"The federal government has gotten too big to succeed," said John Palatiello, president of the Business Coalition for Fair Competition, an industry group that has called on President Obama to impose an immediate moratorium on insourcing. "They are trying to be all things to all people."

The coalition has urged the administration to adopt the Yellow Pages test toward performing government functions. If the position can be found in the Yellow Pages, then it should be completed; otherwise, it should stay in-house, he said. Palatiello said about 850,000 current federal positions are suitable for competition.

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