Weingast and Mark Moran, "Bureaucratic Discretion or Congressional Control? Regulatory Policymaking by the Federal Trade Commission," *in Journal of Political Economy* 91 (1983), pp. 765-800; Mathew D. McCubbins, "The Legislative Design of Regulatory Structure," in *American Journal of Political Science* 29 (1985), pp.721-48; David Epstein and Sharyn O'Halloran, *Delegating Powers* (Cambridge: Cambridge Univ. Press, 1999).

[65] (HPSCI, Report, together with Minority Views on the Intelligence Authorization Act for Fiscal Year 2005 (Report 108-558), 108th Cong., 2d sess. June 21, 2004, p. 24.

[66] Terry M. Moe, "The Politics of Bureaucratic Structure," in *Can the Government Govern?* eds., John E. Chubb and Paul E. Peterson (Washington, D.C.: Brookings Institution Press, 1989); Amy B. Zegart, *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford, C.A.: Stanford University Press, 1999).

[67] For more on the differences between public and private sector managers, see Wilson 2000.

[68] Interview, July 2004.

[69] Terry M. Moe, "The Politicized Presidency," in *The New Direction in American Politics*, ed. by John E. Chubb and Paul E. Peterson (Washington: Brookings, 1985).

[70] Richard E. Neustadt, *Presidential Power* (New York: Wiley, 1960).

[71] For an historical overview of intelligence reform efforts, see Richard A. Best, Jr., *CRS Report RL32500: Proposals for Intelligence Reorganization, 1949-2004* (Washington, D.C.: 2004).

[72] David Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1974).

[73] Intelligence committee term limits were originally established in the 1970s to prevent lawmakers from cozying up to intelligence agencies. In 2004, the Senate abolished term limits for the Senate Select Committee on Intelligence. The House Permanent Select Committee on Intelligence, however, still has them for all members except the chairman and ranking minority member. **(UPDATED AS OF JUNE 2006).**

[74] Amy Zegart, *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford: Stanford University Press, 1999).

[75] Moe 1989, p. 326.

[76] Zegart 1999.

[77] Zegart 1999.

[78] Philip Zelikow, remarks at the Pacific Council on International Policy, Los Angeles, CA, 18 October 2004. Ordinarily, comments made at PCIP events are off the record. In this case, however, Zelikow agreed to be attributed by name.