

## 9-11: A Call for Leadership and Stewardship

### The Honorable David M. Walker Comptroller General of the United States

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Thank you, Jane, for that kind introduction. I'll do my best to live up to it.

Before delivering the Webb lecture, I would like to acknowledge two individuals who are here this evening. Elmer Staats, who was the fifth Comptroller General of the United States, is a friend and a renowned public servant both within and outside the Academy. I'd also like to acknowledge Gene Dodaro, GAO's Chief Operating Officer and our number two executive. Gene is a dedicated and capable public servant, and together we make an excellent team. As we all know, it's people and teams that make the difference in today's world.

I would also like to offer my congratulations to all of the new fellows, especially to Chris Mihm, who is a Director on GAO's Strategic Issues Team; and Hannah Sistare, who is Minority Staff Director and Counsel to the Senate Committee on Governmental Affairs, which is GAO's oversight committee in the Senate.

I understand that the overall theme of your meetings during the past two days has been "Ethics in Public Management." When I heard that, I thought of the words of my favorite President, Theodore Roosevelt: *"To educate a man in mind and not in morals is to educate a menace to society."* TR also noted that *"It is character that counts in a nation as in a man."* Obviously, these quotes were made before the time of equal rights and political correctness. Nonetheless, they contain important messages for all of us.

Like many of you, I never had the honor of meeting nor working with Jim Webb. Jim was a role model for many in public life during his long career of exemplary public service. He demonstrated tremendous talents—political, administrative, technical—and displayed extraordinary personal integrity and character. Jim was also a Marine aviator, and that is pretty special as well. I am truly humbled to be standing here as I contemplate who Jim Webb was and what he contributed to our country. It is indeed a great honor to deliver this year's James E. Webb lecture.

I understand that I am the third Comptroller General of the United States to deliver this lecture. Elmer Staats addressed you in 1987, and Chuck Bowsher did so in 1988. I'm especially pleased to do so this early in my tenure and so soon after being admitted as a fellow of the Academy.

As you know, GAO has a long and proud tradition of serving the Congress in meeting its Constitutional responsibilities and helping to maximize the performance and assure the accountability of the federal government for the benefit of the American people. This year marks GAO's 80th anniversary and our agency's 50th year occupying our landmark headquarters building.

GAO has three lines of business: oversight, insight, and foresight. By oversight, I mean following the federal dollar and ascertaining whether government programs and policies are working as intended. By insight, I mean undertaking in-depth analyses of cross-cutting issues, like homeland security or food safety, to determine what is working and what is not working. By foresight, I mean we do research and development to discern trends and identify emerging issues, like Y2K and our long-term fiscal challenges, to develop helpful tools and possible options for addressing them before they reach crisis proportions.

Tonight I would like to reflect on some of the leadership and stewardship challenges facing us following the events of September 11. By leadership, I mean the process of getting things done with and through others. By stewardship, I mean the process of not just leaving things better off when you leave than when you came, but also leaving things better positioned for the future.

The events of a single day can change the course of history. September 11, 2001, is one of those days, as the events of that day have had and will continue to have a profound effect on America and Americans. As a result, all of us will probably always recall where we were and what we were doing on that fateful day.

On a personal note, September 11 was a harrowing time for me because my wife Mary, who is a flight attendant with Delta Airlines and who is here this evening, was flying out of Boston that morning on a 757 to the west. It was a very long hour for me before I learned that she was not on either of the two Boston 757s that struck the Twin Towers. Thank God, she wasn't. In the meantime, I had to focus on the more than 3,000 GAO and Army Corps of Engineers employees in our headquarters building.

The terrorists chose to hijack United and American flights that morning, possibly as symbols for the United States of America, on a date that also symbolizes an emergency call: "911." Clearly, their actual and planned targets were symbols of American power.

The immediate response to the terrorist attacks clearly demonstrated the heroism and generosity of the American people. The heroism of those aboard the hijacked plane that went down in Pennsylvania, and of all the police, firefighters, and other response personnel during those first hours after the tragic events was truly inspiring. Similarly moving was the overwhelming generosity shown by the American people as donations poured in from all over the country for the victims and their families.

It's truly amazing and inspiring how Americans can pull together without regard to turf considerations and other artificial boundaries to get the job done in the event of a crisis. While this is impressive, we must begin to be able to work in this fashion in the normal course rather than in a crisis. This will be tough, but it is essential in order to maximize the government's performance and assure positive outcomes.

September 11th served as a wakeup call for America and Americans. While many predicted that it was only a matter of time before international terrorism came to our shores, even the experts had to be stunned at the level of destruction and carnage.

We're now in a world that is very different from what it was on September 10, a world whose challenges we are only beginning to fully grasp. As citizens and as a country, we realize that we are going to have to do things differently. We will need to be more vigilant and in some cases, like at airports, more patient as we conduct our affairs. However, we must get on with our lives and not live in fear.

We know now there aren't any islands of absolute security and safety where we can hide. The oceans that separated us from much of the world in past wars do not provide the same level of security in today's world with more open borders, high technology, and asymmetric threats.

Our heightened sense of vulnerability makes life and time more precious and has encouraged us to take stock of our lives and reassess our values and priorities. Americans are reaching out and becoming closer to family, friends, colleagues, and neighbors. They are donating time, effort, blood, and treasure to serve their fellow Americans. Evidently, the depth of the American people's compassion, unity, and love for their country was obscured before 9/11. Now patriotism is back, and flags fly everywhere.

Drawing on Dr. Abraham Maslow's hierarchy of needs theory, in my view, before 9/11, many Americans were focused on "self-actualization" and the word "me." After 9/11, many Americans are focused on "self-preservation" and the word "we." There has also been a significant increase in the public's appreciation of and respect for their government since 9/11. At the same time, this has not translated into a significant increase in the percentage of individuals who want to work for the government. Our challenge is to build upon this renewed spirit—this compassion, unity, patriotism, and purpose—in ways that will enable us to learn from the past and prepare for the future.

The Congress has enacted and the President has signed into law several measures aimed at helping us recover from and respond to the terrorist attacks. All were necessary, but all will cost money, from the \$40 billion supplemental appropriation for an Emergency Response Fund to the "Air Transportation Safety and System Stabilization Act" to the "USA Patriot Act." In addition to these actions, many believe that some sort of fiscal stimulus is called for, given the current state of the economy. Prior to 9/11 we were experiencing a sluggish economy and seemed to be headed for a mild, cyclical recession. The events of 9/11 served to increase our short-term economic challenges and have eliminated most questions of whether we are currently in a recession.

The combination of the increased federal spending for our international war on terrorism and our homeland security efforts, coupled with the deterioration in overall economic performance, will serve to eliminate near-term budget surpluses, reduce medium-range projected surpluses, and exacerbate our serious long-term fiscal imbalance. I will say more about this later.

Prosecuting a worldwide war on terrorism presents a host of unique hidden challenges, as it is different from any war in history—a war against terrorists who operate in more than 60 different countries. Our war on terrorists is asymmetrical, and requires unconventional war fighting strategies, counter-terrorism, anti-terrorism, deception, and the use of high tech intelligence methods. It can also involve conventional war on regimes that harbor and support terrorists—as is already the case with the war against the Taliban regime in Afghanistan. Another unique aspect of this war is that it must be fought not only overseas, but also here at home.

We must work across boundaries within the federal government, with state and local governments, with the private and not-for-profit sectors, both domestically and internationally to address our homeland security challenges. The difficulties inherent in this effort are apparent to everyone in this room who is intimately familiar with the historical behavior of governmental organizations. Strengthening our homeland security against future terrorist attacks presents a host of unique challenges. As Senator Fred Thompson remarked recently: "The good news in all of this is that a lot of agencies are involved; the bad news is that a lot of agencies are involved."

Up to now, the federal government has largely worked in silos, with executive branch agencies and congressional committees pretty much doing their own thing. This is no longer feasible or prudent, particularly in the area of homeland security. Unfortunately, many key agencies have little or no experience working together or have done so with "limited success."

The President's new Office of Homeland Security has its work cut out for it. How do you effectively link the homeland security efforts of the Intelligence Community, more than 40 federal departments and agencies, state and local governments, the not-for-profit sectors and private sectors, both domestically and internationally?

I don't envy Governor Tom Ridge and his team. I understand he's been commuting in from the Annapolis area. I would suggest that he get an apartment a little bit closer to the White House. My wife and I might even be willing to help him since we own a condo on Pennsylvania Avenue!

Clearly, the President's October 8 establishment of the Office of Homeland Security in the White House is a good first step. However, a number of questions remain regarding the scope, structure, and statutory basis for this office. These questions are relevant in helping to assure success and provide for reasonable congressional oversight in this critical area over the longer term. After all, as President Bush has said, our fight against terrorism is not a short-term effort. Homeland security will forevermore be a priority for our nation.

The words of abolitionist Wendell Phillips, inscribed on the National Archives, ring as true today as when he spoke them in 1852—that is: "*Eternal vigilance is the price of liberty.*" As we respond to these urgent priorities of today and the enduring long-term requirements related to homeland security, our nation still must address a number of key trends and the long-term fiscal challenges that existed before 9/11 and remain with us today.

As GAO's strategic plan notes, we face a range of challenges in responding to a number of key trends that have no boundaries, both domestically and internationally. Trends like globalization, changing security threats, demographic changes, rapidly evolving sciences and technologies, various quality of life issues, and the public's demand for a more responsive and accountable federal government. In addition, the economy and the need to respond to the events of 9/11 have made our long-term challenges greater.

Our history suggests that we have incurred sizable deficits when the security or the economy of the nation was at risk. As we respond to the urgent priorities of today, we need to do so with an eye to the significant long-term fiscal challenges we face just over the 10-year budget horizon. Congress and the President should seek to balance today's immediate needs against our long-term fiscal challenges. This is an important note to sound—while the response to 9/11 appropriately will consist of both temporary and long-term commitments, long-term fiscal discipline is still an essential need.

For the short term, we should be wary of building in large permanent structural deficits that may drive up interest rates, thereby offsetting any potential economic stimulus Congress provides. For the longer term, known demographic trends (e.g., the aging of our population) and rising health care costs will place increasing claims on future federal budgets—reclaiming the fiscal flexibility necessary to address these and other emerging challenges is a major task facing this generation.

While we do not know today what the next CBO and OMB 10-year budget projections will be, we do know the direction: They will be considerably less optimistic than before 9/11, and the long-term outlook will look correspondingly worse. As that famous modern philosopher, Yogi Berra, said: "It's deja vu all over again!" Yogi may not qualify for a NAPA fellowship, but he is a good source of some great quotes.

If we assume that the 10 years of surpluses CBO projected in August are eliminated, then by the year 2030, absent changes in the structure of Social Security and Medicare, there would be virtually no room left for any discretionary spending priorities, including national defense, law enforcement, transportation, education, or veterans assistance. In addition, by the year 2050, the federal government would only have enough funds to pay interest on its massive federal debt. Even if we saved every penny of the Social Security surplus by paying down debt held by the public (which we clearly will not do) in order to pay for Social Security, health, and interest on the debt, we would have to cut all other spending levels by 50 percent by 2030 and total federal spending by almost 50 percent by 2050. The alternative to these spending cuts is tax increases to levels significantly in excess of what Americans have tolerated in the past. Obviously, there could also be some combination of spending cuts and tax increases.

These scenarios are based on CBO's August baseline and the Social Security and Medicare trustees' intermediate, or "best estimate," assumptions. The results are shocking and unacceptable. We will not allow them to happen. However, what is being done to make the difficult choices necessary to avoid this unacceptable future? The answer is - not much. As a result, we must begin to address this huge and growing challenge and determine how can we best go about doing so?

The resource demands that come from the events of 9/11—and the need to address our longer term financing gaps—will demand tough choices. Ultimately, restoring our long-term fiscal flexibility will involve promoting higher long-term economic growth and reforming federal entitlement and other spending programs. When Congress returns for its next session, these two issues should be placed back on the national agenda.

As we move beyond the immediate threats, it will be important for the Congress and the President to take a hard look at competing claims on the federal treasury, both in connection with tax incentives and direct spending. This is particularly needed because a big contributor to deficit reduction in the 1990s was the decline in defense spending. Given recent events, it is pretty clear that the defense budget is not a likely source for future budget reductions.

Future budget planning will take place against the backdrop of greater competition of claims within the budget. The new commitments that we need to undertake to protect this nation against the threats stemming from terrorism will compete with other priorities. Subjecting new proposals and existing programs to greater scrutiny and tightening the budget belt is not only prudent and called for, it should be seen as our patriotic duty.

Besides freeing up resources for the fight against terrorism, budget belt tightening will increase our country's ability to accommodate essential needs that may emerge in the future and the fiscal time bomb already facing us due to the imminent retirement of the baby boom generation.

To accomplish this, the federal government needs to conduct a fundamental review, reassessment, and reprioritization of existing policies, programs, and operations

in light of current and expected needs and challenges. Stated differently, we must move beyond incrementalism and stand ready to question government's base, including spending, tax, and regulatory policies. Doing so can help create much needed fiscal flexibility to address emerging needs by weeding out policies and programs that have proven to be outdated, poorly targeted, or inefficient in their design and management.

We have a stewardship responsibility to the taxpayers of today and future generations to reexamine and update existing policies, priorities, programs, and agency operations. In the short-term, agencies will need to reassess their strategic goals and priorities to enable them to better target available resources to address urgent national preparedness needs. In the long-term, it may require an elimination or consolidation of some existing policies, programs, and operations to address our long-range fiscal challenges.

The terrorist attacks may provide a window of opportunity for certain agencies to rethink approaches to longstanding problems and concerns. For instance, the threat to air travel has already prompted the attention of DOT and FAA to chronic problems with airport security that GAO and others have been pointing to for years. In addition, the FBI is reassessing what its proper role should be in light of the events of 9/11.

GAO has identified a number of areas warranting reconsideration on the basis of program performance, targeting, and costs. Every year we issue a report identifying specific options for congressional consideration stemming from our work, many of which are scored by CBO. In addition, every two years we issue our famous "High Risk" list of government programs and functions that warrant special attention. Our most recent additions to this list are the federal government's human capital (or people) challenge and the Postal Service. We have found that putting an agency or program on the High Risk list brings light to an issue. History shows that with light comes heat and with heat comes action, and action is exactly what is called for in these high risk cases.

This same stewardship responsibility applies to reviewing critically all requests for new funding, including funding requests for efforts to fight terrorism and protect our homeland. Indeed, as you all know, a favorite term in agency budget justification arguments for the foreseeable future is likely to be "terrorism" or "homeland security" as agencies advance proposals to get more money. Reasonable steps need to be taken to guard against inappropriate "hitchhikers" to legitimate budget requests. In addition, rapid action in response to an emergency does not eliminate the responsibility for reviewing how the requested funds are actually used and what results are generated.

In the short term, we have to do what is necessary to get this nation back on its feet, support the war against terrorism, and compassionately deal with the human tragedies resulting from the events of 9/11. However, as we think about our longer-term preparedness and develop a comprehensive homeland security strategy, we can and should select those programs and tools that promise to provide the most cost-effective approaches to achieve our goals.

Over the long-term, a return to recurring deficits will constrain the government's ability to address other pressing issues and real needs—not just wants—confronting the nation, including all those presented by the trends I previously mentioned. Failure to address the budget base—including Social Security and Medicare—raises the risk that our long-term fiscal challenges will reach crisis proportions much sooner than would otherwise would be the case.

The U.S. government is one of the largest, most complex, diverse, and important organizations in the world. The U.S. government also faces a range of major short-term and long-term challenges. Leadership will clearly have to come both from the President and the Congress to effectively deal with these issues. However, the President and Congress cannot do it all. We need a top quality federal workforce to assure success. In the final analysis, people are our most valuable asset in today's knowledge-based economy. It's time for the federal government to recognize this important concept in connection with its own workforce

U.S. Government spending represents about 20 percent of the domestic economy, and U.S. government policies have a profound effect on the overall economy. In addition, the United States is the only superpower on earth! Given these facts and the nature and complexity of our challenges, we cannot afford to have anything less than a top-quality workforce to lead, manage, and perform the functions of the U.S. Government. This is why raising the issue of the government's "human capital" crisis has been a top priority for me since becoming Comptroller General of the United States.

As leaders and advisors to those in leadership positions, we must work together to help assure that we learn from the past and prepare for our future. We must work together to help figure out the best way to assure that the government will engage in a fundamental review, reassessment, and reprioritization of what it does and how it does business in the 21<sup>st</sup> Century.

We at GAO will do our best to do our part, but we need your help. I call on you, the members of NAPA, with your wisdom, experience, abilities, and contacts, to help address the challenges I have noted. Let's work together to make a meaningful and lasting difference for our country, our children, and our grandchildren.

As NAPA fellows, we must exhibit leadership and we must demonstrate stewardship, for as TR said, "Aggressive fighting for the right [cause] is the noblest sport the world affords."

Thank you for your time and attention.



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