

Written Remarks for the Record  
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Mr. Chairman, Senator Rockefeller, distinguished Members of the Committee, it is an honor to be here today to discuss reform of our nation's intelligence system.

My name is Amy Zegart. I am an Assistant Professor in the School of Public Affairs at the University of California, Los Angeles (UCLA). For the past decade, I have been researching and writing about the Intelligence Community. I have written a book about organizational problems in the CIA and other agencies called *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford University Press, 1999). I have worked as a consumer of intelligence on the National Security Council staff. And I am currently writing a book about why the Intelligence Community adapted poorly to the rise of terrorism after the Cold War ended.

Mr. Chairman, my remarks cover three main points:

- The fleeting opportunities for reform
- The need for structural overhaul
- The importance of cultural change

The bottom line is that structural reforms are crucial, long overdue, and insufficient.

**INTELLIGENCE REFORM OPPORTUNITIES ARE FEW AND FLEETING**

Major overhauls of national security agencies are difficult and rare. The National Security Act of 1947, which created the CIA, National Security Council, and unified the military services under a single Department of Defense and Joint Chiefs of Staff, took four years to pass and succeeded against great opposition and long odds; *The New York Times* called the political battles between the military services a "brass knuckle fight to the finish."

Completing the job at the Pentagon took nearly 40 more years, despite the grave stakes we faced during the Cold War and the fact that critical organizational problems were well known. Although Democrats and Republicans alike issued major studies and repeated calls for reform, it took four decades of pressure and the convergence of a number of extraordinary circumstances — including a string of rapid-fire operational problems in Iran, Beirut, and Grenada; the unprecedented push for reform by two sitting JCS members; and a determined campaign by key Congressional champions -- to win passage of the landmark Goldwater-Nichols Defense Reorganization Act of 1986.

As you know, in the past 57 years no President and no Congress, despite the great efforts of this Committee and more than 40 studies recommending reform, has succeeded in overhauling our intelligence system.

This is no accident. Problems in national security agencies are extremely hard to fix, even when they are clear, stakes are high, and danger is imminent. Three reasons explain why.

(1) No organization changes easily on its own

Even businesses, which are blessed with few management constraints and the knowledge that they must adapt or die, fail to respond to shifting environmental demands at surprising rates. Nearly a third of the 5.5 million businesses tracked by the U.S. Census over a four-year period in the 1990s did not survive.<sup>1</sup> In the past three years, more than 200 major corporations have declared bankruptcy, including United Airlines, K-Mart, Global Crossing, and Bethlehem Steel.

Government agencies are even less able to make internal changes. The Army kept a horse cavalry until World War II. Compared to firms, government agencies have more limited resources, less managerial discretion, and are hardwired to perform routine tasks in standard ways rather than nimbly responding to changing demands.<sup>2</sup> For example, this Committee's Joint Inquiry learned that the CIA failed to watchlist Khalid al-Mihdhar, one of the September 11th hijackers, for eighteen months before the attacks, even though the agency suspected al-Mihdhar was an Al Qaeda terrorist and knew he held a multiple entry visa to the United States.<sup>3</sup> The simplest explanation for this failure is that the CIA was not in the habit of watchlisting terrorists. For 50 years, Cold War priorities, thinking, and procedures were not geared to keeping foreign terrorists out of

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<sup>1</sup> Howard Aldrich, *Organizations Evolving* (London: Sage Publications, 1999), p.262.

<sup>2</sup> See in particular Joel Aberbach and Bert Rockman, *In the Web of Politics: Three Decades of the U.S. Federal Executive* (Washington, D.C.: Brookings, 2000); James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It* (New York: Basic Books, 2000).

<sup>3</sup> Eleanor Hill, "The Intelligence Community's Knowledge of the September 11 Hijackers Prior to September 11, 2001," testimony to the Senate Select Committee on Intelligence and House Permanent Select Committee on Intelligence, September 20, 2002, p.6.

the country. When the principal threat to American national security changed, the Intelligence Community was naturally slow to change with it.

### (2) Rational political interests do not favor reform

By rational political interests I do not mean coldhearted calculations or selfish intentions. Rather, the idea is that sober-eyed elected officials who want to maximize the benefits they provide to their constituents do not have strong incentives to expend the enormous amount of time, energy and political capital that intelligence reform requires.

Presidents have good reason to consider the effectiveness of the Intelligence Community. The problem is that Presidents are short on time, have only so much political capital, few formal powers, and long agendas. In fact, no President since Truman has tackled major intelligence reform and only one, Eisenhower, ever took the lead in seeking a major restructuring of the Pentagon. Instead, Presidents have tried to mitigate the worst organizational problems they face in lower-cost ways, by creating new agencies through unilateral Executive action. The National Security Agency, and more recently the Terrorist Threat Integration Center, both were created in this fashion. Unfortunately, this approach may only make coordination problems worse. As Nobel laureate Herbert Simon noted, the more organizations there are on the scene, the harder it is for the entire system to change. Tight coupling between government agencies means that changes must occur in multiple places at once to produce results.<sup>4</sup>

As you know far better than I do, legislators do not win landslide elections by delving into the arcane details of intelligence agency design. Intelligence reform is a burning issue for a dedicated few like yourselves. But the fact is intelligence reform is not usually a burning issue for Congress as a whole. And in the past, it has been stymied by opposition from members of the Armed Services Committees who seek to defend their Committees' jurisdictions and the autonomy and power of the agencies they oversee.

Bureaucrats, finally, fight against changes even to agencies outside their own because they see reform as a zero-sum game for agency autonomy and power. There is nothing quite like intelligence reform to trigger the antibodies of affected agencies.

### (3) The fragmented Federal government makes reform difficult

Ironically, some of the most cherished features of American democracy, such as separation of powers, work against agency effectiveness. This is because the political process requires compromise for legislation to pass, and compromise allows opponents to weaken agency design at the outset. These same features of the political process

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<sup>4</sup> Herbert Simon, "Public Administration in Today's World of Organizations and Markets," John Gaus Lecture, American Political Science Association Annual Meetings, September 1, 2000, reprinted in *PS: Political Science and Politics*, Vol. 33, No. 4 (December 2000), p. 753.

make subsequent legislative fixes an uphill battle.

History's lesson is to make the most of reform opportunities when they arise, because they do not arise often and they do not last long. We have one of those rare opportunities now. If the past is any guide, there will not be another chance for a generation. These realities mean that reforms must be sweeping because they will be lasting; the choices you make today will be with us for decades to come.

### **STRUCTURAL OVERHAUL: THE DCI NEEDS HELP**

Stacks of intelligence studies over the past 50 years have examined a number of diverse issues but have reached a stunning degree of consensus about one thing: the Director of Central Intelligence (DCI) needs help. The National Security Act of 1947 gave the DCI two jobs -- running the CIA and managing the rest of the Intelligence Community -- but did not give him the power to do both jobs effectively. This is no accident. The historical record shows quite clearly that when the CIA was created, it was deliberately hobbled by existing intelligence agencies in the Departments of State, Defense and Justice, which sought to maintain their own autonomy and power. Together, these agencies worked diligently to strip the National Security Act of provisions that would have created a truly centralized Central Intelligence Agency. The most lasting legacy of this design is the yawning gap between the DCI's wide-ranging responsibilities and his circumscribed power. The proposed remedies to this problem have varied, but the diagnosis has not.

There has been great debate over the years about whether fixing this problem is best done by allowing the DCI to keep his two hats and bolstering his power, or by creating a separate Director of National Intelligence to oversee the entire Community. Let me put three thoughts on the table:

- First, the devil lies in the details. For either approach, success hinges on giving an empowered DCI or a new Director of National Intelligence much greater budgetary authority, stronger personnel authority, and the systems and staff capabilities to use such authorities effectively. These are must-haves.
- Second, no organizational structure is perfect. Grappling with the weaknesses of both approaches is crucial -- not only for choosing a new intelligence structure, but for maximizing its effectiveness as well. Anticipating problems is one of the best ways to avoid them. Knowing that your car tends to veer helps you keep it on the road.

In particular, I believe that separating the Community head from the CIA has drawbacks that may be less obvious than the benefits. One concern is that a Director of National Intelligence who is not tied to the CIA will be more likely to

view intelligence needs and assets through tactical lenses. Let me be clear. Tactical intelligence that supports the warfighter should always take priority. The question is how much of a priority. Our system has a natural gravitational pull toward tactical intelligence, a pull that has only grown stronger with the successful marriage of intelligence and precision weapons in Afghanistan and Iraq. But especially in light of our strategic intelligence failings related to 9/11 and Iraq, we need to consider whether a DNI will be able to strike the right balance, whether a level playing field among the 15 intelligence agencies would create a level approach to intelligence.

- Third, both of these solutions offer a vast improvement to keeping the current flawed structure intact.

Good structure is not a cure-all, but bad structure can have debilitating effects on organizational performance. Structure is not about boxes. It is about power. Structure determines who answers to whom, whose memo goes on top, and what formal powers organizational leaders have.

### **CULTURE: THE SILENT KILLER OF INNOVATION**

Although any meaningful reform must start with structure, structural changes alone will not be enough. Building new organizational arrangements with more people and more power will not make us safer if intelligence officials still view the world through the same old lenses and hoard information in the same old stovepipes. Organizational culture is a silent but deadly innovation killer.

Fixing the cultural pathologies that have crippled our intelligence system is hard but not impossible. Two good first steps would be to change training and career incentives.

The FBI faces a daunting cultural challenge: transforming a crime-fighting culture that prizes slow and careful evidence gathering after-the-fact and works each case separately into an intelligence culture that takes fast action and follows leads across cases to prevent future tragedies. The nation's best-known law enforcement agency somehow must teach itself not to think like one. Training programs are crucial to this effort. Today, however, counter-terrorism and counter-intelligence training constitute only two weeks out of the 17-week required course for all new agents. That is more than it used to be, but still less time than new agents get for vacation.

Then there is the unspoken 11<sup>th</sup> Commandment of intelligence: Thou Shalt Not Share. Here, too, a large part of the problem is cultural. As this Committee knows, the reluctance to pass information across agency lines is deeply engrained, based more on habit and values than policy or official organization charts. And here, too, training is key. Creating a "one team" approach to intelligence requires developing trust and

building informal networks between officials in different agencies. This is best done by cross-agency training programs early in officials' careers, before they become indoctrinated in the stovepipes. By current policies, however, most intelligence agency professionals can spend 20 years or more without a single Community-wide training experience. Institutional bridges will always be hard to build and information hard to share when one side does not trust or understand the other.

Several past reform studies have recommended improving information sharing by requiring the rotation of personnel across intelligence agencies. This has not happened. Several years ago DCI Tenet issued a directive requiring that officials do a rotational tour in another intelligence agency to get promoted to senior ranks. According to senior intelligence officials, every intelligence agency including the CIA ignored him. Taking a temporary assignment in an agency outside one's home is still viewed as a career-limiting move. Instead of encouraging the best and brightest within each agency to venture out and build institutional bridges, career incentives encourage them to stay right where they are. The result is that while agencies post openings for temporary detailees, these positions all too often get filled by weak performers. As one senior intelligence official lamented, "I often think of writing a vacancy notice [for temporary detailees to the agency] that says, 'only stupid people doing unimportant work need apply.'"

The 9/11 Commission recognized the seriousness of these problems, but has recommended a solution that will not solve them: it has suggested that the proposed new Director of National Intelligence set policies for education and training and facilitate assignments across agency lines. This is good in theory. But in practice, it leaves too much work for a new official whose other job responsibilities include advising the President, managing the entire Intelligence Community, creating a unified intelligence budget, and overseeing new national intelligence centers. It does not take much to see which duties will come first.

Instead, intelligence reform legislation should explicitly require the establishment of Community-wide training programs early in officials' careers. Legislation also should make rotational assignments to other intelligence agencies a requirement for promotion. I cannot stress this enough. As the 9/11 Commission and many others have noted, a similar provision in the Goldwater-Nichols Act transformed the culture of the Defense Department from a "service first" attitude to a truly joint outlook.

Mr. Chairman, successful intelligence reform must change more than the organization chart. It must change the minds of those who work inside it.

Thank you.