



Spending Is Out of Control

The head of the GAO calls for controls on both tax cuts and spending.

By DAVID M. WALKER, Comptroller General of the United States

The Roman Republic¹ fell for many reasons, but three seem particularly relevant for our times: (1) declining moral and ethical values and political comity at home, (2) over confidence and over extension abroad, and (3) fiscal irresponsibility by the central government. All these are certainly matters of significant concern today. But it is the third area that is the focus of my responsibility and authority as Comptroller General, the nation's top auditor and chief accountability officer.

Unfortunately, there is no question that both U.S. government spending and tax cuts are spiraling out of control. Recent increases in federal budget deficits have far out paced the cost of the global war on terrorism and incremental homeland security costs. Although the \$319 billion fiscal 2005 deficit was considerably lower than the previous year's, it is still imprudently high—especially given that federal spending is expected to increase dramatically when the baby boomers begin to retire later this decade.

Less well known, the federal government's long-term liabilities and net commitments, such as those relating to Social Security and Medicare, have risen from just over \$20 trillion in fiscal 2000 to more than \$43 trillion in fiscal 2004, in large part because of the passage of the Medicare prescription drug bill in December, 2003. This translates into a burden of more than \$150,000 per American and \$350,000 per full-time worker, up from \$72,000 and \$165,000 in 2000, respectively. Those amounts are growing fast because of continuing deficits, our aging society, slower work force growth, and compounding interest costs.

THAT'S WHY IT'S TIME to get serious about our nation's fiscal future. The federal government should provide more clarity about where we are and where we are headed from a fiscal perspective. It also should reimpose meaningful budget controls on both the tax and spending sides of the ledger and begin a long-overdue review of all major federal spending programs, tax policies, and operating practices. Believe it or not, much of the government is on autopilot and based on economic, security, workforce, and other conditions that existed in the 1950s and 1960s. It is time to rationalize and

modernize the mission, programs, policies, and operations of the federal government to reflect the challenges and opportunities of the 21st century.

We also need a set of key national indicators to help assess America's position and progress over time and in relation to other countries. Using outcome-based economic, security, environmental, and social indicators—such as life expectancy, infant mortality, and medical error rates, for example—would help strategic planning, enhance performance and accountability reporting, and facilitate the necessary reengineering of the federal government.

Indeed, without a more disciplined approach to our fiscal challenges, policymakers as a default will tend to resort to across-the-board spending cuts and other sweeping measures. Such actions, even if used year after year and on a large scale, won't come near to closing our fiscal gap and will actually result in perverse incentives in some cases. For example, effective agencies and programs with reasonable budgets would be treated the same as ineffective ones with bloated budgets. Recent increases in the total number and dollar amount of congressional "pet projects" serve to make the job more difficult. Our fiscal challenge is far too great to continue such business-as-usual approaches. Instead, the President and Congress need to make some tough choices in connection with entitlement programs, spending practices, and tax policies to put us on a more prudent path.

It's true that other industrialized countries also face serious long-range fiscal challenges. But that's no excuse to delay getting our house in order. After all, our future economic security, competitive standing, quality of life, and even national security are at stake.

As a student of history and a member of the Sons of the American Revolution, I long have been impressed by the example of George Washington, who was a strong believer in fiscal discipline. In his 1796 farewell address, Washington admonished the nation to avoid "...ungenerously throwing upon posterity the burden which we ourselves ought to bear."² Americans today would be wise to heed Washington's timeless wisdom.

David M. Walker, Comptroller General of the U.S., has been head of the Government Accountability Office since 1998.

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¹ The *BusinessWeek* November 14, 2005 version used the term "Roman Empire," instead "Roman Republic" as was originally submitted.

² The *BusinessWeek* November 14, 2005 version incorrectly stated "not ungenerously..." which was inappropriate given the use of the word avoid.