



Written by [Bob Adelman](#) on August 18, 2011

Private Contractors Feeding at the Public Trough

The top 27 contractors each received at least \$1 billion in contracts from the government last year, with Number 100 on the list, Teledyne, getting \$170 million. This reflects the [enormous growth](#) of government spending in general, and on outside vendors in particular, growing from \$207 billion in 2000 to \$535 billion last year.

This growth has spawned a maze of new construction, with 33 buildings under construction or already completed in the last ten years just for the government's intelligence and surveillance work alone. And it has allowed some remarkable increases in income for workers providing those services. For example, a single CACI contract (#14 on the list) allowed them to hire six people to review other contractors' paperwork, at \$104 an hour per worker.



It has also raised the standard of living for many of those living in the Washington, D.C. area, which now boasts the [highest median household income](#) of any metropolitan area in the country.

One of those beltway workers, Anita Talwar, an immigrant from India, started out at age 22 working as an accounting clerk for the Army in 1974. Taking advantage of government programs giving special breaks for minority-owned businesses, she started her own company, Advanced Management Technologies. In 1992, she obtained her first major contract for \$3 million to provide help-desk support to the Federal Aviation Administration. Then came work providing similar assistance to the Department of Transportation and NASA. Her company was doing \$100 million annually — with 350 employees — when she sold the company in 2004. Talwar now lives in a \$2.8 million home in [Great Falls, Virginia](#), where one out of six households boast an income of at least \$500,000, and more than half make at least \$250,000. Her neighbors have shared her good fortune as well. They consist of entrepreneurs, lobbyists, CEOs, tech moguls, financiers, and defense contractors. The decade following 9/11 has been very good for business in Great Falls.

For instance, Lockheed Martin's CEO, Robert Stevens, earned \$19 million last year, while Jay Johnson, head of General Dynamics, pocketed \$13 million. Gerald Connolly, former chairman of the board of supervisors in Fairfax County, noted the obvious: Federal cash has been "the major catalyst for economic growth in the last 30 years. Clearly that [federal] presence and that pattern of investment have transformed the economy [here]." When Talwar was asked if the Great Recession has had any impact on her neighbors, she just smiled demurely and then responded: "I think the economy is very different in Washington, D.C., than the rest of the country because of the federal dollars. Directly or indirectly, we all work for the federal government."

In Richmond, Virginia, the story is much different. That area has been negatively impacted enormously



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by the recession. The Commonwealth of Virginia just released a report, "Aftershock: The State of Working Virginia," which points out that between December 2007 and June 2009 over 130,000 jobs were lost, and only 11,000 new jobs have been added back. The construction industry lost 20 percent of its workers and 12 percent of its manufacturing jobs. In fact, the ratio of incomes in places like Great Falls is five times those of the lowest paid workers in Virginia, the third-highest ratio in the country.

The concept of using private contractors rather than civil service employees to do the government's work was installed under the Clinton administration, which worked under the assumption that it would reduce substantially the amount of waste and corruption that is inherent inside government. Although privatizing government functions may lead to large savings and efficiently run enterprises, such as happened in New Zealand when 66 percent of government employee positions were eliminated, it hasn't worked out that way, seemingly because the government isn't even efficient enough to monitor its contractors. In May, the Government Accounting Office (GAO) reported that 3,700 of those federal contractors were also [tax cheats](#), owing the government at least \$757 million in back taxes. One construction company, for instance, which was awarded multiple contracts from the government, was delinquent in the amount of \$700,000 while its president was spending his idle hours at a local casino.

Another contractor that got behind on its taxes set up a payment plan with the IRS, and then defaulted on the plan, even while continuing to receive contracts exceeding \$1 million. Remarkably, over the period of time that the GAO conducted its study, one out of every six contractors was known to be a tax cheat. Senator Tom Coburn (R-Okla.) was furious: "Average Americans are likely wondering why we gave such huge amounts of federal money to tax cheats when our national debt is more than \$14 trillion. That \$24 billion went to such people looks like we are rewarding people for potentially criminal behavior."

Another GAO study exposed just the tip of the iceberg on wasted dollars on federal contractors. At least \$100 billion of fraud has been detected just on duplicative contracts — one hand doesn't know what the other hand is doing. As Coburn put it,

This report confirms what most Americans assume about their government. We are spending trillions of dollars every year and nobody knows what we are doing. The executive branch doesn't know. The congressional branch doesn't know. Nobody knows.

As government spending grows, waste and fraud grows apace. Private contractors or government employees — it makes no difference. The solution to reducing waste and corruption is the same as it ever has been: significant slashing of government spending, concentrated especially on unconstitutional programs, is the only way to restore any semblance of order and rationality. It might mean some folks in Great Falls, Virginia, might have to find more modest quarters, but it would also mean better economic opportunities for the taxpayers who are footing the bill.



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