It’s a pleasure to be at this Annual ASPA conference and in Milwaukee at the onset of spring. This is an especially beautiful time of year in Washington, D.C., when the cherry trees bloom around the Tidal Basin. Frankly, Washington’s federal buildings, monuments, and museums are impressive any time of the year. But let’s face it. It’s the people who work in those buildings who really matter. As we all know, any organization is only as good as the people who comprise it.

You want people in public service who are not only capable but who have a well developed sense of right and wrong. You want people with energy and empathy for others. And you want people who are more concerned about the public good than personal gain.

In all of these areas, Elliott Richardson set an impressive example during a long and distinguished career that included serving in four cabinet posts, perhaps most memorably as Attorney General. His decision to resign as Attorney General, in the face of White House pressure to act in a manner contrary to his conscience, demonstrated his commitment to do the right thing as well as his dedication to the principle that we are government of laws and not men. I am pleased to have been asked to deliver this lecture honoring such an outstanding public servant. I’d like to thank the American Society for Public Administration and the National Academy of Public Administration for this opportunity.

All too often, discussions about ethics in government tend to dwell on those familiar failings in character and judgment that give rise to waste, fraud, abuse, and mismanagement. Don’t misunderstand me. Whether it’s federal workers who abuse their government credit cards or contractors who try to over bill the government, the misuse of taxpayer dollars is unacceptable under any circumstances. We should have zero tolerance for waste, fraud, and abuse, no matter how small or large the dollar amounts in question. After all, if someone is unethical when it comes to small things, how can he or she be trusted in larger matters?

But in my view, the greatest ethical issues facing government today are the current lack of fiscal discipline in Washington and the continuing unwillingness of public officials to make difficult but known and necessary policy choices. The longer we postpone these difficult choices, the more we threaten our collective future. Right now, we need policy
makers who have the courage to do the right thing and put the needs of the next generation ahead of the next election cycle.

Probably the most urgent issue is our nation’s worsening financial condition and long-range fiscal outlook. Between the aging of the baby boomers and increasing health care costs, our government faces a rising tide of red ink. The record deficits of recent years haven’t helped matters. At the same time, much of our nation’s fiscal policy remains on autopilot, a strategy that is both imprudent and unsustainable. If we continue as we have, it’s only a matter of time before we face a crisis.

Historically, Americans have shrugged off warnings about impending deficit and debt problems. Today, low interest rates and modest inflation have given many of us a false sense of security. This unrealistic outlook is reinforced by the government’s financial statements and official budget projections, which fail to provide a full or fair view of our nation’s current financial condition and future prospects. The truth is that America’s finances are in far worse shape than advertised.

In the past, particularly in the decades since World War II, America has been the world’s engine of economic growth. We still are, but our long-term fiscal gap is so great now that there’s no way we can simply grow our way out of the problem. It’s just not going to happen—and the sooner we recognize that fact, the sooner we can do something about it.

By making tough choices sooner rather than later, we can minimize the need for drastic measures down the road. We can ensure that the miracle of compounding will eventually work for us rather than against us, as it is now. We can avoid a dangerous upward spiral of deficits and debt that will ultimately harm America and every American. Importantly, we can also fulfill our stewardship responsibility to our children and grandchildren.

Let’s talk for a minute about our government’s liabilities and net obligations and commitments. These include things like the federal debt, military and civilian retirement benefits, net promises for Social Security and Medicare, and potential bailouts of government-sponsored entities like the Pension Benefit Guaranty Corporation. As of September 30, 2004, these items totaled about $43 trillion. In the last fiscal year alone, this amount rose by over $13 trillion, largely because of the new Medicare prescription drug benefit.

To put all of this into perspective, even with the recent run-up in housing prices, the estimated net worth of every American, including Bill Gates and other billionaires, is only about $48 trillion. That means that every American would have to give up around 90 percent of his or her net worth just to cover the government’s current promises.

The truth is that the current burden for every American now works out to nearly $150,000. The numbers are even worse for full-time workers, something around $350,000 each.
Clearly, the crunch is coming, and eventually all of government will feel its impact, including the Departments of Defense and Homeland Security. Long-range budget simulations from my agency, the U.S. Government Accountability Office (GAO), show that, without meaningful changes, increasingly draconian decisions on spending and taxes will be required in the coming years to balance the budget. Based on plausible assumptions, by 2040, the federal government could be reduced to doing little more than paying interest on the national debt.

Many state and local governments also face serious long-range budget challenges. Don’t forget, bad news flows downhill. Over time, the federal government’s fiscal challenges are likely to exacerbate the challenges facing state and local governments.

I have both a personal and professional interest in the federal government’s financial reporting process. Every year, the U.S. government is required to issue a comprehensive statement on its finances and operations, which is known as the consolidated annual report. As Comptroller General of the United States, I’m responsible for signing off on GAO’s audit of the federal government’s consolidated financial statements. Unfortunately, for the eighth year in a row, GAO couldn’t vouch for the accuracy and completeness of much of the information in the statements.

The financial management problems are particularly severe at the Pentagon, which, year after year, can’t properly account for billions of dollars in property and equipment and various expenditures. Another challenge is that 11 federal agencies were forced to restate their fiscal year 2003 financial statements to correct errors. This is no way to run what is the largest, most complex, and, arguably, the most important institution on earth—the U.S. government.

Let’s face facts - deficits do matter. It’s also important how a nation keeps score. After all, if our government can’t be honest with itself and with its citizens about its finances, then how will our elected officials ever make the tough choices that will enable us to meet the known challenges that lie ahead?

For example, in the next 50 years the U.S. population is expected to grow by more than half, while the ratio of workers to retirees is expected to decline dramatically. More broadly, our world is being shaped by forces that know no geographical or geopolitical boundaries. Markets, technologies, and businesses are now having a worldwide impact. The same is true for many environmental and public health issues. Air and water pollution don’t just stop at the border. And with today’s international air travel, infectious diseases that originate in one corner of the globe can spread to distant cities almost overnight.

The 21st century is also being defined by new security threats, including terrorist networks and rogue nations armed with weapons of mass destruction. Most industrialized nations, including the United States, also face the challenge of caring for aging populations.
To keep pace with these changes, our government must also change. For too long, the political process has been afflicted by myopia and tunnel vision. Given current trends and emerging challenges, it’s time to ask a series of simple but overarching questions about our government. For example, what is the proper role of the federal government in the 21st century? How should it be organized? How should it do business? How much will it cost? How should it be financed? The answers to these questions involve not only policy judgments but operational and ethical considerations as well.

Nothing less than a top-to-bottom review of federal activities is needed to determine whether they are meeting their objectives and to free up resources to meet pressing needs. Many current federal programs and policies are based on conditions that existed when Dwight Eisenhower and John Kennedy were in the White House. Congress and the President need to decide which of these programs, policies, and functions remain priorities, which should be overhauled, and which have simply outlived their usefulness. Similar efforts may also be required in state and local governments.

To help in this effort, GAO recently published an unprecedented report that asks a series of illustrative questions about both mandatory and discretionary spending and tax policy. I should stress that while GAO isn’t a policymaking institution, decades of experience and expertise put GAO in a unique position to pose a range of questions that policymakers need to address. These questions also represent excellent topics for researchers.

The report is called “21st Century Challenges: Reexamining the Base of the Federal Government,” and you can find it on our website at www.gao.gov. In my view, this is must reading for anyone who’s interested in public policy.

The government areas needing review and reexamination go well beyond Social Security reform. Let me give you a few examples of questions from GAO’s “21st Century Challenges” report:

– Do we need to change the traditional allocation of resources across the armed services and defense programs to better address current and likely future threats?

– Do we need to update the criteria for federal disability programs in response to medical advances and changing labor market conditions?

– Do we need to introduce health care industry standards for acceptable care and payment reforms to ensure adequate and affordable medical treatment for all Americans?

– Is it time to reconsider various tax incentives because they fail to achieve their objectives, their costs outweigh their benefits, or they duplicate other programs? These tax incentives include things like the health care exclusion and the home mortgage interest deduction.
My hope is that this GAO report will encourage policymakers and the public to think more strategically about where we are, where we are headed, and where we should go from here. I also hope that the report will spur the development of a set of key national indicators and a much-needed and long-overdue baseline review of the federal government. Transforming government isn’t something that will happen overnight. More than likely, it will take at least a generation to put us on a prudent, stable and secure fiscal path.

Beyond Congress and the President, civil servants will also have an important role to play in this overall transformation effort. Being on the front lines of government operations for the long haul, civil servants are in a strong position to ensure that programs are getting real results. They can help realign agencies to better meet their objectives, point out cases of waste and mismanagement, and fine tune federal services to improve results and enhance responsiveness while ensuring that the taxpayer gets the best possible return on investment.

Any government that values ethics and integrity needs to have a system of checks and balances that ensures transparency and accountability. GAO is a strong advocate of these basic principles of “good government.” By providing Congress with the best available information on federal programs and policies, GAO ensures that no one is above the law and that every government official, no matter who they are, must answer to the American people. We’ve never wavered in our belief that the public deserves to be fully informed about all major aspects of government operations. After all, ours is a government of the people, by the people, and for the people.

GAO’s credibility is rooted in its independence and integrity. Our workforce consists entirely of career civil servants hired not because of who they know but because of what they know. Also, as Comptroller General, I serve a 15-year term—the longest term appointment in government. This long tenure, combined with tough standards for removal from office, allows the Comptroller General and GAO to take a long-term view, to speak truth to power, and to take on difficult issues that can take years to address.

GAO takes seriously its responsibility to speak out on a range of complex and sometimes controversial issues. It’s not always an easy job, and some people don’t like what we have to say, but as Harry Truman once said, “If you can’t stand the heat, get out of the kitchen.” When it comes to key issues of concern to Congress and the nation, I can assure you that GAO has no plans to stop speaking the truth and stirring the pot.

When I came to GAO in 1998, one of the first things I did was to introduce a set of three core values that reflect the nature of our work and the character of our people. Our core values are intended to supplement the law and applicable professional standards. GAO’s core values are accountability, integrity, and reliability. If you come to Washington, you can see these core values over the entrance to GAO’s headquarters. More importantly, they are in our people’s hearts and minds. Accountability describes GAO’s mission. Integrity describes GAO’s employees. Reliability describes our products—those blue-book reports and other GAO documents that Members of Congress hold up during hearings, press conferences, and floor debates.
GAO’s core values also guide our dealings with our congressional clients. It’s important that the agency deals fairly and consistently with every Member of Congress who requests a GAO study. But, frankly, we don’t accept every job we’re asked to do. Some requests are beyond GAO’s scope of authority, some requests are clearly politically motivated, and some requests want us to examine only one side of the so-called ledger. In any event, GAO doesn’t have the resources to handle all the congressional requests it receives.

We have only to look to the private sector to see what happens when individuals lack or stray from a set of core values. At Enron, Worldcom, and other companies, the unethical behavior of some corporate 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.

Not surprisingly, public confidence in the integrity of corporate financial reporting process took a big hit. In fact, one of the largest and most respected accounting firms, and one that I was a global partner of for over nine years, paid the ultimate price. In less than two years, Arthur Andersen went from the CPA profession’s global gold standard to gone. Why? Largely because as a CPA firm, Arthur Andersen was in the “trust business,” and some of their key players betrayed this trust. Government, educational, and charitable institutions are also trust businesses, and we have to do our best not to breach the public’s trust in us and the institutions we represent.

As many people have learned the hard way, it’s not enough to do what is legally permissible. It’s important to aim higher and do what is ethically and morally right. This isn’t rocket science. In any situation, just ask yourself if this is how you’d like to be treated by others. In the final analysis, the truest test of a person’s character may be what that person does when no one else is looking but God. Each of us should keep this in mind when faced with difficult challenges and choices.

Unfortunately, concerns about truth and transparency in financial reporting aren’t limited to the private sector. Washington recently got an unpleasant wake-up call when two government-sponsored enterprises, Fannie Mae and Freddie Mac, announced significant earnings restatements. GAO is determined to do all it can to prevent such accountability failures in the federal government.

Let me give you a recent example that illustrates GAO’s continuing commitment to strong ethical standards and a higher calling in a different area. Since 1921, GAO has been issuing legal opinions on a range of government activities. Over the years, these opinions have been widely recognized as definitive guidance.

GAO recently issued a legal opinion on video news releases, which federal agencies have been producing with increasing frequency in recent years. GAO concluded that prepackaged news stories prepared by federal agencies should make it clear that the government is the source of the information. This notation could be spoken by the so-
called reporters who often appear on camera, or the notation could be embedded on the face of the film. Sadly, the Administration quickly rejected GAO’s guidance.

GAO stands by its legal opinion on prepackaged news stories. Clearly, deceptive video news releases strike a blow to the “good government” principles of transparency and accountability that are essential for a healthy democracy. In my view, the government’s credibility is enhanced by openness, and the public is enriched by full and open debate. These actions also enhance public trust in government.

As I pointed out earlier, our nation is now running large and growing financial deficits. Do we really want a credibility deficit as well? Regardless of the related legal issues, the simple truth is that the American people have a right to know when their government is trying to influence them using taxpayer funds. In addition, both the government and news organizations should do what is ethically right rather than what is arguably legal.

Whether it’s video news releases or our growing fiscal imbalance, the choices facing us are ultimately about ethics and values. We have a stewardship responsibility to future generations. 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 is better off and better positioned for the future than when we found it. Unfortunately, the continuing unwillingness to make necessary choices lessens the likelihood that we will be able to maintain this long-standing American tradition.

Today, all of us need to be part of the solution. My hope is that when you leave here today, you will spread the word among your friends and colleagues and start demanding the facts and insisting on action. If you and I remain silent, meaningful change is unlikely. After all, why should any public official stick his neck out on difficult issues that no one seems to care about?

I don’t want you to go away thinking that things are hopeless. That’s far from true. America has risen to greater challenges in the past. But we need to look beyond the sometimes superficial headlines of the day. We need to ignore the hype, the spin, and the misinformation. Instead, we have to educate ourselves about the issues that really matter and hold our government accountable for enhanced performance, real results, and appropriate stewardship.

Lately, I’ve been studying George Washington, particularly his two terms as President. As the first to hold that office, Washington was very aware that the eyes of history were upon him. Our first President made a conscious effort to lead by example, and the precedents he set have stood the test of time.

What’s often overlooked is that Washington was a great believer in fiscal discipline. In his farewell address in 1796, Washington spoke to the issue of public debt. He urged the new nation to avoid “ungenerously throwing upon posterity the burden which we ourselves ought to bear.” This advice is as sound today as it was over 200 years ago.
By ignoring Washington’s words of wisdom and postponing difficult policy decisions, our government is, in fact, making a choice, a choice with unacceptable fiscal and ethical implications. It is this refusal to act that poses the greatest threat to our nation’s future.

In these challenging times, we need more leaders with three key attributes: courage, integrity, and innovation. We need leaders who have the courage to speak the truth and to do the right thing, even if it isn’t popular. We need leaders who have the integrity to lead by example and to practice what they preach. We need leaders who can see new ways to address the many challenges facing us and who can help others to see the way forward.

Please join with me in stating the facts; speaking the truth; and helping to save the future of our country, children, and grandchildren. By working together, we can make a difference.