



United States General Accounting Office

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## History Program

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October 1990

# Views on GAO'S Service to the Congress

## Interview With Former Senator William Proxmire



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## **Interview With Former Senator William Proxmire**



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# Preface

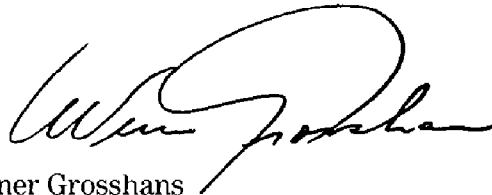
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The History Program of the General Accounting Office uses oral history interviews to supplement documentary and other original sources of information on GAO's past. These interviews help provide additional facts and perspectives on important past events. Transcripts of the interview, as well as the audiotapes and videotapes, become important historical documents themselves and are used in the preparation of written histories of GAO, in staff training, and for other purposes.

Although the transcripts are edited versions of the original recording, we try to preserve the flavor of the spoken word. It should be understood that the transcripts reflect the recollections, impressions, and opinions of the persons being interviewed. Like all historical sources, they need to be analyzed in terms of their origins and corroborated by other sources of information. The transcripts in themselves should not necessarily be considered definitive in their treatment of the subjects covered.

Senator William Proxmire, Democrat of Wisconsin, served in the United States Senate from 1957 until 1989. He frequently called on GAO to conduct studies and provide information. The Senator gained a reputation for holding the government fully accountable for its expenditures and for probing into the efficiency of government operations. He enlisted GAO's assistance in many reviews of the Defense Department procurement policies and practices, bank regulatory activities, and housing programs.

In an interview on May 15, 1990, the Senator commented on GAO's past service to him and the Congress and expressed his views on how GAO can best continue to carry out its mandate in the future.

A handwritten signature in black ink, appearing to read 'Werner Grosshans', with a large, sweeping flourish at the end.

Werner Grosshans  
Assistant Comptroller General  
for Policy

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# William Proxmire

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# Biographical Information

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## William Proxmire

Senator Proxmire began his political career 1950, when he was elected to the Wisconsin State Assembly.

He was elected to the United States Senate in 1957 in a special election to fill the seat left vacant by the death of Senator Joseph R. McCarthy. He was reelected in 1958, 1964, 1970, 1976, and 1982.

Senator Proxmire has the longest unbroken record in the history of the Senate in answering roll call votes. From April 1966 until his retirement, there were over 10,000 roll call votes. He did not miss a single vote.

He earned his undergraduate degree from Yale University in 1938 and a master's degree in business administration cum laude from the Harvard Graduate School of Business in 1940 and a master's degree from Harvard in public administration.

Senator Proxmire was the Chairman of the Senate Banking, Housing, and Urban Affairs Committee and a member of the Appropriations Committee and the Joint Economic Committee.

Since his retirement from the Senate early in 1989, Senator Proxmire has been an international speaker, writes a syndicated column that appears in more than 50 papers across the United States, airs a weekly cable TV segment, and authors various articles.

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# Interviewers

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## Henry Eschwege

Henry Eschwege retired in March 1986 after almost 30 years of service in GAO under three Comptrollers General. He held increasing responsibilities in the former Civil Division and became the Director of GAO's Resources and Economic Development Division upon its creation in 1972. He remained the Director after the Division was renamed the Community and Economic Development Division. In 1982, he was appointed Assistant Comptroller General for Planning and Reporting.

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## Werner Grosshans

Werner Grosshans is the Assistant Comptroller General for Policy. He began his diversified career as a government auditor in 1958 in the San Francisco Regional Office and held positions of increased responsibility; he was appointed Assistant Regional Manager in 1967. In July 1970, he transferred to the U.S. Postal Service as Assistant Regional Chief Inspector for Audits. In this position, he was responsible for the audits in the 13 western states. In October 1972, he returned to GAO to the Logistics and Communications Division. In 1980, he was appointed Deputy Director of the Procurement, Logistics, and Readiness Division and, in 1983, he was appointed Director of Planning in the newly created National Security and International Affairs Division. In 1985, he became Director of the Office of Program Planning, where he remained until 1986, when he assumed responsibility for GAO's Office of Policy.

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## Roger R. Trask

Roger R. Trask became Chief Historian of GAO in July 1987. After receiving his Ph.D. in history from the Pennsylvania State University, he taught between 1959 and 1980 at several colleges and universities, including Macalester College and the University of South Florida; at both of these institutions, he served as Chairman of the Department of History. He is the author or editor of numerous books and articles, mainly in the foreign policy and defense areas. He began his career in the federal government as Chief Historian of the U.S. Nuclear Regulatory Commission (1977-1978). In September 1980, he became the Deputy Historian in the Historical Office, Office of the Secretary of Defense, where he remained until his appointment in GAO.



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## Abbreviations

AFL-CIO	American Federation of Labor-Congress of Industrial Organizations
CBO	Congressional Budget Office
CIA	Central Intelligence Agency
CRS	Congressional Research Service
DIA	Defense Intelligence Agency
DOD	Department of Defense
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
NFL	National Football League
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTA	Office of Technology Assessment

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# Interview With Senator William Proxmire

## May 15, 1990

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### Introduction

Mr. Eschwege

Thank you for meeting with us today to talk about your tenure in the Senate as it relates to your activities involving the General Accounting Office. With me is Mr. Werner Grosshans, the Assistant Comptroller General for Policy, and Dr. Roger Trask, who is the Chief Historian for the General Accounting Office. Senator, you spent about 32 years in the Senate.

Senator Proxmire

Thirty-one years, 4 months, and a few days.

Mr. Eschwege

Your period of service coincided with my service at GAO, which started about the same time that you came to the Congress in 1957. You had a lot of contact with GAO, and you were one of our best customers and we liked that. We hope we can talk about that today and get information from you as to how you saw some of the issues on which you wanted help from GAO in carrying out your mandate in the Senate. One of the things that I'd just briefly like to touch on is how you as a newcomer first became aware of GAO and some of the people in it and how you began to utilize GAO's services.

Senator Proxmire

Well, I especially became aware of GAO in the late 1960s. That's about the time the Joint Economic Committee became particularly active. I was on the Committee, and we wanted to make a study of the economics and the efficiency of the Department of Defense (DOD) and so forth. GAO, I understand, had been under very harsh criticism and had been a little defensive about its vigorous inquiry into defense spending and waste in the Defense Department. Some Members of the Congress had been very critical of GAO because of some of its conclusions. I took the opposite position, saying that I thought that we were wasting money on defense and that I thought GAO could be very helpful.

We asked about a number of defense projects, including the C-5A transport plane, on which there was a \$2 billion overrun; there was a great deal of controversy about that. We asked GAO to make a study. We asked it to make studies of other defense problems, and I found in every case that the work of GAO was objective and accurate. We found, as the situation developed, that again and again and again GAO's findings were on target. GAO was a professional operation, and it had considerable prestige with the Members of the Congress. I could use GAO studies as the factual basis of my criticism to try to improve defense procurement and get considerable support, understanding, and agreement on the part of

Members of the Congress and the press. I felt that it was a very useful way to operate. I can't for the life of me understand how the Congress was able to get along without GAO, particularly with the situation as complicated as it is. Without GAO, we wouldn't have a reliable source of factual and reliable information.

The one criticism that some members of my staff recall more vividly than I do—I discussed this with them before our interview today—was that the General Accounting Office would sometimes take a long time on its investigations. When I thought the investigation should be completed in a week or 2 or 3, it would sometimes take a year and even more. By the time we got the information, some of the policies had changed. That situation, and it's a very serious situation—I guess that it existed because the resources, of course, of any organization are limited and there were all kinds of demands on GAO's time—was one that did concern us. But except for that, the accuracy and the condensation of the report in the beginning so that Members of the Congress who were very busy could read at least that, if they didn't read the whole report, were all very, very helpful.

Mr. Eschwege

You probably had some contacts with Comptroller General Staats and his successor, Charles Bowsher.

Senator Proxmire

Yes. Now, when Mr. [Joseph] Campbell left GAO, he had been battered quite a bit by criticism. Staats came in and maintained his independence very effectively, I thought, and made these detailed investigations when there just seemed to me to be no real answer. There was a growing concern, public and congressional, about the cost of defense activities.

Mr. Eschwege

You're right about the criticism that GAO got in some hearings that were held in 1965, and it had an effect on the GAO staff as well, as you can imagine. We did change our approach to the way we looked at defense activities, going from single findings and single reports, especially on defense contracts, to reports on a broader, more evaluative type of audit. You were instrumental there too in getting us to look more at the major weapon systems and similar things.

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## Calling on GAO for Assistance

Dr. Trask

One thing that we're interested in is how you decided when you were going to utilize GAO. What prompted you? Was it always a special issue? Did requests from constituents play a role, or were any individual requests made?

Senator Proxmire

Once we got two or three reports that gave us answers that we hadn't been able to get anywhere else, it seemed to me that this was a reliable agency to use, because of its integrity. GAO obviously had no ax to grind. The only other source of information, really, had been the Defense Department itself. Of course, DOD is always going to defend its mistakes. It is subject to a lot of lobbying. Other Members of the Congress, including their staffs, are likely to be biased by the states they represent, and they want to defend the procurement in Massachusetts, Wisconsin, New York, California, Georgia, or wherever, because these procurements involved their constituents and their constituents' jobs. That's more important to many Members of the Congress than almost anything. You can understand why. It's a human reaction.

But GAO had no bias, in my view. It just wanted to tell you the truth. They had no investment in it. GAO had no stock. Obviously, there was no conflict of interest of any kind, and GAO was professional. Here were people who understood defense. They were selected, as I understand it, on the basis that they'd had experience, for example, with defense matters and they understood manufacturing processes. They understood business. They understood the capital markets. They understood what it costs to do these things, and, therefore, they were in a position to either support the Defense Department if Defense was right or to say that it thought that there were other approaches that might be more economical; that was the reason why GAO was valuable.

Dr. Trask

Did you ever find any occasion to use GAO on issues other than defense?

Senator Proxmire

Oh, yes.

Dr. Trask

You spoke mainly about defense.

Senator Proxmire

That's right. I spoke on defense because it just happened that I got into it at the time and that was particularly controversial. I was on the

Banking Committee for all my years in the Senate and chaired the Committee for 8 years. I served for a 6-year term, and then the Republicans came in, and at the very end of my tenure, I was Chairman again for 2 years. I was concerned about the savings and loan situation and about housing matters and other matters. We called on the General Accounting Office often for work in those particular areas. I was also on the Appropriations Committee and was the Chairman, many years ago, of a Subcommittee on Foreign Assistance.

One of the studies, I recall, that I called for was a comprehensive look at foreign aid. Previously, foreign aid was always considered something that only the State Department was concerned about. Well, a lot of agencies are engaged in foreign aid. The Treasury Department is involved; so is HUD [Department of Housing and Urban Development]. GAO found for us that the foreign aid program was a \$20 billion operation. It was far bigger than anybody had thought before. That was the kind of cross-agency operation that the General Accounting Office could review and that would otherwise fall between the cracks because so many of the Appropriations Subcommittees and the regular committees felt that they had a jurisdiction that applied only to a particular agency. GAO came in on this cross-agency basis and made a very useful study.

Dr. Trask

Did you use other congressional agencies or congressional staff to do any studies, or did you rather consistently call on GAO? What about the CBO [Congressional Budget Office], OTA [Office of Technology Assessment], and CRS [Congressional Research Service]? Some of them were established a little later, of course.

Senator Proxmire

Yes, we called on those agencies. The executive agencies had a responsibility to the executive branch, to the administration, to whoever was President of the United States, which had to take precedence, and they often had a bias. GAO, as I understand it, was a congressional investigating agency and had across-the-board jurisdiction, tremendously varied resources, and expert resources. Therefore, I did call on GAO far more than I did on other agencies, but I called on some of the others too. We often would ask an agency, of course, to give us its justification for spending certain funds.

For years, I was Chairman of the subcommittee of the Appropriations Committee that handled HUD. Unfortunately, I didn't get some of the information that I wish I had gotten about things that were going on before 1980, but I understand that we could have gotten much more

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information than we did. I didn't call on GAO to make as much of an investigation about the HUD situation as I wish I had.

Mr. Eschwege

I guess we were talking here about what we call the sister agencies—the Office of Technology Assessment and the Congressional Research Service and, to a lesser degree, the Congressional Budget Office. These are legislative offices that might have been useful to you in your work.

Senator Proxmire

No. In most cases, these agencies seemed to have a particular responsibility to a special congressional committee, such as the Budget Committee or the Energy Committee. I didn't feel that they had the same kind of broad ability to get in wherever I wished and make an investigation.

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## Defense Procurement Activities

Mr. Grosshans

Senator Proxmire, you've already alluded to the fact that the Joint Economic Committee was very much involved in the defense procurement activities. Of course, one of the key areas in which you got very heavily involved in the late 1960s was the C-5A procurement, the Lockheed situation. You also had individuals like Ernie Fitzgerald who, I think, helped you as part of the Committee staff in delving into some of those issues.

Senator Proxmire

He always worked for the Air Force, of course. He never was even detailed to our staff although he was an unusually independent person. That got him into some trouble. He was extremely able. He won an award in 1967 as the employee of the year of the Air Force. Then, when he told our Committee that the overrun would be \$2 billion on the C-5A, the Air Force tried to fire him and, of course, as you know, he went to court, got a pro bono public lawyer, and won. He's still working for the Air Force.

Mr. Grosshans

What prompted the interest on the C-5A?

Senator Proxmire

Well, when President John Kennedy was a Senator, he was on the Joint Economic Committee. He said it was the "best fun Committee" of the Senate. You can get into any subject. You can get into the economics of sports or the NFL [National Football League], for example. You can get into the economics of the underground economy and whatever turns you

on. Well, the biggest game in town, as far as spending was concerned—discretionary spending, at least—was in the Defense Department. Of course, this had enormous economic implications.

One of the things we did, for instance, was to require an appearance by the CIA [Central Intelligence Agency]; every year both the CIA and the DIA [Defense Intelligence Agency] would testify on the Soviet economy. Nobody else was requiring such appearances. Still nobody else does but the Joint Economic Committee. We got invaluable information that helped us in our military and other policies. We got into defense primarily because, as I say, it was the biggest discretionary game in town. If you're going to save money to hold down spending, obviously that's one you have to look at hard.

Mr. Grosshans

I guess the C-5A procurement was an ambitious undertaking. As you may recall, it was the first big total package procurement process that was touted to be the new way of procuring major weapon systems. Part of the problem in that procurement was that the aircraft was not state of the art. As a result, the Defense Department was expecting an awful lot in terms of performance of that aircraft. As a result of that, of course, it did get into major cost overruns.

Senator Proxmire

One of the concepts that Fitzgerald had pushed, and is still pushing, I guess, is the so-called "should cost." You get expert engineers in and they figure out how an operation should be run. On that basis, they can calculate whether the projections are accurate or not, and, therefore, you can be in a much better position to evaluate the overruns as they come along.

Mr. Grosshans

You probably don't remember, but I did that "should cost" study for you. That was one of the specific requests of GAO that you made back in 1969. You also asked for a profit study. Hassell Bell [GAO] did the profit study. You held hearings on December 31, 1970.

Senator Proxmire

You've got a much better memory than I do.

Mr. Grosshans

I was there.

Senator Proxmire

Twenty years ago.



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Mr. Grosshans

That's right. I asked you about Ernie because Ernie was sitting with you up there and with the staff during that particular hearing. So this situation certainly gave the impression that he was working with the Committee. Of course, he was advising Dick Hoffman and others of your staff all along. What were your overall expectations on the profit study?

Senator Proxmire

Well, there's no question that profit, of course, is the driving force that energizes the American system and makes it more efficient than others. Profit should be adequate. On the other hand, there are all kinds of ways that clever bookkeeping can conceal the actual profits, and we wanted to know whether they were excessive. There's no justification, certainly, for any company to become rich from a deceptive accounting system. If a company can do a better job at a lower cost, it deserves a good solid profit, but we wanted to know what the profits of defense contractors were. Unless we could get that kind of evaluation from experts, we wouldn't be in a position to tell. GAO seemed to be qualified to give us that information.

Mr. Grosshans

As you may recall, we've updated that study twice since then, as recently as a couple of years ago, and things haven't changed a whole lot. There's generally less of an investment on the part of defense contractors than their counterparts contracting with the private sector. As a result of that, if you compute profit on the basis of return on investment, Defense contractors show up very, very well. Of course, they've always argued that you ought to compute it on the basis of either cost or sales. On that basis, they were pretty much or reasonably well in line with their counterparts. But I guess that the real issue that we felt needed to be addressed was how to compute profit. Do you compute profit on the basis of sales or a return on investment?

Senator Proxmire

You probably need to compute it on both bases, but it seems to me that what drives the system is return on investment. It seems that people don't care whether sales are high or low, provided they get a return on their investment. That's why they invest their money. If you have an operation in which you can have very high sales and not much in the way of profits, then you still have to provide greater leeway, so there will be an adequate return on investment. On the other hand, if the operation has lower sales but makes a high return, then it seems to me you still cannot justify a system that encourages more profits.

Mr. Grosshans

I think the hearings that you held in those days focused very well on this issue. It's interesting that 20 years later we're still debating about return on investment. I did quite a bit of work during those days at

Lockheed Missiles and Space Company in Sunnyvale. Of course, 99 percent of this company's output was for the government, and practically all the facilities were government-furnished, including the buildings. So if you computed return on investment, Lockheed was making nearly a 190-percent return.

If you computed profit as a percentage of cost of sales, then you had a completely different figure. Some people argue today that profit should be computed in this way.

Senator Proxmire

Well, it seems to me that to the extent that Lockheed was using government property, there was no sense allowing a return that is comparable.

Mr. Grosshans

Exactly. You were also very interested in independent research and development costs and to what extent they could be charged to government contracts. Do you recall any of those issues?

Senator Proxmire

Not right offhand. I'd have to think about those issues. I haven't thought about them for 15 or 20 years.

Mr. Grosshans

We also did quite a bit of work for you during the Vietnam War. Was there any particular interest that you were pursuing during that period?

Senator Proxmire

Well, there was one great frustration, of course, that everybody suffered and we're revisiting now, in view of the end of the Cold War. That frustration is that there was no peace dividend after the Vietnam War. It was an enormously expensive war, although it was a so-called minor war. We spent billions and billions of dollars. We had testimony from top economists, who promised that we could expect a substantial peace dividend. We would have either lower taxes or improved social programs or a combination of both. But there was no peace dividend.

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## Golden Fleece Award

Mr. Grosshans

You were, of course, very active in a number of other areas in the oversight of DOD including commissary pricing policies and development of golf courses.

Senator Proxmire

They were naturals for my Golden Fleece Awards. They were things that people could understand.

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Mr. Grosshans                      Would you like to say anything more about the Golden Fleece Award, what it resulted from, and some of the challenges that you had?

Senator Proxmire                    Well, the Golden Fleece Award resulted, frankly, from a speech I gave in Appleton, Wisconsin, a very conservative town, to the Chamber of Commerce. When I finished, people said, "Proxmire, you talk a lot about holding down spending. Why don't you do something about it?" So I decided I would start the Golden Fleece Award. Every month, I would give an award to the most ridiculous, inane, disgusting waste of the taxpayers' money in the preceding month, and we got lots of candidates. I don't think I used GAO so much to obtain candidates. Many of them were small agencies, but some were quite big.

   I gave an award to the Transportation Department, which had the biggest overrun at that time of any department, including the Defense Department, a \$100 billion overrun. But that was an exception. I gave it to one agency, for instance, that spent \$103,000 to try to find out whether sunfish that drink tequila are more aggressive than sunfish that drink gin. So, they could have come to Milwaukee and gotten all kinds of human volunteers for that program.

   Then I gave one to the Department of Agriculture for spending thousands of dollars on research on pregnant pigs. They wanted to find out whether pigs confined because of their pregnancies could have their tensions eased by requiring them to jog an hour and a half a day on a treadmill. Agriculture found out that pregnant pigs couldn't talk.

Mr. Eschwege                      Are you still giving these awards?

Senator Proxmire                    Oh, yes. I give an award every month. A fellow who was previously on my staff does research for me. I write the release on each award.

Mr. Eschwege                      How do you release it? By press release?

Senator Proxmire                    I have a syndicated newspaper column that goes to about 50 papers, mostly small papers. Twenty of them are in Wisconsin, but my column also is in the New York Post, the Cincinnati Enquirer and the Denver Rocky Mountain News. We get into some of the papers around the country. This is a twice-a-week column, and one day a month, I announce the award.

Mr. Eschwege                      I see. I'm sure GAO would be interested in knowing about these awards; maybe it already knows.

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## Government Bailouts

A particular request involved two of our Comptrollers General. The request was addressed to Mr. Staats, and it had to do with the New York City financial crisis. Do you recall that?

Senator Proxmire

Yes.

Mr. Eschwege

The reason I say it involved two is that Chuck Bowsher, the present Comptroller General, was working for Arthur Andersen on New York's problems. I just wanted to discuss GAO's involvement a little bit. I think maybe, initially, you weren't entirely happy with our response to the request. You had wanted GAO to do a completely independent audit of that New York City crisis, but when we arrived on the scene, we found that a lot of people were already involved. But we got you to agree, finally, that we would serve instead in a monitoring role and report to you on how well things were being done. I hope that satisfied you. I don't know how much of that you recall.

Senator Proxmire

I can't remember any dissatisfaction at all with GAO on that or for that matter in other areas. I was supportive of the first effort to help New York, but I was opposed to the second effort. Only three of us, [Senators] [John] Tower and Jake Garn and I, voted against it. Here was a city that had banks that had a couple of hundred billion dollars. They had more than that; they had huge, huge assets. All New York City needed was a billion and a half. That's all it got from the federal government. I thought that the private sector could have taken care of that and should have taken care of it.

It was a very bad precedent, I felt. Fortunately, we haven't had many bailouts. We've had some. But, I think, come the recession, we're likely to have a barrel full of them because people can say, "Well, you bailed out New York; you bailed out Lockheed; you bailed out Chrysler; why shouldn't you bail us out?" Of course, once you start bailing out, there's no end to it.

Mr. Eschwege

Speaking of bailouts, I think that you got involved in the savings and loan situation with GAO very early on. You raised some questions about consolidating the bank regulatory agencies, and we reported to you on that. Also, you were concerned over the management of assets back in 1981.

Senator Proxmire

What was the recommendation of GAO on consolidation? I've always favored that.

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Mr. Eschwege	You've got me. I don't have the answer, but I will try to find out.
Senator Proxmire	Any one of the individual regulators wouldn't object if it got the whole ball of wax [responsibility], but none of them wanted to give up their jurisdiction.
Mr. Eschwege	I think that is a natural reaction.
Senator Proxmire	I thought we ought to give the responsibility to the Federal Reserve Board. I thought that the Board was probably the most professional and effective organization.
Mr. Eschwege	Well, let me check into that, and I will add it to the record. <sup>1</sup>

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## Cost Accounting Standards for Contractors

The Comptroller General also was the Chairman of the Cost Accounting Standards Board. There was a GAO study that concluded that it was feasible to provide uniform cost standards for defense contractors. But, you recall, Admiral [Hyman G.] Rickover was very much instrumental in that. Of course, you, Congressmen [Henry B.] Gonzales and Wright Patman, and others were instrumental in establishing the Board by law in 1970. Do recall some of those activities and the standards that came out of the Board as a result of that?

Senator Proxmire	I thought that the Board was a very successful and proper operation. We needed cost accounting standards to be uniform. We still do need them. We've got a Tower of Babel here. People are talking about different things, and we don't have the uniformity that we ought to have.
Mr. Eschwege	There was a sunset provision that made the Board go out of existence in 1980, and I know that you were trying to revive it. You had almost succeeded; then something happened, apparently.
Senator Proxmire	We lost control of the Senate.
Mr. Eschwege	Yes, I think that in 1980, some people tried to weaken it. I also think—while not quoting you, I am paraphrasing you correctly—that you were concerned that the proposals that were put forth would be too favorable to industry. Therefore, nothing happened until about 1988. There was a

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<sup>1</sup>On January 31, 1977, the Comptroller General issued a report to the Congress entitled Highlights of a Study of Federal Supervision of State and National Banks (OCG-77-1). GAO did not recommend consolidation but called for establishing a mechanism for more effective coordination among the three regulatory agencies.

law passed to give the function to the Office of Federal Procurement Policy, but my understanding is that it's not off the ground yet.

Senator Proxmire

Ten years later.

Mr. Eschwege

Well, this would be 10 years after the demise of the Board, but more than 2 years after the enactment of the new legislation, which took 8 years to bring about. Mr. Staats, you know, was in charge of that original Board, which included professional accountants and industry people and so on. By law, that Board had to be staffed with certain types of people.

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## Responsiveness to Requests

Mr. Grosshans

Maybe I could interject at this time. You've been a very good friend of GAO over the years and have been very supportive. You have helped us out in many areas, but on some occasions, you also let us know when you weren't happy with our results.

Going back to 1970, you requested GAO to conduct the profit study that we have talked about, periodically report on major weapon systems, study the feasibility of using the "should cost" method in procurements, develop a military procurement index, and compile a defense industrial personnel exchange directory. Mr. Staats testified before your Committee and basically said that we would be willing to do the "should cost" study under existing legislation and to do the profit study. But he also said that we would need some additional legislation to get access to the right type of data and that the other three projects ought to be done by DOD.

I would like to remind you of the statement that you made during that testimony, and I'm quoting:

"We would like to call you our watchdog, but, in view of your response to this Committee's recommendation, I just wonder if we should."

I don't know whether you recall that or not, but I think that's a good indication that while very supportive of GAO, you really did hold our feet to the fire. Eventually, of course, we did do the profit study, and I

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think that we did monitor very closely DOD's reports on the weapon systems. Do you have any comments on these matters? Also, some of your people that we worked with, like Richard Kaufman, of course, were very, very supportive.

Senator Proxmire

Yes, Kaufman probably did a lot more work on that than I did. I can't remember much about that, except that I was very supportive of Mr. Kaufman's position. I talked to Kaufman yesterday or the day before about this interview. In general, he felt that in the situation that you're discussing here and in all other respects, GAO had been extremely responsive, responsible, and professional. He, more than anybody, was critical of the time that it took to get reports. I wish I could say more to you than that.

Mr. Grosshans

He was a tough taskmaster for some of us that worked with him. I did a lot of work for him.

Senator Proxmire

Well, the other person that I and my staff found most useful was Ron Tammen, my administrative assistant.

Mr. Grosshans

Yes, I've worked with him some. He used a different approach completely.

Senator Proxmire

Yes. He was very good and very bright.

Mr. Grosshans

Absolutely. He was a real gentleman in the way he approached people.

Senator Proxmire

He was also very respectful of GAO.

Mr. Grosshans

Yes, it was a joy working with Ron over the years.

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## Interest in Federal Productivity, Housing, and Supersonic Transport

Dr. Trask

Another issue that interested you was measuring productivity in the federal sector. You had some discussions with Mr. Staats about 1970, and after that, he took leadership in setting up a joint study team, which

consisted of GAO and OMB [Office of Management and Budget] and the Civil Service Commission, to look at developing productivity measures.

Senator Proxmire

How are you doing on that now?

Mr. Eschwege

Well, right now it's not the highest priority, because GAO has so many other issue areas, as we call them, to worry about. About 80 percent of GAO's staff resources are now devoted to congressional requests. In other words, we used to do most of our work on our own. Nowadays, with 80 percent used on requests, that leaves us 20 percent or less to do some self-initiated work. Now, that's not all bad because we have more customers like you now than we ever had before and we work closely with the committees and some individual Congressmen. But I'm not sure we're doing very much on productivity in GAO. How the federal government is doing, I don't know.

Mr. Grosshans

Being mindful of productivity is part of our daily work. I think some of the initial efforts that the Senator was interested in were some indexes of productivity used by various agencies.

Senator Proxmire

That's harder to measure in the government than it is in the private sector. The private sector measures productivity in terms of the amount of output obtained for a certain amount of input. That's pretty hard to do in the government because, as you know, a lot of that input and output doesn't really produce anything. The private sector has a profit line, a dollar line, and a net profit line that it can use as a disciplining force to achieve productivity goals and that make quite a difference.

It would be very helpful if we could introduce productivity measurements in the government.

Mr. Eschwege

That early study that Dr. Trask talked about came to a conclusion that we could develop measures for about 60 percent of government activity. I admit that developing such measures is very hard; GAO internally has struggled to do this, and I think that GAO is doing better.

Let me just mention a few other things. Just like Mr. Grosshans, I testified before you on some housing matters, and one that you might remember, in particular, was the Clifton Terrace housing project.

Senator Proxmire

I remember the name. I don't remember much about Clifton Terrace.



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Mr. Eschwege

It was a project out here on 13th Street. You brought in some of the tenants to the hearing; the project was just a mess because the people that took it over just didn't take care of the facilities. I'm not talking about the tenants; I'm talking about the owners or the people that managed it.

The case wound up in the courts, I found out later; they wanted me as a witness, but somehow I never heard from them anymore. It just bears out your interest in the housing area. You were very much concerned about mortgage defaults and multifamily housing projects.

The other thing that we helped you on a little bit early on was your concern about developing a supersonic transport plane. I bring it up because it's in the news again today.

Senator Proxmire

Yes. I felt that in the first place, supersonic transport ought to be handled by the private sector. But the overwhelming majority of people who would benefit from a supersonic transport are business travelers, and I thought they ought to pay for it. I don't see any reason why the average taxpayer should pay for somebody to fly out of Europe or Asia a little more quickly. The cost is enormous. But I was fighting a losing battle. We got 10 votes against it the first time it was brought up on the floor. Of course, Senators Jackson and [Warren] Magnuson, two real powerhouses, were pushing it hard, plus the President of the United States, the AFL-CIO [American Federation of Labor-Congress of Industrial Organizations], and the banks. So, it was hard to find anybody who would oppose it.

Then the environmental people came in, and whether their objections were sound or not, they bought a lot of support and they got a lot of editorial support. People who looked at it from a financial standpoint recognized that it was a real loser. Fortunately, we didn't promote the supersonic transport, and, of course, the supersonic transport has been a terrible loser for the French, the British, and the Russians. I think we saved the government billions of dollars by opposing that.

Mr. Eschwege

It might very well have become another environmental problem if we had tried to build it even commercially because, as I understand the situation, no one has found engines that are quiet enough. The supersonic transport presents a noise pollution problem.

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Senator Proxmire

For once, we had the brains to let other counties make mistakes for a while; if they've got a supersonic transport plane that'll work, then we can copy it.

But we've been doing the opposite on practically all projects. We take the initiative and spend all the money; most of them strike out; regarding the few that do work, others will say, "Fine, we'll go along with it." I'm amazed that the French and the British, as you say, have just decided that they're going to build another, much more expensive supersonic transport with the same kind of risks.

Mr. Eschwege

One thing that cropped up every now and then was your concern about federal employees taking annual leave while on official travel. Do you remember that one at all? Do you feel pretty strongly about that to this day?

Senator Proxmire

Yes, that was another concern. I don't know if I got GAO involved in it or not. I was concerned not about federal employees so much but about the fact that Americans living abroad were allowed to have a very substantial income without having any tax liability at all.

Mr. Eschwege

We got involved in this issue. I don't know whether it was pursuant to a request from you.

Senator Proxmire

We had been pressing for answers on this issue right along. It just seemed to me that it was obviously a situation that was grossly unfair to other taxpayers.

Mr. Eschwege

What was your concern about annual leave? Was it a matter of whether employees would have as a primary objective to go on leave and just find themselves something to do to justify it? For example, someone had some work to do in, let's say, Denver for 3 days and then decided to take leave for the rest of the week out there before coming home. Of course, the person wouldn't charge per diem for the leave days.

Senator Proxmire

Well, our concern was that an employee would manufacture some phony excuse for going out there and say, "Haven't you got something? I'm going to go up and see my friends and do a little skiing and have some fun. I don't want to buy a ticket. If the government's going to buy the ticket for me, I'll go." That seemed to me to be a likely area of abuse.

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## Preserving Independence and Objectivity

Mr. Grosshans

Senator Proxmire, you've already alluded to the strength of GAO's independence and objectivity. You were looking for these characteristics when you asked for one of our products. Of course, we take great pains to preserve that independence, but it does get tough at times. When we deal with people like you, their staffs are, at times, very demanding and expect certain outcomes from GAO. Do you have any particular views on that? At times we feel like we're leaned on pretty heavily to come out with a particular conclusion.

Senator Proxmire

Well, I feel very strongly that you should lean right back. I think that it's absolutely absurd for anybody to expect a particular outcome and that if the person gets an outcome that is disappointing it's ridiculous to change it. What you want is the truth no matter what the outcome is. You may have a constituent, for example, whom you like and rely on and who may be a big contributor, but if the findings of GAO are adverse, that's the way the cookie crumbles. You're doing, I think, a great disfavor if you try to change the findings in any way. So, I'd respond, "This is what we found; that's it." I know that sometimes that's difficult and sometimes people are going to resent it, but I think that in the long run, you have to do it, absolutely.

Mr. Grosshans

One particular criticism that made a lasting impression on me concerned the shuttle debate. Senator Barry Goldwater inserted in the Congressional Record a question about how many shuttles GAO had built and what expertise we had to comment on shuttles, but I guess criticism comes with the territory.

Senator Proxmire

Well, that's right and I like Goldwater. I think Goldwater was a terrific Senator. It's funny: his best friend in the Senate was Hubert Humphrey, and the two guys couldn't have been farther apart on policy. But he's an honest, decent fellow, and if he put that comment in the Record, then so be it. I don't think that it reflects poorly on GAO's honesty or competence. When you're criticized, I think, you ought to feel good. It means you're doing your job.

Mr. Grosshans

Do you have any concerns at all about GAO's doing too much work for any one individual Congressman?

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Senator Proxmire

I was one that asked you to do a lot of work. My experience was that too few Members of the Congress recognized the enormous value of GAO as a professional agency that would give us the truth and a detailed study. If we did disagree with a report, we were free to use it as much or as little as we wanted. Others might use it and use it against one's position, but so be it. By and large, we were greatly served by knowing what the facts actually were, what the truth was, and what we should do.

Mr. Grosshans

One of the big changes that we've seen over time is a much greater awareness of GAO, a much greater and more widespread use of GAO on the Hill. A couple or three committees once received 50 percent or 60 percent of GAO's testimony. Today, that's completely changed. There is a much more even approach among congressional committees in asking for GAO's work. Of course, as Henry already mentioned, we've had a tremendous change in the way we do our work. In other words, about one-third of our work had been done pursuant to congressional requests and two-thirds of our work had been devoted to self-initiated studies. Today, it's over 80-percent request work with very little self-initiated work. Does this change concern you?

Senator Proxmire

Well, the government will save money in the long run and do a much more efficient job in this trillion-dollar-a-year operation if GAO has more resources. You ought to ask for more resources. The fact that you get only 20-percent discretion is not enough, because the Members of the Congress do have a bias. They have a joint bias; sometimes the biases are different. I am concerned that you have a dwindling ability to do the job. As I indicated earlier, even in serving Members of the Congress, you have to delay your responses and that's unfortunate.

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## Improving GAO's Effectiveness

Dr. Trask

Do you feel that GAO was always effective in its communication with the Congress through its reports, briefings, testimony, and other products?

Senator Proxmire

Yes, I think so. I think that the General Accounting Office has been articulate. It has been willing to testify. It is probably called on more now than in the past. I don't know what the record actually shows, but GAO should be called on more. As always, a Chairman who can get a report that confirms a position is going to call on GAO to testify. GAO is an

agency that the Congress can call on and get something handled by independent, honest, and competent staff.

Dr. Trask

Are there any ways for GAO to improve, or is there any need for improvement?

Senator Proxmire

Yes, I think the main area for improvement is to increase your resources. What would you do if you had 100 percent requests from the Congress or if demands on you required 20 percent more resources than you currently have? If you couldn't make the responses you'd like to make, then you'd have to set priorities. Presumably, you'd give the senior Members of the Congress priority. Although that would be a natural thing to do, it would be wrong; there also are the newer Members who should be served. Then you'd have to start setting priorities on the basis of subcommittees, and there would be a tendency to accommodate a subcommittee that would raise a big fuss, like the one that [Congressman] John Dingell might head. You would be accommodating a fellow who is outspoken and tough and has a reputation for power in the Congress, rather than trying to determine what the priorities ought to be. So, I think it would be too bad if you couldn't handle all requests. Of course, any agency can get too big, but I don't think that there's any danger of GAO's doing that. It is a very substantial agency, I understand. You've got 6,000 employees?

Mr. Grosshans

Five thousand, and we've been close to that level for the last 20 years. For the record, I think we ought to mention that Comptroller General Bowsher has tried to get a modest increase of about 200 or 300 staff. Of course, with the current situation—the pressure on the budget—even that has been difficult.

Senator Proxmire

Well, it's tough on the budget, but on the other hand, we have a global economy as never before and we have global mobility of capital. The other day I saw figures showing that in the last 12 years we've had a tenfold increase in American investment abroad in buying and selling securities and a twentyfold increase in buying and selling here. Now, when you get that kind of operation, you have to be an international agency; you have to have people who can speak different languages. You have to have people who can specialize in all kinds of areas. In the long run, there's no question that GAO saves money. I don't know if you have any indication of how much you've saved over the years.

Mr. Grosshans

Yes, a couple of years ago, we ran to an all-time high of \$23.4 billion. Last year the figure was somewhat smaller.

Senator Proxmire	That figure would amount to approximately \$5 million for every employee.
Mr. Grosshans	That's about right.
Senator Proxmire	You ought to strike for more money. [Laughter]
Mr. Eschwege	Of course, it's not only money that we're trying to recover. There are so many other things, such as program operations and regulatory activities, that need to be looked at to see what impact they have on the private sector.
Mr. Grosshans	I thought that you were going to mention that there were a lot of program improvements and service improvements that GAO could bring about in government operations that weren't really readily measurable.
Senator Proxmire	Well, I think that the figure is going to go up. The government has gotten so big, and program and service improvements are one way to help get the budget under control.
Mr. Grosshans	Did you have a feeling that our work was reasonably balanced? We did a lot of work for you, and a lot of that may have been much more financially oriented because of the type of issues you were pursuing and maybe because of your position on the Banking Committee.
Senator Proxmire	Yes, I had the feeling that GAO never had an ax to grind, and nobody (that I know of) has ever alleged that, even people like Goldwater and others. While certain Members of the Congress may say that you don't have a particular skill that they want with respect to the Air Force or whatever, I think that you to a great extent have it. Obviously, you are not beholden to anybody. You're not bought and paid for.
Mr. Grosshans	Did you feel that the emphasis we placed on program evaluations versus financial management activities was appropriate?
Senator Proxmire	Program evaluations compared with what?
Mr. Grosshans	With financial management or accounting issues—financial statement issues.

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Senator Proxmire	I never looked at that. It seemed to me that my answer would depend on the nature of the 80 percent of your requests that come from the Congress. I think that if the Congress is asking for only management evaluation, you have to give the Congress that.
Mr. Grosshans	You never had the feeling that GAO was not adequately responding to financial-type requests that you had?
Senator Proxmire	No, I never had that feeling.
Dr. Trask	Let me inject a question here. Just after the election of 1988, GAO put out a series of 26 transition reports that were supposed to provide advice to the incoming President and the new Congress on all kinds of issues. Some of them were department-oriented; some of them covered broader issues, for example, the budget. There was a very good response to these reports, generally, but there was some criticism, in particular criticism suggesting that GAO was getting into policy issues or political questions. How do you feel about that?
Senator Proxmire	In 1989, of course, I wasn't in the Congress. I didn't have the same particularly focused attention, but it seems to me that the transition series was a good initiative.
Mr. Eschwege	It was actually based on GAO work; so, it did not come out of the clear blue sky.
Dr. Trask	In this same category, GAO does general management reviews now, which are very broad-based looks at agencies. Some of them have been controversial, especially those that have been more critical. In one case, the agency responded rather angrily to GAO's report.
Mr. Grosshans	By and large, they have been well-received. For example, we are talking about the central agencies, like OPM [Office of Personnel Management], which was critical, and OMB, which responded very favorably to GAO's report.
Senator Proxmire	I think that's an indication that you're doing your job.

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## Problems for GAO or Others to Address

Mr. Grosshans

By way of wrapping up, are there any particular issues that you would like to comment on or state for the record? Are there any comments you have for GAO on either how we communicated or how we worked with you and your staff? Are there any particular changes in legislation that you think are needed that would affect GAO's authority, or do you have any suggestions or comments on the overall role of GAO?

Senator Proxmire

One of the most difficult problems in government is one that GAO couldn't touch with a 10-foot pole and wouldn't want to, but it seems to me that we do need some expert advice on it. That is what we can do about the system of electing Members of the House and the Senate. It's wrong, wrong, wrong. I mean you have a situation now in which you're spending from \$4 million to \$7 million to elect a U.S. Senator and the candidate has got to spend all his or her time raising money. The contributions that come to congressional candidates are coming from people who don't care at all about their principles or personality or intelligence. What they care about is the power of the elected official. If he or she happens to be in a position of power on a committee or whatever and can get them a little break on their taxes or on the environmental protection or whatever, they'll make a contribution. That's where the money comes from, and the money is what solidifies the incumbents in office. It's a very, very hard thing to get at. I suppose, if GAO got into this issue, it would get into all kinds of trouble, but somebody's got to do it.

Mr. Eschwege

On the basis of your own experience, you've been able to get reelected without accepting such contributions. I've been reading about the small amount of money you spent on your campaign.

Senator Proxmire

In the last campaign, I spent \$145, and I think other Senators can do that. There's an enormous advantage in incumbency.

People that voted for you once probably are going to vote for you again. They know who you are; you have access to the media; you have a staff; you have a newsletter; you have at least \$3 million to \$5 million to begin with—all advantages as an incumbent. Ninety-eight percent of the House incumbents running for reelection win. I suppose the system for electing Representatives and Senators is a tough issue to get into. I bring it up because I just happen to be working on it at the moment.



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Mr. Grosshans

You may recall, Senator, that we were actually drawn into part of that in the mid-1970s under the federal elections laws. GAO had a small office that monitored the finances of the presidential campaign at the time. We also have gotten drawn into the outcomes of elections, such as the Indiana situation in which GAO was asked to recount the votes received by candidates for a House seat. GAO does get involved in a number of different issues.

Mr. Eschwege

But we wouldn't get involved in these issues on our own. We'd have to be asked by the Congress because we don't really think these issues are the normal type of work we should be doing.

Senator Proxmire

Then there's another problem. It's a tough one that relates to the way that we stimulate the economy. We now have a grand conference between the Congress and the administration on what can be done about the deficit. The argument is that if we cut spending and increase taxes, we will undermine an already weak economy. Some people—Paul Volcker and Alan Greenspan—say that if we do that, they will lower interest rates, which they can do. I think that we don't know the dimensions of the problem; maybe GAO could help in addressing it. We already have a very heavily indebted private sector. Lowering interest rates would entice households and businesses to borrow more money and make the private debt bigger than it is now. This increased debt would make us more vulnerable to a recession, maybe so vulnerable that we would move into a depression, which I think would be very likely in the event the next recession hit. I don't know what we'd do about that. I think that in spite of the fact that Volcker and Greenspan are giants and are right concerning most things, they're probably wrong on this. I think that they ought to lower interest rates, but I don't know if GAO can get into that kind of an issue.

Mr. Eschwege

We do have economists, but I don't know if that's a proper role for GAO.

Senator Proxmire

Incidentally, another tricky area that you might or might not be interested in getting into is the argument that because we have the global economy I referred to a minute ago, the Federal Reserve Board may not be able to lower interest rates. With lower interest rates, the foreign capital we've been depending on wouldn't come in. Why should the Japanese, the Germans, and the others invest in this country if we lowered interest rates and didn't give them as much of a return?

Furthermore, our capital would go out; there is a terrific increase in people investing in foreign securities. The Federal Reserve—and it's

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changed enormously in the last few years—could not lower interest rates today without an exodus of capital that would also undermine the economy.

Mr. Eschwege

We have some access to the Federal Reserve, but there are limitations on how much we can review it. Elmer Staats was able to get some legislation that allowed us to review some Federal Reserve activities, but it did not cover reviewing monetary policy.

Senator Proxmire

That's something that maybe I can help you with; maybe we can discuss that with the people with whom I used to serve on the Banking Committee and in the House.

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## Conclusion

Mr. Eschwege

Well, we certainly thank you.

Senator Proxmire

Thank you. I enjoyed this discussion very much.

Mr. Eschwege

Thanks for giving us your time to explore these issues. I know our discussion will be very useful because, after all, GAO's main purpose in life is to serve the Congress. Whom else should we talk to but you, who have been one of GAO's best customers and who are now far enough removed from the day-to-day congressional activities to give us a very objective assessment of how GAO can best serve the Congress?

Mr. Grosshans

Thank you very much for giving us your time. It was good to see you again.

Senator Proxmire

Thank you.

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