

America in 2017: Making Tough Choices Today Can Help Save Our Future:

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Thank you, Jim O'Rourke, for that kind introduction.

As a public servant, a CPA, and a practicing Roman Catholic, I was pleased and honored when the Mendoza School of Business asked me to participate in this lecture series.

Most of us are curious about what the future may look like. Future trends are something I've been interested in for a long time. It's also a subject that my agency, the U.S. Government Accountability Office (GAO) is taking very seriously. In fact, providing Congress with foresight into future trends is an increasing part of GAO's work today.

This morning, I'm going to lay out two very different views of America's potential future in 2017. Either can come to pass. The choice is up to you, me, and our fellow Americans. If we're willing to learn from history, accept some tough choices, and hold our elected representatives accountable for acting in our collective and best long-term interests, then we can help save our future. We can also build a better tomorrow--not just for ourselves but for future generations of Americans. But if we continue as we have, America's future is "at risk."

Americans have long been fascinated by the future. As a nation of immigrants, we're focused more on the possibilities ahead of us rather than the difficulties our ancestors faced in the Old World. Most of us trace our roots to other countries and continents. Our ancestors spoke many languages and practiced various religions and social customs. We're the most diverse country on earth and a true microcosm of the world. What unites us as Americans is our belief in equal opportunity and the possibility of a better life through perseverance and hard work. Our love of freedom is equaled only by our devotion to faith and family.

These values date back to the founding of our republic. You can see it in our Constitution, which laid down our system of government. This historic, hopeful, and forward-looking document expresses the then-radical belief that society works better when men and women are free to speak their minds, vote their consciences, and worship as they please.

Over the years, our nation has continued to build on that foundation. We're known for our innovation and openness to new ideas. In fact, we've been home to many of the world's greatest scientists and inventors, from Ben Franklin to Thomas Edison, from Jonas Salk to Bill Gates. We've long had an optimistic and can-do attitude. We've also had a tradition in this country of trying to leave things better off for those who will follow us. Stated differently, earlier generations understood it was important not just to live for the day but to provide for a better tomorrow. That's called stewardship.

But today, our continued ability to pass on a better tomorrow is in jeopardy. On the surface, things may seem fine at the moment. After all, we have relatively strong economic growth, low unemployment rates, moderate inflation rates, and strong capital markets. At present, we're also the world's sole superpower, and our overall standard of living remains exceptionally high. Compared to most nations, the United States ranks very high on measures like personal income, literacy, and home ownership, just to name a few. Furthermore, while our system of government is sometimes frustrating and dysfunctional, it's still the best on earth. Clearly, we Americans have much to be proud of and much to be thankful for.

However, if we continue on our present path, America in 2017 may look very different. Several current and emerging trends threaten our future. Powerful forces are building silently offshore, not unlike a tsunami. While we aren't in any immediate danger, it's time we started to prepare for the tidal wave of entitlement spending and other challenges that we know are coming.

Our population is aging and people are living longer. The baby boomers are set to start retiring in just one year. Despite increased immigration, our workforce growth is slowing. These trends will put enormous strains on our retirement systems. Another key trend is skyrocketing health care costs. Candidly, if there's one thing that could bankrupt America, it's the cost of health care. And despite our nation spending huge sums on health care, many Americans remain uninsured or receive mediocre care. I'll talk more about this later on. Given these and other trends, the federal government faces an increasing gap between revenues and expenditures.

In addition to fiscal policy and health care, we face a range of major sustainability challenges in areas like tax policy, Social Security, Iraq, immigration, foreign relations, education, energy, and the environment. Successfully meeting these challenges will require a new type of transformational leadership, especially at the presidential

level.

Irrespective of these challenges, we're still a great nation, probably the greatest in history. But if we want to stay a great nation, we must face facts, recognize reality, and heed the lessons of history. Stated differently, we must learn from the past in order to help prepare for tomorrow. I think there are some important parallels between America's current situation and that of another great power from the past: Rome. The Roman Empire lasted a thousand years, but only half that time as a republic. The Roman Republic fell for many reasons, several of which resonate today: Declining moral values and political civility at home, an over confident and over extended military deployed around the world, and fiscal irresponsibility by the central government. Sound familiar? In my view, we should learn from history and take steps to ensure the American Republic is the first to stand the test of time.

From a fiscal perspective, the facts are clear, compelling, and undisputed. Unless we make changes, and soon, the United States is poised to enter a prolonged period of escalating deficits and rapidly mounting debt burdens. What's at stake is nothing less than our future economic growth, our future standard of living, and even our future domestic tranquillity and national security.

Our recent lack of fiscal discipline has only made our challenge more difficult. Despite a drop in the annual budget deficit in 2006, our deficits remain imprudently high. But it's the government's long-term finances that are the real problem. Over the last six years alone, our nation's total liabilities and unfunded commitments, chiefly for Social Security and Medicare, have soared from about \$20 trillion to about \$50 trillion. Fifty trillion dollars translates to about \$440,000 per American household. Keep in mind the median household income in America is less than \$50,000 a year! They may not know it, but the typical American family now owes more than nine times their annual income. That's like having a mortgage but no house! While this burden will have to be paid off over many years, the amount continues to grow every day because of continued deficits, known demographic trends, and compounding interest costs. The only asset that some Americans have to address this burden is their American citizenship. Fortunately, U.S. citizenship gives individuals unparalleled opportunities to earn, invest, and reach their full human potential.

What we've got brewing is a potent--and toxic--mix of ignorance, apathy, and inaction throughout our society. Unfortunately, too many American leaders and institutions suffer from the dual afflictions of myopia and tunnel vision. And too many individual Americans suffer from shortsightedness and self-centeredness. Our indifference in many areas, including fiscal discipline, cannot continue. If it does, it isn't a matter of "if" but "when" a crisis will occur--and how bad it will be.

2017: Two Scenarios:

I'm now going to lay out a couple of scenarios for how our country may look in 10 years. The first scenario assumes we fail to act and our fiscal woes mount. I want to give some credit here to Jim Fallows, who wrote a powerful piece in the July 2005 issue of The Atlantic Monthly. The title of Fallows' article is "Countdown to Meltdown," and I'd recommend it to anyone interested in public policy. The second scenario assumes we get serious and make much-needed and long-overdue reforms.

If we stay on our present path, America is likely to see slower economic growth, much higher tax burdens, rising interest rates, mounting unemployment, a stagnant or declining standard of living, and growing gaps between the haves and have-nots. These developments will be evident by 2017, and they will build in intensity in subsequent years.

Higher interest rates will put increasing pressure on federal, state, and local governments. Consumers will also feel the pinch, especially those with significant debts that are interest-rate sensitive. A further decline in the value of the dollar is also likely. Overseas trips and some foreign goods will be out of reach for many Americans. We could even see long gas lines and a resurgence in inflation.

If we stay on our present path, our budgetary flexibility will be increasingly constrained. Social Security's share of the budget will begin to rise in 2009, putting pressure on other federal spending. Furthermore, unless steps are taken, in about 10 years Medicare Part A won't have enough revenue to pay all its hospital bills and Social Security will be running a negative cash flow.

And remember, bad news flows downhill, so don't count on state and local governments to take up the slack. They'll be dealing with their own financial problems. For example, they're going to be faced with spending more on things like pensions, retiree health care, welfare, Medicaid, and local law enforcement. Many states have constitutions that prohibit deficit spending, so governors and state legislators will have no choice but to cut budgets and/or raise taxes.

As James Fallows noted in his article, if the public starts to lose ground economically and lose confidence in their elected officials, they may well turn to nontraditional political candidates who don't pander and are willing to make tough choices. But as history shows, economic instability can also provide an opening for political demagogues who offer simplistic, unrealistic, and populist solutions to complex problems.

In the end, I'm convinced our elected representatives will act because the failure to do so will eventually become politically unacceptable. The real question is how quickly can we convince policymakers to return us to a prudent and sustainable fiscal path before a crisis hits?

On the other side of the coin, if we do address the fiscal and other challenges we face, we can avoid many of the negative consequences I've just described. Meaningful action will also position us for a more positive future. Under this scenario, the America of 2017 would enjoy higher economic growth rates, more reasonable tax levels, more targeted and sustainable social insurance and other systems, greater confidence in government at home, and more respect for America abroad. I don't know about you, but I prefer this scenario.

A Way Forward:

You're probably wondering what we need do to put us on the path toward a more positive future. By nature, I'm an optimist and a person of action, so I don't believe in simply stating a problem. I'm now going to present some steps we can take to maximize our chances of success.

In my view, the first order of business should be to state the facts and speak the truth to the American people. For starters, Washington needs to improve transparency so we can see where we are financially and where we're headed fiscally. As the federal official who signs the audit report on the government's financial statements, I'm here to tell you that our government's finances are worse than advertised.

For one thing, the federal government has three annual fiscal deficit numbers! Depending on which one you use, the federal government's annual deficit in fiscal 2006 ranged from \$248 billion to \$450 billion with one time actuarial gains and \$617 billion without them. Furthermore, contrary to popular belief, most of the federal government's budget deficit has nothing to do with the cost of the conflicts in Iraq and Afghanistan. The federal government also uses terms that don't reflect reality, terms like "trust funds." In fact, only the federal government could get away with funding long-term obligations like Social Security and Medicare with its own debt and call it progress.

In some ways, our nation's fiscal problems have similarities to cancer. Once pain and other advanced symptoms occur, your prognosis is poorer. A patient whose cancer has spread has fewer options, and aggressive treatment is often required to avoid catastrophic consequences. That's why early detection and prevention are so important. It's the same for our nation's finances: By acting soon, we can forestall catastrophic consequences in the future. We can also reduce the amount of changes necessary and have more transition time.

When we take a long-term view of our nation's finances, it becomes clear that we're on an imprudent and unsustainable path. There's no way we're going to grow our way out of our long-range fiscal challenges. The gap is simply too great and the math doesn't work.

Waste, fraud, abuse, and mismanagement are a concern in government

today. Obviously, we should have zero tolerance for the misuse of taxpayer dollars. But there's a limit to how much money we're likely to recoup in this area. Frankly, eliminating every dime of wasteful government spending wouldn't even come close to closing our fiscal gap.

We've all heard the rhetoric. We'll be just fine if we can just get rid of congressional earmarks, foreign aid, or National Aeronautics and Space Administration missions back to the moon and on to Mars. Similar arguments are being made for eliminating the 2001 and 2003 tax cuts. But candidly, these actions don't get the job done. In fact, even shutting down the entire Department of Defense, which obviously makes no sense, wouldn't come close to closing our fiscal gap.

Instead, what's needed are more fundamental and systemic reforms, including reconsidering what the federal government should do, and how it should do business in the 21st century. The truth is that our single greatest source of savings will come from bold, decisive efforts to transform existing government programs, policies, and operations.

More broadly, the bulk of federal government spending today is on autopilot and based on social, economic, national security, and other conditions from before many of the people in this room were born. I'm talking about conditions dating back to when Harry Truman, Dwight Eisenhower, and Jack Kennedy were in the White House.

American families regularly clean out their closets and attics. Surplus items are either sold at yard sales or donated to worthwhile organizations like Catholic Charities or Goodwill Industries. Unfortunately, the federal government has never undertaken an equivalent spring cleaning in connection with its programs, policies, and operations.

Instead, our government continues to expand, with new federal activities and initiatives added to existing programs, policies and operations every year. Washington rarely seems to question the wisdom of its existing commitments. As President Ronald Reagan once quipped a government program is "the nearest thing to eternal life we'll ever see on this earth."

Today, nothing less than a top-to-bottom review of federal programs and policies is needed. Congress and the President need to decide which of these activities remain priorities, which should be overhauled, and which have simply outlived their usefulness. Entitlement reform is especially urgent and needs to be a top priority. Based on historical tax levels, it's clear that Social Security, Medicare, and Medicaid alone are on track to absorb virtually the entire federal budget based on historical tax levels if they aren't reformed!

To help in this reexamination and transformation effort, in 2005 GAO published a seminal report called "21st Century Challenges: Reexamining the Base of the Federal Government." I'd recommend it to everyone here

today, and it's free on our Web site at www.gao.gov. This report asks over 200 probing questions about mandatory and discretionary spending, tax policies, federal regulations, and government operations. Everything is on the table.

More recently, this past November I sent a letter to the incoming leadership of the new Congress suggesting three dozen areas for additional oversight. I also urged the development of a set of key national indicators to better inform congressional and executive branch decision making, and to help the government focus on achieving real results for the American people. After all, recent statistics from the Organization for Economic Cooperation and Development show the United States is below average on a range of key outcome measures for its 30 member countries. We can and must do better!

Fortunately, attention and concern on Capitol Hill are increasing. Members of Congress on both sides of the aisle have started asking some pointed questions about where we are and where we're headed. In addition, the Administration now acknowledges that despite some progress in bringing down the short-term federal deficit, we have a large and growing long-term fiscal imbalance that requires tough choices.

Beyond increasing transparency, what can we do? First, it's crucial that we impose meaningful budget controls on both the tax and spending sides of the ledger. These controls need to apply to tax cuts as well as to both discretionary and mandatory spending. We also need more transparency and controls over congressional earmarks and emergency supplemental spending.

Members of Congress should also have more explicit information on the long-term costs of spending and tax bills--before they vote on them. The Medicare prescription drug benefit, which is turning out to be one of the most expensive government entitlement programs of all time, is a glaring example of what's wrong today. The 2003 legislation came with an \$8 trillion-plus price tag, but that fact wasn't disclosed or discussed until several months after the bill became law.

We also need to enact meaningful entitlement reforms, reprioritize and constrain other federal spending, and engage in comprehensive tax reform that will generate additional revenues. We should try to minimize tax burdens in order to maximize economic growth, disposable income, and our competitive advantage as compared to Europe. At the same time, we're going to need enough revenue to pay our current bills and deliver on our future promises.

To get things moving, we may need to create a bipartisan commission to take up Social Security, tax, health care, and other needed reforms. The commission would be tasked with developing a balanced package of proposed changes for consideration by the President and Congress. This commission wouldn't need to re-invent the wheel. Rather, it could draw

on the work of many prior commissions, existing organizations, and various individuals. At a minimum, the results of such a group effort could facilitate more informed and accountable debate in the 2008 election cycle.

This commission could be created statutorily, as was proposed last year by Senator George Voinovich and Congressman Frank Wolf. Other members, including Senators Pete Dominici and Diane Feinstein, have recently announced alternative commission proposals. Such a commission could also be formed independent of the political process, perhaps sponsored by foundations and composed of a bipartisan group of preeminent players whose recommendations couldn't be ignored. The recent efforts of Jim Baker and Lee Hamilton on the Iraq Study Group come to mind in this regard.

Citizen education and engagement are also essential. The American people need to become more informed and involved in connection with the problems facing our country. They also need to become more vocal in demanding change. Younger Americans especially need to get more active in this discussion because they and their children will pay the biggest price and bear the heaviest burden if today's leaders fail to act.

The good news is we saw a higher voter turnout among younger Americans in November's midterm election. From Iraq to immigration, from ethics to fiscal irresponsibility, the public's dissatisfaction with the status quo in many areas was abundantly clear. But going forward into the 2008 elections, it's essential that the American people and the press hold candidates accountable when it comes to fiscal discipline and other major sustainability challenges.

This is why I've been speaking out publicly about our nation's worsening financial condition and fiscal outlook both in Washington and around the country. Beginning in September 2005, I started going on the road with representatives of the Concord Coalition, the Brookings Institution, and the Heritage Foundation as part of a "Fiscal Wake-up Tour." We've been holding forums and town-hall meetings at colleges and universities and other public venues across the country. Sometimes we've been joined by governors, mayors, and members of Congress. Most recently, we were joined in Columbus, Ohio, by former Senator John Glenn and current Office of Management and Budget Director Rob Portman. Next month, we'll be in Des Moines, Iowa, and Manchester, New Hampshire.

At every stop, we've made it a point to lay out the facts in a professional and nonpartisan way. We've also stressed the moral and ethical dimensions of these challenges, including the unfair intergenerational aspect of our current fiscal path.

During the tour, I've found that the American people today are hungry for two things: truth and leadership. The folks on Main Street just want some straight talk on what's going on. They also want leaders who

can help show the way forward, and who can work on a bipartisan and multilateral basis to solve public problems.

And on this score, it doesn't matter whether you're a Democrat, a Republican, or an Independent. The problems I've been describing today aren't partisan in nature, and the solutions won't be either. We need bipartisan proposals that will appeal to the "sensible center," rather than to the ideological extremes on both the left and the right.

Selected Key Policy Challenges: Health Care, Tax Policy, and Social Security:

Now I'd like to address three major public policy challenges that are directly linked to our broader fiscal challenge: health care, tax policy, and Social Security. I'll start with our health care system, because our success or failure in this area is going to have a huge impact on America's overall fiscal future. The rising cost of health care isn't just evident in federal and state programs like Medicare and Medicaid, it's also a growing burden and competitiveness challenge for the private sector. The American people are also being affected in the form of coverage gaps, cost-shifting strategies, and concerns about quality.

Despite repeated efforts to rein in health care spending, costs continue to climb. The United States now spends about 16 percent of its economy on health care. Our current health care system provides doctors and patients with few incentives to be prudent in their treatment choices. There's little transparency about the actual value and prices of various health care services. Furthermore, at present we have few mechanisms to hold plans and providers accountable for delivering positive results at a reasonable price.

Ironically, despite dazzling medical advances in recent decades, the U.S. health care system lags behind those of many other countries on several basic measures of quality. These include key outcomes like life expectancy, infant mortality rates, and medical error rates. An oft-cited study by the Institute of Medicine estimates that annual hospital deaths caused by medical errors exceed annual deaths caused by car accidents, breast cancer, and AIDS.

Despite our nation's wealth, universal access to even a basic level of care remains an elusive goal. We've been wrestling with this challenge for nearly a century. In his failed bid for President under the Bull Moose Party banner in 1912, Theodore Roosevelt campaigned for national health insurance. Harry Truman took up the issue again in the 1940s. More recently, President Clinton proposed a major overhaul of our health care system. Unfortunately, the problem of uneven access is still with us and has been growing worse with the passage of time. Today, over 46 million Americans lack health insurance.

The problems with our health care system are having far-reaching

effects. Some of these effects are obvious. Others are more subtle. For example, the rising cost of government health care programs is fueling budget deficits at both the federal and state levels. The individual tax base is shrinking because more and more employee compensation is coming in the form of nontaxable benefits like health insurance. It's also likely that soaring health care premiums are also leading some companies to move offshore and to hire part-time or contract workers, who aren't offered pension and health benefits.

In my view, comprehensive health care reform is both essential and inevitable. Thanks to our growing fiscal imbalance and the rising medical expenses associated with an aging population, the pressure to overhaul our medical system will only increase with time. Any serious health care overhaul must include a range of federal reviews and reconsiderations, including the current tax exclusion for employer-provided health insurance.

Whether we're talking about a Fortune 500 company or a federal program, all sectors of our society need to reconsider how they define, deliver, and finance medical care. We're going to have to weigh unlimited individual wants against overall societal needs, and available public resources. We're going to have to make difficult decisions about how responsibility for health care should be divided among employers, individuals, and government. Individuals are also going to have to assume more personal responsibility and accountability for their own wellness efforts and health status.

Given the size of our health care challenge and the complexity of the issues and emotions involved, it's likely that comprehensive reform will need to occur in installments and be phased in over time. This will help to help forge political consensus, minimize disruptions in health care delivery, and give people time to adjust to any changes. Our health care crisis can be cured. What's needed is a sound prescription for progress and some real leadership.

In the end, we may need to focus on four high-level goals for health care reform. First, providing universal access to certain "basic and essential" health care services while avoiding taxpayer-funded "heroic" measures and giving individuals the option of buying more coverage if they so desire. Second, limiting the percentage of the federal budget that is dedicated to health care. Third, achieving above average health care outcomes for an industrialized nation. Finally, requiring individuals to be more responsible and accountable for their personal health. More of us need to be taking sensible steps to stay well, including getting enough exercise, eating well, not smoking, and drinking in moderation.

Comprehensive health care reform will take time. In the interim we need to consider taking several steps. For example, restructuring the Medicare prescription drug benefit, pursuing more case management techniques for federal programs, allowing some additional

experimentation by the states, leveraging technology in connection with health records, pursuing more cost-effective acquisition strategies, and last but possibly most important, pursuing the creation of a set of national practice standards. Such standards can help to improve consistency, enhance quality, control costs, and reduce litigation. The sooner we pursue these steps the better. Importantly, the federal government can lead by example by adopting these practices for its own programs. In some cases, like Veterans Administration's electronic medical records, the government already is.

The second area is our tax system. Our current system is way too complex for most Americans to truly understand and voluntarily comply with. We have an estimated \$345 billion annual gap between what people should be paying and what they actually pay. Furthermore, most Americans now pay more in payroll taxes than income taxes each year.

Another problem is the Alternative Minimum Tax (AMT), which was intended to only hit the so-called "rich." But as I and many of you undoubtedly know firsthand, the AMT is now biting more and more middle class Americans. This tax is, in substance, nothing more than a "bait and switch surtax." The AMT needs to be retargeted to the very top earners, with any revenue loss made up for by broadening the base and/or adjusting the basic rates.

Ultimately, we need to streamline and simplify our tax system in order to stimulate economic growth, encourage voluntary compliance, facilitate effective enforcement, and improve the credibility of our current system. This includes broadening the tax base to minimize tax rates. At the same time, over time we're probably going to have to move to some sort of consumption tax to help address our huge health care challenges.

The third and final policy topic is Social Security. We've heard a lot of talk about Social Security, and there have been a number of related false or misleading statements from both sides of the political aisle. The truth is that under today's financing structure, Social Security will never go bust. It does, however, face a large and growing financing gap that needs to be addressed and soon.

Reforming Social Security is the easiest part of these three major policy challenges. We can and should reform Social Security in a way that can make it solvent, secure, and sustainable. I'm confident that by acting now, we can exceed the expectations of every generation of Americans. Doing so will likely involve little to no changes for individuals currently over a specified age--like 55-60. Changes for younger workers can be phased in over time. Possible changes that have been proposed in the past include higher normal or full retirement ages, lower replacement rates for middle-and upper-income individuals, a strengthened minimum benefit for low-income individuals, a modified cost-of-living index, and possibly a higher taxable wage base.

In light of our nation's savings deficit, we may also want to consider requiring individual savings accounts as a supplement to a reformed, defined benefit Social Security program. These accounts could be funded by an additional modest payroll tax withholding with the money being deposited in a real trust fund. Individuals would have various pooled investment options, much like the Thrift Savings Plan that's available to federal workers.

Despite a lower federal deficit last year, the long-term fiscal burden continues to worsen. Specifically, the expected burdens for Social Security, Medicare, and a range of other federal commitments continue to rise. This is our real challenge, and we must begin to deal with it, and soon, because time isn't on our side.

Time doesn't allow me to address the other sustainability challenges that I mentioned at the outset of my remarks. I would, however, be willing to answer questions on them at the conclusion of my talk.

America's Leadership Deficit:

Why haven't we made more progress on these key sustainability challenges to date? In part because one of our biggest problems today is that we have a serious leadership deficit at all levels of government and across all sectors of society. Whether the subject is fiscal policy, health care, taxes, Social Security reform, or government transformation, it's going to take dedicated men and women who are willing to face the facts, work together, and make a number of tough choices that are in our collective best interests for both today and tomorrow.

In my view, these leaders will need five key attributes: courage, integrity, creativity, a willingness to partner, and a commitment to stewardship. We're going to need leaders with the courage to state the facts, speak the truth, and do the right thing, even when it isn't easy or popular. We're going to need leaders who have the integrity to lead by example and practice what they preach. Leaders who recognize that the law represents only the floor of acceptable behavior and who strive to meet a higher moral and ethical standard. We're going to need leaders who are creative, who can see new ways to address old problems, and who can help others see the way forward. Leaders who can reach across institutional lines, political aisles, and geopolitical borders and partner for progress with their counterparts in government, private industry, and the nonprofit sector, both domestically and internationally. Finally, we're going to need leaders who take their stewardship responsibilities seriously. True leaders strive to leave things not just better off but better positioned for the future when they leave their jobs and this earth. As I mentioned earlier, this has been a long tradition in America, and it's one that we should continue.

A Call to Service:

Many of you here this morning are students at Notre Dame. I know this university was founded on the belief that serving others is among life's greatest callings. I hope each of you will seriously consider public service as a way to make a difference--for your country, your community, your church, and your family. I think you'll find public service will also make a difference in you.

As someone who has divided his career between government and the private sector, I can tell you that my experience at federal agencies has been challenging, enlightening, and rewarding. Before coming to GAO in 1998, I was a senior executive in several private sector firms, including Arthur Andersen before its fall. I also served as a trustee of Social Security and Medicare, as Assistant Secretary of Labor, and as head of the Pension Benefit Guaranty Corporation. My public sector experience has given me a chance to help many people, some of whom I've gotten to know, others whom I'll never have a chance to meet.

Opting for public service is an honorable choice. Public service is a chance to make people's lives better and their futures brighter. Public service is a calling where individuals and organizations can help build a better nation and a better world.

As you contemplate your future, please consider giving at least two years of your life in a job or role that provides service to others. This could be done through the military or civilian government service, in faith-based or other charitable organizations, or in community and other public interest groups. Lots of jobs in various sectors, from nursing to teaching to social work, provide wonderful opportunities to serve others.

One person clearly can make a difference in today's world. My favorite president, Theodore Roosevelt, is proof of that. TR, as he's often called, was someone with character, conscience, and conviction. In fact, TR is the only American to have won both the Congressional Medal of Honor and the Nobel Peace Prize.

TR firmly believed that it was every American's responsibility to be active in our civic life. Democracy is hard work but it's work worth doing. And that's really at the heart of my message tonight. How America looks in 2017 is, in great measure, up to us. After all, in our republic, "we the people" are ultimately responsible and accountable for what does or does not happen in Washington.

Please don't misunderstand my message this morning. Like most Americans, I'm an optimist by nature, and things are far from hopeless. Yes, it's going to take some tough choices on a range of important issues. But anything is possible in America, and a few thoughtful reforms phased in over time can do a lot to put us on a prudent path. It's also essential that all of us understand the need to make some modest sacrifices today to help ensure a better tomorrow.

The real difficulty is convincing elected officials and the public that the time to act is now. If we wait until a crisis hits, we'll have few options, and they'll be far harsher and more disruptive.

Other countries have addressed similar challenges, including Australia and New Zealand. Like the United States, they have aging populations. Unlike the United States, these two countries have stepped up to the plate and dealt with some of their serious long-term challenges. Among other steps, they've reformed their overburdened public pension and health care systems. The efforts by policymakers in Australia and New Zealand show it's politically possible to make difficult decisions that require short-term pain in the interest of long-term gain.

In the case of the United States, effective leadership--the kind that leads to meaningful and lasting change--has to be bipartisan and broad-based. Leadership can't just come from Capitol Hill or the White House. Leadership also needs to come from Main Street. It's time for the three most powerful words in our Constitution--"We the people"--to come alive. As I said earlier, the American people are going to have to become better informed and involved as we head toward the 2008 elections. And the next President, whoever he or she may be, and whichever party he or she represents, should be prepared to use the bully pulpit of the Oval Office to push needed reforms. If these things happen, we have a real chance to turn things around and to help ensure that we will be better off and better positioned for the future in 2017 than we are today.

In closing, recently I've been studying the life of George Washington, particularly his two terms as President. What's often overlooked is that Washington was a big believer in fiscal discipline and stewardship. In his farewell address in 1796, Washington spoke to the issue of public debt. He urged the new nation to avoid "ungenerously throwing upon posterity the burden which we ourselves ought to bear." It's remarkable how some words are timeless.

Today, as in Washington's time, it's essential that we face up to our responsibilities and make tough choices. The well-being of America in 2017 and beyond depends on us doing just that. I am confident that we can, we must, and we will ultimately rise to meet our many challenges. We just need to do so sooner rather than later. I promise to do my part. Today, all that I ask is that each of you does yours.

Finally, let me remind you that in this great land of opportunity anything is possible. In America, persons with a good education, a positive attitude, a strong work ethic, and solid moral and ethical values have virtually unlimited potential. Your education at Notre Dame will give you a strong start. The rest is up to you! As TR said, "fighting for the right (cause) is the noblest sport the world affords." Do your best to make a difference in whatever you decide to do in life.

May God bless the United States and may God bless each of you.

On the Web:

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