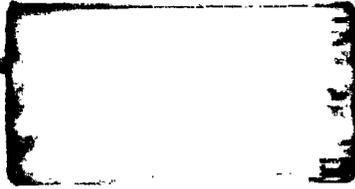


GAO

An Address by  
Charles A. Bowsher  
Comptroller General  
of the United States



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Reinventing  
Government:  
Do It Now, Do It Right!



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## Reinventing Government: Do It Now, Do It Right!

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"Reinventing government" is something we have been hearing a lot about in recent months, and now that President Clinton and Vice President Gore have issued the National Performance Review plan, we can expect to be hearing even more about it in the days to come. Early media coverage of the plan has been favorable; whether or not the plan ultimately fulfills its promise, the administration deserves credit for focusing on the issue of improving government and for setting the tone of the debate over how that is to be accomplished.

Still, the call for reinventing government has met with a good deal of skepticism from those who have been around Washington long enough to see innumerable fads come and go. But while the trendiness of the term may cause some to wonder whether "reinventing government" is worth all the fuss, it's really only a new way of proposing that old government structures and ways of doing business be refashioned to fit the times—and that is always worth the effort. When the old ways of government grow obsolete, the new challenges of government cannot be met.

Some who would like to pursue the reinvention of government hesitate for fear that the idea is impractical. But while we at GAO are sufficiently familiar with government operations to understand the immensity of the task, our experience tells us that it can be done. Over the years, we have

performed management studies on cabinet departments and large agencies, as well as innumerable program reviews. Our own organization has itself been reinvented—not once, but twice.

When GAO was created in 1921, its job was to check the government's financial transactions—one voucher at a time. By World War II, those vouchers were arriving in boxcars, and GAO's 14,000 clerks were all but buried in paper. So in 1950, Congress reinvented GAO. From that point forward, individual agencies would check their own vouchers; our job would be to audit the agencies' financial operations as well as to assess their efficiency and economy and their compliance with laws and regulations. We downsized to 6,000 by 1954, to 4,000 by 1965. We shifted our hiring from clerks to professional accountants. The times demanded that we change, and we did.

By the late 1960s, Congress saw the need for GAO to go beyond financial and performance audits and take on the task of evaluating the results of federal programs. Elmer Staats, my immediate predecessor as Comptroller General, brought GAO into the era of program evaluation, which Congress formally made part of our mission in 1974. We still hire accountants, but we began also to hire economists, social scientists, and professionals in such fields as health care and information technology. For a second time, then,

we were "reinvented." When new needs developed, we responded, and when new means were called for, we found them. We are still working to improve, and the fact that we are doing so makes me believe that other government agencies can as well.

Furthermore, I have stacks of GAO reports on hand to prove that most of the government's problems can be evaluated, analyzed, and traced to comprehensible causes. These causes are not mysterious. Agency missions are outdated, priorities are unclear, organizational structures and management tools are shopworn, accounting systems are inadequate. All these things create waste and failure. All of them foster the public's disillusion with government. But all of them can be turned around. Redefining missions to suit the times, setting reasonable goals based on what works and what is affordable, improving management practices, installing adequate accounting and financial management systems—these things do not require a magic wand. Time and again, GAO's experiences in the audit and evaluation of federal programs have shown that most of the problems in government agencies do not require magic solutions—merely the resolve to find practical ones.

Is that resolve now in place? There is reason to think so. More so than in recent memory, the public seems to be focusing on the fundamental questions of government—its role, its size, its

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**Reinventing Government:  
Do It Now, Do It Right!**

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acceptable costs. There may be many reasons for all this attention, but I think four stand out.

First, the Cold War is over. For nearly five decades, it helped define not just the size and shape of our military, but the order of our other national priorities. Today, it's clear that the American people see the priorities differently. We cannot underestimate the enduring need for well-trained, well-equipped fighting forces, but their number will lessen and their roles and structures will have to be refitted to our changing national security environment. Seven out of every ten people who work for the government work in areas related to national defense; there's plenty of room in there for economizing without impinging on national security. Among other things, we'll see a cut in forces even beyond the 25 percent already announced. There will be fewer new weapons and further base closings. And there will be smaller numbers of forward-deployed troops, so our air- and sea-lift capacity will need to be strong.

We have a recent precedent for a substantial rethinking of the armed forces. When the Vietnam War was winding down, Secretary of Defense Melvin Laird faced a situation that called not just for decreasing the size of the armed forces, but for making some fundamental changes. In the ensuing years, forces were downsized, the number of ships was reduced, the development of more technological

weapons expanded. Perhaps most important of all, the all-volunteer service came out of that situation, and it worked. American performance during the Gulf War serves as proof.

Health care is the second area in which our new times demand a response. Inflation in health care costs runs to double digits, and overall health care costs are projected at over 14 percent of our Gross Domestic Product, as compared to 8.5 percent in Germany, 9 percent in France, 10 percent in Canada, and 6.6 percent in Japan. Among our domestic government programs, the cost of health care under Medicare and Medicaid is the biggest cost driver. President Clinton and many Members of Congress have recognized that if health care costs continue to spiral, so will the deficit.

Which brings us to the third area—the deficit. It is the great albatross hanging around the government's neck—the greatest drag on the ability of this nation to invest in its own future. Last year's federal budget deficit was \$290 billion, but that figure includes the offsetting surpluses in the Social Security and other trust funds. These were never intended to be used to pay the government's day-to-day expenses. The real deficit last year—the operating deficit—was nearly \$400 billion. The gravity of the situation is finally sinking in with both the American people and their leaders. There is no room for waste, no reason to adhere to the old ways when they

threaten our future and that of our children.

This basic acknowledgement that new approaches are needed has been taking place outside the federal government for some time. We have seen many a private-sector company face up to the need to modernize—to reinvent itself—or go under. It's never easy—witness the troubles at IBM—and it's always disruptive, but in a changing environment the common rule is "evolve or die." Similarly, some state and local governments have been confronting the hard economic realities—scaling back their services or finding new ways to deliver needed ones. So in this development I see the fourth reason for thinking that people are ready for reinventing the federal government. They're seeing it done at other levels. If state and local governments can do it, so can the one in Washington.

The question is: Can we do it right? Americans may be ready for change, but are they and their leaders prepared to make the difficult trade-offs on the road to consensus, or to face up to the risks and uncertainties that any real change will entail?

Health care reform makes for a prominent example. We can complain all we want about the high costs and access problems of our current health care system, but are we willing to give up any portion of the parts we like, such as the ever-improving and widely

available technology, the choice of our own doctors, the lack of waiting periods for medical procedures, the untaxed employee medical benefits? We can look to other countries such as Canada and Germany for the lessons they have learned, we can debate the advantages of HMOs and argue the principles of managed competition, we can explore standard fee schedules and single-payer systems vs. multiple-payer systems. But in the end—if we're going to do it right—we are going to have to make some hard choices. Compromise is inevitable.

Reinventing government will not be a matter of just trimming here and there, but of taking a fresh look at programs and structures and ways of doing business that may once have made sense but may not anymore. We need to rethink the mission of some agencies, such as the U.S. Information Agency (including the Voice of America); the Agency for International Development; the Small Business Administration; and that enormous post-World War II central-management organization, the General Services Administration. We need to consider the extent to which vast regional field structures, such as that of the Department of Agriculture, have been made obsolete today by modern communications technology. And we have to be more realistic and prudent before pursuing large programs that raise big hopes but offer uncertain returns. The superconducting super collider, the space station, the Strategic

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**Reinventing Government:  
Do It Now, Do It Right!**

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Defense Initiative, and the B-2 bomber are all programs that come to mind.

Every government program has a constituency—someone with a vested interest in the status quo—and many government programs have effects that ripple out from their primary functions. This will make reinventing government all the more difficult. In rethinking defense, for example, there will be political pressures, employment considerations, concerns over maintaining our industrial base. There is no way to reinvent government—that is, to make sweeping and often fundamental changes based on a thoroughgoing examination of the merits—without taking into account the context in which it operates.

And yet, from one end of government to the other, the need—and the opportunities—for reform have grown so apparent that perhaps we will finally see them acted upon. There is no reason not to simplify our income tax forms or improve the systems through which they are processed. Likewise with Medicare, under which beneficiaries may be pleased with the benefits but exasperated by the paperwork. There is no reason not to streamline Department of Agriculture programs that have been accumulating and growing ever more complex since the Great Depression. There is no reason not to bring Social Security records and methods of payment up to the standards of, say, American Express.

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**Reinventing Government:  
Do It Now, Do It Right!**

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We at GAO have been involved these past three years in adapting our own operations to the principles of total quality management. It started with a visit to GAO from W. Edwards Deming, one of the great pioneers in the field. Today, we are focusing on our customers—defining our mission and our standards, not on the basis of what we think of ourselves, but on what our customers have the right to expect of us. We are re-engineering our work processes to become more efficient, more focused on excellence. Even as budget constraints force us to downsize, we are training our staff to work smart—to do more with less. We know we have a long way to go, but we know we are pursuing the right values. Some other federal agencies are taking similar initiatives: streamlining their programs, simplifying their regulations, making themselves more accessible to their constituents. As Joseph Juran, another of the premier theoreticians of quality management, told us, a private-sector firm's transition from traditional management practices to total quality management may take as long as 6 years, a government agency's as long as 10. But one decade's investment may pay for itself many times over in the decades that follow.

Still, no matter what steps individual executive agencies may take, reinventing government won't work unless some basic, systemic changes take place across the spectrum of agencies.

First, we need to create a results-oriented environment in which all federal agencies have clear-cut missions and reasonable goals. We need to give federal managers the tools and incentives to reach these goals, and then hold them accountable for their performance. The Government Performance and Results Act recognizes the need to set performance measures and hold managers accountable.

We need, as well, to make the basic management systems and processes more rational than we find them today. Personnel is one such area. The government's personnel system needs to accommodate a work force that is increasingly diverse even as its numbers level off or decline. The federal government needs to train its people better, provide them with more rational performance incentives, and allow their managers more flexibility while holding them accountable for their results.

The budget process—from preparation and presentation through passage and execution, focused insufficiently on the long term and so demanding of policymakers' and managers' time and energies—needs to be overhauled. Accrual concepts, as appropriate, should be incorporated to recognize the long-term effects of our spending commitments. Spending that contributes to long-term economic growth should be differentiated from spending on current consumption. And

again, a stronger connection needs to be established between spending and performance. This will focus decisionmakers on the results of their choices among competing objectives.

Financial management, traditionally one of the government's weakest areas, needs to be brought in hand so that managers can answer such rudimentary questions as how much do we spend and what does it buy. The Chief Financial Officers Act of 1990 promises great improvements in federal financial management—but only if the government follows through on its good intentions and makes the necessary long-term investments in people and systems.

One area in which such investments will be crucial is federal acquisitions. Federal procurement is big business; this year, it will tally some \$200 billion in goods and services. But the system doesn't run well. Acquisitions take too long; those who are part of the system are burdened with too many procedures and too much paperwork. And despite all the rules and regulations, in too many cases the government fails to get good value for the money it spends. In acquisitions, as in so many other areas of management, the executive agencies all need to become leaner, faster, more responsive, less tangled up in processes and more focused on results.

A government that relies increasingly on third parties to carry out its

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**Reinventing Government:  
Do It Now, Do It Right!**

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functions will have to place greater emphasis than it does today on ensuring that these third parties are accountable for their performance. Another area of special concern, therefore, is contract management. Most federal agencies lack the accounting, internal control, scheduling, and performance measurement systems—not to mention the people—needed to ensure proper contractor oversight. Recent reports out of GAO and the Office of Management and Budget have highlighted the fact that agencies emphasize the award of contracts rather than the management of contracts. For most civilian agencies, however, contractors are not the only—or even the most important—third parties carrying out federal missions. Non-profit institutions, from hospitals to relief agencies, as well as thousands of offices at subordinate levels of government, spend much of their time fulfilling federal mandates and using federal funds. Reinventing government will depend in large part on understanding how to make partnerships between the federal government and these entities work better in the future.

When the subject of reinventing government comes up, it is only natural to think first of the executive branch. After all, that's where the day-to-day business of government gets done. But the executive branch can't begin to reinvent itself properly without a

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**Reinventing Government:  
Do It Now, Do It Right!**

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corresponding effort by the Congress. The problems that have spurred the call for reinventing government are long-term, systemic problems. Their solution will require long-term, highly focused efforts by both branches.

One need is for better congressional oversight of agency operations—oversight that puts the emphasis on results. I would recommend annual oversight hearings for each agency, making use of agency performance data and financial statements, Chief Financial Officer and Inspector General reports, GAO reports, and other information to create a clearer picture than we now have of agency efficiency and effectiveness. If we could make these agency-by-agency hearings a standard practice, in time we would know the true status, not just of each agency, but of the federal government in total.

That government now operates on a truly startling scale: a budget of \$1.5 trillion, a civilian work force of over three million persons. Its assets are formidable: Department of Energy facilities alone are larger than those of the Big 3 U.S. auto makers. So reinventing and downsizing the machinery of government will not be easy. It will take gifted leadership, a President and a Congress who are willing to work together, and—as I said at the outset—enormous and sustained resolve on the part of all concerned.

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**Reinventing Government:  
Do It Now, Do It Right!**

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The American people want a smaller, yet more responsive, service-oriented, efficient, and cost-effective government. They deserve it. The history of public- and private-sector efforts at reinvention offers no guarantee of success. But if we recognize the urgency of reinventing government, and keep in mind that if it's to be done at all, it must be done right, we'll stand a fighting chance.