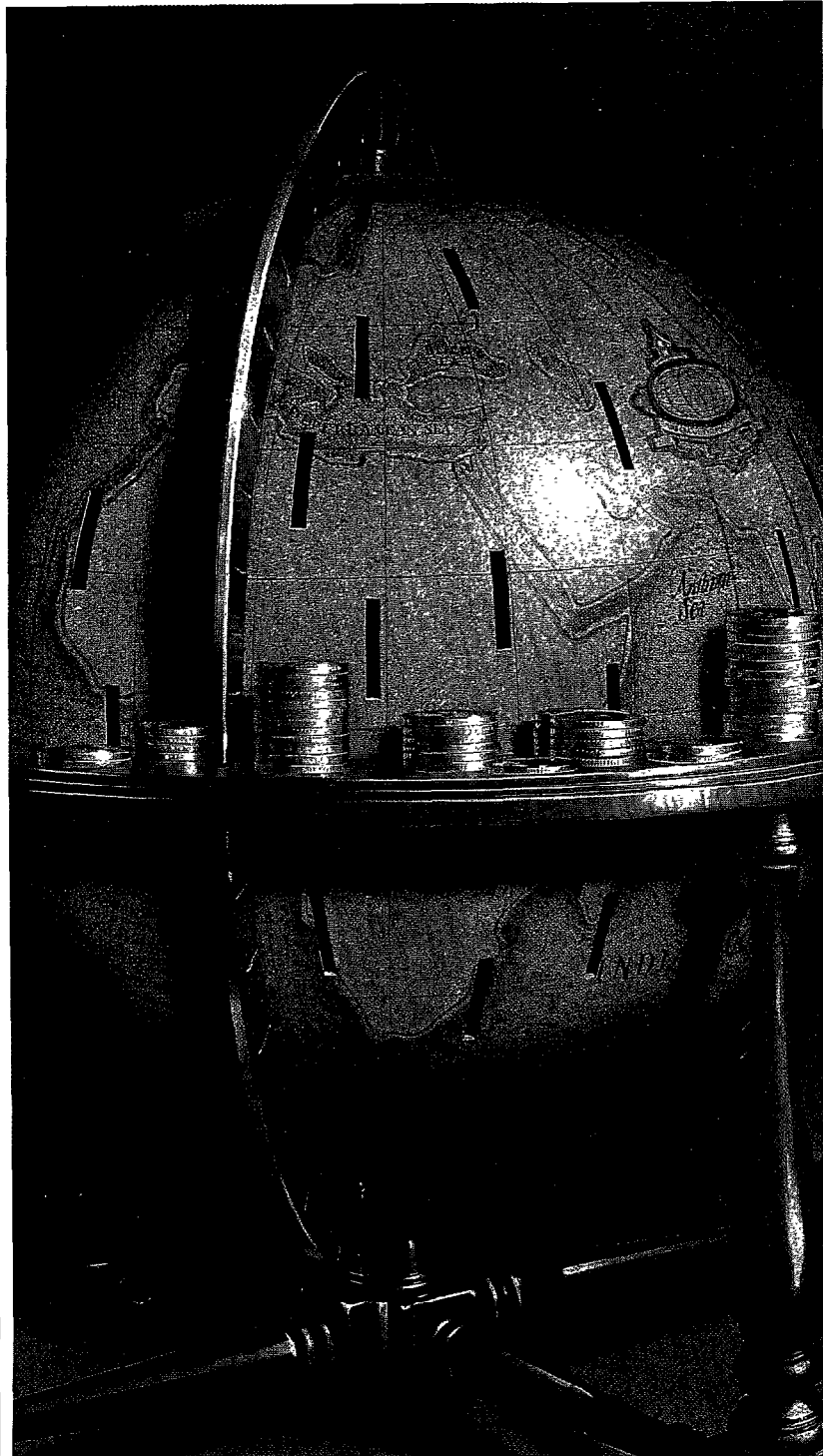


THE G·A·O

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JOURNAL



INVESTING
IN THE
DEVELOPING
WORLD

*An interview with
Barber B. Conable*

STORM OF
CHANGE

*Face to face with
the 1990s*

STILL GIVING,
STILL
RECEIVING

*Sargent Shriver
on the Peace Corps*

NUMBER 8
WINTER/SPRING 1990

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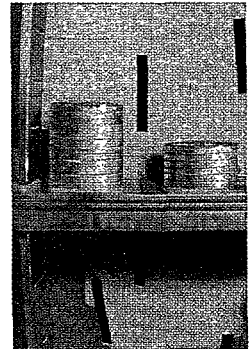
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C O N T E N T S

	FROM THE COMPTROLLER GENERAL		3
	NEW DIRECTIONS AT THE WORLD BANK <i>An Interview with Barber B. Conable</i>	CB 5-10 048104	4
	NAVIGATING THE NINETIES <i>Ken Hunter</i>	CB 5-10 048105	12
	GIVING AND GETTING <i>Sargent Shriver on the Peace Corps</i>	CB 5-14 048106	21
	ONCE UPON A TIME: THE AUDITOR FOR AMERICA <i>David Dewar</i>	CB 5-14 048107	29
	WHAT WE WERE, WHO WE ARE <i>Harry S. Havens</i>	048108	33
	EXPANDING GAO'S CAPABILITIES IN PROGRAM EVALUATION <i>Eleanor Chelimsky</i>	048109	43
	Herbert Stein, <i>GOVERNING THE \$5 TRILLION ECONOMY</i> , reviewed by Jonathan Ratner • Robert Haveman, <i>STARTING EVEN: AN EQUAL OPPORTUNITY PROGRAM TO COMBAT THE NATION'S NEW POVERTY</i> , reviewed by Carol D. Petersen •		53



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THE GAO JOURNAL is published quarterly by the Office of Publishing and Communications, Rm. 4528, U.S. General Accounting Office, Washington, D.C. 20548. First class postage paid at Washington, D.C.

WRITERS whose work appears in *The GAO Journal* speak for themselves only. Unless otherwise indicated, their views or opinions should not be construed as the policy or position of GAO or any other organization with which they may be affiliated.

EDITORIAL CORRESPONDENCE: By mail to the above address. Letters to the editor are encouraged. Unsolicited manuscripts will be returned only if accompanied by a self-addressed stamped envelope.

POSTMASTER: Send changes of address to the Office of Publishing and Communications, Rm. 4528, U.S. General Accounting Office, Washington, D.C. 20548.

FROM THE COMPTROLLER GENERAL

Our latest *GAO Journal* features interviews with two men who have been intimately involved in promoting progress in the developing world. One is Barber B. Conable, former Member of Congress and now President of the World Bank. As Mr. Conable explains on the following pages, the past decade has been one of substantial change at the Bank; its loan programs no longer focus exclusively on development projects—such things as roads, power plants, and irrigation systems—but on creating a broader social and economic environment in which the hard-won gains made by developing nations can be sustained over the long haul.

Our other guest, Sargent Shriver, was from 1961 to 1966 the first Director of the Peace Corps. We invited him to share his perspectives on the Peace Corps with three of the roughly 30 former Peace Corps volunteers who currently work for GAO.

Joining the discussion with Mr. Shriver was Nancy Kingsbury of our Division of National Security and International Affairs, who was Director of Resource Management at the Peace Corps from 1979 to 1981. “Giving and Getting” seemed to us an appropriate title for the piece that emerged from their talk; it is very apparent that those who participate in the Peace Corps gain at least as much in personal growth and understanding of different cultures as they give in time and hard work.

Considering that this issue of the *GAO Journal* is our first of the new decade, we asked Ken Hunter, Senior Faculty Member in GAO’s Training Institute and co-editor of *Futures Research Quarterly*, to offer some thoughts on “Navigating the Nineties.” Mr. Hunter asserts that too many of what he calls “the big messes” have gone unaddressed, that plenty more lie ahead, and that it will take new, profoundly innovative ways of thinking and acting—not to mention a fair amount of good luck—to clean them up.

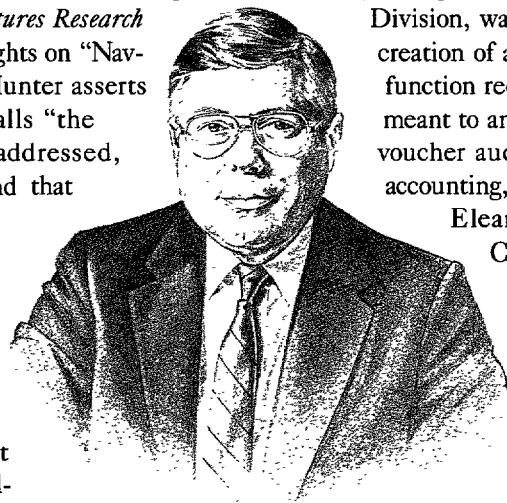
Change of one sort or another has been the norm at GAO since its establishment almost 70 years ago. We decided this time around to highlight some of GAO’s history, in the belief that those who rely upon the organization or hear about its work might better understand today’s GAO if they knew more about its past. First,

though, we have included an essay by David Dewar, Assistant Auditor General in the National Audit Office of the United Kingdom. His “Once Upon a Time: The Auditor for America” recalls an era when the chief auditor position was potentially so lucrative that candidates would wait 40 years for appointment to the job. We found Mr. Dewar’s tale rather heartening: Whatever our present shortcomings may be, we auditors have at least made a few ethical strides since colonial times.

There was, of course, no GAO back then; it was established by act of Congress in 1921. Assistant Comptroller General Harry Havens covers the decades since in “What We Were, Who We Are,” adapted from his recent monograph, *The Evolution of the General Accounting Office: From Voucher Audits to Program Evaluations*, published by the GAO History Program. (We are very pleased, by the way, to have published through the GAO History Program about a dozen oral histories involving former GAO officials whose tenure dates back as far as the 1930s. All these publications are available to interested readers.)

Mr. Havens divides the history of GAO into three periods, corresponding not so much with the tenures of individual Comptrollers General as with the growing responsibilities that the Congress has assigned it. Before the mid-1960s, GAO had never performed a program evaluation. By 1980, it was doing so much in this area that the Institute for Program Evaluation, forerunner of today’s Program Evaluation and Methodology Division, was established. Just what the creation of a formal program evaluation function required of GAO, and what it meant to an organization rooted first in voucher auditing and then in modern accounting, is recalled on our pages by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology.

We hope the message that readers will take from this issue’s look at GAO is that, while the organization has changed enormously in its duties and capabilities over nearly seven decades, its values—accuracy, independence, and objectivity—have remained reassuringly constant.



Charles A. Bowsher

NEW DIRECTIONS AT THE WORLD BANK

An Interview with Barber B. Conable

LAST YEAR, the World Bank and its affiliate, the International Development Association, made loan commitments of over \$21 billion to developing nations and mobilized an additional \$9.3 billion in cofinancing by other multilateral and bilateral lenders. Considering the rapid changes occurring not just in the developing world but in Eastern Europe, Comptroller General Charles A. Bowsher invited World Bank Group President Barber B. Conable to discuss the Bank's developing approach to international lending. The interview took place in January.

Mr. Conable, who began his five-year term as President of the World Bank Group in July 1986, was a Member of the U.S. House of Representatives from western New York from 1965 to 1985. He served 18 years on the House Ways and Means Committee, the last eight as Ranking Minority Member.

The World Bank Group, headquartered in Washington, D.C., makes loans to developing nations all over the world. One hundred fifty-two nations are members of the group, which consists of four institutions: the International Bank for Reconstruction and Development (an outgrowth of the post-World War II Bretton Woods Conference), the International Development Association, the International Finance Corporation, and the Multilateral Investment Guarantee Agency.



BOWSHER—*I've heard it said that your goals at the World Bank are to reduce poverty and promote development. Is that accurate?*

CONABLE—To reduce poverty is our real goal. Promoting development is one of the ways in which we can fight poverty most effectively. But poverty is the target.

BOWSHER—*Have you been making progress?*

CONABLE—Well, I think the world is doing better than it would be doing if the World Bank didn't exist. On the other hand, progress in the developing world has varied enormously, not just from region to region, but within regions and even within individual countries. An example: We're generally doing quite well in Asia, where some of the Pacific Rim nations have experienced real growth of more than 10 percent per year for some time. But in parts of the same region, we're not doing very well at all; the landless poor are being bypassed by the economic growth taking place around them. What this means for us at the World Bank is that we've got to do a better job of targeting our efforts.

BOWSHER—*The Bank has been making loans to promote development for more than 40 years. Has it begun to learn what works and what doesn't?*

CONABLE—I think it has. In fact, the Bank's lending programs have moved in new directions based on that experience—particularly the discovery, after years of making capital-intensive project loans to promote development, that development can be reversible. In the past decade, more developing nations have lost ground than have advanced. We've learned that you can make loans to support projects such as roads and power plants and irrigation systems, and then find that these projects don't contribute as much as you hoped they would to the basic quality of life. We've learned that these projects have to occur in an economic and social environment that can make effective use of them and keep them in good repair. So what the Bank has done is begin to make loans to foster that environment—to try, in other words, to make development irreversible.

The right sort of environment is not likely to exist in a country if the government is soaking up the nation's capital, or if there's no decent banking system, or if the currency's going bad. So about a quarter of our lending now goes to what we call adjustment lending, that is, large-scale macroeconomic loans to enable governments to make broad, often fundamental, economic and social reforms . . .

BOWSHER— . . . *to shift gears, in other words.*

CONABLE—That's right.

BOWSHER—*It's quite a change, isn't it, when you think back on the post-World War II days when the Bank's primary mission was to help in the rebuilding of Europe.*

CONABLE—That was, indeed, the Bank's major focus for its first few years. After all, it had been christened the International Bank for Reconstruction and Development (IBRD). Not until the Marshall Plan was under way did the focus broaden to include development—by means of large-scale project lending—elsewhere around the world. Now, the Bank's activities have evolved even further, encompassing adjustment lending and a great deal more economic analysis, policy dialogue with borrowers, and resource mobilization and aid coordination.

BOWSHER—*Are you seeing real progress based on these changes?*

CONABLE—Well, there are certainly a lot of factors other than the activities of the Bank that affect the performance of individual economies. This is a complex and interdependent world. But yes, when it comes to adjustment lending, for instance, we've helped bring about progress in the economic policies of a number of nations. In fact, in some of them we've seen enough progress that we've been able to begin phasing out adjustment loans and focus once again on building the infrastructure.

The more successful countries, we find, are the ones that accept a greater responsibility for their own development, and that understand that what's most basic to economic growth is sound economic policy.

BOWSHER—*A number of developing countries are facing enormous international debt. I'm sure that helping them has been a challenge to the Bank.*

CONABLE—That's very true. We've found that we have to respond to each country flexibly, according to need and merit. Following the debt initiative of Treasury Secretary Brady last year, we moved to provide major assistance to facilitate debt reduction in Mexico and Venezuela. We're also working on debt-reduction initiatives in other countries, such as Chile, the Philippines, and Costa Rica.

The debt problem has hit particularly hard in Latin America. We've had some success stories in that region, and the level of economic development is certainly higher than in, say, Africa. But the debt overhang in Latin America has been so great as to suppress domestic investment. We've had to concentrate very heavily on adjustment lending there.

BOWSHER—*And how about Africa? How do you view the situation there?*

CONABLE—I'm afraid we are not doing very well. One reason is the lack of

infrastructure; another, the problem of developing that continent's vast human resources. Africa has tremendous population growth, and therefore the quality of life fails to improve even as some nations, such as Kenya, are experiencing some modest but real economic growth.

The problem remains that out of some 450 million Africans, about 280 million live in absolute poverty. And it has become very apparent in Africa, as it has elsewhere, that economic growth by itself is not sufficient to eliminate the most resistant pockets of absolute poverty.

This is a lesson we've learned at the Bank, one which many developing nations are still wrestling with. I mentioned, for instance, Africa's problems with human resource development. Sub-Saharan countries are marked by unhealthy populations; they obviously can't be as economically productive as healthy ones. But when the governments of these countries first got involved with economic adjustment, they tended to focus more on economic affairs and less on long-term investments in human resources—in such basic things as the health of their people. This course was self-defeating from the start. If you sacrifice long-term concerns in pursuit of short-term solutions, you eventually use up all your seed corn.

What we at the Bank have done for the past three or four years, therefore, is stress the social components in the adjustment process, trying to ensure that the fundamental long-term investments are made. To be sustainable, development has to be based on health, literacy, productivity—all the things that are required by the modern world for economic success. We have talked a good deal with government leaders about the social components of adjustment, fearing that if we let the politicians opt only for the short-term solutions, we'll be promoting development that is reversible.

The same holds true for environmental concerns. If development is not carried out in an environmentally sound manner, it will eventually fall of its own weight.

BOWSHER—*Has it been hard to convince some borrowers of this?*

CONABLE—Yes, we've had to do a lot of selling of these ideas; leaders of developing nations are often confronted by short-term crises of so serious a nature that they think things like the environment and education can be put aside as rich men's hobbies.

BOWSHER—*Population growth is part of the same picture, isn't it?*

CONABLE—Of course. You can have macroeconomic growth and still have a declining quality of life if the population is growing too fast, or if the growth is capital-intensive rather than labor-intensive—that is, if it's not broadly distributed. So we're very concerned with population growth, although we've got a very long way to go in making progress.

BOWSHER—*The World Bank is a multilateral lender. Does that give you an advantage over bilateral lenders in effecting reforms in the developing world?*

CONABLE—In a sense, it does, because the Bank is a cooperative institution. The countries that we lend money to are members of the Bank and participate in its decision-making. Bilateral aid, on the other hand, is frequently viewed as paternalistic.

Of course, some people see the World Bank as a creature of the larger donor countries. I don't think that's an accurate description. We are much more complex than that.

We have 152 member nations. Our base is broadening. The United States, for instance, while still the largest shareholder, is contributing a smaller share than ever, while other nations are contributing more.

BOWSHER—*How do you go about balancing all these donors' points of view? They must want to bring their own interests to bear in deciding where you lend and what you lend for.*

CONABLE—Well, every loan is reviewed by our 22-member executive board, which meets twice a week. Eight members represent individual countries, and the other 14 represent the rest of the 152 countries in various—and sometimes changing—coalitions. The voting is weighted; the eight major donors have a majority. But you'll find that the major donors don't always agree among themselves, and that the developing world has a significant impact on our policy-making.

Of course, a very substantial part of the decision-making at the Bank is carried out by the staff, who are not only drawn from all over the world, but are career people whose dedication is to the Bank and not necessarily to their native countries.

But to return to the issue of balancing interests: I believe that, generally speaking, our donors—many of whom are also bilateral lenders—are now willing to put an emphasis on the long-term approach to growth we've just spoken of, whereas in previous years they were not. In their bilateral lending, they continue to reflect their own domestic interests to varying degrees—and who's to say they don't have that right? But the World Bank provides a means, through its multilateral, cooperative set-up, to screen out the sort of political imperatives that a parliament or a congress might impose on bilateral aid.

BOWSHER—*Do you work with other multilateral lending organizations as well?*

CONABLE—We work with a lot of other entities: multilateral, bilateral, and private-sector. Under its new charter arrangement, for instance, the Inter-American Development Bank, if it does structural lending, is supposed to do it in cooperation with us.

In fact, a large part of what we do now is coordinating or “catalytic” work, trying to attract private investors into a developing economy or to cofinance loans with bilateral lenders. For instance, we put half of our International Development Association (IDA) money—that’s the concessional lending arm of the World Bank—into Africa. World Bank Group lending to Africa is now close to \$4 billion a year. But there is another \$3 billion to \$4 billion a year in cofinancing that comes in—particularly from the European countries. The reason these bilateral lenders hook their money onto our projects is that it allows them to avoid the tremendous investment in staff that our highly complicated lending requires.

But while we are a conduit for a lot of resources other than our own, our own have been growing quite fast. We anticipate IBRD growth in lending of around 10 percent each year.

BOWSHER—*Most people, I would guess, don’t realize that you turn a profit.*

CONABLE—That’s very true. The World Bank does not make grants; it makes loans. The rate at which we make our IBRD loans is one-half percent above what money costs us. [IDA loans, made to the poorest nations, are interest-free, or carry a small service charge.] We make loans only when we can be certain—or as close to certain as possible—that the loans will be repaid. We’re AAA-rated because we’re a profitable and conservative institution, and because we get a good return on our liquid portfolio, which is invested quite sensibly. In each of the past three years, we have made—after major reserves against possible default—over \$1 billion net.

BOWSHER—*Where do the profits go?*

CONABLE—Into our reserves, providing us with a more liquid source of investment dollars, and reducing the cost of our money.

BOWSHER—*Let’s turn to the area of the world that’s gotten the most attention lately: Eastern Europe. Do you see a new role opening up for the Bank?*

CONABLE—We certainly expect more Eastern European countries to become members. Yugoslavia, Rumania, and Hungary have been participants for some time. As for the Soviets, whether they will become a member will depend on a number of factors, including their capacity to establish a convertible currency. And again, given the uncertain value of the ruble, one can’t say whether the Soviet Union would be a borrower or a lender. Another factor in establishing the borrowing capacity of the Soviets would be their per capita income. What is the per capita income right now in the Soviet Union? I don’t think anybody would want to hazard a guess on that.

BOWSHER—*And Poland?*

CONABLE—Poland became a member two years ago. Poland now has got to make the appropriate arrangements with our sister organization, the International Monetary Fund (IMF); get its inflation rate down to a manageable level, or at least develop a plan for doing so; and get some system in place for allocating capital. Poland doesn't have a banking system. It has no private sector to speak of. The economy is riddled with subsidies. The country has an external debt of over \$40 billion, \$21 billion of which has to be repaid in the next three years and will have to be rescheduled. As we work with Poland, we will have to get some assurance that they can invest what we lend them in ways that will not just amount to dropping the money down the bottomless pit of price controls and subsidies and public enterprise.

Poland seems to have every intention of doing what's required, and I wouldn't be surprised if we had a fairly substantial program in Poland within a year. But Poland will have to start a process of restructuring, which we can help them with substantially. We are hoping to provide a good deal of technical assistance there and elsewhere in Eastern Europe. [Note: In February, the IMF agreed to a standby credit to support Poland's economic stabilization efforts and the World Bank approved two development loans to Poland.]

BOWSHER—*Would you say that you're going to have to develop the expertise to deal with a different segment of the world than in the past?*

CONABLE—Yes, although I must say we have been dealing with the problem of government intervention in the economy for a long time. As I mentioned earlier, it was because of structural problems in many countries that we got into adjustment loans some 10 years ago.

BOWSHER—*With the need for capital and the opportunities for growth so apparent now in Eastern Europe, are other regions—Africa, for instance—simply going to have to settle for less?*

CONABLE—I don't think we'll let that happen; we mustn't divert resources needed by other regions for basic economic growth into a region where the major problem is policy.

I visited Sub-Saharan Africa last fall and often was asked the same question. My response went something like this: "There is no reason Africa should have to settle for less. The World Bank is a global institution, and we accept the responsibility to provide you with the external resources to match your commitment to policy change and to the development of your infrastructure. But the big boost in development in the coming days is probably going to come from the private sector, and you are going to have to work all the harder to create an attractive environment for investment here in Africa, or all that private sector money will probably go to Eastern Europe. Voluntary investment—the private sector—is the kind of investment that creates the dynamic you folks are looking for, probably more so than the public investments or public projects that can affect only a small part of your economy."

BOWSHER—*I think what you're getting at is that global interdependency you were talking about earlier.*

CONABLE—We see it everywhere. And the rate of growth in the developing nations isn't going to hinge just on the sort of economic aid available to them. It is going to be very important that the developed world create an enabling environment in which the developing world can grow. It's not enough for nations in the developed world to enter into bilateral reductions in the obstacles to trade; things like GATT [the General Agreement on Tariffs and Trade] that benefit the world in general are terribly important to the developing world as well.

BOWSHER—*Does the United States have a special role to play?*

CONABLE—I think the thing for Americans to remember, focusing as much as they do on their own market, is that the potential for growth in the developing world is much greater than in the developed world. In the developed world, all you are fighting over are different slices of the same pie. But the developing world, given the right circumstances, could really take off as a market. By the year 2000, there are going to be a billion more people in the world than there are now; 900 million of them are going to live in the developing world. That's a lot of potential consumers.

Admittedly, they're not going to be very good consumers if they are all mired in absolute poverty. But, raise the per capita income of an African nation by \$100, and you will find a dramatic change in that nation's consumption patterns. The people there will begin to aspire to the things the developed world produces, rather than focusing entirely on subsistence agriculture.

So I think that if Americans stop to think, they will realize that the potential for growth is there. That's one of the reasons the Japanese are doing well. They are an outward-looking people who understand that investment in the developing world is likely to pay off handsomely, and they are making those investments to a greater degree than some of the Western countries.

BOWSHER—*Have you found it hard to get Americans interested in issues involving the developing world?*

CONABLE—There is a remarkable lack of interest in the issue of multilateral lending. Most people I run into here in the United States think of me not as President of the World Bank, but as former Congressman Barber Conable. And a lot of them simply tell me, "I don't like foreign aid. The taxpayers are supporting those people." But there is all sorts of foreign aid, given for all sorts of purposes.

I think it's plain that a reasonable public policy includes some expression of your national interest globally, and as the Cold War fades, this will probably be accomplished to a greater degree through multilateral institutions such as ours. Sheer military and economic dominance aren't so feasible for either side as they once might have been, so learning to cooperate is going to be much more important if a great nation is going to make itself felt on a global scale. That's why I think that if multilateral institutions such as the World Bank weren't already in place, they'd have to be invented. ●

Ken Hunter

NAVIGATING THE NINETIES

In the new decade, we'll need policy approaches that are global, long-term, and cross-cutting.

EACH DAY AS I scan news reports of world events, I see a hurricane of change washing the world, with the United States in the eye of this hurricane, simply drifting. And I wonder: How long can this country continue to drift? When will the storm hit us? What will we do then?

Signs of this storm of change are everywhere. Japan, whose exports were once ridiculed as cheap and shoddy, is gaining major market share in industry after industry with its quality goods and services. The countries of Western Europe have chosen to create a single integrated market and have taken actions that seem likely to bring them

enough momentum to guarantee major and enduring changes, although no one, including the Eastern Bloc countries themselves, seems certain of what the final outcome will be.

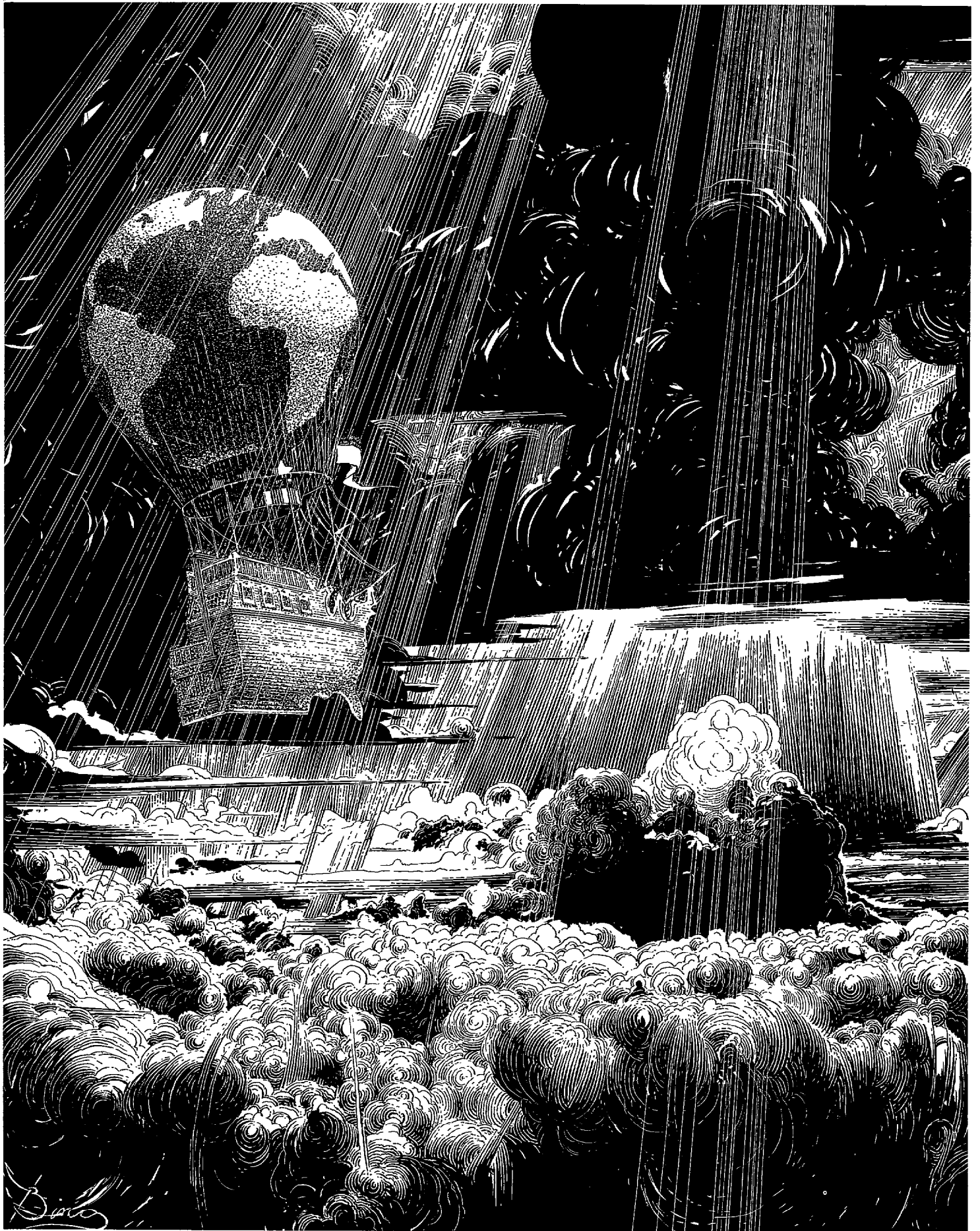
Throughout the rest of the world, decentralization and regionalism are in style. Problems that central governments have not been able to solve in the past few decades are being dealt with either on a smaller scale, by local governments and private industry, or on a broader scale, by regional organizations such as the Organization of American States or the Association of Southeast Asian Nations. Moreover, international organizations, such as those under the umbrella of the United Nations, are beginning to be used more extensively for their originally intended purposes—peacekeeping, world development financing, and settling of disputes—rather than just as rhetorical platforms. People all over the world are struggling toward new conceptions of democracy, economic health, and national security. Their leaders are searching for workable strategies to deal with current problems and for the powerful ideas, such as regional economic integration and sustainable development, that can guide the future actions of individuals and nations.

World history is at a turning point. Is the United States making the necessary adjustments? The gauges on the ship of state indicate that, on average, the country is economically and socially stable, with its internal systems functioning adequately. But these gauges only measure broad trends; they obscure the wide disparities that exist among different geographic regions and economic sectors. Furthermore, they don't register the problems that may—perhaps soon—emerge as full-blown crises.

Elsewhere around the globe, leaders are searching for workable strategies to deal with current problems and for the powerful ideas, such as regional economic integration and sustainable development, that can guide the future actions of individuals and nations.

to that goal within the decade. China is attempting economic reform without political reform—an unbalanced approach that is creating problems for Beijing and that leaves expectations for change in the 1990s fairly modest. The Soviet Union and Eastern Europe, on the other hand, are pursuing a more integrated strategy of economic and political reforms, including new political institutions and major arms reductions; these reforms now have

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So where does the United States go from here? Can we ride out the 1990s in the eye of the hurricane? Or must we pass through the storm? Is our post-World-War-II-vintage craft sturdy enough to make it? And, assuming we do get through, what lies beyond the storm that we need to be ready to deal with?

Only one thing is certain: The world we face in the future will be vastly different from the one we know now. The forces of change will see to that. There is no going back.

How we got where we are

World War II left the United States with a storehouse of technology ready for use, an underemployed labor force, a huge pent-up economic demand, and no economic competitors in the global marketplace. Under these conditions, the United States was launched forward on a massive wave of economic growth that didn't begin to lose its force until the 1970s—a casualty of major changes in this country and abroad that had begun in the late 1960s. The events that signaled this turning point are all familiar: Vietnam, Watergate, the end of the Bretton Woods agreement, Roe vs. Wade, Nixon's opening to China, the entry of Japan Inc. into the global marketplace, and the rise of OPEC.

What's been going on in Washington? Not much. The electorate is denying that serious problems exist, and the political consensus basically favors the policies that were created between the 1930s and the 1960s.

These events, it seems to me, have put Americans into a state of shock and denial. U.S. leaders and citizens alike have been denying that these changes are significant and that they require changes in our own behavior. Only in the past few months have events forced us to examine the nature of the major shifts taking place in the world, and so far that examination is very superficial. The majority of Americans remain focused on their own needs and desires, continuing the high-consumption life-style that we can now maintain only through credit and sales of assets.

Little or no attention is paid to the future.

What's been going on in Washington all the while? Not much. The electorate is denying that serious problems exist, and the political consensus basically favors the policies that were created between the 1930s and the 1960s. So the nation's elected representatives have a mandate only to oversee the administration of government operations and to maintain the status quo by making the marginal changes required by external forces. Lacking any big assignments, they have taken on many little assignments, mostly on behalf of individual constituents and special interest groups. Through all this, these elected leaders have been able (with the help of the media) to make the annual endeavor to provide routine government funding and to implement needed marginal changes in policy seem like a really big event. Such a spectacle helps assure the markets that these marginal changes are all that's really needed and that business can continue as usual.

From issues to big messes

As the decades of denial have rolled on, the imbalances and conflicts we generally call "issues" have grown into "big messes." They are all long-term—it took years of neglect to create the messes we have in the environment, in drug addiction and the illegal industry that supports it, in the nation's financial institutions, in our education system, in infrastructure, and in housing. Again and again it turns out that technical analysts and auditors have reported internally on these deteriorating conditions but that policy officials have remained unconvinced and failed to take action at a time when the corrections would have been easier and cheaper to make than they are now or will be in the future.

This pattern appeared in both the savings-and-loan industry and the weapons production industry; in both cases, GAO was the independent agent that gradually discovered the extent of the mess and painted a picture of it for the public. The thrift industry began deteriorating after the laws regulating it were changed in the early 1980s. By 1985, GAO had assessed the industry's condition and alerted Congress that the industry had problems with the quality of its assets as well as

with interest rates. Unfortunately, it took four more years for the situation to get bad enough that any action was taken.

In the case of the nuclear weapons production industry, by the early 1980s GAO had reported that the federal government's nuclear facilities had safety and health problems and that the Department of Energy's oversight was inadequate. GAO discovered more and more problems as the 1980s progressed; it continued to report on them and to increase its estimates of the clean-up costs. As

We Americans have a penchant for highlighting good news and denying indications of problems. We also tend to favor actions with short-term benefits and long-term costs and to oppose actions whose initial costs are clearly defined but whose benefits are unclear or off in the future.

these estimates passed the \$100-billion mark—nearly a decade after GAO began examining the problems—the issue finally got onto the nation's policy agenda. The search for solutions is now under way.

I expect the same pattern of events to emerge in other areas during the 1990s. Major water supply systems will continue to deteriorate and may collapse. The existing system of financial markets will be increasingly unable to effectively handle the global, continuous flow of transactions in stocks and commodities while at the same time serving as the primary source of capital financing. Health care in inner cities and rural communities will keep deteriorating, and there will be increased conflict among those who provide services, those who finance services, consumers, and regulators, with no real mechanism for resolving these disputes. Environmental damage will continue, and it may become clear that some of this damage is not reversible and that we must adapt to permanently deteriorated living conditions. In addition, there will be the wild cards—problems that we cannot foresee today.

One characteristic these really big messes share is longevity: It takes years for these major problems to brew. They also tend to be global in scope, since political borders have proven almost irrelevant to the flow of pollution, communications, money and credit, technology, weapons, and migration. Furthermore, these issues are cross-cutting. Such problems as the trade deficit, the underclass, and the deterioration of the

nation's infrastructure don't fit into the prescribed domains of existing legislative committees, executive departments, academic disciplines, industry associations, and long-established interest groups, so they are automatically kicked upstairs and become the responsibility of the leadership.

Unfortunately, America's political institutions have great difficulty dealing with issues that are long-term, global, or cross-cutting. Americans generally have a natural "Pollyanna" factor—a basic optimism, a penchant for highlighting good news and denying indications of problems. Americans also tend to be shortsighted, favoring actions that have short-term benefits and long-term costs and opposing actions whose initial costs are clearly defined but whose benefits are unclear or off in the future. For example, the compromise strategy to address the savings-and-loan industry crisis was crafted to fit the industry's needs and the government's immediate budgetary constraints; it will be up to future generations to pay off the long-term debts that are now being incurred to cover payments to individuals who had money in the failed institutions.

Similarly, a natural protectionist bias emerges in any issue that involves international relationships. Jobs for American workers automatically become a major factor to be considered. If the issue is aid to developing countries, the question is, "How much of it will be used to buy goods and services from U.S. suppliers?" If the issue is intellectual property rights, the question is, "How can we protect the rights of Americans who hold patents, trademarks, or copyrights?" If the issue is the structure of regional trade arrangements, such as those emerging in Europe and Asia, the question is, "How can U.S. companies be guaranteed access to these markets?"

Compounding these problems is the fact that issues that are cross-cutting—as many of these are—bring out the worst bureaucratic instincts of even the most well-meaning people. All these issues tend to be forced onto top leaders, who must deal with petty bickering as well as substantive problems. For instance, to address the nation's drug abuse problem it became necessary to install a new White House official with a strong personality who could coordinate the wide array of actions under way in law enforcement, the military, foreign diplomacy, and health and social services. Each sector has its own view of the problem and its own approach—a situation that, if not handled skillfully, can become totally chaotic.

Because the really big messes are long-term, and global, and cross-cutting, our attempts to manage them have been less than adequate. Environmental policies, for example, include plenty of short-term fixes and lots of “further study of the problems and the alternatives”; lots of protection of U.S. industry, so that it can remain competitive and not have to absorb the costs of the environmental damage it creates; and plenty of bureaucratic conflict at all levels—international, national, state, and local.

The majority of people in political leadership positions developed their values and approaches to public policy during the boom years. But managing cutbacks and fighting to keep programs alive isn't much of a treat—policymaking just isn't what it used to be.

Despite these impediments to real progress on major problems, people continue to seek elected office in this country. But they have learned to keep their campaigns free of any real examination of the big messes, which cannot be discussed in 20-second sound bites and which people really don't want to hear about, anyway. Not having campaigned for any substantive policy changes, elected officials have no mandate for advocating such changes or for even raising fundamental questions. Their only mandate is to seek marginal changes that will make the problems go away for now. So that's basically what Washington has been up to.

Looking to the 1990s

How long can the United States continue to avoid these unresolved issues while other countries have accepted the need for change and begun the process of reform? How might the dynamics of public policy in the United States change in the 1990s? What might trigger such a change?

It appears that America can maintain its addiction to high consumption and low investment as long as the Japanese and West Germans are willing to accept this country's credit and to defer their own consumption. Right now, they seem content to do so. Certainly some change in Ameri-

ca's relationships with those two countries seems inevitable: Sooner or later the World-War-II residue of fear and suspicion must be confronted, and the next decade seems likely to see some restructuring of global military relationships. But it's difficult to say whether such a restructuring would result in a major reduction of the U.S. share of the defense bill in the Far East and Europe, or in Japan and Germany increasing their militaries beyond narrowly defined defensive forces. Neither Japan nor Germany seems likely to force these issues anytime soon, since they are sensitive and could create a great deal of conflict.

So one must look elsewhere for forces that might drive the United States to change its behavior and its policies. What about the American people? In general, their civic literacy is very poor; there seems to be little interest in how the government operates or in the processes of change. The individuals who will have to pay the bills for the country's current excesses, and whose standard of living will as a result be lower than that of their counterparts in West Germany and Japan, are now too young to vote or else don't vote in large numbers. Therefore, they are not likely to force change through the electoral process—but they would be quick to take their protests into the streets if some event pushed them beyond their threshold of tolerance.

Who else might trigger change? Existing businesses and interest groups have invested so much time and energy in gaining influence in the current system that they are among the strongest advocates of maintaining the status quo. Entrepreneurs are too few and too detached from the policy process to have much impact on it. And the majority of people in political leadership positions developed their values and approaches to public policy during the boom years. The President and most of the congressional leaders and committee chairs started their work in public office well before the major changes of the late 1960s and early 1970s. Back then, during the boom years, problems could be addressed one at a time, the international aspects of domestic issues were not significant enough to influence policy decisions, and innovation and analysis of options were worth doing since there were resources available to launch major new programs. Leading and legislating—designing and implementing new programs—were fun.

The major world changes that began more than 20 years ago removed the fun. Managing cut-

backs and fighting to keep programs alive isn't much of a treat—policymaking just isn't what it used to be. Today's leaders still remember the good old days and seem to resent the politics of limits and survival. They seem to be having as much trouble as the public in accepting that changes need to be made.

Major changes can always be triggered by crises. But what kind of crisis might do it in the 1990s? Military threats and conflicts? Less and less likely, with the cold war thawing and the conflicts that endure being shifted to the agendas of international organizations. A stock market crash? The stock markets seem to have become detached from the real world of investment and the economy: The market can drop substantially without affecting the economy in any major way. A severe recession? It seems to me that a recession as severe as that of 1982 could be rationalized as inevitable after so many years of growth. How about the collapse of a major system—such as a communications system, air traffic control, the water supply to a major city, or an energy supply—that would cause serious economic and social disruption? These systems are so decentralized that they would deteriorate rather than collapse completely. Therefore the impact of a system's deterioration would be local and varied. Furthermore, the incident would be treated as a natural disaster rather than as the result of human neglect and so would not cause any demand for major change.

As the 1990s drift on, the American people's threshold of tolerance for relative discomfort may be approached or even passed. People will become aware that the Japanese and the Europeans are living better than Americans are—and they'll wonder how that could have happened.

If there is no triggering event to make us examine our behavior and its consequences, we will have great difficulty cleaning up the big messes and we will miss some big opportunities. We can then expect to continue our slide downward relative to other nations that are conserving, saving and investing, and strengthening their long-term economic capabilities. Because the U.S. economy is large compared to the economies of other nations, we can be inefficient for a long time without losing overall economic leadership. But we can expect to lose leadership in a few more indi-

vidual industries. For example, the U.S. software industry will probably remain a craft in which very talented people apply their skill to producing ever more sophisticated products for smaller and smaller markets, while another nation's industry will implement an approach to developing bread-and-butter-type software for huge markets in schools, offices, and homes.

In addition, the consequences of our long-term neglect of crucial problems will begin to mount up. Employers will continue to encounter new entrants into the labor market who lack the skills to become effective workers, let alone high performers. Environmental damage will continue to lower living conditions in this country. Homeless, drug-addicted, mentally ill, and unskilled individuals will continue to live below the safety net; some of them will continue to resort to drugs and crime as escapes, however temporary, from their hopeless lives.

As the decade drifts on, the American people's threshold of tolerance for relative discomfort may be approached or even passed. Parents will become troubled that they cannot be sure their children's living standard will be higher than theirs was; many will conclude that it will be lower. It will become more apparent that the entry of women into the labor market since the early 1970s was not just a matter of choice but was in many cases the only way for families to make ends meet. People will become aware that the Japanese and the Europeans are living better than Americans are—and they'll wonder how that could have happened. There will be growing concern with the quality of all types of products and services, especially public goods such as the roads on which people drive their (expensive) imported cars. Americans will also feel more uneasy and uncertain about the reliability of the water and power delivery systems. This country has demonstrated a high tolerance for ineffectiveness and inefficiency, but one has to believe that at some point there's a limit.

The mounting level of concern will probably translate into a shift in voter attitudes and expectations. The campaigns for the 1992 or 1996 elections may begin to address questions about the future and about the changes that need to be implemented now to make that future better for ourselves and our children. Interestingly, most of today's leaders who got their starts in the good old boom days will be out of active politics. The debates will be among candidates who entered

politics during the last turning point—the 1968-73 period—when they ran for office as environmentalists, anti-Vietnam-War advocates, and post-Watergate political reformers. They gained office because, for that very brief period, voters were hungry for real reforms. Some of these representatives fought for those reforms, but as their constituents' hunger for change has dissipated, they have settled for marginal adjustments, quick fixes, and numbers games year after year. How these politicians handle shifts in voter attitudes and shape them into mandates for real change will be one of the critical variables in the next decade's political landscape. My hunch is that enough of them will take advantage of the opportunity to launch a real reform effort.

Such a grass-roots-driven modernization movement would include an array of policy changes. It could be directed at creating a government that is not just smaller, as the budget deficit dictates, but that is also *smarter*. In other words: A sharp

Herman Kahn used to attach to his forecasts the words "assuming good luck and good management." Getting through the 1990s with a healthy polity, society, economy, and environment is going to require a considerable amount of both.

reduction in subsidies to obsolete and inefficient producers. A big investment in education and training, in infrastructure, science, and technology—but with a focus on modernization. Revisions in accounting and financial practices that would force current producers and consumers to pay for the costs of environmental clean-up and protection rather than passing them on to future generations. Restructuring of organizations, simplification of computer software, and widespread training so that there will finally be some real benefits from the massive investments that have been made to bring computer technology into the workplace. Creating information services that cut through the information glut (which makes managing more difficult than ever) and enable people to see and deal with problems effectively. A new social contract that reflects the realities of the two-earner family. A shift in the formal and continuing education of the nation's leaders that emphasizes global, long-term, and cross-cutting ways of thinking rather than the currently prevalent short-term,

narrow, discipline-based approaches. An acceptance of the constant need to monitor changes occurring in the world so that normal problems can be dealt with before they become big messes that can be fixed only through herculean efforts.

Unfortunately, to anticipate that such a transformation could take place quickly and directly is just wishful thinking. I do not believe that this country can sail through the 1990s without being affected by the storm of change occurring around us. How would we respond if the Japanese and West Germans really acted like our bankers (which they are) and began dictating the terms of U.S. fiscal, monetary, and industrial policies? How would we respond to a major upheaval in Mexico? How would we respond to widespread wars throughout Africa and the Middle East that included the use of tactical nuclear and biological weapons? How would we respond to the accidental detonation of a single nuclear weapon? How would we respond if the AIDS virus threatened to spread broadly among the white, heterosexual, non-intravenous-drug-using population of this country? How would we respond to evidence that environmental damage in some parts of the world might take hundreds of years to reverse and that millions of people should be relocated? How would we respond to a really big earthquake—much bigger than the one that hit San Francisco last year? How would we respond to a movement to restructure the United Nations, to strengthen its authority over international affairs, and to transform such places as Berlin and Hong Kong into "world cities" under U.N. sovereignty?

In my opinion, we have not prepared ourselves well for such contingencies. So far, however, we have been exceptionally lucky; and we have become fairly good at managing crises—at least one at a time. Therefore, it seems likely that the 1990s will not see a cataclysm but rather a long, drawn-out process of gradual change. Our bankers in Tokyo and Frankfurt will continue to support us, and over the course of the decade we will face several discrete and reasonably manageable crises.

This is about as optimistic as I can be. Of course, there is always the threat that our luck could fail and that several crises could converge upon us at once, overwhelming our leaders and political institutions and forcing major changes under adverse conditions, as in the 1930s. I'm reminded of the qualification that Herman Kahn attached to his forecasts: "assuming good luck

and good management." Getting through the 1990s with a healthy polity, society, economy, and environment is going to require a considerable amount of both.

Actions today

The United States should follow a basic strategy of keeping the current big messes from getting totally out of hand *and* of acting on opportunities whenever possible. As we make policy decisions in pursuit of this strategy, three simple, overarching ideas can serve as guides. First, we need to adopt a way of thinking about and acting on problems that is global, long-term, and cross-cutting. Second, we ought to keep in mind that education and training are the keys to success; so when in doubt, we should invest more in learning. Third, we should expect our elected leaders to manage change in our society and we should hold them personally accountable for the results not only of their actions but also of their decisions *not* to take action.

The need to develop new ways of thinking is critical. The solutions to problems do not lie in the traditional, narrowly defined boxes such as academic disciplines, but in the gaps between them. We need the flexibility, capacity, and know-how to take the ideas from one box and merge them with those from another. We need information systems and reporting procedures that highlight problems *before* they become big messes. We learn by trial and error—a risky and time-consuming process that requires a long-term perspective and a lot of patience.

The solutions to problems do not lie in the traditional, narrowly defined boxes such as academic disciplines, but in the gaps between them. We need the flexibility, capacity, and know-how to take the ideas from one box and merge them with those from another.

Consider, for example, the restructuring of European political, military, and economic relationships that is now going on. This appears to be one of the most complex sets of social changes

ever undertaken. One of its remarkable features is that the leaders who are guiding the reform process seem to be attempting to respond in moderation to each other and to each new phase of the situation. This contrasts sharply with the traditional process of change through war or revolution, with whoever wins getting to redesign the social and political institutions. Most individuals involved in Europe's current transition seem to understand that they have made a major shift to a new set of rules and that they are now at the very frontiers of social change, where each day's events must be evaluated before the next day's actions can be planned. In other words, Europeans are now fully engaged in creating their own future.

Another illustration of the need for new ways of thinking—a less positive example, unfortunately—is the current necessity of shifting from a strategy of all-out economic development without consideration of environmental costs to a global strategy of sustainable development. Such a shift requires new approaches in energy, agriculture, transportation, and housing, as well as in the way industry functions. But this shift is occurring slowly, which means that both the old and the new strategies are currently being used. This can lead to unwise choices.

A good example is energy. The search for an inexpensive, renewable energy source is a major focus of scientific research. Fusion researchers keep saying that they can deliver in another 20 years for a few more billion dollars (a promise we've heard every year for more than 20 years now). Modest research also continues on other alternatives. At the same time, the oil industry constantly explores for and discovers new sources, thereby increasing the quantity of proven reserves of oil and gas. And in most of the world, only half-hearted efforts are being made at conservation. In other words, we seem to be *counting* on a big energy breakthrough in the 21st century. I have great respect for our scientists' capabilities, but I think that to count on a breakthrough is irresponsible. It would be far wiser to assume that we will only have the technology that now exists and then be pleasantly surprised when and if the scientists come through.

The second of my guiding principles for the 1990s—that education is of paramount importance—touches on all areas of this country's life. Why is learning so important? For the individual, it creates more choices about what kind of work

one does and who one works for, about how one spends one's leisure time, and about how one deals with the growing complexities of everyday life. For employers and for the economy, learning determines the quality of the work force and the company's—or the nation's—relative competitiveness in the marketplace. For society, learning affects the diversity and quality of the organizations, products, and services that are available. For the polity, it sets the electorate's intellectual level and degree of participation, the quality of the candidates, and the richness of the policy choices that are laid out. My approach would be to build into all education programs not only a core of basic knowledge but also a set of skills that would enable people to keep learning new material and solving new problems throughout their lives.

A prescription for the 1990s: a more generalist way of thinking; education and training focused on the learning and application of skills; and leadership aimed at effectively performing societal functions over the long term.

The third of my guiding principles—that the leader of any type of organization needs to know how to manage change—is likely to become more and more important as the major transitions occurring in the world continue to unfold. Leaders tend to spend most of their time juggling the many current issues—the problems and opportunities—that must be dealt with if their organizations are to operate smoothly and perform a societal function effectively. A leader's job is to understand the forces that are driving the need for change; to sort out those issues that require fundamental change

from those that call for only marginal adjustments; to have a sense of his or her organization's capacity to tolerate shocks and stress and to respond to crises and challenges; to jettison the formula approaches, such as Gramm-Rudman, individual and business entitlements, and indexing to inflation, that have substituted for decision-making in the past few decades; and to manage both fundamental and marginal changes in such a way that the short-term and long-term strategies are consistent and mutually reinforcing and comprise a clear and coherent vision of the organization's future. All in a day's work for the average superstar statesperson.

In other words, back to basics. The basics for the 1990s: a more generalist way of thinking; education and training focused on the learning and application of skills; and leadership aimed at effectively performing societal functions over the long term.

Into the 21st century

Although I'm frustrated sometimes by the slow pace at which we deal with the big messes and potential opportunities, each day I read about people and organizations that are taking outstanding and innovative actions along the lines I've advocated here. I am encouraged that, in some places at least, new strategies and techniques are being implemented. I have to hope that these developments will spread, and that from the ranks of doers and thinkers will emerge a group of statespersons who can provide the leadership we need if we are to navigate safely into the 21st century. •

GIVING AND GETTING

Sargent Shriver on the Peace Corps

The Peace Corps was founded in 1961 by an act of Congress setting forth three goals: to help the people of interested countries meet their needs for trained manpower; to promote a better understanding of Americans on the part of the people being served; and to promote a better understanding of people of other cultures on the part of Americans. This past November, the GAO Journal invited the Peace Corps's founding director, Sargent Shriver, to share his perspectives on the evolution of the Peace Corps, its present status, and its future prospects. Mr. Shriver, Director of the Peace Corps from 1961 to 1966, is now President of Special Olympics International.

Participating in the discussion on behalf of the GAO Journal were Nancy Kingsbury, who was Director of Resource Management at the Peace Corps from 1979 to 1981 and is now Director of Air Force Issues in GAO's National Security and International Affairs Division (NSIAD); and three returned Peace Corps volunteers: Richard Cheston, an evaluator in the Research and Innovation Issue Area in GAO's Resources, Community, and Economic Development Division who served in Botswana from 1971 to 1974; Shawnalynn Smith, an evaluator in GAO's Los Angeles Regional Office who served in Sierra Leone from 1983 to 1985; and Kevin Tansey, an Assistant Director in the Research, Development, Acquisition, and Procurement Issue Area in NSIAD who served in Malaysia in 1966 and 1967. This conversation grew out of a major study of the Peace Corps conducted by NSIAD's Foreign Economic Assistance Group.

KINGSBURY: The Peace Corps's work benefits a number of different parties—developing countries, the United States, the volunteers themselves. Who do you think gets the lion's share of these benefits?

SHRIVER: I've always felt that the volunteers get more out of the Peace Corps than anyone else does. The Peace Corps is geared primarily toward human development rather than physical or economic development. Peace Corps volunteers have the great privilege of living in and learning to adapt to different cultures. This in itself is a tremendously worthwhile experience, and enables them to see their own culture much more clearly.

The next major beneficiaries of the Peace Corps are the foreign people with whom the volunteers work. And for similar reasons: No matter how highly educated, or uneducated, a person may be, a cross-cultural experience is always broadening, both intellectually and psychologically. The people with whom Peace Corps volunteers are lucky enough to be associated overseas get some of that taste of another culture—as well as the more concrete aid that the volunteers offer, whether it be teaching or agricultural assistance or medical care.

Finally, the United States is the third beneficiary. And what this country gains is something that is becoming more and more important—individual citizens who are comfortable and competent working within other cultures. That need has always existed, but its existence is now transparent. These days it's impossible to read the newspaper or watch TV news and fail to understand that these cross-cultural skills are essential if the United States is to live intelligently and prosperously—from a cultural as well as an economic viewpoint—in this world that modern communications is making smaller and smaller. The people who have been in the Peace Corps are better prepared for the years 2000 to 2050 than most other Americans, and our society will benefit from their presence.

SMITH: When I went overseas in 1983, I expected things to have improved. I figured that after 20 years of development efforts by the Peace Corps and other organizations there would be some major changes. But obviously many developing countries still have a long way to go. In 1961, when you started the Peace Corps, did you expect there would still be such a need for it after 20 or 30 years?

SHRIVER: To tell you the truth, in 1961 all I worried about was whether the Peace Corps would make it to 1962. I used to say that starting something like the Peace Corps was like jumping out of a plane with a parachute: The first time you jump, the chute has absolutely *got* to open. That's why we were as careful and diligent as we could be in picking the first Peace Corps volunteers. We didn't think we had a chance to survive if we had some really nasty blow-up early on.

The skepticism about the Peace Corps was immense at that time. Anybody who knew anything *knew* it was going to fail. This included about 98 percent of the Foreign Service; it included very liberal types like Eleanor Roosevelt. She told me she was terrified of what might happen to volunteers. I also was worried—I was scared to death to send, say, four young women, all by themselves, to some remote corner of some small, developing nation.

That just shows how ignorant I was, despite the fact that I had spent a lot of time outside the United States. If I was worried about what would happen to four American girls teaching school up country in rural Ghana or Nigeria, or some outlying island in the Philippines, then I can hardly blame people who had never left the United States for being worried.

TANSEY: Given the skepticism that existed, how did you get the Peace Corps started? What enabled you to do it?

SHRIVER: First of all, we had a young, charismatic President who wanted to see this organization get off the ground. That counts for a lot. President Kennedy had made many references in different fields to his desire to “get



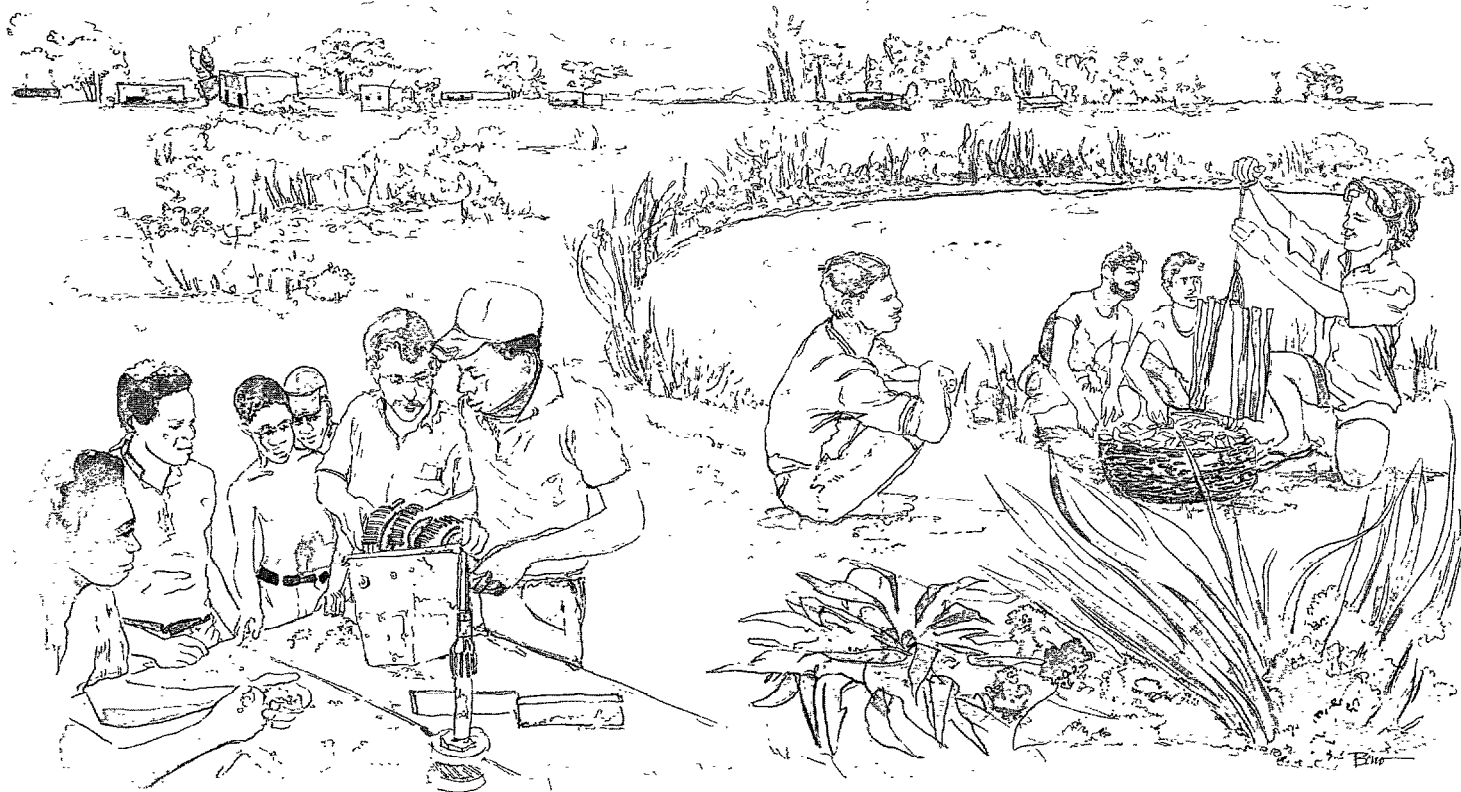
the country moving again.” His optimism, his sense of adventure, and the global scope of his vision were transmitted to everyone—especially to younger people.

As far as money goes, we spent less than a million dollars getting the Peace Corps started. And we put the program together in 90 days. Of course we didn’t know at the beginning exactly what the Peace Corps should be. We had to thrash out all sorts of questions about how to organize it; we had to try to envision potential problems so we could avoid any big pitfalls. So there we were putting together this very complicated program with very little money in very little time. And in the first month I must have gotten four or five telephone calls from President Kennedy, wondering what was delaying me! The kind of pressure he exerted, and the kind of leadership he displayed, were crucial in getting the Peace Corps up and running.

CHESTON: How did foreign countries initially perceive the Peace Corps? Did they leap at the opportunity, or did it take some work to get them to accept volunteers?

SHRIVER: Well, some were more cautious than others, as you’d expect. The first country we approached was Ghana. Its president, Kwame Nkrumah, was skeptical. *Many* people in Ghana were skeptical: When I arrived, the headline on the local communist newspaper was “We don’t need the Peace Corps.”

So the situation was quite a challenge. As I talked with Nkrumah, I pointed out that we in the United States knew very little about Africa—that next to nothing about African history was taught in our schools. I offered him



a deal: If he would send me 35 teachers from Ghana to teach African history and culture, I would find them jobs in U.S. schools. In exchange, he would accept 35 Peace Corps volunteers who would come and learn about Africa. He agreed. And although those 35 teachers from Ghana never did come to the United States, we did get our 35 volunteers placed over there.

Our experience in India was quite different. Nehru was a man of great vision. And although he probably had his doubts about the Peace Corps, he was willing to try it. I think President Kennedy's image helped the Peace Corps gain acceptance overseas. Also, in a country as big as India, what could it possibly hurt to have 50 young American volunteers running around loose?

Nehru took a typical politician's approach: He wanted to take those 50 or so volunteers and scatter them all across the country. I pushed for at least concentrating them in one province, so they wouldn't be completely isolated from each other. In the end, we compromised: The volunteers were spread around more than I would have liked but not as much as Nehru wanted.

Other countries were quite enthusiastic—the Philippines, for example. And Kenya and Nigeria also gave us very good responses.

TANSEY: To what extent was counteracting communism an impetus for starting the Peace Corps?

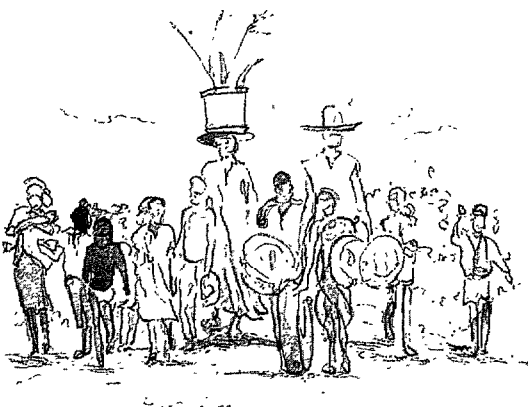
SHRIVER: It depends on what you mean by “counteracting communism.” If you mean that the Peace Corps was supposed to be a band of professional anticommunists, then no—that wasn't a goal at all. Most of the people involved in the Peace Corps's early days were idealistic and competent, but they weren't inspired to send people abroad who would be primarily “tub-thumpers” for American-style democracy.

That, of course, is what some foreign countries assumed. We initially offered to send Peace Corps volunteers to the Soviet Union and the East European countries because I wanted it to be absolutely clear from the outset that this was not an imperialistic adventure—an attempt to propagandize the world. We were interested in helping and learning. But the Soviet Union and the other Warsaw Pact countries turned us down. They thought we'd just be sending them a lot of CIA agents posing as Peace Corps volunteers.

Actually, infiltration by the CIA was something that I worried about, too. Because we were asking for volunteers, it would have been the easiest thing in the world for the CIA to plant its agents in our midst. We were totally defenseless—like an innocent newcomer on Broadway. So I went to President Kennedy and got him to issue an order that the CIA was not to infiltrate the Peace Corps.

To get back to the question: No, the Peace Corps was not conceived as a band of anticommunists. On the other hand, in the sense that American society then felt itself to be competing with Soviet-style communism, we all did feel that exporting competent, highly motivated, young Americans—or Americans of any age, for that matter—would be an excellent advertisement for the U.S. system.

Think about it. We have individuals willing to commit two years of their lives to helping total strangers in foreign countries. We have a country that trusts them enough to send them, by themselves or with one other person, out into the boondocks with virtually no supervision. Those individuals, and the Peace Corps's confidence in them, is a terrific advertisement for this



society—not just for its political system or its economic system, but also for its values.

KINGSBURY: What strike you as the most important changes affecting the Peace Corps over the past few decades?

SHRIVER: I think the most significant change has been the decrease in the number of people in the Peace Corps. It's dropped from around 15,000 in the mid-1960s to around 5,000 today. And that's a sizeable drop.

CHESTON: As you see it, has that drop-off in numbers resulted primarily from cuts in the Peace Corps's budget? Or is it a response to changes in foreign countries' assessments of what they need?

SMITH: Or has attracting volunteers been the major problem? Do you believe that there has simply been a decline in the number of people interested in volunteering?

SHRIVER: Certainly part of the problem is in the funds available. When you take inflation into account, the Peace Corps's 1986 budget was only one-third of its 1966 budget—and was about the same as the 1986 budget for U.S. military marching bands.

I suppose it's also true that volunteers are harder to come by. If you believe that the 1980s really have been the decade of greed and selfishness, then it seems pretty likely that this national mood has hurt the Peace Corps. On the other hand, I've begun to see signs that some young people in their early twenties are much more interested in volunteer work than their counterparts 10 years ago. To take an example close to home: My youngest son, when he was an undergraduate at Georgetown, started a program called "Best Buddies," which set up one-on-one relationships between student volunteers and retarded persons. Within just a few years, this program has spread to 55 colleges and universities across the country. I think this indicates that young people are motivated to help those who are not as well off as they are.

But even for those who *are* interested in this kind of volunteer work, getting through four years of college often means going so deeply into debt that serving with the Peace Corps is almost a dream—they can't really consider it. Maybe we should remit or reduce the school debts of those who volunteer for Peace Corps service.

Besides this drop in the number of volunteers, another major change has been a growing skepticism about the ability of younger people to be valuable as Peace Corps volunteers overseas. There's been an emphasis on getting people with more experience and impressive qualifications.

Well, I'm all for having experienced and qualified people—and older people, for that matter. From the very beginning of the Peace Corps we sought older people—doctors, law professors, and so on. But it seems that, along with this recent emphasis on getting people with more experience, there's been a tendency to assume that younger people with fewer credentials on paper are not as well qualified to be Peace Corps volunteers.

This tendency is often reinforced by the developing countries that are requesting volunteers: They try to hold out for people who have their Ph.D.'s instead of those who just have bachelor's degrees. That's a natural bureau-

cratic reaction, even when the B.A. would be just as adequate to the job as the Ph.D. But still, I think the basic idea—this skepticism about younger people's capacity to serve—is a big mistake.

TANSEY: It seems to me that a distinction needs to be made between credentials on paper and practical skills. When I left Malaysia in 1967, our group agreed that the country needed volunteers with more skills. For example, there was one guy there who was an auto mechanic—and he was tremendously valuable. It wasn't a matter of having a degree; it was a question of having some sort of nuts-and-bolts ability.

SHRIVER: You're absolutely right. Back in the 1960s, we got a specific request from Guinea for automobile mechanics. The trucks they'd gotten to haul stuff around the countryside would run for 7,000 miles and then die because nobody knew how to take care of an internal combustion engine. So we sent our volunteers to one of the automobile companies and trained them as maintenance people on trucks. We sent another group to the Caterpillar Tractor Company to teach them how to maintain tractors. People in developing countries knew how to take care of their cows, but they didn't know how to take care of the tractors.

So you're right, absolutely—these technical skills are crucial.

SMITH: Yes, it would have been a big help to have a typewriter repairman to maintain the typewriters used in my classes.

KINGSBURY: What you're saying suggests that Peace Corps recruitment shouldn't be geared just to colleges but also to vocational schools.

SHRIVER: No question. We did some of that from the beginning. Maybe we didn't do enough of it, but we did make an effort.

Yet I don't see that a choice needs to be made between young people fresh out of college and people with technical skills or impressive degrees. In my mind, it's not an either/or question. The Peace Corps needs volunteers who can go over and teach at the college or high school level; it needs volunteers who can farm or repair an automobile or dig a ditch; it needs doctors and business experts and irrigation specialists. We need a whole spectrum of skills—a wide range of volunteers.

SMITH: What do you think of recent proposals to institute some kind of national service program here in the States?

SHRIVER: The truth is that I haven't studied any of the proposals in any detail. By now, there must be almost a dozen bills that have been introduced in Congress. The very fact that there are so many bills floating around shows that politicians, at least, believe there's interest in this sort of service. And I think so, too. But again, economic conditions may make it hard for some people to participate in these types of service programs.

CHESTON: Recently it has been announced that Peace Corps volunteers are being sent to Hungary to teach English as a second language. What do you think of this—is Hungary a good country for the Peace Corps to be going to?

SHRIVER: Hungarians seem to learn languages faster than any people on earth. They need to speak three languages just to go 50 miles. So teaching English in Hungary is not a particularly important contribution.

But I'm all in favor of sending Peace Corps volunteers over there. Given the way things are changing in Eastern Europe these days, I'd send 5,000 Peace Corps volunteers to the Eastern Bloc countries if I could. I wouldn't have these volunteers teach English, though. I'd have them start Junior Achievement. I'd have them teach East Europeans and Soviets how to set up and run small businesses. I'd have them teach accounting. One of the problems in Eastern Bloc countries is that no one knows what it costs to manufacture anything, so they don't know what to charge for it. And if they're going to establish any market-based economic structures, they're going to need these skills. The Peace Corps could do them a tremendous service, and I'd be all for it.

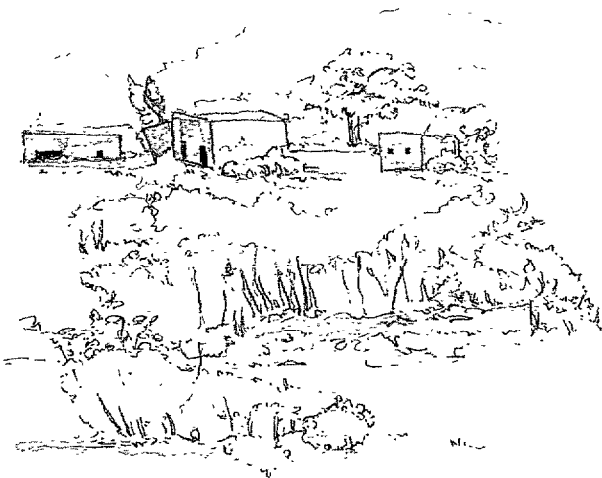
TANSEY: What changes would you like to see in the Peace Corps?

SHRIVER: For one thing, I think the Peace Corps should be at least twice as big as it is now—maybe three or four times as big. I don't think the Peace Corps would lose in terms of character or quality if it were expanded. And I believe the education that volunteers get through the Peace Corps could prepare them for the 21st century as well as any program offered at Harvard, Yale, Chicago, Georgetown, or UCLA.

I made this point earlier, but it's worth repeating: Living in another culture and adapting your behavior to other people can be beneficial for practically anyone. A politician, for instance, who's sensitive enough to see the other fellow's point of view will probably be better equipped to reach some sort of accommodation with that person—or maybe even to move that person toward his or her own position. Cooperation is also more and more important in fields like science: The possibilities for individuals making breakthroughs all by themselves are not nearly so good as they were a hundred years ago, because now much more scientific work is done by teams of scientists.

Another change I'd like to see would be for the returned Peace Corps volunteers to become much more active in the United States, in a more organized way than they've been before. A first step would be simply to track down all the returned volunteers and find out where they are now, what they're doing. Some of that information is available. I've been told, for example, that something like 35 former Peace Corps volunteers work at Chase Manhattan Bank. There are around 30, I understand, here at GAO. And there are more returned Peace Corps volunteers in Congress than there are alumni of any university except Harvard, which has just one more. And I'm sure you'd find that organizations like the U.S. Agency for International Development (AID) and the State Department and CARE are filled with former volunteers.

That speaks well of these individuals, of course, and it also speaks well of the Peace Corps. And since one of the problems in attracting volunteers seems to be that many young people are—perhaps by necessity—more concerned with career advancement than with service, then this tracking down of former volunteers might provide part of the solution. If you let people know that one of the really good ways to get into Congress, or the foreign service, is to serve in the Peace Corps for two years, they might join up more readily. I



hate to talk in public-relations terms, but I think it has to be done. That's why it's important to get the returned volunteers more organized—they could do a lot for the present health of the Peace Corps program.

KINGSBURY: What place do you see for the Peace Corps in America's overall foreign policy in the years ahead?

SHRIVER: Well, I'm rather enthusiastic about the situation in the world right now. I think that the Peace Corps, and former Peace Corps volunteers, face a tremendous opportunity. For there's a possibility that the war mentality in this country—whether it's a cold war or a hot war—will lose some of its sway over policy. If the Russians turn out not to be *the* enemy, and if we can't even identify a plausible military enemy, it's going to be harder to justify a huge Defense Department budget.

Furthermore, as the different countries in the world become more and more interconnected, we're going to have to agree that military force isn't the best way of dealing with a competitor. We're going to have to find much more sophisticated ways of dealing with differences of opinion. Some of the better corporations in the United States are already concentrating on developing better ways to manage the conflicts that inevitably come up in any large-scale human enterprise. The United States is going to have to do the same if we're going to survive—and flourish—in the next century.

Peace Corps volunteers are exceptionally skilled in this regard because they understand what it means to adapt themselves to live in peace with different kinds of people. They've been there already; this adaptation is the essence of the Peace Corps experience. Returned volunteers can make a huge contribution to this society's understanding of conflict resolution. They can truly become a corps for peace—peace not just in the sense of the absence of war, but in terms of peace being achieved between individuals and groups within the United States and between this country and other countries. Creating peace in this larger sense is diplomacy at its best. So I think that people with Peace Corps experiences may have brighter futures ahead of them than many of the business school graduates this country has been cranking out in such large numbers. ●

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ONCE UPON A TIME: THE AUDITOR FOR AMERICA

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auditors general were not quite so rigorous as ours.*

THE UNITED STATES and Great Britain share in part a common history. The General Accounting Office and the National Audit Office similarly share a common audit heritage, at least until the events of 1776. The post of "Auditor for America" was at that time, as it had been for some 100 years, one of the network of appointments within the British Exchequer. Together with such posts as the Clerk of the Pells, the Surveyor of the Green Wax, the Foreign Apposer, and the Lord Treasurer's Remembrancer, it discharged responsibilities for the collection, care, and custody of the King's revenues and expenditures with roots running back to the 12th century and before.

Actually, the main functions of the Auditor for America were more accurately summed up in the post's original title: "Auditor General of the Plantation Revenues." As the colonies themselves were painfully aware, collecting taxes and fees and dues and remitting them to England were considered particularly important, and the post of auditor general was established in 1680 "for the purpose of bringing the Royal revenues in the plantations under a more certain method of account."

The main source of revenue was the 4.5 per cent creamed off the plantation receipts, although this was often significantly reduced by expenses incurred in America. It was supplemented by quitrents, escheats, forfeitures and fines, shares in prizes from captured shipping and shipwrecks, and seizures from illicit trading. The Auditor General's responsibilities covered not only the mainland colonies but also the West Indies, so the revenues included imports on strong liquor and export dues and fees on tobacco, sugar, and cocoa in Jamaica; on whale licenses in Bermuda; and on trade in Barbados and the Leeward Islands. Little seemed to escape attention, with revenue also claimed from port dues in Virginia, from customs receipts at the King's weighhouse in



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New York, on each hogshead shipped in Virginia and Maryland, and on proprietary payments due from certain settlers in the Jerseys and the Carolinas under the terms of their Royal charters. The revenues even included a tribute of beaver from Indian tribes, although this was personally taken by the Governor of Virginia as a perquisite of office.

Some of these revenues, such as escheats (property and estates impounded where there was no heir) and forfeitures from suicides and murderers were a continuation of procedures based on those of the medieval English Exchequer. Quitrents, too, were a reflection and development of feudal systems of land tenure and an exercise of main landlords' rights. And the tribute of beaver in Virginia echoes similar ancient "revenues in kind" to be found in England, such as the provision of falcons and dogs for the King's hunting, the appointment of a cook for a year to the King's kitchen, or the supply of "two barrels of wine and 200 apples" to his treasurer. Even today, the Comptroller and Auditor General still receives a haunch of venison each year from the culling of deer in the Royal Parks.

Although the Auditor General and his underlings in America were granted a wide variety of ways of getting their hands on the colonists' money, they apparently faced the classic dilemma of all auditors: trying to verify the presence and scale of receipts. How can you prove they exist? His modern counterparts will recognize the problem of the Auditor General who questioned the absence of any fees for licenses for wine and ale houses in Virginia, but was then faced with having to decide whether to accept the firm and confident—but perhaps implausible—explanation that "there are no wine or ale houses in Virginia."

Infighting and skulduggery

The first Auditor General appointed with a clear and comprehensive mandate over American revenues was William Blathwayt, who was the subject of the King's patent granted in 1680. For some 40 years before then, there had existed a variety of audit and quasi-audit appointments looking after specific kinds of revenue, with a good deal of infighting and skulduggery. Blathwayt's main predecessor was Edward Digges, a former Governor of Virginia, who seems to have broken the normal rules by combining his duties as auditor with the executive responsibilities of treasurer, collector, and manager. But Blathwayt introduced a vigorous and determined approach to bringing order to collection systems that were haphazard and loosely conducted, and whose revenues were heavily in arrears.

The main reform Blathwayt introduced was to call the colonial receivers to a sharp accounting, with regular statements and submission of audited accounts twice a year. All arrears were pursued and the reluctance of officeholders to surrender the revenues that had been collected was firmly, and to some extent successfully, tackled. It would be overstating his success to suggest that these initiatives quickly produced order and discipline out of long-standing muddle, but Blathwayt nevertheless secured significant improvements and demonstrated a commitment and professionalism that distinguished him from his predecessors and, it must be said, his successors. He produced reports, cleared accounts, advised on all petitions on American revenues and financial questions, corresponded extensively with Governors and other officials



throughout the colonies, and generally developed and deployed a broad and informed knowledge of the business of the Auditor General's office.

Under his regime, too, a more structured organization was created. In 1681, Blathway appointed his own deputy auditors and drafted firm instructions to guide their work. Based in America, his deputies carried out their responsibilities on his behalf and reported back regularly. They were important officials in their own right, and their appointments by Governors in the colonies had to be confirmed in due course by Blathway himself. Blathway held the post of Auditor General for 37 years, from 1680 to his death in 1717, at the same time occupying many other offices within the British administration.

“Light duties and large pay”

After Blathway, the post of auditor general degenerated quite rapidly into the sort of money-earning sinecure then plentiful in English public affairs. It was secured immediately by Horace Walpole, the younger brother of British Prime Minister Robert Walpole. The value of the auditorship “as a post of light duties and large pay” was reflected by the fact, not only that Walpole held it tenaciously for 40 years until his own death in 1757, but also that almost from the time he took it up, a reversionary grant was obtained by the Earl of Cholmondeley to ensure that his own successors would inherit the post upon Walpole's death. The financial rewards clearly made it a post worth waiting 40 years for, and in expectation of the potential inheritance, it was willed up and down within the Cholmondeley family before finally being settled on the grandchildren as a provision “sufficient to render all further assistance to the grandchildren unnecessary.”

The auditorship passed to one of those grandchildren, the Honorable and Reverend Robert Cholmondeley, in 1757. Having waited for it expectantly for 25 years, he enjoyed the fruits of the office in full until effectively deprived of it by the events of 1776. With the profits of the auditorship, together with the income from two religious livings and other benefits, Robert Cholmondeley lived in affluent circumstances and spent heavily and freely. He quickly allocated the duties of the office to his few clerks. Well-known in London social circles, and mentioned in Boswell's *London Journal*, Cholmondeley's taste for high living exceeded even his generous income, and on more than one occasion he was “disgracefully broke.” He had to flee the country to avoid his creditors, and indeed at one stage signed over the profits of his auditorship to pay off his debts.

Cholmondeley was already in financial trouble in 1774 when the rumblings in America started to deprive him of much of the profits of his office, but his spending continued unabated in the fond hope that matters would soon return to normal. Bankrupt in 1780, he again had to leave the country, but returned in 1784 to try to salvage something from the wreck. Unabashed at having profited shamelessly from the sinecure of the auditor generalship for some 20 years, he promptly submitted a demand for compensation to the commission set up to examine and settle claims from American loyalists for damages suffered as a result of the War of Independence. Not only that: He succeeded in his claim and, one of life's survivors, enjoyed compensation of 400 pounds a year until he died in 1804 at the age of 77.



The scale of the benefits available from such sinecures may be determined from the fact that Cholmondeley claimed an income from all aspects of his post as Auditor General for America of some 1,800 pounds a year, representing in present day terms at least 120,000 pounds, or at the current rate of exchange, more than \$200,000. Other posts paid very much more.

Oversight at last

The fact that the post of Auditor for America was swept away by the War of Independence anticipated the likely result of an investigation started shortly afterwards by the Commissioners for Examining the Public Accounts, who were established by statute in 1780. The Commissioners mounted a fierce examination of the justification for the various sinecure offices remaining within the Exchequer, particularly the enormously profitable posts of the Auditors of the Imprests, and made scathing public reports that exposed overmanning, high costs, excessive fees, duplication of work or no work at all, and outdated and cumbersome procedures. The posts concerned were shortly afterwards discontinued, the incumbents bought out, and a more modern structure of appointed officials substituted. The post of Auditor for America would probably have gone the same way, had not the Americans beaten the British to it.

The Commissioners of 1780-85 were in the direct line of development leading via the Board of Audit and the Exchequer and Audit Department to the present National Audit Office of the United Kingdom. They were also the last body of auditors who were in with a shout on matters affecting British expenditures in North America. For they published in 1782 a report on their examination of fraud, misappropriation, bad management, and poor value for money from military expenditures by British forces in the War of Independence. They took evidence from the generals and others involved, criticized poor accounting systems and inadequate contracts, identified conflicts of interest and risks of corruption, and pointed out waste and inefficiencies and opportunities missed in the provision of supplies and transport. On this and a series of other reports, their work was firmly recognizable as using, for its time, a modern and innovative approach. They were independent and forthright, with a clear grasp of the broader and more constructive approach to audit that growing resources, a developing administration, and wider responsibilities required.

The work of the Commissioners has been described—rather grandly—as “the dividing line between the ancient and the modern. Before their work began, the clumsy hand of the Middle Ages is found still laid heavily on the financial system: before they had finished their work the enormous task had been commenced of freeing the system from its anachronistic and injurious elements. The good work continued upon the road they had mapped out until the past had little further power to harm, and the accepted standards were the needs of the present.”¹

Clearly, the Commissioners arrived on the scene too late for the quality of British audit in North America. But perhaps in the background, the shade of William Blathwayt was silently applauding. ●



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Future use.

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The main reform Blathwayt introduced was to call the colonial receivers to a sharp accounting, with regular statements and submission of audited accounts twice a year. All arrears were pursued and the reluctance of office-holders to surrender the revenues that had been collected was firmly, and to some extent successfully, tackled. It would be overstating his success to suggest that these initiatives quickly produced order and discipline out of long-standing muddle, but Blathwayt nevertheless secured significant improvements and demonstrated a commitment and professionalism that distinguished him from his predecessors and, it must be said, his successors. He produced reports, cleared accounts, advised on all petitions on American revenues and financial questions, corresponded extensively with Governors and other officials



throughout the colonies, and generally developed and deployed a broad and informed knowledge of the business of the Auditor General's office.

Under his regime, too, a more structured organization was created. In 1681, Blathwayt appointed his own deputy auditors and drafted firm instructions to guide their work. Based in America, his deputies carried out their responsibilities on his behalf and reported back regularly. They were important officials in their own right, and their appointments by Governors in the colonies had to be confirmed in due course by Blathwayt himself. Blathwayt held the post of Auditor General for 37 years, from 1680 to his death in 1717, at the same time occupying many other offices within the British administration.

“Light duties and large pay”

After Blathwayt, the post of auditor general degenerated quite rapidly into the sort of money-earning sinecure then plentiful in English public affairs. It was secured immediately by Horace Walpole, the younger brother of British Prime Minister Robert Walpole. The value of the auditorship “as a post of light duties and large pay” was reflected by the fact, not only that Walpole held it tenaciously for 40 years until his own death in 1757, but also that almost from the time he took it up, a reversionary grant was obtained by the Earl of Cholmondeley to ensure that his own successors would inherit the post upon Walpole's death. The financial rewards clearly made it a post worth waiting 40 years for, and in expectation of the potential inheritance, it was willed up and down within the Cholmondeley family before finally being settled on the grandchildren as a provision “sufficient to render all further assistance to the grandchildren unnecessary.”

The auditorship passed to one of those grandchildren, the Honorable and Reverend Robert Cholmondeley, in 1757. Having waited for it expectantly for 25 years, he enjoyed the fruits of the office in full until effectively deprived of it by the events of 1776. With the profits of the auditorship, together with the income from two religious livings and other benefits, Robert Cholmondeley lived in affluent circumstances and spent heavily and freely. He quickly allocated the duties of the office to his few clerks. Well-known in London social circles, and mentioned in Boswell's *London Journal*, Cholmondeley's taste for high living exceeded even his generous income, and on more than one occasion he was “disgracefully broke.” He had to flee the country to avoid his creditors, and indeed at one stage signed over the profits of his auditorship to pay off his debts.

Cholmondeley was already in financial trouble in 1774 when the rumblings in America started to deprive him of much of the profits of his office, but his spending continued unabated in the fond hope that matters would soon return to normal. Bankrupt in 1780, he again had to leave the country, but returned in 1784 to try to salvage something from the wreck. Unabashed at having profited shamelessly from the sinecure of the auditor generalship for some 20 years, he promptly submitted a demand for compensation to the commission set up to examine and settle claims from American loyalists for damages suffered as a result of the War of Independence. Not only that: He succeeded in his claim and, one of life's survivors, enjoyed compensation of 400 pounds a year until he died in 1804 at the age of 77.



The scale of the benefits available from such sinecures may be determined from the fact that Cholmondeley claimed an income from all aspects of his post as Auditor General for America of some 1,800 pounds a year, representing in present day terms at least 120,000 pounds, or at the current rate of exchange, more than \$200,000. Other posts paid very much more.

Oversight at last

The fact that the post of Auditor for America was swept away by the War of Independence anticipated the likely result of an investigation started shortly afterwards by the Commissioners for Examining the Public Accounts, who were established by statute in 1780. The Commissioners mounted a fierce examination of the justification for the various sinecure offices remaining within the Exchequer, particularly the enormously profitable posts of the Auditors of the Imprests, and made scathing public reports that exposed overmanning, high costs, excessive fees, duplication of work or no work at all, and outdated and cumbersome procedures. The posts concerned were shortly afterwards discontinued, the incumbents bought out, and a more modern structure of appointed officials substituted. The post of Auditor for America would probably have gone the same way, had not the Americans beaten the British to it.

The Commissioners of 1780-85 were in the direct line of development leading via the Board of Audit and the Exchequer and Audit Department to the present National Audit Office of the United Kingdom. They were also the last body of auditors who were in with a shout on matters affecting British expenditures in North America. For they published in 1782 a report on their examination of fraud, misappropriation, bad management, and poor value for money from military expenditures by British forces in the War of Independence. They took evidence from the generals and others involved, criticized poor accounting systems and inadequate contracts, identified conflicts of interest and risks of corruption, and pointed out waste and inefficiencies and opportunities missed in the provision of supplies and transport. On this and a series of other reports, their work was firmly recognizable as using, for its time, a modern and innovative approach. They were independent and forthright, with a clear grasp of the broader and more constructive approach to audit that growing resources, a developing administration, and wider responsibilities required.

The work of the Commissioners has been described—rather grandly—as “the dividing line between the ancient and the modern. Before their work began, the clumsy hand of the Middle Ages is found still laid heavily on the financial system: before they had finished their work the enormous task had been commenced of freeing the system from its anachronistic and injurious elements. The good work continued upon the road they had mapped out until the past had little further power to harm, and the accepted standards were the needs of the present.”¹

Clearly, the Commissioners arrived on the scene too late for the quality of British audit in North America. But perhaps in the background, the shade of William Blathwayt was silently applauding. •



1. Binney, J.E.D., *British Public Finance and Administration 1774-92* (London: Oxford University Press, 1958), p. 282.

Harry S. Havens

WHAT WE WERE, WHO WE ARE

*Even as it approaches 70,
GAO continues to evolve to meet the changing needs of the Congress.*

THE UNITED STATES General Accounting Office is a nonpartisan agency in the legislative branch of government. It was created by the Budget and Accounting Act of 1921,¹ with the statutory responsibility (among other things) to “. . . investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds” Since then, it has gone through three distinct eras. To understand today’s GAO, one needs to know at least a little bit about each.²

DURING ITS EARLY YEARS, GAO’S WORK CONSISTED LARGELY OF THE DETAILED AUDITING OF INDIVIDUAL VOUCHERS. OFFICIALLY, IT TOOK NO RESPONSIBILITY FOR JUDGING THE WISDOM OF PARTICULAR GOVERNMENT EXPENDITURES, ONLY THEIR LEGALITY.

The early GAO

During GAO’s first era, which lasted until the end of World War II, the organization’s work consisted largely of the detailed auditing of individual vouchers. The job was characterized by a highly formal, legalistic review of each voucher, with the approval for payment tied to an elaborate set of rules governing the use of public funds.

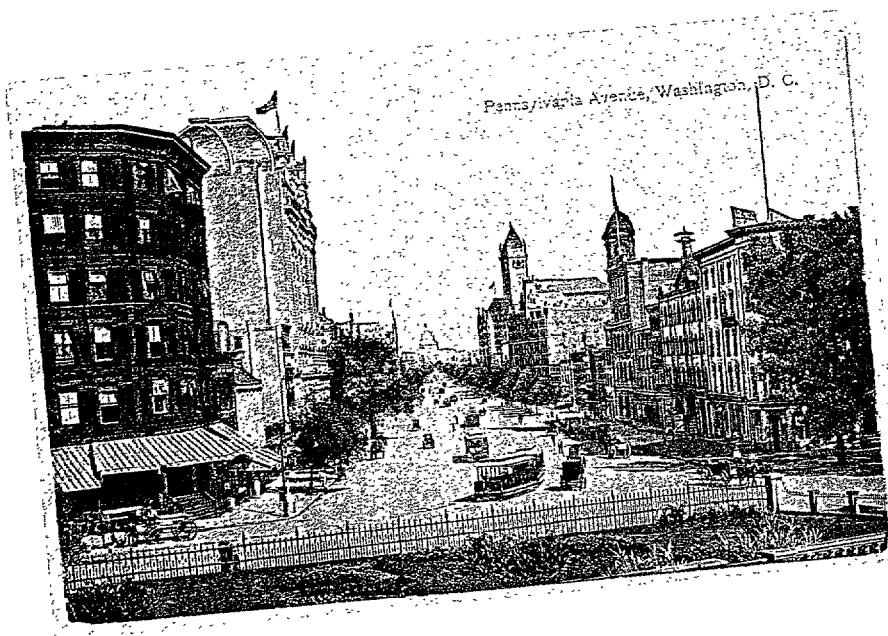
HARRY S. HAVENS is Assistant Comptroller General.

This control-focused, quasi-judicial interpretation of the audit function was typical in the 19th and early 20th centuries. Even today, in many nations, the government audit agency is called “The Court of Accounts”—indicative of these quasi-judicial origins—and some are still limited to reviewing the legality of transactions.

For GAO, this auditing concept included functions that remain a part of our mission. These include reviewing the validity of government contracts and providing opinions to executive branch officials on the legality of expenditures. Usually these activities receive little notice, but occasionally they attract attention, as when the Navy asked the Comptroller General last year to decide if it were legal for Lieutenant Colonel Oliver North, of Iran-Contra fame, to continue receiving pay as a retired officer after his conviction for improperly destroying government documents.³

Officially, in its early years, GAO took no responsibility for judging the wisdom of particular expenditures, only their legality. However, the conservative leanings of the first Comptroller General, J. Raymond McCarl, brought him into frequent conflict with President Franklin Roosevelt’s New Deal, which McCarl saw as full of wasteful spending. After McCarl’s retirement in 1936 and after the Congress had rejected proposals to tinker with GAO’s status, Roosevelt selected a Comptroller General whom he expected to be more politically sympathetic. Thus, Congressman Lindsay Warren of North Carolina, became, in effect, the second Comptroller General.⁴

The ideological conflict between GAO and the



LOOKING WEST UP PENNSYLVANIA AVENUE FROM THE TREASURY BUILDING, EARLY 1900S.

New Deal never resurfaced under Warren; with the advent of World War II and the crushing burden of mobilization on all the institutions of government, ideological issues evaporated. But during his 15 years as Comptroller General, Warren did preside over GAO's first great institutional transformation.

The second GAO

The voucher audit process, which had begun to creak badly under the weight of a growing government during the New Deal, utterly collapsed in World War II. Even with a staff of over 14,000, of whom most were auditing clerks, GAO could not begin to keep up with the waves of paper. GAO's *Annual Report* for 1945 reported a backlog of 35 million unaudited vouchers.

Comptroller General Warren recognized the futility of trying to return to the old ways. There-

fore, following the war, he joined with Treasury Secretary John Snyder and Budget Director James Webb in 1947 to design a new approach to financial management and auditing. The departments and agencies would do their own voucher checking and accounting, while GAO would concentrate on prescribing accounting principles and checking the adequacy of financial management procedures and controls. This concept was soon endorsed by the First Hoover Commission and embodied in the Accounting and Auditing Act of 1950 (title II of the Budget and Accounting Procedures Act of 1950).⁵

This first transformation of GAO was traumatic. GAO's staff shrank from almost 15,000 at the end of the war to about 6,000 by the time Warren's term ended in 1954. The actual numbers leaving GAO during this period were even larger than the figures would imply: The new GAO had no use for the army of auditing clerks who had populated the organization before and during the war. Instead, it now hired auditors who were trained in accounting.

Under the leadership of Warren and Joseph Campbell (who was appointed by President Eisenhower, served from 1954 to 1965, and was the first certified public accountant (CPA) to hold the office of Comptroller General), the GAO of the 1950s and 1960s modeled itself on the public accounting firms of the time, which had, themselves, changed dramatically since the Great Depression. Increasingly, GAO was staffed by professional accountants, many of them CPAs. A significant number of GAO's leaders in this era were recruited directly from public accounting firms. The size of the staff continued to decline: It numbered barely 4,000 when Campbell left office. By then, well over half the staff had college or university training in accountancy and very few of the auditing clerks remained.

Even in the Campbell era, with its emphasis on the CPA firm as a model, GAO did not confine itself to financial reporting matters. A good deal of effort still was devoted to reviewing the legality of agency activities. While this was not the same as the old-style voucher auditing, the attitudes underlying both approaches had much in common. That is, they both involved what some observers characterized as a nit-picking search for improprieties. And for GAO, therein lay the seeds of a problem.

In the early 1960s, GAO had grown increasingly shrill in its criticism of the defense contracting community, repeatedly issuing public reports alleging overpayment and demanding that individually

named contractors make voluntary refunds. This, understandably, provoked the wrath of defense contractors. The controversy culminated in 1965 in what GAOers still call the “Holifield Hearings,” named for Chet Holifield, Chairman of the Military Operations Subcommittee of the House Committee on Government Operations, a Congressman from southern California who severely castigated GAO for its supposedly unfair treatment of the defense industry. His criticisms of GAO were by no means unanimously supported within his own Subcommittee; there was some strong opposition, most notably in the person of a future chairman of the full Committee, Congressman Jack Brooks. Nevertheless, in the Committee’s report,⁶ Chairman Holifield prevailed.

Whether or not Holifield’s criticism was justified, the episode had two effects. First, almost certainly it hastened the retirement of Campbell for reasons of health, and second, it probably caused GAO to become much less aggressive in its audits of defense contracts.⁷

The modern GAO

President Johnson’s choice to succeed Joseph Campbell was Elmer Staats, an economist and career civil servant with almost 30 years’ experience in the Bureau of the Budget, including service as Deputy Director under four Presidents. His

INITIALLY, ELMER STAATS’S INITIATIVES
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appointment set the stage for the second great transformation of GAO. While less traumatic than the first, it was no less substantial in its effects.

Staats, who served a full term as Comptroller General from 1966 to 1981, brought with him from

the Bureau of the Budget the analytical approaches that were gaining currency in the executive branch as part of the Planning-Programming-Budgeting System (PPBS), a highly structured, analytically based framework for decision-making. Staats believed—and quickly convinced others—that the forms of analysis employed in PPBS would be useful to the Congress in overseeing federal programs and that providing these analyses would be a logical extension of GAO’s auditing function. Soon these new GAO responsibilities were given a statutory foundation in the Legislative Reorganization Act of 1970⁸ and then reenacted in expanded form in the Congressional Budget and Impoundment Control Act of 1974.⁹

Inevitably, changes in GAO’s responsibilities led to changes in GAO’s character. Initially, the Staats initiatives required grafting onto the existing CPA and management audit functions the new roles of program evaluation and policy analysis, together with a staff having the training and the technical skills needed for this work. Over the longer run, the new functions (and the people performing them) had to be integrated into the mainstream operations of the institution, creating a truly interdisciplinary organization capable of carrying out the full range of audits, management reviews, evaluations, and other studies of widely varying complexity demanded of it by the modern Congress.

Introducing program evaluation

In 1967, a year after Staats took office, GAO was asked to make its first major program evaluation. Senator Winston Prouty sponsored a provision of the Economic Opportunity Act Amendments requiring GAO to review the effectiveness of the poverty programs. This work, performed by GAO staff with the assistance of a number of consultants, culminated in one overall report in early 1969¹⁰ and numerous separate reports on issues and problems at the particular sites reviewed by GAO.

The success of GAO’s efforts under the Prouty Amendment demonstrated that it could examine complex issues affecting politically sensitive programs without great risk to the institution, so long as the work was done carefully and professionally. These were standards with which the GAO staff could be very comfortable, even though it was

still learning how to apply these standards to a new kind of work. By the 1970s, GAO program evaluations (usually called “program results audits”) became increasingly common. The municipal waste water treatment construction grant program was an early subject, the New Jersey negative income tax experiment, another. By the mid-1970s, GAO’s growing capacity for program evaluation led it to examine issues as diverse as income tax withholding for military personnel, planned bed capacity of Defense Department hospitals, the cost-effectiveness of automobile safety devices, and the interchange of data among agencies administering welfare benefits.

The Vietnam War

Ventures into the field of program evaluation were not the only new directions for GAO in this era. The troubles in Southeast Asia touched GAO as they did the rest of the nation. As the U.S. buildup of forces proceeded, the Congress began asking questions about how the money was being spent; it became apparent that a GAO presence was needed. Accordingly, for several years, GAO maintained an office in Saigon with up to 30 permanent staff, often augmented by staff from other locations on temporary duty.

THE COURSE FOR GAO THAT STAATS HAD SET—
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GAO’s work in Vietnam did not focus on the actual conduct of the war, but on the closely related issues of supply and logistics. Questions involved everything from how U.S. assistance for the Vietnamese government was being spent to the wisdom of the huge construction projects in support of U.S. involvement, and from the appropriateness of inventory levels to the efficiency with which material was shipped from the United States and other points of origin. GAO also became involved in assessing the problems of refugees—an area of continued GAO attention today.

The energy crisis

Trouble in Vietnam was followed by trouble at home, and the oil supply disruption of 1973 was a major factor in GAO’s movement into policy analysis. As the gas lines lengthened, the Congress turned to GAO not just for reliable information on what was happening,¹¹ but for advice on some critical energy-related issues. One was energy supply and demand, which led GAO to develop forecasts of future conditions. Another involved the proposed “solutions” to the energy shortage, among them the program to develop breeder reactors. In the swirl of controversy surrounding construction of the Clinch River Breeder Reactor (CRBR), the Congress turned to GAO throughout the 1970s for reliable assessments of the CRBR’s status. With the CRBR funded, but not sufficiently to complete construction, progress stood still while annual costs ran into the hundreds of millions. Eventually, GAO recommended in 1980 and 1981 that the Congress require the Department of Energy to either complete the CRBR or terminate it.¹² Shortly thereafter, the Congress terminated the project.

Reemphasizing defense in the 1980s

In 1981, President Reagan appointed Charles A. Bowsher to succeed Elmer Staats as Comptroller General. Bowsher, the second CPA to hold the position, is roughly midway through his 15-year term. The course for GAO that Staats had set—with its growing emphasis on policy-oriented evaluation and analysis and a close working relationship with the Congress—has been pursued even further under the current Comptroller General.

The consistent evolution of GAO can be seen in its defense-related work. The Holifield hearings of 1965 had put a damper on this work, but only temporarily and, even then, on only one component—the audits of defense contractors. In the 1970s, GAO relied primarily on the Defense Contract Audit Agency (DCAA) to do the detailed contract audits. Meanwhile, GAO (in addition to working on supply and logistics issues involving the war in Vietnam) turned to broader issues of logistics; communications; personnel management; and—most prominently—the cost, scheduling, and performance of major weapon systems in development and production. The experience gained in this work provided a strong base for expansion in the 1980s,

in response to the defense buildup begun by President Carter and accelerated dramatically by President Reagan.

In common with the rest of GAO's work, the defense work in the 1980s involved a steadily widening mix of issues extending from the very detailed to the very broad. Routine assignments

"big" issues became bigger and broader. For example, GAO went from looking at the ability of the Aegis cruiser to perform its assigned mission to examining the vaunted 600-ship navy—assessing potential financial and operational implications of the mismatch between the composition of the fleet and the maritime strategy it was supposed to accomplish in time of war.

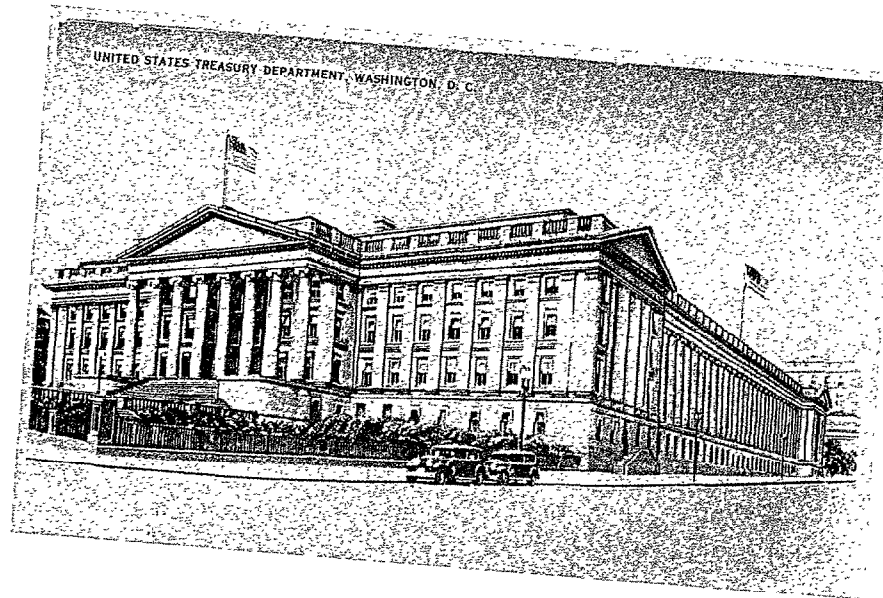
Financial management and the budget

The expanding scope of GAO's activities in the 1980s is also apparent in the organization's increasingly outspoken concern about the financial condition of the federal government and the fiscal policy it has been pursuing as well as in the role that the Congress sought to assign GAO under the Gramm-Rudman-Hollings (GRH) deficit reduction mechanism.

In the Congressional Budget Act of 1974, the Congress assigned most of the responsibilities for supporting the congressional budget process to the newly created Congressional Budget Office. GAO, however, was given an oversight and assistance role with respect to budget systems and concepts and the quality of budget information. In addition, GAO retained its responsibilities for overseeing the government's accounting systems. In the 1970s, GAO pursued these responsibilities in a low-key manner. As the 1980s unfolded, however, GAO became increasingly concerned about the government's finances and its message grew correspondingly outspoken.

While recognizing that the underlying problems of fiscal policy in the 1980s have been grounded in unresolved political and ideological conflicts, GAO has concluded nevertheless that inadequacies in budget presentation and process have been significant contributing factors. At the same time, archaic accounting and management information systems often make it impossible to obtain the reliable information needed for sound managerial decisions and policy oversight, while weak internal controls create a breeding ground for the type of fraud and mismanagement that recently engulfed the Department of Housing and Urban Development.

These concerns culminated in the 1985 publication of the first in a series of GAO "white papers" on the federal government's financial management system.¹³ GAO assessed the problems of the current structure and suggested a conceptual framework for a new financial management system



THE TREASURY BUILDING, WHERE GAO WAS LOCATED FROM 1921 TO 1926.

ranged from reviewing problems in the way the Pentagon orders spare parts to assessing problems in the B-1 bomber avionics systems. In GAO's defense work, however, the "widening" process was particularly dramatic in both directions. For example, GAO returned to detailed auditing of individual defense contracts, but with a very different purpose than was seen in the 1950s and 1960s. The new focus was on the systemic causes of contract overpricing and cost overruns. Revelation of abuses became not an end in itself, but a way of dramatizing the systemic problems.

While reimmersing itself in some of the details of contract auditing, the range of GAO defense work broadened in the other direction, as well. The



THE OLD POST OFFICE BUILDING ON PENNSYLVANIA AVENUE, WHERE SOME GAO STAFF WERE STATIONED UNTIL 1978.

embodying an integrated approach to the budget and accounting components.

Complementing this, GAO renewed its emphasis on financial auditing. GAO urged the departments and agencies to produce meaningful annual financial statements and to ensure the reliability of those statements through independent audit. These views gained increasing acceptance, to the point where GAO, in 1989, audited the financial statements of the U.S. Air Force—an effort whose scope exceeded that of any previous financial audit in history.

Meanwhile, the continued inability of the Congress and the President to agree on an acceptable budget policy set the stage for enactment of the

GRH legislation.¹⁴ For reasons that remain obscure, the Congress chose GAO as the agency to judge whether or not the deficit was going to exceed the statutory thresholds and, if so, for allocating the required spending reductions.¹⁵

The Supreme Court, however, ruled that GAO's involvement in the GRH arrangement was unconstitutional.¹⁶ The Court, pointing to the Joint Resolution procedure for removing the Comptroller General from office, concluded that GAO was a legislative branch agency. The functions involved in implementing GRH were of an executive nature and therefore could not be assigned to the Comptroller General.

GAO was removed from the GRH operating mechanism after pulling the trigger once and stepped back to its more accustomed role of monitoring the operation and reporting on results. Even without an operational role under GRH, however, GAO remains an active participant in certain aspects of the budget debate. In a series of reports prepared for the 1988-89 presidential and congressional transition, for example, the Comptroller General took a particularly strong position on the urgent need to deal with the substance of the deficit,¹⁷ accompanied by a renewed call to reexamine the way the budget is presented.¹⁸

In 1989, these positions were further developed in a report on the implications of the accumulating Social Security trust fund surpluses¹⁹ and in another "white paper" on the need to overhaul the budget structure and process.²⁰ Involvement with the budget and with the rest of the financial management system is assuredly part of GAO's future.

Relations with the Congress

In recent years, GAO has continued to evolve in response to the needs of the Congress. New responsibilities are assigned—sometimes by statute, often through a pattern of committee requests, and occasionally on GAO's own initiative. Once the responsibilities have been accepted and the capacity to meet them has been established, they rarely disappear.

As GAO's mission evolved, it was inevitable—indeed, it was intended—that its relationship with the Congress would also be transformed. GAO sought to make its work more immediately relevant

to the legislative policy process and, as a result, the Congress and its committees became more directly interested in the scope, nature, and timing of that work.

From the very beginning, GAO was required to perform investigations and other studies requested by the Congress and its committees.²¹ For the first half century, however, this mandate was of relatively little consequence. Until the 1970s, virtually all of GAO's work grew out of its own sense of needs and priorities. It is estimated that, as late as 1969, no more than 10 percent of GAO's reports were produced in response to congressional requests; GAO

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officials—almost exclusively the Comptroller General—testified only 24 times. By fiscal year 1977, however, congressional requests and statutorily mandated audits and reviews were absorbing 35 percent of GAO staff resources, and GAO officials—now including the division directors, as well as the Comptroller General and Deputy Comptroller General—testified 111 times. The trend, once established, was irreversible. In 1988, fully 80 to 100 percent (depending on the subject area) of GAO's resources were devoted to responding to specific congressional requests, and GAO officials testified at committee hearings well over 200 times. To handle the work load of testifying, GAO now relies heavily on the third major management echelon, the issue area directors.

Staff resources

The changes introduced to GAO by Staats and extended by Bowsher have clearly affected the staff in several ways. From a low point of about 4,100 in the mid-1960s, the staff grew to about 5,300 in the late 1970s, then settled back to the 5,000-5,100

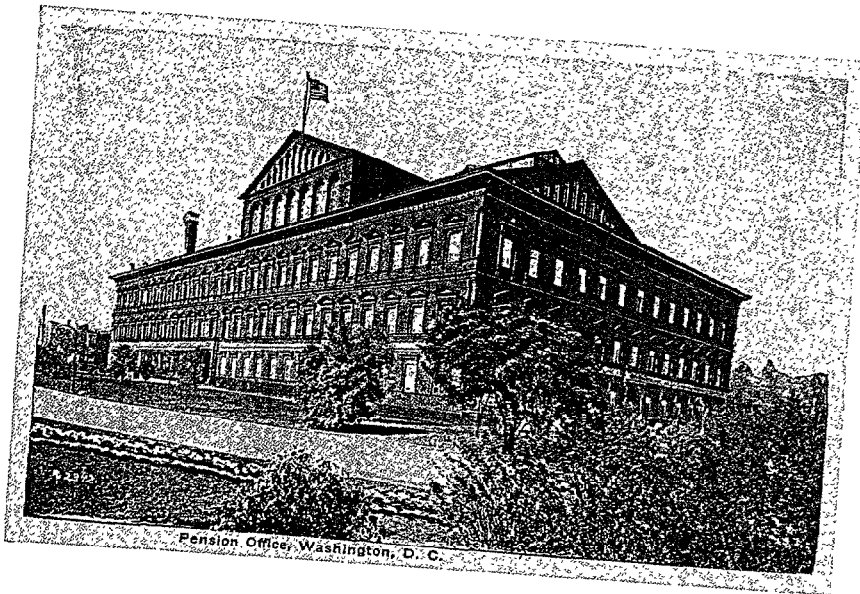
range, where it was for the decade of the 1980s. The composition of the staff has continued to evolve, as can be seen in the changing nature and background of the people being recruited.

Among Staats's first initiatives were efforts to expand the recruiting base and to introduce outsiders into the GAO leadership structure. Initially, Staats expanded the recruiting base to include business administration graduates without substantial training in accounting. He soon broadened the effort to include such disciplines as public administration, operations research, engineering, statistics, and economics. Bowsher continued this trend, and by the mid- to late-1980s, there was no longer any "standard" GAO recruit. Today, while the largest single group comes into GAO with a background in public administration or public policy and a strong base of quantitative skills, virtually every academic discipline is now represented in the GAO staff. In addition, the staff includes people with advanced academic training and line experience in virtually every substantive field touched by government, from defense to health care, energy, and tax law.

GAO still recruits accountants in significant numbers, but most of them are hired specifically to do our accounting and financial auditing work. Similarly, GAO recruits economists to perform its economic analysis work, computer scientists to review computer systems, and trained criminal investigators to pursue allegations of corruption.

In practical terms, GAO's recruiting philosophy has shifted dramatically over the past 25 years. GAO used to recruit people from a uniform background and then train them to perform the variety of assignments facing the organization. This strategy was doomed to failure as the diversity of GAO's work grew and the complexity of that work increased exponentially. Today, GAO starts with a systematic assessment of the kind of work it expects to be doing over the next decade or so, and then recruits the people whose skills will best match that work.

This strategy is also reflected in some relaxation of the "promote from within" tradition established in the Campbell era. A large majority of the GAO management structure is composed of people who have made their careers in the organization, and that pattern, characteristic of most large professional organizations, seems likely to continue. Sig-



TODAY'S NATIONAL BUILDING MUSEUM (ONCE KNOWN AS THE PENSION BUILDING) WAS GAO HEADQUARTERS FROM 1926 TO 1951.

nificantly, however, almost a quarter of GAO's Senior Executive Service (SES) incumbents had substantial professional experience with other organizations before joining GAO. This ratio is even higher at the top: Of the 13 most senior positions in GAO,²² more than half have had prior experience in other government agencies or in the private sector. And of these positions, only one—that of the Comptroller General—is filled by what some would consider a political appointment.²³ Every other position in GAO—from new entry-level recruits to the top of the SES—is filled through a merit-based competitive selection process.²⁴

Staffing the modern GAO, however, has meant much more than changing the mix of skills. In the mid-1960s, the professional staff was uniformly composed of white males. In common with most public agencies of the day, GAO was slow to rec-

ognize that this was a serious problem, and early efforts to deal with it were not very successful. Society as a whole was struggling with the question of how to close the gap between rhetoric and reality, and GAO experienced this struggle in microcosm. As the commitment of its top leadership became increasingly evident, however, GAO began to learn what works. Over time, the successes have been incorporated into an aggressive equal opportunity and affirmative action program affecting all aspects of human resource management, from entry level recruitment to promotion into the SES. The work force is not yet as balanced at the more senior levels as GAO would like, but the organization's goals are ambitious and it is moving resolutely toward them.

Professional development and training

The increasing diversity of GAO's work and of the staff doing this work has lent added importance in recent years to GAO's training and staff development functions. There are two main threads running through these functions. One is the traditional training objective found in most large professional organizations: ensuring that the staff acquires the knowledge, skills, and abilities needed to perform the jobs to which they are to be assigned. The other objective is to acculturate individual members of the staff to the organization's core values and mission.

Obviously, it would be impractical to try to give every member of the professional staff the equivalent of a terminal degree in all the disciplines that may be relevant to his or her work. What GAO aspires to do, rather, is to give everyone sufficient exposure to other disciplines to understand the contribution these disciplines can make to the work and to ensure that each staffer can interact effectively with experts in these disciplines. In addition, the continually changing nature of GAO's work means that it must provide supplemental training for experienced staff so they can direct and manage new kinds of work, involving people with new kinds of expertise.

This, however, is only part of the training regimen. As GAO staff develop along their career paths, they must also have or acquire sound communication skills, involving both written and oral

presentation. These skills are important for the production of reports and other written products and are vital for briefing congressional staff and providing formal testimony, an increasingly important mode of communication for GAO. Broader management skills also take on greater importance, both for managing and motivating staff and for directing projects to meet tight congressional deadlines.

The other main thread of the training function centers on "socialization." GAO is an institution, not just a collection of individuals. Its products carry the organization's imprimatur and are vouchsafed by its institutional stature. Yet these products are developed by several thousand individuals, in a geographically and organizationally decentralized environment, often working as temporarily assembled audit teams.

For such an organization to succeed, the staff must share a common body of institutional norms relating to such matters as standards of evidence, operating procedures, and rules of ethical behavior. Therefore, the training and staff development efforts must inculcate in the staff the GAO ethic of accuracy, independence, and objectivity; an understanding of what those concepts mean in the GAO

at least 80 hours of continuing professional education in each two-year period or risk losing the qualification needed to perform the general work of the organization and to advance in their careers.

Throughout, a consistent set of values

It is difficult to characterize in simple terms all the changes that have constituted the second great transformation of GAO. Their cumulative effect, however, has been to create an organization in which diversity and the capacity for further change and development are themselves the norms—diversity and change in discipline, subject matter, analytical approach, data-gathering technique, and reporting method.

This diversity and capacity for adaptation are the keys to GAO's ability to respond to congressional requests for audits, evaluations, and other studies over an enormous range of issues. But this diversity operates within a set of institutional values emphasizing accuracy, independence, and objectivity, which have changed little, if at all, over the past two decades, and which provide a unifying force across the entire organization. •

GAO'S VALUES, EMPHASIZING ACCURACY, INDEPENDENCE, AND OBJECTIVITY, HAVE CHANGED LITTLE OVER THE PAST TWO DECADES, AND PROVIDE A UNIFYING FORCE ACROSS THE ENTIRE ORGANIZATION.

environment; and a recognition of how to apply them in the day-to-day work of the organization.

One measure of the importance GAO attaches to training and the continued development of its staff is the investment it makes in this area. In fiscal year 1988, for example, GAO invested almost \$2 million in formal training. The pace of this investment seems certain to rise. One stimulus was the establishment of the GAO Training Institute, an organization dedicated to meeting GAO's training needs. The Institute manages the training function and delivers most of the formal classroom training. The other major impetus for increased training is the requirement that all professional staff obtain

1. Public Law 67-13, approved June 10, 1921.
2. This article is adapted from my monograph published by the GAO History Program, "The Evolution of the General Accounting Office: From Voucher Audits to Program Evaluations" (GAO/OP-2-HP, January 1990). For a more detailed examination of the history of GAO, see *The GAO: The Quest for Accountability in American Government* (Boulder, Colo.: Westview Press, 1979), and *A Tale of Two Agencies* (Baton Rouge, La.: Louisiana State University Press, 1984), both by Frederick C. Mosher. Mosher's work is the primary basis for the historical discussion in this article. Another valuable source is May Hunter Wilbur's *An Early History of the General Accounting Office, 1921-1943*, written in 1943 but first published in 1988 by the GAO History Program (GAO/OP-1-HP, March 1988).
3. For technical reasons, GAO did not issue a formal opinion in this case. In a letter responding to the Navy, however, the GAO General Counsel pointed out the long-standing interpretation of law that reduced pay for retired officers (commonly called "retired pay") is for continued service as an officer with reduced responsibilities. North was convicted under a statute for which one of the prescribed penalties is a prohibition on serving in any public office. Service as a commissioned officer, even in retired status, falls within this prohibition.

4. Fred Brown, appointed in 1939, was officially the second, but served barely a year before resigning for health reasons.
5. Public Law 81-874, approved Sept. 12, 1950.
6. U.S. Congress, House, *Defense Contract Audits*, House Report 1132, 90th Cong., 2nd sess., Mar. 23, 1966.
7. Other factors undoubtedly contributed to GAO's lessened interest in contract auditing, including the creation of the Defense Contract Audit Agency, an organization devoted exclusively to that task.
8. Public Law 91-510, approved Oct. 26, 1970.
9. Public Law 93-344, approved July 12, 1974.
10. *Review of Economic Opportunity Programs* (B-130515, Mar. 18, 1969).
11. In a relatively traditional role for the organization, GAO began assessing the quality of available energy data. The practice was formalized in several pieces of legislation, culminating in the Energy Conservation and Production Act (Public Law 94-385, approved Aug. 14, 1976), which requires GAO to review, on a regular cycle, the quality of data produced by the Energy Information Agency.
12. *U.S. Fast Breeder Reactor Program Needs Direction* (GAO/EMD-80-81, Sept. 22, 1980) and letter to various members (B-199272, May 4, 1981).
13. *Managing the Cost of Government: Building an Effective Financial Management Structure* (GAO/AFMD-85-35 and 35A—two vols.—February 1985).
14. The Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177, approved Dec. 12, 1985. For a more detailed discussion of this episode, see this author's "Gramm-Rudman-Hollings: Origins and Implementation," *Public Budgeting and Finance*, vol. 6, no. 3 (autumn 1986).
15. The decision was made in a late night session of the conference committee, and there is no formal record of the discussion. Most observers believe that the principal consideration was a legacy of distrust of the executive branch and especially of what was seen as a politicization of the Office of Management and Budget.
16. *Bowsher v. Synar*, 106 Sup. Ct. 3181 (1986).
17. *The Budget Deficit* (GAO/OCG-98-1TR, November 1988).
18. *Financial Management Issues* (GAO/OCG-89-7TR, November 1988).
19. *Social Security: The Trust Fund Reserve Accumulation, the Economy, and the Federal Budget* (GAO/HRD-89-44, January 1989).
20. *Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices* (GAO/AFMD-90-1, October 1989).
21. Section 310(b) of the 1921 act provides "[The Comptroller General] shall make such investigations and reports as shall be ordered by either House of Congress, or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures." The language has been modified slightly over the years, but without changing the basic point. Interestingly, the act also requires GAO to respond to requests from the President. No one can recall receiving such a request in recent times, but information covering earlier periods is ambiguous. Some reports were submitted to the President, but whether or not he was the source of the inquiries is unclear.
22. The Comptroller General, the Special Assistant to the Comptroller General, the General Counsel, and the ten Assistant Comptrollers General.
23. Under a procedure established by the General Accounting Office Act of 1980 (Public Law 96-226, approved April 3, 1980), the President is expected to select the Comptroller General from a list prepared by a special bipartisan congressional commission. It would be constitutionally impermissible to *require* the President to select from such a list. Thus, the statute provides that the President may ask the commission to suggest additional names, and at least in principle, the President could nominate someone who did not appear on any list. However, in the one case in which this procedure was used—the appointment of the current Comptroller General—President Reagan accepted the first list and selected from it.
24. The position of Deputy Comptroller General is filled by presidential appointment, in a process similar to that for the Comptroller General. The Deputy position is currently vacant, but Milton Socolar, a career civil servant and former General Counsel of GAO, has been serving as Special Assistant to the Comptroller General and *de facto* Deputy Comptroller General since 1981.

Eleanor Chelimsky

EXPANDING GAO'S CAPABILITIES IN PROGRAM EVALUATION

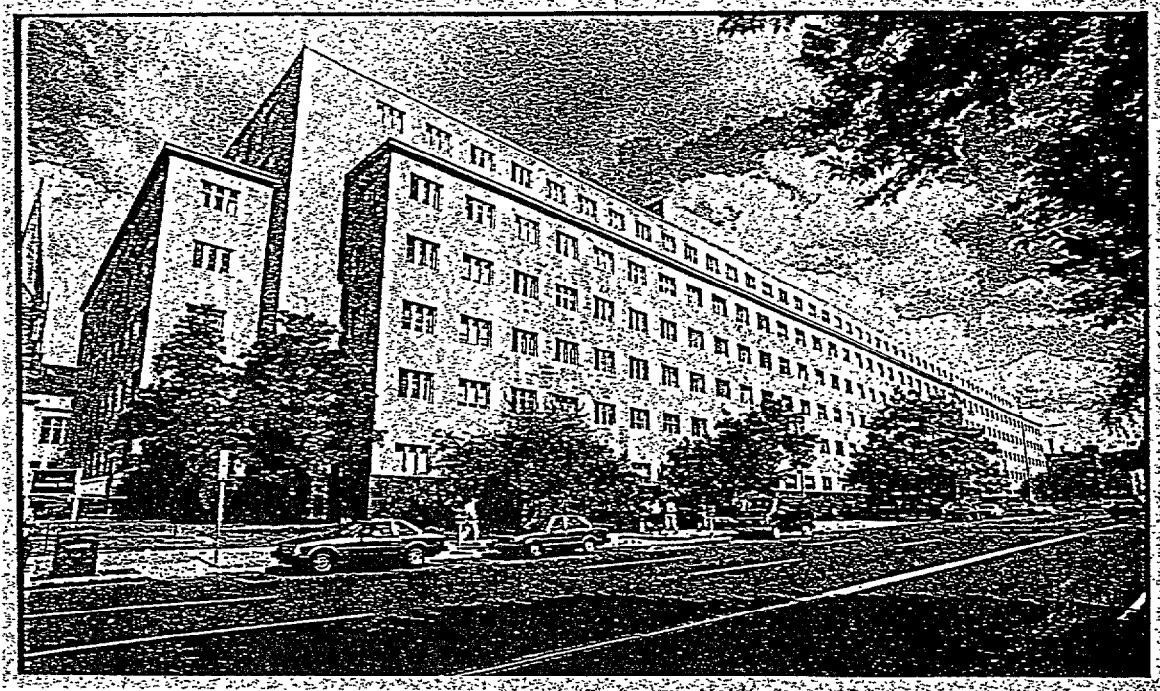
An increasingly complex mission has meant bringing new methods—and new kinds of people—into GAO.

FOR SOME TIME now at GAO, we have been expanding our ability to do program evaluation. By program evaluation, I mean the use of systematic research methods to assess policy

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or program design, implementation, and effectiveness. We began building this capability informally through the 1970s in our Program Analysis Division, and then took the formal step, in 1980, of creating the Institute for Program Evaluation.¹ This unit became, in 1983, GAO's Program Evaluation and Methodology Division (PEMD).

THE GAO BUILDING
ON G STREET IN
WASHINGTON, D.C.,
GAO HEADQUARTERS
SINCE 1951.



The chief purpose of the new organization was to help us address the kinds of complex and technically demanding questions that congressional committees were increasingly asking us to

Since the questions asked by the Congress concerned nearly every aspect of the policy or program process—from formulation through execution to assessment—GAO had to develop an evaluation capacity in all these areas.

resolve. And since these questions concerned nearly every aspect of the policy or program process—from formulation through execution to assessment—we had to develop an evaluation capacity in all these areas. Three kinds of evaluations would be required of us:

- Assessing a policy or program still in the design phase (e.g., informing the Congress on whether enough evidence was available to support a particular policy on AIDS or a program for homeless people);
- Measuring program or policy implementation (e.g., identifying the quality of medical care given Medicaid patients or the initial results of efforts by states to establish enterprise zones);
- Establishing the actual effects achieved by a policy or program (e.g., determining the impact of “back-to-basics” educational reforms on student performance or the effects of sewage treatment plants on water pollution).

Further, because of GAO’s role as “the evaluators’ evaluator,” we had a fourth task:

- Critiquing the soundness of the evidence reported to Congress by others on program or policy design, implementation, and effectiveness.

Three challenges

In addition to demonstrating methodological capability in these types of evaluation, PEMD would need to demonstrate *substantive* expertise in all the major areas of congressional interest—not just in the defense and social program areas that eval-

uation had traditionally addressed, but also in the environment, agriculture, immigration, and many other areas in which evaluations had been few and far between. In some areas—education, for example—we could count on a body of advanced knowledge and a high level of technical sophistication. In others, such as the environment, we would have to perform exploratory or developmental work before proceeding to studies of program effectiveness.²

Developing this kind of substantive expertise was one of three major challenges we faced. Another had to do with the uncertainty about how useful evaluative research would actually turn out to be for the Congress. Most program evaluations of the 1960s and 1970s had been done for policymakers in the executive branch, and many questions had been raised as to whether and in what ways these evaluations had been used. If we were to perform evaluations for a legislative body—and take into account such considerations as committee organization, congressional purposes, and milestones—we were likely to need new approaches. At the same time, we were unsure about the special impediments—structural or otherwise—that might have to be surmounted before the Congress would find evaluative studies helpful in, say, negotiating policy positions, drafting new legislation, or performing oversight.

Our third challenge lay in the necessity of bringing social scientists from universities or “think tanks” into a government agency whose mainstream function was auditing. We needed to find the “right” researchers (i.e., those with skills and experience in program evaluation), convince them to link their futures with ours, and retain them over some reasonable period of time. The retention issue, in its simplest terms, was how to conciliate the academic training, assumptions, and methods of researchers with the organizational environment of GAO and especially its long-established procedures for planning and conducting projects, and for reporting on them to the Congress.

All three of these challenges entailed technical uncertainties: No one can predict, for example, whether and how new methods can be developed. But the uncertainties from a managerial standpoint were equally real. PEMD would be a small office of fewer than 100 social scientists, embedded in a highly successful agency of more than 4,000 auditors who differed from social scientists in norms, backgrounds, and training. Managing the organizational conflicts that seemed sure to arise could

well strain GAO's institutional capacity for tolerance and absorption.

At the same time, however, the situation offered some important advantages. GAO's management believed strongly in the value of using research methods in its work and had actively championed the development of program evaluation governmentwide. A number of social scientists had joined GAO in the 1970s, so there was already some institutional experience to build on. Further, while many things do separate auditors and social scientists, they also have many things in common. Among these are the need to be independent enough to maintain the objectivity of their findings, and the goal of improving public policy by bringing the best available information to decisionmakers. Indeed, it seemed clear in 1980 that GAO's auditors had a great deal to teach government social scientists about achieving and maintaining the organizational protections needed to preserve their independence. The lack of these protections had not only damaged evaluation products in the past, but would contribute to the weakening of social science research and evaluation in the executive branch from 1981 to 1988.³

GAO's evaluation organization also had to demonstrate substantive expertise—not just in the defense and social program areas that evaluation had traditionally addressed, but also in the environment, agriculture, immigration, and many other areas in which evaluations had been few and far between.

Creating a program evaluation capability at GAO, therefore, seemed to have something in it for everyone: for the Congress, the ability to get answers to technically complex questions; for GAO, the development of a new set of skills and resources; for auditors, more methodological expertise and technical help; and for social scientists, the ability to do applied research in a hands-on political setting.

Whatever the combination of pros and cons, there were many past failures that attested to the difficulty of the enterprise.⁴ Still, there was a congressional mandate, a number of people were convinced of the fundamental importance of the undertaking, and we recognized at least some of

the problems we would have to confront to be successful. This is the tale of what happened.

Demonstrating evaluation's methodological capabilities

Evaluation typically views the world through a rear-view mirror. It asks such questions as: What happened as a result of implementing this new policy? Did it make a difference? If so, can it be measured? Would we have seen the same effect if the policy had never been put in place?

Since, by and large, evaluation methods have been developed in this retrospective mode, approaches have long existed that allow an evaluation to assess a policy or program that has been ongoing for some time. So in 1980, we could feel relatively confident about evaluation's ability to assess program or policy implementation and effectiveness.

Critiquing the evidence presented in evaluative studies was also eminently feasible. Social scientists had, over the years, created a large body of work documenting the principles of study design, instrument development, statistical sampling, data collection, and data analysis in applied policy research. These principles and their associated techniques, therefore, were available to PEMD as criteria to apply in assessing evaluations reported by others to the Congress.

It was uncommon in 1980, however, to encounter an evaluation that looked *forward*, that asked *prospective* questions such as: What effects, if any, can we expect in the future from implementing this proposed program? Does its design make sense? Is it powerful enough to bring about the effects people say it will have? Does the problem addressed by the program warrant the expenditure requested?

Although this sort of "front-end analysis" was among the approaches recognized by the Evaluation Research Society's evaluation standards,⁵ the kinds of procedures and methodologies involved were not well-specified or routinely applied in the literature. This meant that PEMD would have to develop new methods based not only on existing evaluation approaches but also on techniques—such as forecasting, operations research, assessments of likely impact—drawn from other fields.

Looking back, we can see that PEMD has been

able to design and conduct evaluations in each of the four categories defined earlier. As of January 1990, 144 evaluations have been published. (These are only a part of the larger body of publications, including methods development and transfer papers, that PEMD has produced.)

To deal with prospective questions, we developed an approach that we call the prospective evaluation synthesis.⁶ We tried this for the first time in 1985 to evaluate program designs proposed by two bills introduced in the Congress that year, both of

Evaluations that looked forward—that asked prospective questions—were uncommon a decade ago. Therefore, GAO’s evaluation organization had to develop new methods based not just on existing evaluation approaches but also on techniques drawn from other fields.

which addressed the problem of teenage pregnancy.⁷ Since then, we have used the method several times and are continuing to vary or expand it as we apply it to different topic areas.⁸ We have also employed forecasting and other methods of projection to estimate the future effects of programs or policies.⁹

PEMD has handled questions regarding program or policy implementation largely through surveys, process evaluations, and case studies. To address issues of effectiveness, we have employed quasi-experimental designs, evaluation synthesis (also known as meta-analysis), and cumulative case studies.

One surprise was the frequency with which we needed to use multiple methods in the same study. We discovered that it was never enough for our congressional users to hear us say what had happened in a program; they always wanted to know why it happened and how the lessons learned might apply to a new program. So a quasi-experimental design using time series analysis, for example, typically had to be backed up not only by a comprehensive literature review, but by an explanatory process evaluation or a set of case studies and an analysis of policy implications.

Another surprise was the extraordinary amount of feedback our surveys generate: A 90-percent response rate is not unusual for GAO.

Finally, we found we had access to data that we had not counted on or even known about. In some cases, we can do studies that others cannot because of the special access GAO has to some data.¹⁰

Congressional requestors have most frequently asked us for evaluations of program or policy effectiveness. This was predictable; it is the area in which evaluation first established its reputation, and requests for this type of evaluation have come in during the entire 1980-1989 period. On the other hand, requests for evaluations of program or policy design have been more common in recent years, largely because it is only since 1985 that we felt prepared to deal with prospective issues.

Based on congressional interest, this type of forward-looking work seems likely to increase over the next few years. There are several reasons. First, prospective studies allow evaluation to make a policy contribution embodying the best available information, at a point in the program process when agendas are not set, bureaucracies are not yet in place, and rational discussion is still likely to be acceptable. (This contrasts with evaluations of effectiveness, for example, which come after the fact and tend to elicit, first, apprehension, and later, outraged cries from those whose careers may be affected by negative findings. This is not to argue, of course, that effectiveness evaluations should be avoided; merely that they present bigger “people” obstacles than do prospective studies.) Second, program advocates in the Congress or in the executive branch can obtain expert design assistance for their new proposals at a time when they may want to convince other policymakers of their programs’ likely success. Finally, the evaluation of program design performs a service either when it strengthens programs that are not optimally structured or when it validates the basic soundness of what is to be undertaken.

Methodological critiques have also been much requested by the Congress, second only to effectiveness evaluations. PEMD has used methodological criteria in several different ways: to develop a framework for assessing threats to validity;¹¹ to examine the relationships between particular study aspects (e.g., sample size or data analysis) and conclusions drawn by the study reviewed;¹² and to reanalyze data and conduct case studies to determine the methodological quality of evaluation conclusions.¹³ When an individual topic area is so complex that applying methodological criteria requires special substantive knowledge, we have

asked expert panels to help us bring substantive and methodological criteria together.¹⁴

Dealing with new substantive areas

With regard to new substantive areas, our early fears turned out to be justified: It has been quite difficult to find researchers trained in program evaluation methods who also have in-depth knowledge of such areas as the environment or energy. Occasionally, analysts have worked on defense or transportation programs, but for the most part, they have not. The areas we found to be best represented among program evaluators in 1980 were education, public assistance, health service delivery, and criminal justice. The strategy we then adopted was to find researchers with quantitative training and

and those who wanted to delve deeply into a particular topic and stay there. We now have clusters of experts of both types who work together, allowing us to develop a body of program evaluation work in a fairly sizable number of program areas (defense, health care delivery and technology, education, public assistance, the environment, transportation, agriculture, community development, and immigration).

One surprise in breaking new substantive ground was to discover that each topic area seemed to be marked by a particular research discipline. For example, Campbell and Stanley's work on experimental design, which is both old (1966) and famous among social scientists, was little known at the Department of Defense. Similarly, the kinds of analyses done by economists for, say, the Department of Labor, used different assumptions and validating techniques from those performed by psychologists or sociologists for the Department of Education. This led us to borrow research techniques from different fields, and eventually to the almost routine practice of interdisciplinary evaluative research in our work. One effect of this cross-cutting experience has been to enlarge the number of disciplines represented in PEMD,¹⁵ an important factor in our ability to respond to congressional questions in a wide range of topic areas. Productivity has been another factor: With 76 professional staff, we have between 45 and 50 evaluations under way at any given time.

When legislative milestones are involved, being late with a report is not just a problem, it is a kind of obliteration—the equivalent of not doing a study at all.

strong substantive knowledge of a particular topic area, expose them to program evaluation methods, and then team them with people who were expert in methodology but usually not in the particular topic area.

While this strategy did cause delays, another strategy would not necessarily have been more expeditious, given the evaluative state of the art in some of these fields. Also, we learned several things in the process. First, it is easier for people with evaluation training to master a new substantive area than vice versa. Second, certain social scientists are interested exclusively in social program evaluation; our efforts to attract some to environmental or defense evaluation, for example, were not always successful. Third, we found ourselves recruiting two types of people: those with basically methodological interests who wanted to apply particular approaches to programs in many different areas,

Working for the legislative branch

In adapting executive branch evaluation practices for congressional users, we found that we did indeed need to change our procedures. Timeliness with regard to legislative milestones turned out to be a critically important consideration dictated by the way in which the Congress works. Coming in with a report when the debate is over and the vote has been tallied is not just a problem, it can be a kind of obliteration—the equivalent of not having done a study at all. Yet some evaluation methods (e.g., a comparative design with original data collection) take a long time, often between two and three years.

All evaluations for the Congress are subject to the tyranny of the legislative calendar. Congressional policymakers cannot wait for evaluation findings, as executive branch policymakers often can. Worse, a time lag with legislative users can mean their total loss of interest in a study, because of the departure of the Member who had asked for it, because of a sea-change in the interests or priorities of the sponsoring committee, or because of new legislation that renders the study moot.

As a result, we developed or adapted methods to produce answers to legislative questions more quickly while maintaining acceptable quality levels. Our general procedures for working with the Congress also evolved: Three features now take into account the special problem of legislative time constraints. First, we do not begin a study until we have reached a precise understanding with the congressional sponsor of the information need the study must address. (This is not always obvious or straightforward.) Second, we communicate often with the sponsor to ensure that he or she knows how the work is progressing, what the product will be, when it will arrive, and how the legislative

what is known in the topic area, assesses the strengths and weaknesses of the various studies that constitute its data base, and identifies any gaps in the needed information. Six to nine months are usually required for such a study, as opposed to the two to three years needed for an effectiveness evaluation. The number of congressionally requested syntheses completed to date by PEMD—26—is a reflection of our sponsors' regard for their usefulness.

Our second fast-track approach uses extant data, wherever possible, in performing full-scale evaluations. Under this approach, we have relied on existing federal, state, or local data to help expedite phases of the evaluation process, such as the literature review, the research design, and of course, data collection.

Finally, the prospective evaluation synthesis (PES)—our most recent approach—is a three- to four-month “front-end” evaluation that intervenes between the time a decision is made to propose a new program and the time the program begins.¹⁷ PES clarifies the assumptions underlying program goals, identifies the problems to be addressed, and suggests the best intervention point and the type of intervention most likely to succeed. PES does this by bringing an understanding of similar programs' past effects to the design and development of new ones.

Although we did have to make these changes in the traditional evaluation repertoire, we found few impediments to the use of evaluation by the Congress. Indeed, contrary to the situation of executive branch evaluation, the use of our work—right from the beginning—has been the rule rather than the exception.

Today, program evaluations are a familiar adjunct of congressional policy-making; they now figure notably in program reauthorizations, legislative decisions and mark-ups, oversight, and an informed public debate. One PEMD evaluation caused working mothers leaving AFDC to receive Medicaid health insurance for their children over longer periods;¹⁸ another set of studies held up production of the inadequately tested Bigeye bomb;¹⁹ another evaluation led to doubled funding for the high-quality Runaway and Homeless Youth program, whose appropriations the relevant executive agency had proposed halving;²⁰ another (on employee stock ownership plans) was responsible for a reduction of nearly \$2 billion in tax expenditures;²¹ still another—showing that an increase in the

Today, program evaluations are a familiar adjunct of congressional policy-making; they now figure notably in program reauthorizations, legislative decisions and mark-ups, oversight, and an informed public debate.

questions will be answered. Finally, we look for new ways to answer legislative questions only if time constraints preclude the use of more traditional methods.

For situations in which time is short, we have developed three fast-track approaches: (1) the evaluation synthesis, (2) the use of extant data, and (3) the prospective evaluation synthesis (mentioned earlier).

We began developing the first method as early as 1980 to respond to legislative sponsors who need effectiveness studies under time frames that are too brief for us to collect original data.¹⁶ The method is used only when a sponsor is willing to accept an analysis of existing studies as a substitute for new research. The evaluation synthesis determines

drinking age from 18 to 21 unambiguously reduces traffic fatalities—spurred legislation to this effect in 16 states, resulting in the estimated saving of 1,000 young lives in 1987 alone.²²

The challenge of bringing social scientists into an auditing agency was more indirect than others. It did not involve program evaluation's ability to satisfy a congressional user, but rather its ability to satisfy that user while working as a component of GAO.

In brief, conducting evaluations for the Congress is different from doing them in the executive branch. On one hand, timing is vastly more important and must be planned for properly. On the other, evaluation findings are *likely*, over time, to make their way into policy, rather than to dwell indefinitely on some program manager's shelf.

Auditors and social scientists

The challenge of bringing social scientists into an auditing agency was more indirect than the other challenges. It did not involve program evaluation's ability to satisfy a congressional user, but rather its ability to satisfy that user while working as a component of GAO.

With regard to the institutional development of program evaluation capabilities, three needs existed at GAO in 1980:

- To be able to produce methodologically powerful program evaluations;
- To use technical skills (such as study design, instrument development, or statistical analysis) along with accounting skills on auditing projects, where appropriate; and
- To familiarize auditors with evaluation techniques developed by social scientists.

We tried from the start to respond to all three needs. About half our resources went toward devel-

oping a capability in program evaluation, another third to the provision of technical assistance to other GAO divisions, and the remainder to the development of program evaluation training for auditors.

The training effort came a cropper after about a year's effort. There were three main reasons:

- It was not clear to people at GAO that there *were* differences (along with commonalities) between an audit and a program evaluation;
- We did not know enough about auditing in 1980-81 to be able to explain to auditors how the major quantitative and qualitative social science tools could help them in their work; and
- Another unit, whose work was entirely devoted to the development of training courses for GAO, objected to the idea that we also should be involved in training.

We concluded that, for a training effort to be effective, we would first have to demonstrate clearly to GAO's auditors that evaluation could be useful to them. The best way to do this, we decided, would be to produce the reports themselves: reports that would both generate enthusiasm on Capitol Hill and demonstrate to GAO's staff the potential benefits of using social science tools. Along with these, however, we did continue to devote one or two staff years to the production of methodology "transfer" papers—introductory monographs designed to build an awareness within GAO of research and instrument design, statistical sampling, and so forth.

Our main efforts between 1981 and 1983 were to recruit a strong staff, perform evaluations for the Congress, develop user-oriented methods, and help the other divisions in three technical areas: questionnaire development, statistical sampling, and data analysis.

The work for the Congress went extremely well, but the demand for technical assistance soon became too great for us to handle. In addition, GAO's Reports Task Force review (1982-83) had noted that housing the technical assistance staff centrally put too much organizational distance between them and the auditors with whom they were working. As a result, the Comptroller General decided to create technical assistance groups within the other GAO divisions, and to encourage the managers of these divisions to move technical staff—after a stint in the assistance groups—out to the audit sites to work on projects with auditors in the field. We were also encouraged to transfer some

of our social science staff to other divisions after they had received their training in PEMD. Over the years, 66 such staff have made their way from PEMD to other GAO divisions and regional offices. The Comptroller General thus set up an organizational structure in 1984 that allowed GAO to begin addressing the three needs mentioned above. In 1988, he established GAO's new Training Institute, which is now developing, among other things, courses for auditors in evaluation methodology.

One problem when social scientists began working with auditors was that too few in either group saw the need (or took the time) to learn what the other group's skills were. Both sides tended to speak from an entrenched (and fortified) social science or auditing position without examining

approach might work this way: If performance criteria (or program objectives) called for a score of 8, and actual student performance were only 5, then the match between condition and criteria would yield a result of -3 for the program. An evaluation approach would work differently: The actual student performance was a score of 5, but without the program the expected performance would have been a score of 1; comparing the expected achievement with the actual achievement yields a +4. So differences in the way performance is measured and in what the performance is compared with can lead to concrete differences in results.

Not only are results likely to be different between auditing and evaluation; practice is different as well. The accompanying table displays an abbreviated summary analysis of some of the differences in the ways that auditors and evaluators go about performing program assessments.²⁴

We discovered at GAO that once we understood each other's perspectives and approaches and how they differed, opportunities for interchange and method-borrowing began to appear. Evaluators, for instance, have long borrowed accounting methods to measure efficiency, especially when performing cost-benefit or cost-effectiveness analyses.²⁵ And we are now seeing the program divisions of GAO publish some strong evaluations, featuring an accomplished use of study design and sampling. Examples include an analysis of the effect on air fares of the increasing concentration in the airline industry;²⁶ an examination of the implementation outcomes of the Job Training Partnership Act;²⁷ and an assessment of the effects of employers' sanctions on discrimination, as mandated by the Immigration Reform and Control Act of 1986.²⁸

Overall, our experience of the past nine years shows that it is entirely possible for auditors and social scientists not only to share the same workplace in reasonable harmony, but also to learn from each other and to work together productively. With the first hurdles behind them, auditors and evaluators share many points on which to build. The work of both is typically retrospective—that is, auditors and evaluators alike have an interest in shoring up the “audit trail”—and both must face up to new congressional demands for prospective work. Both follow systematic work processes, and although it is true that these differ in aim and approach, it is also true that auditors at GAO are beginning to pay more attention to the design of their projects, and that evaluators are coming to appreciate the value of auditors' mechanisms for

People at GAO discovered that once evaluators and auditors understood each other's perspectives and approaches and how they differed, opportunities for interchange and method-borrowing began to appear.

carefully what the position resulted from, what the real conceptual and methodological differences were between auditors and evaluators, and what similarities could be drawn upon to build a productive relationship.

Just how are auditing and evaluation different? Evaluation, as I noted earlier, leans heavily on the use of research methods. Auditing, on the other hand, is a process of “objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to interested users.”²³

Auditing, therefore, seeks to examine the match between a criterion and a condition (i.e., the matter, or “assertion,” being audited). Evaluation focuses more on measuring what has occurred, estimating what would have happened without the program or policy, and comparing the two to determine program effects.

The following simplified illustration may help to make clear how different the results of the two approaches can be. Consider the question of whether students' educational performance had improved under a new program. An auditing

Contrasting Auditor and Evaluator Emphases in Performing Program Assessments

Assessment Dimensions	Auditing Emphasis	Evaluation Emphasis
Program objectives	<p>For A, it is essential that program objectives be formally pinned down, because success is most often measured against objectives. Vagueness, uncertainty, or lack of consensus over program objectives can be major problems for the auditor.</p>	<p>E tries to understand the program objectives but does not require auditing precision in them, since program effectiveness is not necessarily measured against objectives. E is more interested in measuring the changes observed after the program was introduced, and in comparing these with what would have happened without the program. Objectives are not a major issue.</p>
Program implementation or operations	<p>A assumes that if implementation is done correctly (i.e., according to generally accepted yardsticks), the desired outcomes will follow. A looks at how a program is supposed to operate (the criteria), compares what is found (the condition) with the criteria, and bases its conclusions about the quality of implementation on the correspondence between the two.</p>	<p>E does not give a great deal of attention to the correspondence between correct and actual implementation because E assumes that the relationship between program implementation and observed changes in program data must be demonstrated. E is most often interested in an analytical description of program implementation and its variations, in the incidence of different operational characteristics, and in linking operational activities to changes in outcome data.</p>
Program results or effects	<p>A compares "what happened" in the program on selected outcomes with the objectives for those outcomes and defines success in terms of the degree of correspondence between the two.</p>	<p>E compares "what happened" in the program with what would have happened had the program not been implemented, and defines success in terms of the net effects of the program.</p>
Formulating project questions	<p>A's questions—based on the definition of auditing—are almost always normative. They are frequently not aimed at generalizations but rather at identifying deficits in a particular case or program.</p>	<p>E's questions are likely to be cause-and-effect, descriptive, or prospective, as well as (although more rarely) normative. E's questions are often aimed at generalization.</p>
Designing projects	<p>A's designs of choice are the case study or survey in both cases, almost always referenced to criteria.</p>	<p>E designs projects based on the kind of evaluation questions posed (e.g., descriptive, normative, cause-and-effect, prospective). E uses many designs (e.g., the experimental design and its variations, time-series analysis, meta-evaluation) besides the case study and survey.</p>
Collecting data or evidence	<p>A is greatly concerned that evidence come from authoritative sources and relies heavily on appointing the evidence. A gives much attention to verifying planned program procedures. Interviews and questionnaires provide supplementary information.</p>	<p>E relies heavily on structured interviews and questionnaires and is concerned with the quality of the instruments used and with the validity and reliability of the data collected. E's emphasis is on the compatibility of the data collection procedures with the design, on the one hand, and with the analysis to be performed, on the other.</p>
Recording and storing data or evidence	<p>A tends to record (and to archive) data in a linear chronological way. This is related to the use of referencing as a quality-control mechanism.</p>	<p>E groups data to facilitate both the analysis to be performed and the eventual reuse of the data (in meta-evaluation, for example, or in a report requiring reanalysis of the data).</p>
Analyzing data	<p>A's analysis tends to focus on individual cases, searching for critical elements or discrepancies in large-scale audits. Some statistical techniques are currently being applied but these do not usually involve the use of statistical probability.</p>	<p>Among the elements always included by E in a formal project design is the analysis plan. This is developed to provide the information needed to answer the question posed—taking into account the design, the sample, the type of data being collected, and alternative analysis techniques. Data quality is carefully reviewed for validity and repeatability. E often generates estimates of events or conditions based on principles of statistical probability, uses statistical concepts such as mean and variance, and deals with data aggregated across many cases.</p>

Contrasting Auditor and Evaluator Emphases in Performing Program Assessments

Assessment Dimensions	Auditing Emphasis	Evaluation Emphasis
Program objectives	<p>For A, it is essential that program objectives be formally pinned down, because success is most often measured against objectives. Vagueness, uncertainty, or lack of consensus over program objectives can be major problems for the auditor.</p>	<p>E tries to understand the program objectives but does not require auditing precision in them, since program effectiveness is not necessarily measured against objectives. E is more interested in measuring the changes observed after the program was introduced, and in comparing these with what would have happened without the program. Objectives are not a major issue.</p>
Program implementation or operations	<p>A assumes that if implementation is done correctly (i.e., according to generally accepted yardsticks) the desired outcomes will follow. A looks at how a program is supposed to operate (the criteria) and compares what is found (the condition) with the criteria, and bases its conclusions about the quality of implementation on the correspondence between the two.</p>	<p>E does not give a great deal of attention to the correspondence between correct and actual implementation because E assumes that the relationship between program implementation and observed changes in program data must be demonstrated. E is most often interested in an analytical description of program implementation and its variations, in the incidence of different operational characteristics, and in linking operational activities to changes in outcome data.</p>
Program results or effects	<p>A compares "what happened" in the program on selected outcomes with the objectives for those outcomes and defines success in terms of the degree of correspondence between the two.</p>	<p>E compares "what happened" in the program with what would have happened had the program not been implemented, and defines success in terms of the net effects of the program.</p>
Formulating project questions	<p>A's questions—based on the definition of auditing—are almost always normative. They are frequently not aimed at generalizations but rather at identifying deficits in a particular case or program.</p>	<p>E's questions are likely to be cause-and-effect, descriptive, or prospective, as well as (although more rarely) normative. E's questions are often aimed at generalization.</p>
Designing projects	<p>A's designs of choice are the case study or survey, in both cases almost always referenced to criteria.</p>	<p>E designs projects based on the kind of evaluation questions posed (e.g., descriptive, normative, cause-and-effect, prospective). E uses many designs (e.g., the experimental design and its variations, time-series analysis, meta-evaluation) besides the case study and survey.</p>
Collecting data or evidence	<p>A is greatly concerned that evidence come from authoritative sources and relies heavily on documentary evidence. A gives much attention to verifying planned program procedures. Interviews and questionnaires provide supplementary information.</p>	<p>E relies heavily on structured interviews and questionnaires and is concerned with the quality of the instruments used and with the validity and reliability of the data collected. E's emphasis is on the compatibility of the data collection procedures with the design, on the one hand, and with the analysis to be performed, on the other.</p>
Recording and storing data or evidence	<p>A tends to record (and to retrieve) data in a linear chronological way. This is related to the need to refer to a specific point in time.</p>	<p>E groups data to facilitate both the analysis to be performed and the eventual reuse of the data (in meta-evaluation, for example, or in a report requiring reanalysis of the data).</p>
Analyzing data	<p>A's analysis tends to focus on individual cases, searching for critical events or discrepancies. In large-scale audits, some statistical techniques are currently being applied, but these do not usually involve the use of statistical probability.</p>	<p>Among the elements always included by E in a formal project design is the analysis plan. This is developed to provide the information needed to answer the question posed—taking into account the design, the sample, the type of data being collected, and alternative analysis techniques. Data quality is carefully reviewed for validity and repeatability. E often generates estimates of events or conditions based on principles of statistical probability, uses statistical concepts such as mean and variance, and deals with data aggregated across many cases.</p>

Both auditors and evaluators need impregnable defenses against assaults on the independence of their work. The protections that GAO's auditors have established make the organization an ideal place in which to conduct program evaluations.

quality control. Both are concerned that their work be useful to their sponsors and to the public. Finally, both auditors and evaluators must parry assaults on the independence of their work, and the protections that GAO's auditors have established make the organization an ideal place in which to conduct program evaluations.

What, then, can others learn from our experience? Perhaps the most important point is that, to be viable, an evaluation function needs independence, skilled personnel, users who understand the benefits to be drawn from evaluation findings, and the ability to respond appropriately to these users' information needs. When such a function exists, and findings can make their way unimpeded into the policy-making process, then evaluation can serve its true purpose: to help make government more effective, more responsive, more accountable, and better managed. •

1. The creation of IPE responded to the legislative language in Title VII of Public Law 93-344, authorizing the Comptroller General to establish an Office of Program Review and Evaluation in GAO.

2. Because of cumulative evaluation efforts over some 20 years, studies of education programs, by 1980, typically used validated measures of student performance. But evaluations of water pollution were still using measures like "swimmability" or "fishability" that were not even defined operationally, much less reliable or valid.

3. See *Federal Evaluation: Fewer Units, Reduced Resources, Different Studies From 1980* (GAO/PEMD-87-9, Jan. 23, 1987) and *Transition Series: Program Evaluation Issues* (OCG-89-8TR, November 1988).

4. Examples here are the effort to create a Planning, Programming, and Budgeting System (PPBS) in the sixties, or that of OMB to develop an evaluation function in the seventies, or that of other agencies, here and abroad, to generate various similar information-producing systems, none of which ever proved strong enough to put down roots, to become institutionalized—or even, in some cases, to withstand a simple change of administration.

5. Peter H. Rossi, ed., "Standards for Evaluation Practice," *New Directions for Program Evaluation* (San Francisco: Jossey-Bass, September 1982), p. 7.

6. *Prospective Evaluation Methods: The Prospective Evaluation Synthesis* (PEMD Transfer Paper #10.1.10, July 1989).

7. *Teenage Pregnancy: 500,000 Births a Year but Few Tested Programs* (GAO/PEMD-86-16BR, July 21, 1986).

8. *Medicare: Catastrophic Illness Insurance* (GAO/PEMD-87-21BR, July 31, 1987).

9. For example, we estimated the size and distribution of future legal immigration in *Immigration: The Future Flow of Legal Immigration to the United States* (GAO/PEMD-88-7) and projected impacts likely to result from a new bill making changes in current immigration policy (*Immigration: S.358 Would Change the Distribution of Immigrant Classes* (GAO/T-PEMD-89-1)).

10. See, for example, the use of Internal Revenue Service data in *Employee Stock Ownership Plans: Little Evidence of Effects on Corporate Performance* (GAO/PEMD-88-1, Oct. 29, 1987).

11. *How Well Do the Military Services Perform Jointly in Combat? DOD's Joint Test-and-Evaluation Program Provides Few Credible Answers* (GAO/PEMD-84-3, Feb. 22, 1984) and *Live Fire Testing: Evaluating DOD's Programs* (GAO/PEMD-87-17, Aug. 17, 1987).

12. *Bigeye Bomb: An Evaluation of DOD's Chemical and Developmental Tests* (GAO/PEMD-86-12BR, May 23, 1986); *Bigeye Bomb: 1988 Status Report* (GAO/PEMD-88-26, May 20, 1988); and *Hunger Counties: Methodological Review of a Report by the Physician Task Force on Hunger* (GAO/PEMD-86-7BR, Mar. 18, 1986).

13. *Weapons Testing: Quality of DOD Operational Testing and Reporting* (GAO/PEMD-88-32BR, July 26, 1988).

14. *Cancer Patient Survival: What Progress Has Been Made?* (GAO/PEMD-87-13, Mar. 31, 1987); *Health Risk Analysis: Technical Adequacy in Three Selected Cases* (GAO/PEMD-87-14, Sept. 30, 1987); and *Bilingual Education: A New Look at the Research Evidence* (GAO/PEMD-87-12BR, Mar. 10, 1987).

15. Disciplines are varied: Academic training ranges from degrees in chemistry and mathematics through psychology and sociology to engineering, economics, statistics, and political science. More than 90 percent of our analysts have advanced degrees, with about 60 percent holding doctorates.

16. *The Evaluation Synthesis* (PEMD Methods Paper I, April 1983).

17. *Prospective Evaluation Methods: The Prospective Evaluation Synthesis* (PEMD Transfer Paper #10.1.10, July 1989).

18. *An Evaluation of the 1981 AFDC Changes: Final Report* (GAO/PEMD-85-4, July 2, 1985).

19. *Bigeye Bomb: An Evaluation of DOD's Chemical and Developmental Tests* (GAO/PEMD-86-12BR, May 23, 1986).

20. *Federally Supported Centers Provide Needed Services for Runaways and Homeless Youths* (GAO/IPE-83-7, September 26, 1983).

21. *Employee Stock Ownership Plans: Little Evidence of Effects on Corporate Performance* (GAO/PEMD-88-1, October 29, 1987).

22. *Drinking Age Laws: An Evaluation Synthesis of Their Impact on Highway Safety* (GAO/PEMD-87-10, March 16, 1987).

23. American Accounting Association, "Studies in Accounting Research," No. 6, 1973.

24. See E. Chelimsky, "Comparing and Contrasting Auditing and Evaluation: Some Notes on Their Relationship," *Evaluation Review*, Vol. 9, No. 4, August 1985, pp. 483-503.

25. P. H. Rossi, H. E. Freeman, and S. R. Wright, *Evaluation: A Systematic Approach* (Beverly Hills, California: Sage, 1985).

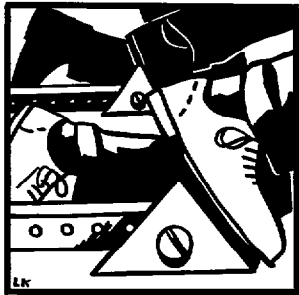
26. "Air Fares and Service at Concentrated Airports," Statement by Kenneth M. Mead, Director, Transportation Issues, U.S. General Accounting Office, before the Subcommittee on Aviation, Senate Committee on Commerce, Science, and Transportation, June 7, 1989 (GAO/T-RCED-89-37).

27. *Job Training Partnership Act: Services and Outcomes for Participants with Differing Needs* (GAO/HRD-89-52, June 1989).

28. *Immigration Reform: Status of Implementing Employer Sanctions After Second Year* (GAO/GGD-89-16, November 1988).

able. Stein's proposal also seems to complement the budget reform proposals that GAO has detailed in its *Managing the Cost of Government*.

Whether Stein's scheme or some variant on it—or any scheme at all, for that matter—is likely to force the country's lawmakers into more rational and informed decision-making is not entirely clear. What is clear is that Stein has drawn needed attention to this problem and has produced a serious attempt at solving it. If the seed Stein has planted ultimately bears fruit, we will all be in his debt.



OPPORTUNITIES AND OUTCOMES

Robert Haveman

STARTING EVEN: AN EQUAL OPPORTUNITY PROGRAM TO COMBAT THE NATION'S NEW POVERTY

New York: Simon and Schuster, 1988. 287 pp.

By Carol D. Petersen

John C. Livingston wrote in *Fair Game?* that “inequality is a characteristic of every known society. But that truth settles nothing. The decisive question is always whether a particular society has chosen equality or inequality as the standard for judging social relations. That choice determines

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the scope and meaning of the inequalities that will be countenanced.”

If Robert Haveman were asked to respond to this statement, he might say that the United States has chosen inequality. In *Starting Even*, Haveman writes:

Given the persistence of poverty and serious social problems in the face of affluence, it is difficult to argue that we have a deep and long-standing national commitment to social justice and equality, even though we claim to believe in both. While we insist that we hold tightly to the principle of equality of opportunity, we tend to take collective action to improve things only when advocates of the disadvantaged generate sufficient political pressure to make us uncomfortable.

Haveman's book indicts America's policy toward the poor and presents his plan to redesign it. His objectives are to “reduce the problems facing those at the bottom of the economic ladder” and to “equalize outcomes by guaranteeing greater access to opportunities—to create an even starting line.”

Central to Haveman's thesis about “starting even” is the distinction he draws between equality of opportunity and equality of result. This analytical orientation leads him to favor policies that focus on improving access to opportunities rather than on equalizing results. He admits that equality of opportunity is more difficult to define and measure but maintains that its basic concept is clear: “It has to do with having the same chance to run the race for economic success as others with similar talents and drives.”

Haveman argues that, over the years, U.S. antipoverty policies have moved from equalizing opportunities toward equalizing results. He believes that this direction is misoriented because, in his judgment, inequalities of opportunity are basically wrong—both more fundamental and more serious than inequalities of result. He writes:

The most recent spurt of social policy—that begun in the 1960s with the War on Poverty—was focused on opportunities. Education, training, jobs, and equal opportunity were hallmarks of that effort. What started as an attempt to equalize opportunities has become sidetracked. The current tax-transfer basis of social policy has ceased to focus on opportunities. Cash disbursements may help meet immediate needs, but their effects are short-term and ameliorative.

Policy, in Haveman's opinion, needs to be redirected toward fostering equality of opportunity. The final section of his book presents his plan to reorient federal poverty programs so that they "will provide more effective ways of dealing with poverty and inequality."

Haveman's antipoverty plan would provide the following:

- A guaranteed income for individuals and families, accomplished through a refundable income tax credit that would provide support even in the absence of earnings or tax liability;
- A retirement system that would include a uniform Social Security benefit level at or above the poverty line and tax-favored annuities to encourage people to save additional funds to supplement their Social Security benefits;
- A national child support program that would require absent parents to assume financial responsibility for their children and would enforce this responsibility through the tax system;
- A subsidy to employers to encourage them to hire disadvantaged workers with little or no academic or vocational background; and
- A personal capital account for all youths that could be used to achieve more and better education, training, and health care.

In Haveman's view, this program could replace and reorient the current strategy toward poverty—although he himself admits that some parts of his plan "are little more than minor changes in programs already in place."

Much of *Starting Even* is devoted to a review of poverty and antipoverty programs since the early 1960s. Haveman explains how, even though the War on Poverty has been going on for 25 years, the percentage of Americans living in poverty rose from the 1970s to the 1980s. His discussion and explanation of the changing patterns of inequality in the United States and the federal government's response is well-written and well-argued and is a good review of the literature. In addition, Haveman and his research associate, Ross E. Finnie, have provided enough documentation in the appendixes and endnotes to make even the most rigorous researcher happy.

The five antipoverty components of Haveman's plan raise far more questions concerning their political and operational feasibility than he addresses in his book. For example, could Congress overcome the political opposition of working

Americans and the elderly to any attempt to create a uniform Social Security benefit level? How would the details of establishing a capital account for youths be handled, even if it were politically feasible to pass out money to everyone? More fundamental and more problematic to me is Haveman's emphasis on creating an even starting line by equalizing opportunities. The problem with this type of analysis, as John C. Livingston pointed out in *Fair Game?*, is that any real equality of opportunity, as implied by the notion of an even start, would necessitate so much equality of conditions in such areas as income and education that there would be little left to compete for in the race for economic success. Moreover, many opportunities in our competitive society, such as a higher education at a prestigious university, are objects of competition themselves and thus cannot be equalized.

Haveman acknowledges that elimination of all disparities of opportunity "is quite out of reach, at least over any reasonable period of time," and the plan he presents is one that he believes to be more pragmatic. Yet despite his persistent emphasis on equalizing opportunity rather than result, several components of his plan appear to be more result- than opportunity-oriented. This is a curious feature of Haveman's work, since in his conclusion he concedes that he has left out of his proposal such opportunity-oriented policies as a quality educational system, compensatory and preschool education, publicly provided child care services for working parents, rehabilitation services for the disabled, and training programs for recipients of public benefits. Haveman's rationale for excluding these policy options is that there has been far less thought and study given to them and their effectiveness than to the ones he did include. Even so, what evidence is available suggests that certain compensatory programs such as WIC (the Special Supplemental Food Program for Women, Infants, and Children) and Head Start do work and have continuing positive results. Maybe our focus shouldn't be on starting even, but rather on starting early. •

Illustration credits—Pages 3 and 4: Rosanne Bono. Page 13: Christopher Bing. Pages 22, 23, 24, and 27: Bono Mitchell. Pages 53 and 55: Les Kanturek. Thanks to Bill Oelkers for lending the old post cards on pages 34, 37, 38, and 40; and to Rocky Rockburn for the photo on page 43.

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