

## **The Challenges and Opportunities of Public Service**

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I am honored to accept this year's Administrator of the Year award. I know there's a long list of distinguished recipients going back nearly 35 years, including governors, federal and local officials, educators, and religious leaders. In fact, one of my predecessors as Comptroller General, Elmer Staats, received this award back in 1982. Elmer's a model public servant, a great friend, and someone I respect a lot.

George Romney, the namesake of this University's Institute of Public Management, is another example of a superb public administrator. In whatever job he held, George Romney worked tirelessly to improve things. Over the course of his long career, he made major contributions in the public, private, and nonprofit sectors. George Romney was an innovator in the automotive industry, most notably as chairman of American Motors. He was elected to three terms as governor of Michigan, where he helped to eliminate the state's deficit, led conservation efforts, boosted educating funding, and streamlined state government. George Romney was also a strong advocate of civil rights at a time when, I'm sorry to say, it wasn't an easy or popular position. He also served for four years as Secretary of Housing and Urban Development. Incredibly, after retirement, George Romney built a third career as a champion of volunteerism. One can become exhausted just describing his accomplishments! This was a man for all seasons and a man for all sectors.

Clearly, George Romney was someone of outstanding ability, but he was also someone with great vision, solid values, and unwavering faith. He understood that working for the greater good is life's highest calling. Like George Romney, I have worked in both the public and private sectors, and I view public service not as a job but as a privilege, a unique opportunity to make the world a better place. Today, I wish we had more administrators like George Romney running government entities.

At all levels of government, we need more men and women who are willing to speak the truth, face the facts, take a long-term perspective, and prepare our country and its citizens for the changes and challenges of the 21<sup>st</sup> century. Many of these challenges are unprecedented in their size, scope, complexity, and potential impact. As I'll point out later, there are both opportunities to capitalize on and serious risks that must be managed. And, by the way, it's a mistake to assume that these challenges are primarily a federal problem. After all, bad news flows downstream, and eventually, state and local governments will begin to feel the federal government's fiscal pain.

But so far, there have been few calls for any dramatic change in direction or significant shared sacrifice. Candidly, if our ship of state continues on its current course, we're all going to have to fasten our seat belts, because we're headed for one heck of a bumpy ride, and possibly a crash.

What we need now are leaders who have the courage to put the needs of the next generation ahead of the next election cycle, leaders who will fulfill their stewardship responsibility to our nation and its citizens. At the end of the day, we should be able to look our children and grandchildren in the eye and say we did everything we could to pass on an America that's both better off and better positioned for the future. This has been a long-standing tradition in this country, one that we should try to continue.

Tonight, I'm going to talk more about some of these challenges to give you a better sense of where we're headed and why it's so urgent that we transform government. As a case study, I'll briefly describe my efforts to modernize my agency, the U.S. Government Accountability Office (GAO), to better position it to serve Congress and the American people. Finally, I'll examine the key role that ethics and integrity need to play in public administration and I'll talk a bit about the importance of public service.

## **21<sup>st</sup> Century Challenges**

We have entered a world that's changed dramatically in the last several decades. The generally prosperous and more predictable way of life that came after the Second World War is fast drawing to a close. The signs are everywhere, especially in our economy. The financial problems at GM and the airline industry along with the pension freezes at Verizon, Motorola, and IBM are just the most recent reminders of how quickly things are changing.

Today, each of us as individuals, along with our elected representatives, needs to start taking greater responsibility for our own and our country's future. Make no mistake—this will require difficult decisions and will involve some degree of sacrifice. But it's essential that we act, and act soon. What's at stake is nothing less than our future economic growth, our future standard of living, and even our future national security.

What are these changes and challenges? Let me start with possibly the most sweeping agent of change, and that's demographics. Changing demographics will decisively shape the American and global landscape of 2020 and beyond. Our population is aging. At the same time, U.S. workforce growth is slowing. This means that just when growing numbers of baby boomers like me start to retire and draw benefits, there will be a lower ratio of workers paying taxes and contributing to pension plans. Importantly, retirees are living longer and retiring earlier. This is going to put huge strains on our pension and health-care systems.

Beyond demographics, the United States confronts a range of other challenges. Globalization is affecting everything from our international competitiveness and trade to our approach to public health. For example, globalization is a key reason health experts are so concerned about the rapid spread of viruses like avian flu.

With the end of the Cold War, we face new security threats, including transnational terrorist networks and rogue nations armed with weapons of mass destruction. Other challenges come from technology. In the past 100 years, but especially the last 25 years, spectacular advances in technology have transformed everything from how we do business to how we communicate to how we treat and cure diseases. But we are also struggling with privacy, security, and other concerns.

In many respects, our quality of life has never been better. We're living longer, we're better educated, and we're more likely to own our own homes. But as many of you already know from your own families, we also face a growing gap between the haves and the have-nots and we're facing a range of quality-of-life concerns. These include underachieving public schools, gridlocked city streets, energy and environmental challenges, increasingly expensive and inadequate health-care coverage, and the stresses of caring for aging parents and growing children at the same time.

### **Our Worsening Finances**

Perhaps the most urgent challenge is our nation's worsening financial condition and growing long-term fiscal imbalance. Largely due to known demographic trends, rising health care costs, and lower federal revenues as a percentage of the economy, America faces decades of red ink. The facts on this aren't in question. Given our worsening financial outlook, the government's recent spending sprees and deep tax cuts are nothing less than a body blow to federal fiscal responsibility.

As a CPA and the federal official who signs the annual audit report on the federal government's consolidated financial statements, I'm here to tell you that our nation's financial condition is worse than advertised. Anyone who says we can grow our way out of the problem doesn't know history well and probably wouldn't pass basic math. To grow our way out, we'd have to have sustained economic growth way beyond what we've ever seen in our nation's history. It's just not going to happen, and the sooner we recognize that, the sooner we are likely to act.

Historically, Americans have shrugged off warnings about deficit and debt problems. That's not surprising. Low interest rates and modest inflation have given many of us a false sense of security. It doesn't help that many politicians say, "Don't worry — be happy." This air of unreality has been reinforced by the government's financial statements and budget projections, which provide an incomplete and even misleading picture of where we are and where we're headed.

Despite strong economic growth, in fiscal year 2005, the federal unified budget deficit was about \$319 billion. The unified deficit dropped from \$412 billion in 2004, but it's still imprudently high given that federal spending is set to rise dramatically when the baby boomers begin to retire later this decade. In addition, while the cash based deficit went down about \$90 billion in fiscal year 2005, the accrual based deficit went up more than \$140 billion to \$760 billion that year.

Our federal deficit numbers are big and bad, but it's the government's long-term liabilities and unfunded commitments that are the real problem. By commitments, I mean things like unfunded

promises for future Social Security and Medicare benefits. Our total accumulated fiscal burden is now more than \$46 trillion, up from about \$20 trillion at the end of fiscal 2000. The new Medicare prescription drug benefit, which may be one of the most poorly designed, inefficiently implemented, and fiscally irresponsible government benefits of all time, represents more than \$8 trillion of this accumulated burden. And these numbers don't even take into account the bills that are coming from rebuilding New Orleans and the Gulf Coast or the future costs associated with Iraq, Afghanistan, and the war on terrorism.

To help put things into perspective, \$46 trillion translates into a burden of \$156,000 for every American alive today, or about \$375,000 per full-time worker. Even with the recent run-up in housing prices, the combined net worth of every American, including billionaires like Bill Gates and Warren Buffet, is only about \$50 trillion. That means every American would have to hand over more than 90 percent of their net worth to cover the government's current unfunded promises for future spending.

Clearly, a crunch is coming, and eventually every federal program and service will take a hit. Our growing fiscal imbalance will also begin to take a toll on Main Street. If we continue as we have, higher interest rates and inflation are inevitable. It is only a matter of when and how high. As government is forced to borrow more and more money to finance its debt, less and less will be available for companies to invest to innovate, improve, and stay competitive. Eventually, long-term economic growth will suffer, and along with it American jobs, prestige, and purchasing power.

The time to start doing something is now. For many of the challenges I mentioned, a few thoughtful reforms phased in over time will make a huge difference. And by acting sooner rather than later, we can minimize the need for drastic measures down the road and we can give everyone more time to adjust to any changes. Importantly, we can also fulfill our stewardship responsibility to future generations of Americans.

### **Transforming Government**

To keep pace with the challenges that are coming, our government must also change. For too long, the political process has been afflicted with myopia and tunnel vision. Nonetheless, the challenges I've mentioned aren't partisan issues. Frankly, in the future, we're all facing a menu of tough choices.

To help restore fiscal discipline, we need to set realistic spending caps and impose pay-as-you-go rules on both the spending and the tax sides of the ledger. Members of Congress should also have more explicit information on the long-term costs of spending and tax bills—before they vote on them. The new Medicare prescription drug benefit has also become the poster child for having more accurate and more complete information before legislation is acted on.

More broadly, I'd urge the leaders and managers of every federal agency and program to give careful thought to their mission and operations given 21<sup>st</sup> century changes and challenges. The problem is that much of government today remains on autopilot and is based on social,

economic, national security, and other conditions that existed when Dwight Eisenhower and John Kennedy were in the White House.

At the same time, government continues to expand, with new federal programs and initiatives added every year. Washington rarely seems to question the wisdom of existing federal activities. Ronald Reagan once said that “the nearest thing to eternal life we’ll ever see on this Earth is a government program.”

We need to ask a series of basic questions about what government does and how it does business. For example, what is the proper role of the federal government in the 21st century? How should it be organized? Should contractors or federal employees or some combination of the two provide basic services? How much will it cost? How should it be financed?

Nothing less than a top-to-bottom review of federal activities is needed to determine whether agencies are meeting their objectives. This will also help free up resources for other needs. Congress and the President need to decide which policies and programs remain priorities, which should be overhauled, and which have simply outlived their usefulness.

In particular, entitlement reform is essential. We need to restructure Social Security, Medicare, and Medicaid and make these programs solvent and sustainable for future generations. We also need to reengineer the base of federal spending and tax policies.

To help in this effort, GAO published last year a groundbreaking report that asks a series of probing, sometimes provocative, questions about both mandatory and discretionary spending and tax policy. GAO’s report is called “21st Century Challenges: Reexamining the Base of the Federal Government,” and you can find it free on our website at [www.gao.gov](http://www.gao.gov). In my view, this is must reading for anyone who’s interested in public policy and our nation’s future. My hope is that policymakers and the public will begin to think more strategically about where we are; where we’re headed; and, more importantly, how we can get back on a more prudent path.

I’m also hopeful that GAO’s work will encourage the development of a set of key national indicators. These are quantitative and outcome-based measures that policymakers can use to better assess our nation’s position and progress over time and relative to other nations on benchmark issues like public safety, health care, housing, and the environment. For years now, foreign governments and even some U.S. states and localities have been using indicators to successfully prioritize and target public resources. It’s time for the U.S. government to do so.

Transforming government isn’t something that will happen overnight. Elected, appointed, and career officials will need to work together for a sustained period of time — perhaps a generation or longer. Public officials will need to reach across institutional and political lines. The federal government will need to partner with businesses, professional organizations, and nonprofit groups. It’s going to take patience, persistence, perseverance, and even pain before we prevail in transforming government. But prevail we must.

**The New GAO**



I'd like speak briefly about the efforts I've led to transform GAO. When I came to GAO seven years ago, the agency had been through a significant downsizing and was suffering from serious skills imbalances, succession planning challenges, and certain problems with our congressional clients. Fortunately, as Comptroller General, I serve a 15-year term of office, which has given me the opportunity to lead a range of internal changes designed to realign and reorganize our agency and workforce. In just seven years, by working together internally and with the Congress, we've taken GAO from an "at-risk" agency to a "model agency" — one that's well-equipped to take on the Congress' toughest assignments.

GAO now has a strategic plan to help guide and coordinate the agency's efforts. The strategic plan defines our mission, incorporates our core values, lays out the key trends and themes that GAO will focus on, and outlines the agency's goals and objectives. We update the plan every couple of years to reflect changing congressional needs and national priorities.

GAO's own strategic goals are ambitious but straightforward. We seek to produce positive and measurable outcome-based results for the Congress and the American people. We also strive to meet the needs of our congressional clients. At the same time, we want to help reinvent government so that it continues to meet the needs of all Americans. And finally, GAO aspires to become a world-class professional services organization that just happens to be in the federal government.

Focusing on results has also been a central part of GAO's transformation efforts. Since 2000, GAO has issued annual performance and accountability reports that inform Congress and the American people about GAO's accomplishments and its plans for the coming year. Our progress in meeting each strategic goal is also highlighted. For example, in fiscal year 2005, GAO's work produced nearly \$40 billion in financial benefits. That's an \$83 return on every dollar invested in GAO. Frankly, this type of straightforward cost/benefit reporting should be standard throughout government. In my view, the American people have a right to know what federal departments and agencies are achieving with the taxpayer dollars they've been given.

Internally, GAO is now a flatter, more flexible, more results oriented, amore constructive, and more cooperative organization. We've transformed our human capital policies and practices to attract top talent and reward outstanding performance, and we're now a leader in this area in the federal government. We're working as a team to achieve common goals. Externally, GAO regularly partners with other government agencies and outside organizations dedicated to "good government." If GAO can do it, others can too.

Recently, GAO's transformation efforts have been the subjective of major articles in both *Government Executive* and *Government Leader* magazines. GAO's transformation efforts have also been the subject of a case study by the IBM Business of Government Foundation. In May, we'll be profiled in an article in *Harvard Business Review*.

### **Ethics and Integrity in Government**

The simple but powerful truth is that effective government requires a first-rate workforce. Leaders can't do it alone. Their success depends on hiring a team with up-to-date knowledge,

skills, and ability. But character also counts. It's essential that all team members have a well developed sense of right and wrong. You want people in public service with energy, enthusiasm, and empathy for others. You want people who are more concerned about the public good than personal gain. You also want people who understand that the law represents the floor of acceptable behavior and who set their sights higher.

When I came to GAO in 1998, one of the first things I did was to introduce a set of three core values that define the nature of our work, convey the character of our people, and describe the quality of our products. Our three core values are accountability, integrity, and reliability. They're intended to supplement the requirements of the law and various professional standards. If you come to Washington, you'll see them over the entrance to GAO's headquarters. These core values are also in our hearts and minds.

We have recent examples in the private sector that show what happens when individuals and institutions lack or stray from a set of core values. At Enron, Worldcom, and other companies, the unethical behavior of top executives, auditors, and other professionals led to bankruptcies and restatements that have harmed countless shareholders, employees, and retirees. People lost their investments, their jobs, and their pensions. Public confidence took a big hit, and it's going to take years to rebuild that trust.

When it comes to improving government performance, strengthening accountability, and enhancing public trust, I take seriously my responsibility as Comptroller General to speak out. It's not always an easy job, and some people don't like truth and transparency. As Harry Truman once said when asked about his nickname, "Give 'em Hell Harry," "I never did give anybody hell. I just told the truth and they thought it was hell." I can assure you that GAO and I will continue to speak truth to power.

### **Public Service: An Opportunity to Make a Difference**

To tackle current and emerging problems, government needs first-rate talent, men and women who are able to think strategically and creatively. I know many of you here tonight are recent or future graduates of Brigham Young University's highly regarded Marriott School. I hope you'll seriously consider public service as a way to make a difference—for your country, community, church, and family. Public service is also a chance to make a difference in yourself and others.

As someone who has divided his career between government and the private sector, I can tell you that my experience at federal agencies has been challenging, enlightening, and rewarding. Before coming to GAO, I was an executive in several private sector firms, including Arthur Andersen. I also served as a trustee of Social Security and Medicare, was an Assistant Secretary of Labor, and headed the Pension Benefit Guaranty Corporation. My public sector experiences gave me a chance to contribute and to help real people, people like the students on this campus, retirees like your grandparents, and veterans who have fought to defend this country.

Opting for public service is an honorable choice. It offers a chance to make peoples' lives better and their futures brighter. Public service is a calling where individuals and organizations can help build a better future for this great nation and for our world.

One person can make a difference. My favorite President, Theodore Roosevelt, is proof of that. TR, as he's often called, was someone with character, conscience, and conviction. As our 26<sup>th</sup> and youngest president, he was an optimist who firmly believed in the potential of government to improve the lives of all its citizens. As a trustbuster, TR took on some of the nation's most powerful and ethically challenged corporate interests. And he won. As an environmentalist, TR left us a legacy of great national parks like Yosemite and Natural Bridges National Monument here in Utah. As an internationalist, TR promoted the building of the Panama Canal and led peace talks to end the Russo-Japanese war. TR is also the only American to have won both the Congressional Medal of Honor and the Nobel Peace Prize.

The Theodore Roosevelts and the George Romneys of this world are tough acts to follow. But the truth is that today, meaningful change is more likely to come from the combined efforts of many individuals. All of us have to be part of the solution. It's no accident that the Constitution begins with the words, "We the people."

My hope is that when you leave here today, you'll spread the word among your friends and family about the challenges we're facing. We all need to insist on the facts, speak the truth, lead by example, and help create a more positive future by fulfilling our stewardship responsibilities to our country, our children, and our grandchildren. We can, we must, and if people like you and I join together, I am convinced we will succeed. As TR said, "Fighting for the right [cause] is the noblest sport the world affords." Let's join the fight and make a difference!