



2008 FALL SYMPOSIUM

Navigating Transition, Leading Change

SESSION SUMMARY

The Future Is Not What It Used to Be

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Given the grim state of the economy and the ever growing budget deficit, attendance for the morning session, *The Federal Government in 2040*, was at full capacity. Everyone wanted to know what the future holds. Panelists **Maya MacGuineas**, President of the Committee for a Responsible Federal Budget, **Carl Moravitz**, Senior Managing Consultant at IBM Global Business Solutions, and **George O. Strawn**, Chief Information Officer at the National Science Foundation, convened to analyze the current situation and its probable impact on the federal government in 2040.

Maya MacGuineas began the session by pointing to the biggest challenge facing the future of the federal budget: “How do you get politicians to focus on long-term goals?” The Social Security trust fund will soon be insolvent and health care costs are growing faster than the economy. According to analysts at CBO, spending on health care is projected to consume 25 percent to 50 percent of GDP. Ms. MacGuineas remarked

that there has been a failure to talk about these issues on the national level, including during the presidential election.

Because the United States has a highly weakened balanced sheet, the economic downturn may last longer than the public may think. Ms. MacGuineas warned that borrowing too much to stimulate short-term goals is likely to have negative consequences. Thus, stimulus policies should be economically motivated, rather than in response to political needs.

In terms of fixing Social Security, Ms. MacGuineas recommended the following options:

- Index benefits to longevity,
- Raise the entitlement age, and
- Require mandatory savings.

The situation with health care is more complicated. Ms. McGuinness noted that if we could keep health care costs down, we would solve some of the budget problems. When asked why health care

costs have become so high, Ms. MacGuineas explained that inefficiency, consumer wastefulness, lack of transparency, and medical malpractice lawsuits were some of the main reasons for the high cost of health care.

Next, Carl Moravitz offered a glimpse into the control room of government budgeting and an overview of long-term fiscal trends. He was wise to warn the audience that the process is difficult to follow but “if one prepares for confusion, the budget process is easier to understand.” The 2009 deficit of \$482 billion (the projected deficit at the time of the symposium) points to a serious problem that will have an effect on the three big entitlements: Social Security, Medicare, and Medicaid. The benefits of these entitlements far exceed dedicated tax revenues and are projected to face cash deficits starting in 2015.

Current policy trends have led to large sustained deficits since 2001, which was the last year the U.S. had

a budget surplus. Where did the money go? Mr. Moravitz explained that the deficit is the result of tax cuts, the economic slowdown, the Global War on Terrorism, and the automatic growth of the big three entitlements. Ultimately, entitlements and interest on the federal budget may consume all federal revenues in less than 20 years.

Drawing from his extensive experience in the budgeting field, Mr. Moravitz offered solutions that called for new ways of thinking and increasing efficiency. First and foremost, the budgeting process needs to be improved by making finance organizations more informed. This can be accomplished by strengthening and augmenting the decision support roles, authorities, and resource capacities. Second, the organizations' focus must be redirected toward the following activities:

- Hiring more and better analysts;
- Capturing savings to reduce the bottom line;

- Improving cooperation and collaboration;
- Implementing organizational change initiatives; and
- Creating a more efficient process.

Mr. Moravitz closing remarks were "leadership is the key to any successful transformation, including improved budgeting and performance."

Finally, George Strawn concluded with a discussion on what life may look like in 2050. In his overview, Mr. Strawn indicated that, over time, the human race experiences biological, cultural, and technological revolutions. We are currently part of the technological revolution, which continues to change at a very fast rate. Fifty years ago, no one could have imagined that a computer would occupy anything less than a full room. Today, we are surrounded by more devices that even the wildest imagination could not have thought of in the 1950s.

Thus, Mr. Strawn suggested that we need to be flexible about our expectations as it is impossible to plan and accurately predict what will happen in the next 50 to 100 years.

So, what about life in 2050? Mr. Strawn said that we can expect to operate autopilot cars and spaceplanes and experience augmented reality and virtual life. Advances in information technology will contribute to an extension of the post-work age due to a projected life expectancy of 115 years. In addition, many of the new advances may substitute the need for humans at the workplace.

In conclusion, Mr. Strawn noted that while we have made tremendous technological advances, more remains to be done in the areas of energy, globalization, and tribalism.