

# ENSURING DOMESTIC SECURITY: ISSUES AND POTENTIAL COSTS

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## HEARING BEFORE THE COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTH CONGRESS FIRST SESSION

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HEARING HELD IN WASHINGTON, DC, NOVEMBER 7, 2001

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## ENSURING DOMESTIC SECURITY: ISSUES AND POTENTIAL COSTS

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WEDNESDAY, NOVEMBER 7, 2001

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC.*

The committee met, pursuant to call, at 1:20 p.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Gutknecht, Thornberry, Watkins, Hastings, Schrock, Culberson, Putnam, Kirk, Spratt, Bentsen, Clayton, Price, Clement, Hooley, Baldwin, McCarthy, Moore, and Matheson.

Chairman NUSSLE. Call the Budget Committee hearing to order.

Today we begin the process of hearings for the fiscal year 2003 budget, and for that matter, possible fiscal year 2002 supplemental budget requests and priorities. Today's hearing is entitled, Ensuring Domestic Security: Issues and Potential Costs. We have two very distinguished panels today who will come forward and will enlighten us on a number of different topics.

This hearing is intended to examine the broad issues and challenges in ensuring the Nation's domestic security in the midst of the current war against terrorism. It is not specifically focused on President Bush's Office of Homeland Security, although I have no doubt there will be many references to that office and to priorities that office may in the future bring forth.

The hearing today will in part examine the extensive work on the part of the General Accounting Office in reviewing the U.S. Government's antiterrorism programs, outlining the agency's findings and presenting some specific recommendations for organizational efficiencies and management improvement. In addition, representatives of the United States Commission on National Security/21st Century will be present and will present Commission findings and recommendations on defending the United States against terrorism.

Prior to the attacks of September 11, the administration's fiscal year 2002 request for antiterrorism programs totaled \$12.8 million, spread across 43 different Federal agencies. Additional resources will, no doubt, be forthcoming and have been forthcoming, but funds may not be spent in the most efficient manner absent a strong, effective organizational plan that prioritizes these programs and avoids duplication. So one of the questions today will be what is the most effective way to consolidate and manage the government's antiterrorist efforts. GAO has found that the government

does not yet have a sound terrorist vulnerability assessment in place, and without such an assessment, it is probably not possible to target funds to correct the most critical vulnerabilities in national infrastructure.

The second question will be how soon can a comprehensive threat and risk assessment be completed for this Nation. Finally, fully recognizing that the President needs maximum flexibility to get the Office of Homeland Security established quickly, many details remain to be resolved including, but not limited to, how much budgetary control will the Director request; and will the Director truly have a single focal point for homeland security as was promised by the President; how can the Director leverage State and local enforcement and public health resources for maximum effectiveness. In short, how can the new Office of Homeland Security operate with the most effective, efficient plan for the future?

The budget for 2003 that we will be discussing and formulating in short order, needs to take into account an emerging new and revitalized priority for homeland security. In short, today's hearing only begins the process of examining homeland security and combating terrorism. This is not meant to try and take a drink out of the fire hydrant all in one fell swoop. There are a number of other hearings, and there is, in fact, a security briefing with Secretary Rumsfeld at 3 o'clock that I know Members are interested in attending. But it is to begin the process.

What I would suggest today, that our main focus be: where has our priority been with regard to homeland security in combating terrorism, and where is it today now as far as the priority for the Federal Government. It will serve as a preface for determining the priority in next year's budget. I would recommend to Members that we do this in that light and that we focus the hearing in that manner so that we can hold a number of hearings in order to get to the bottom of this as we move forward.

Before we begin with the panels, I would like to recognize John Spratt for any comments he would like to make.

Mr. SPRATT. Thank you, Mr. Chairman.

Mr. Chairman, Mr. Walker, Lee Hamilton and I guess the Speaker is to arrive later. First of all, we look forward to your testimony. It is my understanding that GAO has done almost 70 studies over the years on what you might today call homeland security, and we look forward to your sharing the fruits of that inquiry with us.

It is my understanding, that a former colleague, Mr. Hamilton, and our former colleague, the Speaker, Newt Gingrich, will be talking about organizing the government in order to better protect ourselves against terrorist attacks, detecting the attacks, deterring the attacks, responding to them once they occur. This dialogue is long overdue, and I am glad we are having it here in this committee.

I don't want to detract from that important topic, but the Chairman said this is about priorities; what priorities have we addressed and what priorities haven't we adequately addressed. I want to take just a minute to talk about "the fire next time," the risk of nuclear terrorism and the need for nuclear nonproliferation programs.

The devastation that was dealt us on September 11 was horrendous, but it could have been far worse if they used nuclear weap-

ons. It could have wiped out all of Manhattan. There is one element that stands between the terrorists and nuclear weapons, and that is fissile material, plutonium, highly enriched uranium, and we ought to take every possible effort to see that they do not obtain them.

Just days before September 11, smugglers were apprehended in Turkey—not the first time—but they were apprehended there with what was at the time believed to be bomb-grade uranium; trying to smuggle it out of Russia. Yesterday, President Bush warned that bin Laden and al Qaeda have been actively seeking nuclear materials for some time.

We are not doing nearly enough, nearly as much as we should to keep nuclear materials and nuclear know-how out of the hands of the terrorists. Mr. Thornberry and I have worked on it in the Armed Services Committee. The main program that deals with this whole problem is called Nunn-Lugar, but it needs more attention even though it has some bipartisan support.

The fact of the matter is, nonproliferation has been a much harder sell than it really ought to be. DOE shares the mission with DOD—the Department of Energy. The amount of money that we put up in the Department of Energy, all totaled, everything that would fall under this rubric was \$874 million last year. One of the line items in those accounts that is a line item is for nonproliferation and verification R&D, the sort of thing in the budget that doesn't get a lot of attention. It doesn't have any program connectivity back home with constituents unless you come from one of the States with one of the national labs. But in any event, by last budget year, a number of programs had been clustered under this particular umbrella, and the total funding for it was about \$227 million. When this year's budget request came over, that program, that line had been cut by \$57.5 million for reasons that I still do not understand.

Let me give you one out of many things that will suffer as a consequence of that reduction. That is the development of sensors that can detect bioterrorism activities that are taking place either in the production of the weapon or in the aftermath of an attack so that we can get a realtime readout, a quick analysis, chemical analysis, biological analysis of what the agent is, and then public health authorities knowing this can act quickly to stop it.

There is a system called BASIS. It is an acronym for Biological Aerosol Sentry and Information System. The labs have been developing this and a lot of other systems. They field-tested this system. It falls under the rubric of those accounts that were cut by 27 percent, by \$57 million, in this year's budget. Now we raised the issue again in the Armed Services Committee. It has been raised in the Appropriations Committee, and we succeeded in restoring about \$30 million, but there is still a substantial cut there, and it is the sort of thing we really need to call attention to. It doesn't have a lot of sex appeal, a lot of drama, and it doesn't buy you a lot of constituent support, but I think it is critically important. If nobody else will champion the cause and the need, I think this committee, among others, ought to take it up.

That is why I took advantage of your indulgence, just to strike that particular theme. It may be totally off the script that you are

going to talk about, General Walker, but I wanted to lay it on the record and bring it to the attention of my colleagues.

Thank you for coming, and I look forward to your testimony.  
[The prepared statement of Mr. Spratt follows:]

PREPARED STATEMENT OF HON. JOHN M. SPRATT, JR., A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF SOUTH CAROLINA

Thank you, Mr. Chairman, and thank you, Mr. Walker, for joining us today. GAO has done almost seventy studies over the last 4 years on antiterrorism and homeland security, and I look forward to your testimony.

During the hearing today, Mr. Walker and our second panel—consisting of our former Speaker, Newt Gingrich, and our former Chairman of the House Foreign Affairs Committee, Lee Hamilton—will focus on organizational changes needed to protect against terrorist attacks. Studies show that we are not organized to detect terrorist threats, or to deter them from occurring, or to respond to them once they do occur. These are vital issues and this dialog is long overdue.

I do not want to detract from the topic, but I do want to take just a few minutes to talk about the “fire next time,” the risk of nuclear terrorism and the need for non-proliferation. The devastation dealt by terrorists on September 11, 2001 was horrendous. But had they used nuclear weapons, it would have been far worse. There is one element that stands between terrorists and the possession of nuclear weapons, and that’s fissile materials, and we should take every effort to see that they do not obtain them. Only days before September 11, smugglers were apprehended in Turkey trying to move weapons-grade uranium out of Russia. Yesterday, President Bush warned that bin Laden and Al Qaeda have been actively seeking nuclear materials.

We are not doing nearly as much as we should to keep nuclear materials and nuclear know-how out of the hand of terrorists. This is not a partisan issue; Mr. Thornberry and I have worked on the Armed Services Committee to improve non-proliferation programs. The original program was established by Senator Nunn and Senator Lugar. I worked with Jon Kyl when he was in the House to set up the main DOE program. Senators Nunn, Lugar, and Domenici established the legislation to bolster homeland security in 1996. Bill McCollum and I introduced the bill in the House. These programs have enjoyed bipartisan support, but this the sad truth: nonproliferation has been much a tougher sell than it should be.

The Department of Energy shares the non-proliferation mission with the Department of Defense and focuses on its particular realm: nuclear materials. DOE’s non-proliferation budget is about double DOD’s non-proliferation budget. All told, the DOE non-proliferation budget in FY 2001 was \$874 million. The administration’s budget cut these programs in its ’02 budget request by \$101 million, a cut of almost 12 percent. The energy and water bill just adopted by Congress restored part of the cut, but only part, about \$30 million, leaving these programs \$70 million below the 2001 level.

Let me tell you the impact these cuts will have on just one program, non-proliferation and verification R&D.

Los Alamos National Laboratory and Lawrence Livermore National Laboratory have been involved for years in developing sensors placed on U.S. satellites to monitor the production, testing, or use of nuclear, biological, and chemical weapons. Before 1991, the program was unfocused. It was changed in the aftermath of the Persian Gulf when inspectors discovered that Iraq’s weapons of mass destruction were more advanced than the U.S. intelligence community had estimated. Shortly after the Gulf War, Congress set up a specific line in the DOE budget for non-proliferation and verification to develop technologies to detect the production, testing, transfer, or use of such weapons.

The President’s budget request for this critical research in FY 2002 was \$170 million; that’s \$57.5 million (25 percent) below the 2001 level of \$227.5 million. The energy and water bill conference report added back some of that cut, but still left the program almost \$20 million below last year’s level. Here are some of the projects that will be cut:

New seismic monitoring devices to help ensure that Russia, China, or others are not improving their nuclear weapons by conducting underground tests with a yield below 1 kiloton.

The Biological Aerosol Sentry and Information System (BASIS), designed to detect a bio-terrorism attack within hours so that public health agencies can react quickly to stop the spread of the agent. This capability is not in hand, but it is maturing.



BASIS was field-tested at Salt Lake City in March 2001. This cut will slow down the development of a promising technology, and one sorely needed.

Development of new sensors to detect atmospheric nuclear explosions. Our satellites that carry these sensors are all being retired. We do not have any of the old sensors on hand they were all custom built. This cut may delay the construction of new sensors in time to be placed on replacement satellites. If not built on time, the U.S. will not be assured of the ability to detect an atmospheric nuclear explosion.

New sensors specifically geared to go on platforms to detect the production, testing, transfer, or use of WMDs. These sensors pick up various "signatures" telltale clues that may be chemical, electromagnetic, infrared, optical, or radio-nuclide, all absolutely critical to improving the ability of the U.S. intelligence community to keep watch on what countries like North Korea, Iran, Iraq, and Libya are doing.

If these cuts stand, and if they continue, we will be depriving our intelligence community of the resources they need to improve the technical means of gathering data and tracking threats. These cuts are the exact opposite of what we should be doing. These programs have limped along receiving more in lip service than real money. This must change; and if the administration will not lead, Congress should.

Non-proliferation is just one part in our war on terrorism, and weapons of mass destruction are just one aspect of our hearing today, and not the primary subject; but I wanted to take this opportunity to raise the issue, because I think it has not received the attention or funding that it clearly calls for.

Chairman NUSSLE. David Walker, who is the Comptroller General and works for us at the General Accounting Office, I welcome you to the committee. I also want to parenthetically—as I told you in private and in front of a number of Members who were involved in the last 3 or 4 weeks as a result of the anthrax scare on Capitol Hill—show our appreciation to you and the General Accounting Office for the use of your facilities. It is something that—as I told you—one of the things that I have learned in Washington is that real estate on Capitol Hill is probably one of the most prized possessions, and for you to unselfishly allow us to come over and let us use your hall is something that we are deeply grateful and indebted to you for, and we appreciate all your staffs' indulgence and assistance as we made that transition.

We welcome you today. Long before aviation security was a topic on the public's agenda, GAO was conducting a number of investigations in issuing reports. Long before bioterrorism and weapons of mass destruction, back when it was just a possible theoretical possibility, you were warning us. We appreciate that you would now come before us and give us an update on the questions that we have asked, and we welcome your testimony and invite you to present it at this time. Welcome.

#### **STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL, GENERAL ACCOUNTING OFFICE**

Mr. WALKER. Thank you, Mr. Chairman. Mr. Spratt and other members of the committee, it is a pleasure to be back before you.

Let me say it was our pleasure to accommodate the Members of the House of Representatives. Obviously it was something that we felt was appropriate to do. It was a hardship on us, but it enabled us to get close to our client in new and unexpected ways. I am sure that you are happy to be back in your offices, and we look forward to continuing to work with you.

With regard to today's hearing, I have got an extensive statement for the record and am going to summarize the most important points and allow time for the Q&A. Obviously, we have two distinguished individuals who are going to be on the next panel.

The terrorist attacks of September 11 have profoundly changed the agendas of Congress, the White House, Federal agencies, State and local governments and a number of private sector entities, while simultaneously altering the way of life for many Americans. As a lesson from history inscribed in the front of the National Archives states, "eternal vigilance is the price of liberty." Our fight against terrorism is not a short-term effort, and homeland security will forever be a priority for our Nation. As a result, we must find the best ways to sustain our efforts over the significant time period and leverage our finite resources, both human and financial, in ways that will have the greatest impact.

An effective framework to address these challenges will require not only leadership with a clear vision to develop and implement a homeland security strategy in coordination with all relevant partners, but also the ability to marshal and direct the necessary resources, both financial and human, to get the job done. The recent establishment of the Office of Homeland Security is a good first step, but a series of questions must be addressed regarding how this office will be structured, what authority its Director will have, and how this effort can be institutionalized and sustained over time.

The Director will need to define scope and objectives of the homeland security strategy. This strategy should be comprehensive and encompass the steps necessary to reduce our vulnerabilities, deter attacks, manage the effects of any attacks and provide for appropriate response. The strategy must involve all levels of government, the private sector, individual citizens, both here and abroad, and other nations. This strategy should also use a risk management approach to focus finite national resources on areas of greatest need.

We will never have zero risk. We don't have enough money for zero risk. Even if we put every amount of money we could at it, we will never get zero risk, it is virtually impossible.

As the first board notes, one of the challenges that former Governor Ridge, will face is that even before September 11, there were a lot of players on the field in the Federal Government. Mr. Chairman, you noted 43 players in this year's budget alone receiving money for homeland security, and actually this is just to combat terrorism. I would argue that combating terrorism is a subset of homeland security, and arguably there are other issues that would come under homeland security banner, although counter terrorism initiatives constitute the biggest part of it. This doesn't count State and local government programs, nor does it include the many other entities it must be coordinated with.

While homeland security is an urgent and vital national priority, we should recognize that the challenges that it presents illustrate a range of challenges facing our government in other areas that are not as visible or urgent, but nevertheless important. These include a lack of mission clarity, too much fragmentation and overlap, the need to improve the Federal Government's human capital strategy, difficulties in coordination and operation among levels of government across sectors of the economy, and the need to better measure performance and make sure that for the money that Congress appropriates, you get demonstrable results. Just because you get the money doesn't mean that you are going to get results.

As we respond to these urgent priorities of today and the long-term requirements of homeland security, our Nation still must address a number of other short-term and long-term fiscal challenges that were present before September 11, and remain today. Our history suggests that we have incurred sizable deficits when the security of our Nation or the state of our economy was at risk. We are fortunate to face these risks today at a time when we have some near-term budget flexibility. It is important to remember that the long-term pressures on the budget have not lessened; in fact, they are much worse as a result of not only the events of September 11, but the declining economy and continued increases in health care costs. As a result, the ultimate task of addressing today's urgent needs without unduly exacerbating our long-range challenges has become much more difficult.

As the next two boards will note, the long term budget outlook is daunting. Based on CBO's latest projection in August, we have projected the long term budget outcomes assuming that the entire unified budget surplus is eliminated in the near term. Our long term budget model suggest that by the year 2030, there will be no money for discretionary spending. By the year 2050, the only thing the Federal Government will be doing is paying bondholders.

The next chart demonstrates how it looked before September 11, and this is not just because of September 11 it is also because of the decline in the economy and a number of other things. Even before September 11 and before the additional decline in the economy, the long term budget outlook was already bad, even with the assumption that we were going to save every penny in the Social Security surplus. Even with this assumption, discretionary spending was going to have to be cut by 50 percent by 2030; clearly these are bleak and unacceptable.

My point is simple. There are a lot of legitimate demands that must be addressed today because of the events of September 11, and there are a number of actions that Congress will undoubtedly want to take in order to try to stimulate our economy, but it is important that those be focused on legitimate need rather than want. It is important to try to avoid hitchhikers, those who want to stack wants on top of needs; to be able to realize that what we have here is a very profound long-range challenge, nothing less than a need to review, reassess and reprioritize everything the Federal Government does and how it does it, because the numbers do not add up.

All too frequently, we assume that the base is acceptable, and therefore, the debate is about the increment, the plus or minus from the base. The base doesn't work. We cannot sustain the base long term. We have to start figuring out what the government is doing, what are you getting for it, what kind of return on investment, and how does that compare with the new and competing demands, whether they are security-related or prescription drugs, whatever they might be. What is the most important priority? Realistically you can't meet them all.

In summary, the terrorist attack of September 11 was a defining moment for our Nation, our government and in some respects the world. The appointment of former Governor Ridge to head the Office of Homeland Security within the Executive Office of the President is a promising first step in marshaling the resources nec-

essary to address our homeland security requirements. It can be argued, however, that statutory underpinnings and effective congressional oversight are critical to sustaining broad-scale initiatives over the long term. Therefore, as you move beyond the immediate response, I think it is important that you consider the implications of different structures for this Office of Homeland Security, not only on its ability to effectively get the job done, but on your ability—the Congress’s ability—to conduct effective oversight, and our ability at GAO to help you to be able to do that.

I have serious concerns that the way that this office is structured right now may not make it effective and could seriously compromise our ability to help the Congress engage in effective oversight. I also believe that we need to work together to figure out how we and others can help the Congress make sure the funds that you appropriate as a result of the acts of September 11 are used for the intended purpose with demonstrable results. The model that was used to track spending for Hurricane Mitch and other kinds of disaster assistance efforts may be something we want to explore with you going forward.

We have already started talking with OMB. They are getting their systems together to track funds. I think it is important because we are talking about significant sums of money, and our long-range challenges are now much tougher.

Obviously, we stand ready to help in any way that we can, and we look forward to doing so. Thank you very much.

Chairman NUSSLE. Thank you, General Walker.

[The prepared statement of Mr. Walker follows:]

PREPARED STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL OF THE  
UNITED STATES

Mr. Chairman and members of the committee, the terrorist attacks of September 11, 2001, have profoundly changed the agendas of the Congress, the White House, Federal agencies, State and local governments, and a number of private sector entities, while simultaneously altering the way of life for many Americans. The grave events of September 11th not only ended the debate about whether threats to our homeland are real, but also shattered the false sense of invulnerability within our Nation’s borders. At the same time, the aftermath of the attacks also clearly demonstrates the spirit of America and the enormous capacity of this Nation to unite; to coordinate efforts among federal, state and local agencies, as well as among private businesses, community groups, and individual citizens in response to a crisis; and to make the sacrifices necessary to respond both to these new threats and the consequences they entail.

Our challenge is to build upon this renewed purpose in ways that create both short- and long-term benefits and allow us to sustain our efforts. As the lesson from history inscribed on the front of the National Archives states, “Eternal vigilance is the price of liberty.” Our fight against terrorism is not a short-term effort, and homeland security will forevermore be a priority for our Nation. As a result, we must find the best ways to sustain our efforts over a significant time period and leverage our finite resources, both human and financial, in ways that will have the greatest effects.

I appreciate the opportunity to discuss with you today a framework for addressing Federal efforts to improve our homeland security and the fiscal implications that these actions may have for our Nation. Specifically, I will discuss the nature of the threats posed to our Nation, key elements of a framework to address homeland security, and the potential short- and long-term fiscal implications these efforts may have for the Nation.

SUMMARY

According to a variety of U.S. intelligence assessments, the United States now confronts a range of increasingly diffuse threats that put increased destructive

power into the hands of small states, groups, and individuals and threaten our values and way of life. These threats range from incidents of terrorism and attacks on critical infrastructure to cyber attacks, the potential use of various weapons of mass destruction, and the spread of infectious diseases. Each of these threats has varying degrees of potential to cause significant casualties and disruption. GAO has reported on many of these issues over the past several years, and the changing nature of security threats in the post-cold war world remains a key theme in our strategic plan. Appendix I contains a summary of our work and products in this area.

An effective framework to address these challenges will require not only leadership with a clear vision to develop and implement a homeland security strategy in coordination with all relevant partners but also the ability to marshal and direct the necessary resources to get the job done. The recent establishment of the Office of Homeland Security is a good first step, but a series of questions must be addressed regarding how this office will be structured, what authority its Director will have, and how this effort can be institutionalized and sustained over time. The Director will need to define the scope and objectives of a homeland security strategy. This strategy should be comprehensive and encompass steps designed to reduce our vulnerabilities, deter attacks, manage the effects of any successful attacks, and provide for appropriate response. The strategy will involve all levels of government, the private sector, individual citizens both here and abroad, and other nations. Our strategy should also use a risk management approach to focus finite national resources on areas of greatest need.

While homeland security is an urgent and vital national priority, we should recognize that the challenges it presents illustrate the range of challenges facing our government in other areas not as visible or urgent—but nevertheless important. These include a lack of mission clarity; too much fragmentation and overlap; the need to improve the Federal Government's human capital strategy; difficulties in coordination and operation across levels of government and across sectors of the economy; and the need to better measure performance.

As we respond to these urgent priorities of today and the enduring long-term requirements related to homeland security, our Nation still must address a number of other short-term and long-term fiscal challenges that were present before September 11, 2001, and remain today. Our history suggests that we have incurred sizable deficits when the security or the economy of the Nation was at risk. We are fortunate to face these risks at a time when we have some near-term budgetary flexibility. It is important to remember, however, that the long-term pressures on the budget have not lessened. In fact, they have increased due to the slowing economy and the increased spending levels expected for fiscal year 2002. As a result, the ultimate task of addressing today's urgent needs without unduly exacerbating our long-range fiscal challenges has become much more difficult.

#### THE NATURE OF THE THREAT FACING THE UNITED STATES

The United States and other nations face increasingly diffuse threats in the post-cold war era. In the future, potential adversaries are more likely to strike vulnerable civilian or military targets in nontraditional ways to avoid direct confrontation with our military forces on the battlefield. The December 2000 national security strategy states that porous borders, rapid technological change, greater information flow, and the destructive power of weapons now within the reach of small states, groups, and individuals make such threats more viable and endanger our values, way of life, and the personal security of our citizens.

FIGURE 1: THREATS TO NATIONAL SECURITY



Hostile nations, terrorist groups, transnational criminals, and individuals may target American people, institutions, and infrastructure with cyber attacks, weapons of mass destruction, or bioterrorism. International criminal activities such as money laundering, arms smuggling, and drug trafficking can undermine the stability of social and financial institutions and the health of our citizens. Other national emergencies may arise from naturally occurring or unintentional sources such as outbreaks of infectious disease. As we witnessed in the tragic events of September 11, 2001, some of the emerging threats can produce mass casualties. They can lead to mass disruption of critical infrastructure, involve the use of biological or chemical weapons, and can have serious implications for both our domestic and the global economy. The integrity of our mail has already been compromised. Terrorists could also attempt to compromise the integrity or delivery of water or electricity to our citizens, compromise the safety of the traveling public, and undermine the soundness of government and commercial data systems supporting many activities.

#### KEY ELEMENTS TO IMPROVE HOMELAND SECURITY

A fundamental role of the Federal Government under our Constitution is to protect America and its citizens from both foreign and domestic threats. The government must be able to prevent and deter threats to our homeland as well as detect impending danger before attacks or incidents occur. We also must be ready to manage the crises and consequences of an event, to treat casualties, reconstitute damaged infrastructure, and move the Nation forward. Finally, the government must be prepared to retaliate against the responsible parties in the event of an attack. To accomplish this role and address our new priority on homeland security, several critical elements must be put in place. First, effective leadership is needed to guide our efforts as well as secure and direct related resources across the many boundaries within and outside of the Federal Government. Second, a comprehensive homeland security strategy is needed to prevent, deter, and mitigate terrorism and terrorist acts, including the means to measure effectiveness. Third, managing the risks of terrorism and prioritizing the application of resources will require a careful assessment of the threats we face, our vulnerabilities, and the most critical infrastructure within our borders.

*Leadership Provided by the Office of Homeland Security*

On September 20, 2001, we issued a report that discussed a range of challenges confronting policymakers in the war on terrorism and offered a series of recommendations.<sup>1</sup> We recommended that the government needs clearly defined and effective leadership to develop a comprehensive strategy for combating terrorism, to oversee development of a new national-threat and risk assessment, and to coordinate implementation among Federal agencies. In addition, we recommended that the government address the broader issue of homeland security. We also noted that overall leadership and management efforts to combat terrorism are fragmented because no single focal point manages and oversees the many functions conducted by more than 40 different Federal departments and agencies.<sup>2</sup>

For example, we have reported that many leadership and coordination functions for combating terrorism were not given to the National Coordinator for Security, Infrastructure Protection and Counterterrorism within the Executive Office of the President. Rather, these leadership and coordination functions are spread among several agencies, including the Department of Justice, the Federal Bureau of Investigation (FBI), the Federal Emergency Management Agency, and the Office of Management and Budget. In addition, we reported that Federal training programs on preparedness against weapons of mass destruction were not well coordinated among agencies resulting in inefficiencies and concerns among rescue crews in the first responder community. The Department of Defense, Department of Justice, and the Federal Emergency Management Agency have taken steps to reduce duplication and improve coordination. Despite these efforts, state and local officials and organizations representing first responders indicate that there is still confusion about these programs. We made recommendations to consolidate certain activities, but have not received full agreement from the respective agencies on these matters.

In his September 20, 2001, address to the Congress, President Bush announced that he was appointing Pennsylvania Governor Thomas Ridge to provide a focus to homeland security. As outlined in the President's speech and confirmed in a recent executive order,<sup>3</sup> the new Homeland Security Adviser will be responsible for coordinating Federal, State, and local efforts and for leading, overseeing, and coordinating a comprehensive national strategy to safeguard the Nation against terrorism and respond to any attacks that may occur.

Both the focus of the executive order and the appointment of a coordinator within the Executive Office of the President fit the need to act rapidly in response to the threats that surfaced in the events of September 11 and the anthrax issues we continue to face. Although this was a good first step, a number of important questions related to institutionalizing and sustaining the effort over the long term remain, including:

- What will be included in the definition of homeland security? What are the specific homeland security goals and objectives?
- How can the coordinator identify and prioritize programs that are spread across numerous agencies at all levels of government? What criteria will be established to determine whether an activity does or does not qualify as related to homeland security?
- How can the coordinator have a real impact in the budget and resource allocation process?
- Should the coordinator's roles and responsibilities be based on specific statutory authority? And if so, what functions should be under the coordinator's control?
- Depending on the basis, scope, structure, and organizational location of this new position and entity, what are the implications for the Congress and its ability to conduct effective oversight?

A similar approach was pursued to address the potential for computer failures at the start of the new millennium, an issue that came to be known as Y2K. A massive mobilization, led by an assistant to the President, was undertaken. This effort coordinated all federal, state, and local activities, and established public-private partnerships. In addition, the Congress provided emergency funding to be allocated by the Office of Management and Budget after congressional consideration of the proposed allocations. Many of the lessons learned and practices used in this effort can be applied to the new homeland security effort. At the same time, the Y2K effort was finite in nature and not nearly as extensive in scope or as important and visible

<sup>1</sup>Combating Terrorism: Selected Challenges and Related Recommendations (GAO-01-822, Sept. 20, 2001).

<sup>2</sup>Combating Terrorism: Comments on Counterterrorism Leadership and National Strategy (GAO-01-556T, March 27, 2001).

<sup>3</sup>Establishing the Office of Homeland Security and the Homeland Security Council, E.O. 13228, Oct. 8, 2001.

to the general public as homeland security. The long-term, expansive nature of the homeland security issue suggests the need for a more sustained and institutionalized approach.

#### *Developing a Comprehensive Homeland Security Strategy*

I would like to discuss some elements that need to be included in the development of the national strategy for homeland security and a means to assign roles to federal, state, and local governments and the private sector. Our national preparedness related to homeland security starts with defense of our homeland but does not stop there. Besides involving military, law enforcement, and intelligence agencies, it also entails all levels of government—Federal, State, and local—and private individuals and businesses to coordinate efforts to protect the personal safety and financial interests of United States citizens, businesses, and allies, both at home and throughout the world. To be comprehensive in nature, our strategy should include steps designed to:

- reduce our vulnerability to threats;
- use intelligence assets and other broad-based information sources to identify threats and share such information as appropriate;
- stop incidents before they occur;
- manage the consequences of an incident; and
- in the case of terrorist attacks, respond by all means available, including economic, diplomatic, and military actions that, when appropriate, are coordinated with other nations.

An effective homeland security strategy must involve all levels of government and the private sector. While the Federal Government can assign roles to Federal agencies under the strategy, it will need to reach consensus with the other levels of government and with the private sector on their respective roles. In pursuing all elements of the strategy, the Federal Government will also need to closely coordinate with the governments and financial institutions of other nations. As the President has said, we will need their help. This need is especially true with regard to the multidimensional approach to preventing, deterring, and responding to incidents, which crosses economic, diplomatic, and military lines and is global in nature.

#### *Managing Risks to Homeland Security*

The United States does not currently have a comprehensive risk management approach to help guide Federal programs for homeland security and apply our resources efficiently and to best effect. “Risk management” is a systematic, analytical process to determine the likelihood that a threat will harm physical assets or individuals and then to identify actions to reduce risk and mitigate the consequences of an attack. The principles of risk management acknowledge that while risk generally cannot be eliminated, enhancing protection from known or potential threats can serve to significantly reduce risk.

We have identified a risk management approach used by the Department of Defense to defend against terrorism that might have relevance for the entire Federal Government to enhance levels of preparedness to respond to national emergencies whether man-made or unintentional in nature. The approach is based on assessing threats, vulnerabilities, and the importance of assets (criticality). The results of the assessments are used to balance threats and vulnerabilities and to define and prioritize related resource and operational requirements.

Threat assessments identify and evaluate potential threats on the basis of such factors as capabilities, intentions, and past activities. These assessments represent a systematic approach to identifying potential threats before they materialize. However, even if updated often, threat assessments might not adequately capture some emerging threats. The risk management approach therefore uses the vulnerability and criticality assessments discussed below as additional input to the decision-making process.

Vulnerability assessments identify weaknesses that may be exploited by identified threats and suggest options that address those weaknesses. For example, a vulnerability assessment might reveal weaknesses in an organization’s security systems, financial management processes, computer networks, or unprotected key infrastructure such as water supplies, bridges, and tunnels. In general, teams of experts skilled in such areas as structural engineering, physical security, and other disciplines conduct these assessments.

Criticality assessments evaluate and prioritize important assets and functions in terms of such factors as mission and significance as a target. For example, certain power plants, bridges, computer networks, or population centers might be identified as important to national security, economic security, or public health and safety. Criticality assessments provide a basis for identifying which assets and structures



are relatively more important to protect from attack. In so doing, the assessments help determine operational requirements and provide information on where to prioritize and target resources while reducing the potential to target resources on lower priority assets.

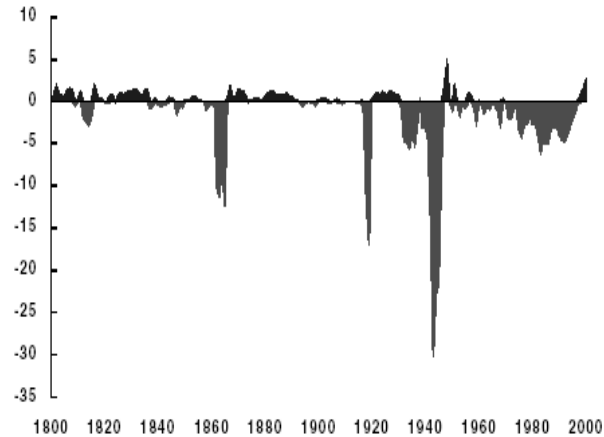
We recognize that a national-level risk management approach that includes balanced assessments of threats, vulnerabilities, and criticality will not be a panacea for all the problems in providing homeland security. However, if applied conscientiously and consistently, a balanced approach—consistent with the elements I have described—could provide a framework for action. It would also facilitate multidisciplinary and multiorganizational participation in planning, developing, and implementing programs and strategies to enhance the security of our homeland while applying the resources of the Federal Government in the most efficient and effective manner possible. Given the tragic events of Tuesday, September 11, 2001, a comprehensive risk management approach that addresses all threats has become an imperative.

As this Nation implements a strategy for homeland security, we will encounter many of the longstanding performance and accountability challenges being faced throughout the Federal Government. For example, we will be challenged to look across the Federal Government itself to bring more coherence to the operations of many agencies and programs. We must also address human capital issues to determine if we have the right people with the right skills and knowledge in the right places. Coordination across all levels of government will be required as will adequately defining performance goals and measuring success. In addressing these issues, we will also need to keep in mind that our homeland security priorities will have to be accomplished against the backdrop of the long-term fiscal challenges that loom just over the 10-year budget window.

#### SHORT- AND LONG-TERM FISCAL IMPLICATIONS

The challenges of combating terrorism and otherwise addressing homeland security have come to the fore as urgent claims on the Federal budget. As figure 2 shows, our past history suggests that when our national security or the state of the Nation's economy was at issue, we have incurred sizable deficits. Many would argue that today we are facing both these challenges. We are fortunate to be facing them at a time when we have some near-term budgetary flexibility. The budgetary surpluses of recent years that were achieved by fiscal discipline and strong economic growth put us in a stronger position to respond both to the events of September 11 and to the economic slowdown than would otherwise have been the case. I ask you to recall the last recession in the early 1990's where our triple-digit deficits [in billions of dollars] limited us from considering a major fiscal stimulus to jump start the economy due to well-founded fears about the impact of such measures on interest rates that were already quite high. In contrast, the fiscal restraint of recent years has given us the flexibility we need to both respond to the security crisis and consider short-term stimulus efforts.

FIGURE 2: SURPLUSES OR DEFICITS AS A SHARE OF GROSS DOMESTIC PRODUCT (GDP)  
(1800–2000)



Note: Data through 1929 are shown as a percent of gross national product (GNP); data from 1930 to present are shown as a percent of GDP.

Sources: Office of Management and Budget and Department of Commerce.

As we respond to the urgent priorities of today, we need to do so with an eye to the significant long-term fiscal challenges we face just over the 10-year budget horizon. I know that you and your counterparts in the Senate have given a great deal of thought to how the Congress and the President might balance today's immediate needs against our long-term fiscal challenges. This is an important note to sound—while some short-term actions are understandable and necessary, long-term fiscal discipline is still an essential need.

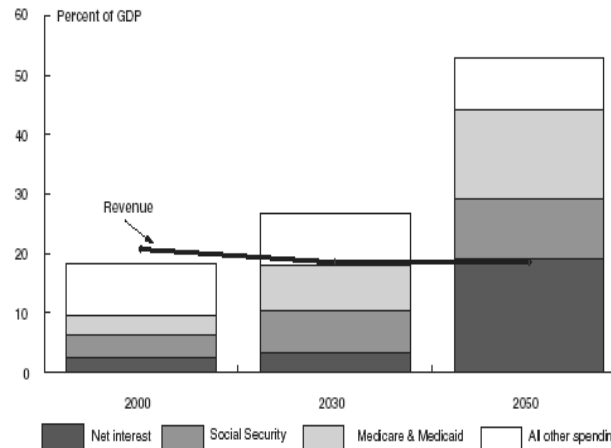
As we seek to meet today's urgent needs, it is important to be mindful of the collective impact of our decisions on the overall short- and long-term fiscal position of the government. For the short term, we should be wary of building in large permanent structural deficits that may drive up interest rates, thereby offsetting the potential economic stimulus Congress provides. For the longer term, known demographic trends (e.g., the aging of our population) and rising health care costs will place increasing claims on future Federal budgets—reclaiming the fiscal flexibility necessary to address these and other emerging challenges is a major task facing this generation.

None of the changes since September 11 have lessened these long-term pressures on the budget. In fact, the events of September 11 have served to increase our long-range challenges. The baby boom generation is aging and is projected to enjoy greater life expectancy. As the share of the population over 65 climbs, Federal spending on the elderly will absorb larger and ultimately unsustainable shares of the Federal budget. Federal health and retirement spending are expected to surge as people live longer and spend more time in retirement. In addition, advances in medical technology are likely to keep pushing up the cost of providing health care. Absent substantive change in related entitlement programs, we face the potential return of large deficits requiring unprecedented spending cuts in other areas or unprecedented tax increases.

As you know, the Director of the Congressional Budget Office (CBO) has recently suggested the possibility of a Federal budget deficit in fiscal year 2002, and other budget analysts appear to be in agreement. While we do not know today what the 10-year budget projections will be in the next updates by CBO and the Office of Management and Budget (OMB), we do know the direction: they will be considerably less optimistic than before September 11, and the long-term outlook will look correspondingly worse. For example, if we assume that the 10-year surpluses CBO projected in August are eliminated, by 2030 absent changes in the structure of Social Security and Medicare, there would be virtually no room for any other Federal spending priorities, including national defense, education, and law enforcement. (See fig. 3). The resource demands that come from the events of September 11—and the need to address the gaps these events surfaced—will demand tough choices.

Part of that response must be to deal with the threats to our long-term fiscal health. Ultimately, restoring our long-term fiscal flexibility will involve both promoting higher long-term economic growth and reforming the Federal entitlement programs. When Congress returns for its next session, these issues should be placed back on the national agenda.

FIGURE 3: AUGUST 2001 PROJECTION—COMPOSITION OF FEDERAL SPENDING UNDER THE “ELIMINATE UNIFIED SURPLUSES” SIMULATION



Note: Revenue as a share of GDP declines from its 2000 level of 20.6 percent due to unspecified permanent policy actions. In this display, policy changes are allocated equally between revenue reductions and spending increases.

Source: GAO's August 2001 analysis.

With this long-term outlook as backdrop, an ideal fiscal response to a short-term economic downturn would be temporary and targeted, and avoid worsening the longer-term structural pressures on the budget. However, you have been called upon not merely to respond to a short-term economic downturn but also to the homeland security needs so tragically highlighted on September 11. This response will appropriately consist of both temporary and longer-term commitments. While we might all hope that the struggle against terrorism might be brought to a swift conclusion, prudence dictates that we plan for a longer-term horizon in this complex conflict.

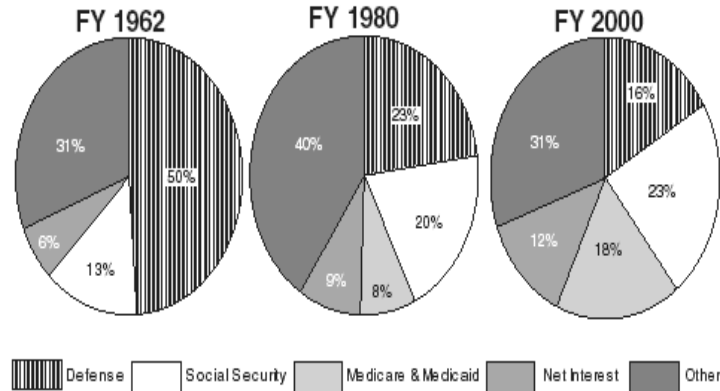
Given the long-term fiscal challenge driven by the coming change in our demographics, you might think about the options you face in responding to short-term economic weakness in terms of a range or portfolio of fiscal actions balancing today's urgent needs with tomorrow's fiscal challenges. In my testimony last February before the Senate Budget Committee,<sup>4</sup> I suggested that fiscal actions could be described as a continuum by the degree of long-term fiscal risk they present. At one end, debt reduction and entitlement reform actually increase future fiscal flexibility by freeing up resources. One-time actions—either on the tax or spending side of the budget—may have limited impact on future flexibility. At the other end of the fiscal risk spectrum, permanent or open-ended fiscal actions on the spending side or tax side of the budget can reduce future fiscal flexibility—although they may have salutary effects on longer-term economic growth depending on their design and implementation. I have suggested before that increasing entitlement spending arguably presents the highest risk to our long-range fiscal outlook. Whatever choices the Congress decides to make, approaches should be explored to mitigate risk to the long term. For example, provisions with plausible expiration dates—on the spending and/or the tax side—may prompt reexamination taking into account any changes in fiscal circumstances. In addition, a mix of temporary and permanent actions can also serve to reduce risk.

As we move beyond the immediate threats, it will be important for the Congress and the President to take a hard look at competing claims on the Federal fisc. I

<sup>4</sup>Long-Term Budget Issues: Moving From Balancing the Budget to Balancing Fiscal Risk (GAO-01-385T, Feb. 6, 2001).

don't need to remind this Committee that a big contributor to deficit reduction in the 1990's was the decline in defense spending. Given recent events, it is pretty clear that the defense budget is not a likely source for future budget reductions. (See fig. 4).

FIGURE 4: COMPOSITION OF FEDERAL SPENDING



Source: Budget of the United States Government FY 2002, Office of Management and Budget.

Once the economy rebounds, returning to surpluses will take place against the backdrop of greater competition of claims within the budget. The new commitments that we need to undertake to protect this Nation against the threats stemming from terrorism will compete with other priorities. Subjecting both new proposals and existing programs to scrutiny would increase the ability to accommodate any new needs.

A fundamental review of existing programs and operations can create much needed fiscal flexibility to address emerging needs by weeding out programs that have proven to be outdated, poorly targeted or inefficient in their design and management.<sup>5</sup> Many programs were designed years ago to respond to earlier challenges. Obviously many things have changed. It should be the norm to reconsider the relevance or "fit" of any Federal program or activity in today's world and for the future. In fact, we have a stewardship responsibility to both today's taxpayers and tomorrow's to reexamine and update our priorities, programs, and agency operations. Given the significant events since the last CBO 10-year budget projections, it is clear that the time has come to conduct a comprehensive review of existing agencies and programs—which are often considered to be "in the base"—while exercising continued prudence and fiscal discipline in connection with new initiatives.

In particular, agencies will need to reassess their strategic goals and priorities to enable them to better target available resources to address urgent national preparedness needs. The terrorist attacks, in fact, may provide a window of opportunity for certain agencies to rethink approaches to longstanding problems and concerns. For instance, the threat to air travel has already prompted attention to chronic problems with airport security that we and others have been pointing to for years. Moreover, the crisis might prompt a healthy reassessment of our broader transportation policy framework with an eye to improving the integration of air, rail, and highway systems to better move people and goods. Other longstanding problems also take on increased relevance in today's world. Take, for example, food safety. Problems such as overlapping and duplicative inspections, poor coordination and the inefficient allocation of resources are not new. However, they take on a new meaning—and could receive increased attention—given increased awareness of bioterrorism issues.

GAO has identified a number of areas warranting reconsideration based on program performance, targeting, and costs. Every year, we issue a report identifying specific options, many scored by CBO, for congressional consideration stemming

<sup>5</sup> See Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance (GAO/T-AIMD-00-96, Feb. 17, 2000) and Budget Issues: Effective Oversight and Budget Discipline Are Essential-Even in a Time of Surplus (GAO/T-AIMD-00-73, Feb. 1, 2000)

from our audit and evaluation work.<sup>6</sup> This report provides opportunities for (1) reassessing objectives of specific Federal programs, (2) improved targeting of benefits and (3) improving the efficiency and management of Federal initiatives.

This same stewardship responsibility applies to our oversight of the funds recently provided to respond to the events of September 11. Rapid action in response to an emergency does not eliminate the need for review of how the funds are used. As you move ahead in the coming years, there will be proposals for new or expanded Federal activities, but we must seek to distinguish the infinite variety of “wants” from those investments that have greater promise to effectively address more critical “needs.”

In sorting through these proposals, we might apply certain investment criteria in making our choices. Well-chosen enhancements to the Nation’s infrastructure are an important part of our national preparedness strategy. Investments in human capital for certain areas such as intelligence, public health and airport security will also be necessary as well to foster and maintain the skill sets needed to respond to the threats facing us. As we have seen with the airline industry, we may even be called upon to provide targeted and temporary assistance to certain vital sectors of our economy affected by this crisis. A variety of governmental tools will be proposed to address these challenges—grants, loans, tax expenditures, direct Federal administration. The involvement of a wide range of third parties—state and local governments, nonprofits, private corporations, and even other nations—will be a vital part of the national response as well.

In the short term, we have to do what is necessary to get this Nation back on its feet and compassionately deal with the human tragedies left in its wake. However, as we think about our longer-term preparedness and develop a comprehensive homeland security strategy, we can and should select those programs and tools that promise to provide the most cost-effective approaches to achieve our goals. Some of the key questions that should be asked include the following:

- Does the proposed activity address a vital national preparedness mission and do the benefits of the proposal exceed its costs?
- To what extent can the participation of other sectors of the economy, including state and local governments, be considered; and how can we select and design tools to best leverage and coordinate the efforts of numerous governmental and private entities? Is the proposal designed to prevent other sectors or governments from reducing their investments as a result of Federal involvement?
- How can we ensure that the various Federal tools and programs addressing the objective are coherently designed and integrated so that they work in a synergistic rather than a fragmented fashion?
- Do proposals to assist critical sectors in the recovery from terrorist attacks appropriately distinguish between temporary losses directly attributable to the crisis and longer-term costs stemming from broader and more enduring shifts in markets and other forces?
- Are the proposal’s time frames, cost projections, and promises realistic in light of past experience and the capacity of administrators at all levels to implement?

We will face the challenge of sorting out these many claims on the Federal budget without the fiscal benchmarks and rules that have guided us through the years of deficit reduction into surplus. Your job therefore has become much more difficult.

Ultimately, as this Committee recommended on October 4, we should attempt to return to a position of surplus as the economy returns to a higher growth path. Although budget balance may have been the desired fiscal position in past decades, nothing short of surpluses are needed to promote the level of savings and investment necessary to help future generations better afford the commitments of an aging society. As you seek to develop new fiscal benchmarks to guide policy, you may want to look at approaches taken by other countries. Certain nations in the Organization for Economic Cooperation and Development, such as Sweden and Norway, have gone beyond a fiscal policy of balance to one of surplus over the business cycle. Norway has adopted a policy of aiming for budget surpluses to help better prepare for the fiscal challenges stemming from an aging society. Others have established a specific ratio of debt to gross domestic product as a fiscal target.

#### CONCLUSION

The terrorist attack on September 11, 2001, was a defining moment for our Nation, our government, and, in some respects, the world. The initial response by the President and the Congress has shown the capacity of our government to act quick-

<sup>6</sup>Supporting Congressional Oversight: Framework for Considering Budgetary Implications of Selected GAO Work (GAO-01-447, March 9, 2001).<sup>1</sup> GAO-01-822, Sept. 20, 2001.

ly. However, it will be important to follow up on these initial steps to institutionalize and sustain our ability to deal with a threat that is widely recognized as a complex and longer-term challenge. As the President and the Congress—and the American people—recognize, the need to improve homeland security is not a short-term emergency. It will continue even if we are fortunate enough to have the threats moved off the front page of our daily papers.

As I noted earlier, implementing a successful homeland security strategy will encounter many of the same performance and accountability challenges that we have identified throughout the Federal Government. These include bringing more coherence to the operations of many agencies and programs, dealing with human capital issues, and adequately defining performance goals and measuring success.

The appointment of former Governor Ridge to head an Office of Homeland Security within the Executive Office of the President is a promising first step in marshalling the resources necessary to address our homeland security requirements. It can be argued, however, that statutory underpinnings and effective congressional oversight are critical to sustaining broad scale initiatives over the long term. Therefore, as we move beyond the immediate response to the design of a longer-lasting approach to homeland security, I urge you to consider the implications of different structures and statutory frameworks for accountability and your ability to conduct effective oversight. Needless to say, I am also interested in the impact of various approaches on GAO's ability to assist you in this task.

You are faced with a difficult challenge: to respond to legitimate short-term needs while remaining mindful of our significant and continuing long-term fiscal challenges. While the Congress understandably needs to focus on the current urgent priorities of combating international terrorism, securing our homeland, and stimulating our economy, it ultimately needs to return to a variety of other challenges, including our long-range fiscal challenge. Unfortunately, our long-range challenge has become more difficult, and our window of opportunity to address our entitlement challenges is narrowing. As a result it will be important to return to these issues when the Congress reconvenes next year. We in GAO stand ready to help you address these important issues both now and in the future.

I would be happy to answer any questions that you may have.

#### APPENDIX I: PRIOR GAO WORK RELATED TO HOMELAND SECURITY

GAO has completed several congressionally requested efforts on numerous topics related to homeland security. Some of the work that we have done relates to the areas of combating terrorism, aviation security, transnational crime, protection of critical infrastructure, and public health. The summaries describe recommendations made before the President established the Office of Homeland Security.

##### *Combating Terrorism*

Given concerns about the preparedness of the Federal Government and state and local emergency responders to cope with a large-scale terrorist attack involving the use of weapons of mass destruction, we reviewed the plans, policies, and programs for combating domestic terrorism involving weapons of mass destruction that were in place prior to the tragic events of September 11. Our report, *Combating Terrorism: Selected Challenges and Related Recommendations*,<sup>1</sup> which was issued September 20, 2001, updates our extensive evaluations in recent years of Federal programs to combat domestic terrorism and protect critical infrastructure.

Progress has been made since we first began looking at these issues in 1995. Interagency coordination has improved, and interagency and intergovernmental command and control now is regularly included in exercises. Agencies also have completed operational guidance and related plans. Federal assistance to state and local governments to prepare for terrorist incidents has resulted in training for thousands of first responders, many of whom went into action at the World Trade Center and at the Pentagon on September 11, 2001.

We also recommended that the President designate a single focal point with responsibility and authority for all critical functions necessary to provide overall leadership and coordination of Federal programs to combat terrorism. The focal point should oversee a comprehensive national-level threat assessment on likely weapons, including weapons of mass destruction, that might be used by terrorists and should lead the development of a national strategy to combat terrorism and oversee its implementation. With the President's appointment of the Homeland Security Adviser, that step has been taken. Furthermore, we recommended that the Assistant to the President for Science and Technology complete a strategy to coordinate research and development to improve Federal capabilities and avoid duplication.

### *Aviation Security*

Since 1996, we have presented numerous reports and testimonies and identified numerous weaknesses that we found in the commercial aviation security system. For example, we reported that airport passenger screeners do not perform well in detecting dangerous objects, and Federal Aviation Administration tests showed that as testing gets more realistic—that is, as tests more closely approximate how a terrorist might attempt to penetrate a checkpoint—screener performance declines significantly. In addition, we were able to penetrate airport security ourselves by having our investigators create fake credentials from the Internet and declare themselves law enforcement officers. They were then permitted to bypass security screening and go directly to waiting passenger aircraft. In 1996, we outlined a number of steps that required immediate action, including identifying vulnerabilities in the system; developing a short-term approach to correct significant security weaknesses; and developing a long-term, comprehensive national strategy that combines new technology, procedures, and better training for security personnel.

### *Cyber Attacks on Critical Infrastructure*

Federal critical infrastructure-protection initiatives have focused on preventing mass disruption that can occur when information systems are compromised because of computer-based attacks. Such attacks are of growing concern due to the Nation's increasing reliance on interconnected computer systems that can be accessed remotely and anonymously from virtually anywhere in the world. In accordance with Presidential Decision Directive 63, issued in 1998, and other information-security requirements outlined in laws and Federal guidance, an array of efforts has been undertaken to address these risks. However, progress has been slow. For example, Federal agencies have taken initial steps to develop critical infrastructure plans, but independent audits continue to identify persistent, significant information security weaknesses that place many major Federal agencies' operations at high risk of tampering and disruption. In addition, while Federal outreach efforts have raised awareness and prompted information sharing among government and private sector entities, substantive analysis of infrastructure components to identify interdependencies and related vulnerabilities has been limited. An underlying deficiency impeding progress is the lack of a national plan that fully defines the roles and responsibilities of key participants and establishes interim objectives. Accordingly, we have recommended that the Assistant to the President for National Security Affairs ensure that the government's critical infrastructure strategy clearly define specific roles and responsibilities, develop interim objectives and milestones for achieving adequate protection, and define performance measures for accountability. The administration has been reviewing and considering adjustments to the government's critical infrastructure-protection strategy and last week, announced appointment of a Special Advisor to the President for Cyberspace Security.

### *International Crime Control*

On September 20, 2001, we publicly released a report on international crime control and reported that individual Federal entities have developed strategies to address a variety of international crime issues, and for some crimes, integrated mechanisms exist to coordinate efforts across agencies. However, we found that without an up-to-date and integrated strategy and sustained top-level leadership to implement and monitor the strategy, the risk is so high that scarce resources will be wasted, overall effectiveness will be limited or not known, and accountability will not be ensured. We recommended that the Assistant to the President for National Security Affairs take appropriate action to ensure sustained executive-level coordination and assessment of multiagency Federal efforts in connection with international crime, including efforts to combat money laundering. Some of the individual actions we recommended were to update the existing government-wide international crime threat assessment, to update or develop a new International Crime Control Strategy to include prioritized goals as well as implementing objectives, and to designate responsibility for executing the strategy and resolving any jurisdictional issues.

### *Public Health*

The spread of infectious diseases is a growing concern. Whether a disease outbreak is intentional or naturally occurring, the public health response to determine its causes and contain its spread is largely the same. Because a bioterrorist event could look like a natural outbreak, bioterrorism preparedness rests in large part on public health preparedness. We reported in September 2001 that concerns remain regarding preparedness at state and local levels and that coordination of Federal terrorism research, preparedness, and response programs is fragmented.

In our review last year of the West Nile virus outbreak in New York, we also found problems related to communication and coordination among and between federal, state, and local authorities. Although this outbreak was relatively small in terms of the number of human cases, it taxed the resources of one of the Nation's largest local health departments. In 1999, we reported that surveillance for important emerging infectious diseases is not comprehensive in all states, leaving gaps in the Nation's surveillance network. Laboratory capacity could be inadequate in any large outbreak, with insufficient trained personnel to perform laboratory tests and insufficient computer systems to rapidly share information. Earlier this year, we reported that Federal agencies have made progress in improving their management of the stockpiles of pharmaceutical and medical supplies that would be needed in a bioterrorist event, but that some problems still remained. There are also widespread concerns that hospital emergency departments generally are not prepared in an organized fashion to treat victims of biological terrorism and that hospital emergency capacity is already strained, with emergency rooms in major metropolitan areas routinely filled and unable to accept patients in need of urgent care. To improve the Nation's public health surveillance of infectious diseases and help ensure adequate public protection, we recommended that the Director of the Centers for Disease Control and Prevention lead an effort to help federal, state, and local public health officials achieve consensus on the core capacities needed at each level of government. We advised that consensus be reached on such matters as the number and qualifications of laboratory and epidemiological staff as well as laboratory and information technology resources.

Chairman NUSSLE. Prior to September, the Government's proposed fiscal year 2002 budget for all programs under the definition of combating terrorism was approximately \$12.8 billion. As I understand it, 8.6 billion was categorized as, quote, combating terrorism; 1.8 billion was, quote, to combat weapons of mass destruction; and 2.6 billion was categorized, quote, critical infrastructure protection, for a total of \$12.8 billion. This is, as I understand it, a 78 percent increase since fiscal year 1998, which was the first year that some of these definitions appeared in the budget and appeared in appropriations. There was slightly more than half spent by the Department of Defense.

How do we measure the effectiveness of this money that has been spent and the priority that has been put toward combating terrorism, combating weapons of mass destruction and critical infrastructure protection? Are we only able to do that through the prism of what occurred on September 11, or is there a way to examine the effectiveness of these resources that have been spent and coordinated thus far, and what model would you suggest?

I think you gave us some very good advice with regard to oversight, particularly the caveat to Congress's often cheerful method of providing hitchhikers for—under the rubric of combating terrorism, just about everything has that definition attached to it, it seems, for stimulating the economy. How would we model the oversight for these programs?

Mr. WALKER. First, let me say that those numbers that have been reported to you, is how much money was appropriated and how much money was spent for those activities. I think that one of the things that has to be done on a targeted basis, and we are happy to try to work with this committee and others as appropriate, is what are they actually doing with that money. In some cases it may be investment-oriented, or it may be R&D, and you may need to do R&D, and R&D may not be getting a payoff in year 1, but it is something you need to do to stay ahead of the curve and ultimately will be able to demonstrate that you are getting some return on that over some period of time.



One of the concerns I have is that there is not enough focus on what is being done with the money and what we are getting for the money. There has also been a challenge in government in that most of the activities that have occurred have been everybody looking at their silo, each of these individual 43 departmental agencies being responsible and accountable for what they do rather than looking across government. In the area of counterterrorism, homeland security, by definition, you have to take a horizontal approach across the Federal Government as well as across boundaries, domestically and internationally. I think we need to work together building off GPRA, but targeting in on areas of opportunity—security being one of the most fundamental—to try to work with the Congress and others to do a more thorough analysis of what actually is being done and what is being achieved of what is being done.

Chairman NUSSLE. When could that analysis be completed, because what I am concerned about is that we will very cheerfully enter into a bidding war when it comes to—from a partisan standpoint, or even in a nonpartisan standpoint—an effort to demonstrate our desire to protect America. We have said, the President has said, every American has said they would be willing to pay just about any price to ensure that September 11 never happens again. That is easy to say in a speech. When the Budget Committee meets coming in January, February and March to actually put that on paper and realize the juxtaposition that it has with health care, welfare, the environment, transportation and everything else in the Federal budget, that will be a little bit harder pill to swallow and more difficult to sustain long-term fiscal sanity and get us back on an even keel in short order.

So how quickly can we come up with that kind of analysis so that we are better prepared to enter into this next budget cycle?

Mr. WALKER. We have created a GAO task team to focus horizontally on the issue of homeland security, and Randall Yim is the director of that group. What I would suggest is we get him and his people together with your staff and figure out what we can do. It depends upon how much you want us to do. We can make it a priority. I think it needs to be a priority, and I think it is illustrative of what needs to be done in a whole range of government areas. This happens to be the most acute need right now, and we will work with you.

Chairman NUSSLE. As part of the horizontal approach, we need to include State and local.

Mr. WALKER. I agree. I met this morning, with a number of State treasurers who are trying to work with us and will end up working with the administration because they want to play a part here and want to leverage the economic power of the States and the State pension funds to combat terrorism. There are things that can be done in that regard, and we are working with them to facilitate networking with the executive branch to get that done.

Chairman NUSSLE. Mr. Spratt.

Mr. SPRATT. Let me follow up on that idea. Would it be possible then for the General Accounting Office, first of all, to take something like the wiring diagram you have there and expand upon it and give us an inventory of all the programs in the Federal Gov-

ernment, associated agencies, that are counterterrorism, homeland security today, or is that—is that a doable task?

Mr. WALKER. I think it is a doable task. Mr. Spratt, we can make a good faith effort to get that done.

Mr. SPRATT. Usable. Give us a big compendium, and nobody will ever look at it.

Mr. WALKER. I understand what you are saying. Yes.

Mr. SPRATT. Obviously we would want the organizations, and we would want the programs associated with those organizations. In many cases it will be dual and triple applications. It would not just be homeland security. There would be other purposes. We would like to know, I think, the cost associated with the programs. Then once we get that, I guess we need to talk to you about how do you measure effectiveness. We use the word “cost-effective” all the time. We don’t have a good device for measuring cost-effectiveness.

Mr. WALKER. We can come up with the agencies. We can make a good faith effort of coming up with what they report as the related cost.

Obviously one of the problems with cost is how do you define it; are they allocating overhead to it, or is it just direct cost. So I think what we can do is do the best we can to get some meaningful information that gives you a baseline. But ultimately this is something we are going to have to do, in more depth, over time.

Mr. SPRATT. Well, we welcome the opportunity to sit down with your staff and work out that project.

Chairman NUSSLE. Mr. Gutknecht.

Mr. GUTKNECHT. Thank you, Mr. Chairman.

Mr. Walker, it has been said that one of the first casualties of war is the truth, and there have been some rumors floating around and I just want to find out what you know about this. I was told last week, for example, over the last 3 years the Federal Government has spent several hundred million dollars on consultants to deal with bioterrorism. In view of the rather ham-fisted way we seem to have dealt with anthrax, I am curious.

Two things: First of all, can you confirm that; do you know that; and is there a way to find out whether or not that is true? Secondly, I think we owe it to our constituents to find out what in the world we have gotten for all the money we have spent.

What the number is, we don’t know right now, but we know it is a pretty sizable number over the last 3 years, and I would just like to work with you, and I would hope that you would work with the Budget Committee. I do think there will be a tendency in the next year or so, and perhaps beyond, to be willing to spend a lot more money, but I agree that at some point we have to demonstrate to our constituents and to the taxpayers that in fact they are getting fair value for the money we spent. Do you know anything about the amount—

Mr. WALKER. I do not know the amount of money that has been spent on bioterrorism consultants, but hopefully at least we will get a feel for what is being proposed to be spent on bioterrorism as part of this other review. I don’t know if we have a way to figure that out or not. The information that we get does not break it out by whether or not it is, for consultants. I will see what, if anything,

we can do on that, but I cannot confirm the fact that we have spent several hundred million dollars.

Mr. GUTKNECHT. Mr. Chairman, let me just brag for a minute, if I can, on some of my constituents. For all the money we have spent over the last number of years on bioterrorism, the one thing that we learned, to our despair, that we really did not have an effective test for anthrax. A team of researchers working in my district, with no Federal funds, in the last 30 days, has developed a test for anthrax at Mayo Clinic which will give you results within 30 minutes.

I think that there is an example and I think maybe a lesson for us, and that is, all the money that we are throwing into some of the Federal agencies, we don't seem to get the kind of results; and here we have some scientists working in a lab in Rochester, Minnesota with no Federal funds, and they come up with a test within 30 days that will give us answers within 30 minutes. I hope we won't lose that lesson as we go forward. I will yield back.

Mr. WALKER. I think we also have to keep in mind that we have had one producer for a vaccine for anthrax, or at least one type of anthrax, that has not received FDA approval. So we have spent a tremendous amount of money on that and yet FDA hasn't approved the vaccine. This is an example of something that has gone wrong.

Chairman NUSSLE. I am going to call on Mr. Bentsen next, but let me propound a unanimous consent request. I would ask unanimous consent that we invite to the table, after Mr. Bentsen has an opportunity to ask questions, our second panel and allow them to make their presentation. We have a briefing at 3:00, and I think it would be good to get their thoughts on this as well before we go around. So, Mr. Bentsen, and we will call that second panel—

Mr. BENTSEN. Thank you, Mr. Chairman. And excuse my voice.

Mr. Walker, you raised some interesting questions. And I apologize to our second panel, but I am going to have to leave to go back to a markup on the reinsurance bill that we are working on in response to September 11 which may well have future budget implications. But you raised some interesting questions on whether or not the cost—and there will be a cost associated with this—whether or not it is a supplemental cost or becomes a substitution cost for other programs that we might do. And I don't know that any of us have that answer.

We know that most of the first responders are State and local, but we also don't know the answer of whether this is a Federal cost that the Federal Government will ultimately have to underwrite. So it is a very complicated issue.

I would like to turn your attention to a story that ran Monday in the New York Times about the public health care system in responding to bioterrorism, and I would ask unanimous consent to insert it into the record, if I might.

[The information referred to follows:]

STRUGGLING TO REACH A CONSENSUS ON PREPARATIONS FOR BIOTERRORISM  
BY SHERYL GAY STOLBERG

[New York Times, November 5, 2001]

In his 5 years as president of Johns Hopkins Hospital in Baltimore, Ronald R. Peterson has spent much of his time trying to make ends meet. But now that the

anthrax scare has made bioterrorism a reality, Mr. Peterson is planning to spend money, not save it.

This year, Johns Hopkins will buy extra medicines, masks, ventilators and radios for its security force. It will retrofit a building with new air filters, to keep infectious germs from spreading. The price: \$7 million. The question is, who will pay for it?

"The Federal Government is going to have to give us some assistance," Mr. Peterson said. Last week, the American Hospital Association estimated that the Nation would have to spend \$11.3 billion to get hospitals ready to handle a serious bioweapon attack. But the leading bioterrorism legislation in Congress proposes \$3 billion for all aspects of preparedness, with \$400 million earmarked for hospitals.

The gulf between these two estimates shows how far the Nation is from a consensus on what must be done to prepare for bioterrorism. The current anthrax attacks, which have killed 4 people and sickened 14 others, have done more than years of reports and warnings to convince Americans that the Nation must get ready for a large-scale germ attack.

But the anthrax-tainted letters, while terrifying, have not been much of a test of the country's hospital network.

The system they have tested—the public health system—has been strained to its breaking point.

"We have spent, in the last 3 years, one dollar per year per American on bioterrorism preparedness," said Dr. Tara O'Toole, director of the Center for Civilian Bio-defense Studies at Johns Hopkins University. "We are basically getting what we paid for."

Senator Bill Frist, Republican of Tennessee, and Senator Edward M. Kennedy, Democrat of Massachusetts, are proposing legislation that would increase that amount tenfold, to \$3.1 billion a year, Mr. Frist said.

Dr. O'Toole says that amount is merely a "down payment on what is going to have to be a long-term investment." There is little agreement among lawmakers and policy experts about how much is needed.

Mr. Kennedy, for instance, initially wanted to spend \$10 billion on bioterrorism, including \$5 billion to improve the public health system. The current Frist-Kennedy package, which could be taken up by the Senate this week, includes about \$1 billion for public health.

In the House of Representatives, Democrats have proposed \$7 billion for bioterrorism, including \$3.5 billion for public health improvements; House Republicans are drafting an alternative.

The Bush administration has asked Congress for \$1.5 billion to fight germ attacks, most of it to stockpile antibiotics and vaccines.

"We can achieve much better preparedness very quickly," Mr. Kennedy said, "but it will require a major national effort and a major commitment of new resources."

"The question is not whether we have the ability to protect the American people," he said, "but whether we have the will."

Having the will does not just mean having the money. It means training doctors and nurses and public health professionals. It will also mean a sea change in the way hospitals do business.

For more than a decade, managed care companies and the Medicare system have pressed hospitals to squeeze the extras out of their budgets. Hospitals have cut beds from emergency rooms. They have eliminated laboratory technician positions and pharmacy jobs. They no longer stockpile medicines, and instead buy drugs each day as needed. These steps have eliminated what is known as surge capacity, the ability of hospitals to handle a sharp increase in patients.

To prepare for bioterrorism, hospitals must build surge capacity back in. Yet because they are reimbursed by health insurers only for patient care, hospital executives say they have no way to pay for bioterrorism preparedness. And because hospitals compete for patients, most have not engaged in regional planning for a bioterrorist attack—designating one city hospital as the burn unit, for instance, and another the infectious disease ward.

"Back in civil defense days, there were regional hospital planning committees that had some type of a game plan," said Amy Smithson, a bioterrorism expert at the Henry L. Stimson Center, a research organization in Washington. "Privatization of the hospital industry has meant that if physicians, nurses and hospital administrators could not charge their time to a health insurer or Uncle Sam, then it was difficult for them to do this type of thing."

The American Hospital Association estimates that, in a large-scale bioterrorist attack, each urban hospital will need to be able to care for 1,000 patients; the preparations will cost about \$3 million per hospital, and more than \$8 billion all told. Each rural hospital, the association has said, will need to be able to care for 200 patients, at a cost of \$1.4 million per hospital, a total of more than \$3 billion.

Some bioterrorism experts, among them Dr. Frank E. Young, the former director of the Office of Emergency Preparedness at the Department of Health and Human Services, have suggested that military field hospitals could be used to help cope with an attack. Others say that is not practical.

"I think it's naive to say we don't need to upgrade our hospital capabilities," said Joseph Waeckerle, an expert on bioterrorism who edits the *Annals of Emergency Medicine*. "People are going to go to emergency departments of hospitals, and they are going to go in waves." Of the current anthrax attacks, he said: "This is one small incident. What happens if we have a big one?"

Senator Frist said he was reluctant to commit the government to spending a lot of money on hospital preparedness until the hospitals developed bioterrorism plans. "Only one out of five hospitals even has a bioterrorism plan," Mr. Frist said. "If you gave them a billion dollars, they don't have a plan to spend it on."

There is general agreement, however, that the Federal Government needs to stockpile vaccines and antibiotics. The Bush administration has proposed spending \$509 million to acquire 300 million doses of smallpox vaccine, one for every American, and \$630 million to expand the National Pharmaceutical Stockpile, a cache of medicine and equipment that could be used in the event of a national emergency. Antibiotics from the stockpile are being distributed to people exposed to anthrax.

Kevin Keane, a spokesman for Tommy G. Thompson, the secretary of Health and Human Services, called the administration's \$1.5 billion plan "a strong investment and a good start." Mr. Keane said the health secretary is "continuing to work very closely with Senators Kennedy and Frist as well as other Members of Congress on a final package."

But Representative Robert Menendez, a New Jersey Democrat who is chairman of the House Democratic caucus's task force on homeland security, said Mr. Bush's plan did not go far enough. The Democrats' \$7 billion package, for instance, includes \$1.1 billion to improve intelligence capabilities to detect bioterrorism, \$870 million for law enforcement and \$720 million for the military.

"The administration is way behind the curve," Mr. Menendez said. "They may be very aggressive in their war on Afghanistan. But in my view, and in the view of many people, they are not as aggressive on the homeland part of this issue."

As the debate continues, the Nation's public health laboratories are struggling to analyze tests generated by the anthrax scare. Dr. O'Toole, of Johns Hopkins, said laboratory workers at the Centers for Disease Control and Prevention were "literally sleeping in the lab," while public health departments in affected states were working around the clock to analyze suspicious powders.

"We've been doing this for a few weeks now and people are tired," Dr. O'Toole said. "It is not sustainable over the long term. Public health has been so frayed and reduced in recent years that it is very hard to rise to the occasion."

There is a shortage of epidemiologists who are trained to recognize and investigate outbreaks of infectious disease, said Dr. Michael T. Osterholm, a professor of public health at the University of Minnesota who advises Mr. Thompson, the health secretary, on bioterrorism. "Many health departments couldn't hire one," Dr. Osterholm said, "even if they had the money."

So no matter how much money Congress appropriates, Dr. Osterholm said, the United States cannot prepare for bioterrorism overnight.

"It's going to be a multiyear building project," Dr. Osterholm said. "That's what people have to understand. It's like a skyscraper. Even if you want to build it tomorrow, it's going to take time."

Mr. BENTSEN. It was in response to a letter, or at least in part in response to a letter put out by the American Hospital Association, where they estimated that the cost of bringing the Nation's hospitals up to speed to deal with bioterrorism response would be about \$11 billion-plus. I didn't read this article first thing Monday morning, because I was sitting at Baylor College of Medicine in Houston, and the head of the institution that I was sitting with had read it and mentioned it to me. All over this country, major hospitals and medical centers, including the Mayo Clinic, are in the process of figuring out what they would do and how they would respond to a bioterrorism attack.

Where are we, and where has the Federal Government been in trying to deal with these issues? It is my understanding in the past we have had a research budget of about \$200 million at the NIH

and other funding at CDC, but have we taken any of the appropriate steps to ensure that the public health system is ready to address any sort of widespread bioterrorism attack, and what do you all estimate the costs will be?

Mr. WALKER. Well, Jan Heinrich, who is a director of in our health care practice, will come up and would like to briefly respond to what the government has done in the area of bioterrorism, and then I would like to come back and talk to you about infrastructure.

Ms. HEINRICH. On the public health side, it has only been recently that we have begun to reinvest in infrastructure that we need if, in fact, we are going to be able to respond adequately; that is our surveillance systems, our training so that we can recognize these biological agents. On the hospital systems side in the emergency rooms, I know there is a great deal of concern within the American hospital systems because all of our Federal programs have really been focused on efficiency and really cutting out the excess capacity. I think what we are hearing now is that we don't have that excess capacity, and so we have heard varying reports about what in fact it will cost us to expand emergency room capability and to expand hospital beds.

Mr. BENTSEN. Do you think that the \$11 billion figure that AHA puts out is a ballpark figure?

Ms. HEINRICH. I would really want to look very carefully at that figure.

Mr. WALKER. I think there is a serious issue that goes beyond this that I would like to touch on. Based on all the work that GAO has done, even with the events of September 11 there is significant excess physical infrastructure in a range of areas that we need to take a look at, and I would argue that because of the events of September 11, we now need to look at it quicker, because what we are going to have to do is to ensure the safety and security and the proper equipping of a number of facilities whether they be DOD, VA, postal service facilities. We are going to need to do that.

We have significant excess physical plant right now and ultimately we are going to have to rationalize that physical plant. I would hope that we can think about accelerating the rationalization of that, because we are going to have to invest to safeguard that physical plant and properly equip and staff whatever physical plant we have in light of the events of September 11. I know there are a lot of people who are coming out now saying, we would end up having to use all the physical facilities and rooms that we have to address a potentially catastrophic event.

We have to go back to the risk assessment. What is the likelihood that that is going to happen? Can we afford to pay for and staff for something that might have a 1 percent or less than 1 percent probability? These are some of the issues we have to address.

Mr. BENTSEN. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you. I would invite Chairman Hamilton and Speaker Gingrich to the witness table. Like the GAO, the U.S. Commission on National Security/21st Century did not regard domestic use of weapons of mass destruction by terrorists as science fiction or as a threat that might be 20 years in the future. So for your farsightedness and your willingness to do some heavy

lifting on the Commission to begin the thought process at that time, hopefully far into the future—but as we know now not quite so—we are very grateful for your work product. We are grateful for your attendance here today.

We will begin with Speaker Gingrich. Welcome back to the Budget Committee and to the Congress, and we look forward to your testimony.

**STATEMENT OF HON. NEWT GINGRICH, FORMER SPEAKER OF THE HOUSE OF REPRESENTATIVES, MEMBER, U.S. COMMISSION ON NATIONAL SECURITY/21ST CENTURY**

Mr. GINGRICH. Mr. Chairman, and Mr. Spratt and members, I am grateful to be here. Chairman Hamilton and I are very grateful you took the time to let us chat with you. Let me start for just 30 seconds and pick up on what General Walker started with, which is that this committee should, I think, take seriously; the notion that we have to rethink health care, rethink Social Security, have a profound increase in the value per dollar of government spending. DOD procurement would be the example that Mr. Gutknecht cited, where within 30 days we had generated a product in the private sector from a world-class institution that probably would have taken 10 years under normal processes.

Fourth, I think we have to look at economic growth, because the difference over the 30 years you are citing between a 3 percent average and a 2 percent average is a stunning multiple. I would say this committee ought to take those four zones as very profound areas of reform without which you cannot solve the problems that General Walker outlined.

We on the Hart-Rudman Commission—which I commend President Clinton for having agreed to establish, and Secretary Cohen for having agreed to sponsor—reached three key conclusions I want to cite to you. The first is, as we reported in March, that we have to plan on the assumption that a weapon of mass destruction will be used in an American city and that we have to assume that in the next 25 years that is the number one threat to the United States.

At the time we said it, I think a lot of news media thought it was either science fiction or irrelevant, but around September 12 they became more interested. I just want to emphasize what we cited was neither September the 11th nor the anthrax event. The anthrax event has involved 4 deaths and 17 infections. September the 11th actually understressed the system in terms of casualties, because so many people tragically died in the buildings, they didn't need medical care. I would suggest to you, if you look at all the reports in the last 15 years, if you get a major biological problem, either a large anthrax, a reengineered smallpox, or a reengineered flu—the largest epidemic of the 20th century was flu in 1918. It killed more people than died in the 4 years of the First World War. So the flu can be, if properly engineered, an extraordinarily illness. You have to remember we may not have the correct vaccine, which is why buying 300 million units is probably the right thing to do. But we had better be building a brute force capacity to identify, analyze, and respond. We may have to maintain shadow factories that are capable of being converted rapidly, or factories that are

paid to have a double capacity, because we may literally have to produce a brand new vaccine to a brand new engineered disease.

These are very serious things. I agree they may only be 1 percent occasions, but if you have a nuclear weapon go off in an American city, or if you have a major biological event, people in the next hearing are not going to say gee, you were really prudent in not worrying about that. I think it requires global systems, it requires using a large part of the National Guard, and it requires a significant investment.

Let me also point out the second thing we said was a danger, after a weapon of mass destruction in an American city, was the failure of American math and science education and the failure to invest enough in science, and I would argue the tripling of the budget of the National Science Foundation. I don't care where you take the money from. Tripling the budget of the National Science Foundation is as big a national security investment as anything else you do, and insisting on measured productive math and science education is central to our survival. We said to a group, unanimously, this is a larger threat than any conceivable conventional war. I think that should sober anybody who cares about national security in terms of our education.

Third, we concluded that there has to be a Homeland Security Agency, and our reason was simple. Based on the drug czar's experience, having a coordinated exhortation role is in the end futile. There has to be real power. Now, there are a lot of different ways to design that real power, but if you have 44 or 52 or 60 agencies after Governor Ridge leaves, after the President ceases to focus on this crisis, the next Homeland Security Director is going to be essentially impotent. Furthermore, because homeland security is central to the Congress, the Congress had better have a position which is accountable to the Congress. This should be a position which is approved by the Senate; it should be a position by which you could compel testimony; I think it is a very important issue.

Let me say two last quick things. My personal bias is, as you do all your planning, looking at the charts that General Walker laid out, you can't get intelligence and national defense on a world basis for less than 4 percent of GDP; that every effort to try to do it is going to end up coming short, and then later you will wonder why that particular shortfall. I agree with what Mr. Spratt said: There are too many things like that we need to be doing that we are not right now.

Lastly, I think the Congress right now should set a benchmark of September the 15th next year. You could do this in 2 weeks. Set a benchmark of September 15 next year, assume two major crises, one nuclear and the other biological, and lay out what the United States should be capable of doing on that date. Because if we don't set right now a tough goal for September a year from now, then when it happens a year from now we will wonder why we are not capable. I hope it won't happen, but I think it is realistic to assume you could have a major problem in at least one city, and we could be 10 percent prepared if we don't cut through the red tape and the inertia and insist on a wartime kind of urgency.

Chairman NUSSLE. Mr. Hamilton.



**STATEMENT OF HON. LEE H. HAMILTON, FORMER MEMBER OF  
CONGRESS, MEMBER, U.S. COMMISSION ON NATIONAL SECURITY/21ST CENTURY**

Mr. HAMILTON. Mr. Chairman and Mr. Spratt, thank you for the opportunity to testify.

The Speaker was a little modest when he referred to the Commission. The idea of the Hart-Rudman Commission really originated with the Speaker—President Clinton, and Secretary Cohen made the appointments. We had a remarkable Commission, very broadly based—Republicans, Democrats, liberals, conservatives, across the board of the political spectrum. The unique thing about it was the unanimity of the recommendations. The principal point was in terms of conclusions that Americans will likely die on American soil, possibly in large numbers. That was written about a year ago, and it unfortunately turned out to be very prophetic.

We also concluded that the Federal Government was very poorly organized to deal with the question of homeland security and mentioned, as the Chairman did a moment ago, the number of agencies that are involved. As a matter of fact, I think 43 probably understates it. I think it is a good many more than that if you look at it carefully, and we said that the Federal Government had a very fragmented, ad hoc approach to the question of homeland security.

Let me summarize very quickly some of the other recommendations and I will not go into any detail, just try to cover them as quickly as I can. The President had to develop a comprehensive strategy and I think that is underway now. The three elements to it are:

Prevention. Preventing possible terrorist attacks from taking place. That is the best defense, of course.

Protection. Protecting all kinds of critical infrastructure across this country.

And, of course, the response mechanism for responding to a disaster after it strikes.

We proposed, as the Speaker suggested, the National Homeland Security Agency. I will want to say a little more about that. The director would be a member of the Cabinet. He would be confirmed by the Senate. He would have his own budget and staff. The core of it would be what is today FEMA, but you would add the Customs Service, the Border Patrol, and the Coast Guard.

We also made a recommendation with regard to the Congress, and we think the Congress is not very well organized either to deal with homeland security. The problem here is not just with the executive branch, but trying to explain to the Congress or testify before the Congress on homeland security is an enormously complicated task, because you split all over the place jurisdictions with regard to homeland security, and you have to get your act together in the United States Congress, just as clearly as the executive branch has to get its act together.

Now, on the point of organization, the threshold question is how serious is the threat of terrorism to the national security? If you believe that is the number one threat to the United States, as the Commission unanimously believed, then it has enormous implications as to the way you organize the government and the way you allocate your resources. There are plenty of other threats to the na-

tional security, some of them very serious indeed. We would like to deal with all of them, put all the resources against each of them, but you can't do that. You have to establish priorities.

If this is the number one threat, then you had better begin to allocate your budget and your resources and organize your government in such a way that you deal with the number one threat. At the moment, there are two schools of thought. One envisions White House Office, National Security Council, or the National Economic Council that has been put into place now by the President. Mr. Walker, I think, was exactly right when he said that is an excellent first step. I also agree with him that is not sufficient.

The second approach, a Cabinet official, direct control over department, direct control over budget, direct control over staff. The Commission is pretty solid on this; we were very solid. We thought you needed a department of government with Cabinet status. Does the person in charge have the clout, does he have the money, does he have the staff to get things done? That is the key.

Now, I think Governor Ridge, an excellent choice, will have total support of the President, good access to the President. But over the long term you have got to look at this problem beyond the Bush administration. You have got to look at it in terms of years, not in terms of a few months or even 4 years' time. I think it is terribly important, if you want to move this Federal bureaucracy, you have got to have someone in that position that has clout. You can't do it the balance of this year, you have got a heavy schedule for the remaining few weeks, but you certainly ought to be thinking about setting up a Cabinet agency when you come back.

When Don Rumsfeld was the Secretary of Defense the first time, not this time, he made this statement on one occasion when he got into a conflict with the Intelligence Community. He said, "if it is in my budget, I control it." That is a statement that every one of us can fully appreciate. If we are running the Defense Department, any other department, agency, if it's in our budget we would want to control it.

That is precisely the problem that Governor Ridge is going to confront. He is going to be sitting around that table with a lot of very powerful actors in this town, as powerful as you can get around a single table, and the only way he is going to be able to move that bureaucracy over a period of time, Governor Ridge and his successors, will be to have his budget and to be able to control that budget.

I know there is a lot of arguments here for coordination and we have to deal with a lot of problems through interagency coordination and cooperation. It is an important thing to do in ordinary times, but these are not ordinary times. This is a national emergency and we are at war, and the business of national homeland security is an urgent national priority.

So I think—my time is concluded. You have got to look at this in terms of clout, in terms of budget, in terms of strategy, or in terms of staff. And the point that has been made by both the Speaker and Mr. Walker is this: If you want to leave the Congress out of the action, do it by Executive order. The National Security Adviser is tough to get up before this Congress. You cannot compel the National Security Adviser to come up here. They often cooper-

ate, they are often very generous in that. If you are a department head, the Congress can compel him to be here and you can ask him the tough questions which it is your duty to do in your oversight responsibilities. If you want to leave the Congress out of all of this, just let it drift along for a period of years and months under an Executive order. If you want to put the Congress into the action, give it a statutory base.

Chairman NUSSLE. I thank our witnesses. Mr. Sununu.

Mr. SUNUNU. Thank you, Mr. Chairman. Thank you for joining us.

I would like the panel members to address or at least begin by addressing in a little more detail one of the Commission recommendations dealing with establishing an independent Agency for Homeland Security. There is also a recommendation to establish an Assistant Secretary of Defense for Homeland Security. How would those two interact? And the proposal is to move Customs, Border Patrol and the Coast Guard into Homeland Security. Would they report within the Department of Defense to the Undersecretary, would they report to the Homeland Security Director, or are they one and the same?

Mr. HAMILTON. I think with respect to the Coast Guard, Border Patrol, and Customs, they would report to the director of the Homeland Security Agency. When you are dealing with the Federal Government with all of these cross-cutting responsibilities, it is literally impossible to bring everything under one person. We did not recommend that the intelligence functions be put under the director of Homeland Security. We did not recommend the defense functions—we kept that different. We did say that the DOD, as you have suggested, Mr. Sununu, should have an Assistant Secretary reporting directly to the Secretary of Defense on homeland security, which I think the Department of Defense does not have today. So we try to elevate it within the Department of—

Mr. SUNUNU. What elements within DOD would that individual be responsible?

Mr. HAMILTON. I don't think I can respond to that other than to say those elements that have responsibility for homeland security defense. We did believe that the primary DOD agency or bureau that would have responsibility here would be the National Guard. The National Guard is in place. The infrastructure is in every State. They already perform functions that are very similar to what we are asking here. So that becomes the primary DOD body that you would deal with.

Mr. SUNUNU. Speaker Gingrich, you talked a little bit about bioterrorism and, I guess, the scope of the threat; the technology that is out there that we would even have a difficult time imagining at this point, modified bugs, whether it is flu or smallpox or other. There are a number of key elements to dealing with a bioterrorism threat where I think there were probably—we could argue there are some weaknesses: the R&D side, developing vaccines and treatment; the distribution and logistics associated with providing vaccines and treatment where it might be needed; the first responders, their need for equipment and training and technology.

My question is, is there a particular area here, or one that I haven't mentioned, where you see the greatest technical weakness

or the greatest need for resources that we as a Congress ought to focus our attention first?

Mr. GINGRICH. That is a very good question and I am going to give you a very discouraging answer. If you go back and watch the movie *Titanic*, there is a fateful moment where the designer of the ship tells the heroine that he actually designed the ship to have the full number of lifeboats, but they didn't want to crowd the promenade so they only put half of them on, a decision which ultimately cost well over 1,000 lives.

Before the First World War, outside the professional military, nobody understood the change in scale, and you can read all sorts of books before the First World War that said no war could last more than 60 days because the economies would collapse, et cetera. Before the Second World War, to have suggested either the Holocaust and the deliberate massacre of 6 million people or to have suggested nuclear weapons, or, for that matter, fire-bombing which actually killed more people than nuclear weapons, would have been unthinkable. People would have said that is not at all likely.

You are in the same boat now. The challenge is to say to—to just go back and have your staff put together the seven to ten best reports of the last 10 years on biological events and put it on a chart and stare at it. It probably won't occur. It is probably not really a threat. But the study that said a lay-down by airplane of an aerosol anthrax over Washington would kill 1,100,000 people—look what 4 deaths and 17 total people involved did to this economy, to the Congress, to staffing, to buildings, and then imagine a serious event. We have not seen by the standard of our Commission a serious event yet.

So I would just say to you, you have to look at all of it and be ruthless about the notion that you can't necessarily know what will hit you because we don't today understand biological knowledge. So you have got to have a very fast response time, which is why the breakthrough that Mr. Gutknecht mentioned was so important. I would say you have got to look at the whole system, because it is the piece that you don't fix that is going to kill a lot of people.

Mr. HAMILTON. If I may respond.

Mr. SUNUNU. Please.

Mr. HAMILTON. The one that worries me most in the biological area is smallpox. Smallpox is, of course, exceedingly contagious. The American population, if you are under—I don't know the age—30, 40 years of age, you have not been vaccinated. If you have a breakout in smallpox you will have devastating numbers of dead from smallpox in the younger population. Those of us who are my age had a smallpox vaccination, and the percentages are that we would experience a very small number of deaths even though the vaccination was many, many years ago. Smallpox is the killer biological weapon.

I agree with Mr. Spratt's comments earlier about nuclear weapons. That I would rank even higher probably in the total list.

Mr. SUNUNU. Thank you.

Mr. WALKER. I think it is important to bring these together. First you have to look at a risk assessment. You have to do a comprehensive risk assessment; what is the spectrum of risk? I would like to piggyback on what Speaker Gingrich said. You may assess that the

risk of a certain thing happening is not very high, but nonetheless we have got to be able to deal with it. But how you deal with it is important.

For example, Speaker Gingrich talked about the fact that in order to address the adverse implications of a particular weapon of mass destruction in city X, maybe we should have a national capability that has the ability that can be moved to city X, because we don't know where city X will be. So, we need a national response team to respond very quickly. In the absence of looking at it that way, let me tell you how people are going to treat it. Every city and every department and agency will want to end up building their own infrastructure, which is totally irrational and unaffordable. So we have to do the risk assessment, set the priorities, and then figure out how best to respond to that risk. Certain things may be local, certain things may be regional, certain may be national, certain may be Federal.

Mr. HAMILTON. But we should begin now to vaccinate everybody in the country for smallpox.

Mr. SUNUNU. Thank you.

Chairman NUSSLE. Mr. Clement.

Mr. CLEMENT. Thank you, Mr. Chairman. This is a wonderful panel. All of you are great leaders and you have given us a lot of food for thought.

General Walker, I will start with you first. You mentioned the role of government almost as if you were saying that you feel like your hands are tied right now when it comes to moving forward with effective oversight. Were you saying that?

Mr. WALKER. What I am saying is, that what is clear to me when you look at these numbers and you project them out is that in addition to entitlement reform—which Speaker Gingrich talked about—there are current and future priorities that Congress is going to want to fund and that the American people are going to want to fund and it would be prudent for it to fund. But, because of what is in the baseline right now, the numbers just don't work. Growing the economy obviously will help but it is not going to close the gap that we are talking about here. So if you want to close the gap that I showed between what current tax burdens will allow and what the projected spending is going to be. You are going to have to look at the base departments, agencies, programs, and activities; you are going to have to review, reassess and reprioritize. Some programs may be doing things that are worthwhile, but they are not generating decent results and you may have higher priorities that you want to be able to fund or need to be able to fund.

In addition, with regard to homeland security, I am very seriously concerned about how you are going to conduct effective oversight and how we are going to help you do that unless this agency is a statutory agency.

Mr. CLEMENT. We could get into the position of being almost a drunken sailor, spending money as if there is no tomorrow, with no accountability, because we are spending it for national security or counterterrorism.

Mr. WALKER. It is amazing how many things can be cloaked under the rubric of national security or counterterrorism. I will just leave it at that.

Mr. CLEMENT. Speaker Gingrich, I know you can say more things in fewer words than any fellow I have ever worked with, even being a Georgian. That is pretty good, being a Tennessean myself. I know you mentioned rethinking Social Security and health care. I could argue that is a national security, too, because if people don't have enough money to live on or if they don't have the proper health care, they can't survive either. That is national security. Am I wrong or right?

Mr. GINGRICH. Well, no. I think, first of all, President Eisenhower, who had a fair background in the military, always emphasized that financial security and financial strength were a key particular part of how we would ultimately defeat the Soviet Union. He was very frugal with defense spending and tough-minded about having a strong economy and a strong society. I think certainly you have to look at a range of issues where I would argue this committee, if you take General Walker's charts, which said even without the problems since September 11 there were certain inevitable long-term challenges you are faced with. I have spent most of the last 3 years looking at health care and I will say flatly, if we don't transform the health care system, you can't possibly make the current structure work when the baby boomers retire. It is going to fall apart. You go down a list of things. I think that is another hearing for another day.

Your point is exactly right. For the long-term future of the country, there are Social Security issues, there are financial issues, there are health issues that are as profound for the country as national security, and unless they are all working, the country does not work. I think that is a more than fair point, which is why I would argue you want to think carefully and cleverly about as much of your civil defense being either volunteer or part time.

Let me give you three quick examples. We ought to have a public health corps of volunteers so if you got to a biological event—in a city like New York, you can absorb 100,000 people dealing with smallpox. So you want those to be part-time volunteers who get trained twice a year and are doing it because there is a crisis like the World War II bomb shelter wardens were in Britain.

Second, you probably want a civil defense system much like in the fifties, where FEMA would organize people so if you had a big nuclear event or a big bomb event, you could have people who could go to it.

Third, I believe notionally—and I wouldn't defend the number precisely—but you would probably want 40 percent of the National Guard redirected to medical and construction challenges, which frankly the Guard hierarchy will probably fight, but for the country's future that is where you imbed it at lowest cost to have the local response capability.

Mr. CLEMENT. Mr. Hamilton, no one have I learned more from when it comes to international relations than you. You have become my mentor over the years. I want to ask you to diffuse the situation we have right now. Is there something that could break where we could have peace in the Middle East or between the Israelis and the Palestinians? I know we have Afghanistan to deal with right now, but knowing we are not going to get to zero risk,

ever, as General Walker said, is that the key that unlocks the door if we truly are going to grasp terrorism today?

Mr. HAMILTON. No, I don't think it is a key that unlocks the door. Like it or not, the Arab countries today do in fact link the war on terrorism with progress in the Israeli-Palestinian dispute. So it is a factor, but I think you could remove that very troublesome factor, the Palestinian-Israeli dispute, and you still will have the phenomenon of terrorism because it is much more deep-seated than just the Israeli-Palestinian dispute.

Mr. CLEMENT. Thank you.

Chairman NUSSLE. Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman, and I appreciate this hearing and those which are to follow. I agree with Mr. Spratt on the issue of nonproliferation, but I also believe that is but one example in our government where one can question whether our priorities are right, whether they have changed since September 11, and whether they are right going into the rest of the century. I think this committee has a role in helping focus on those priorities.

I guess I would like to ask each of you to comment on two questions. One question is, it seems to me that the Hart-Rudman recommendations are not necessarily inconsistent with Governor Ridge's office. In other words, I see Governor Ridge, as described by the White House, as a national security adviser. The National Security Adviser has departments to implement this coordinated policy which he or she formulates, and it does seem to me that a Department of Homeland Security to implement at least those policies dealing with the border and cyberterrorism and emergency response makes some sense, so it is not inconsistent with Governor Ridge's position. Indeed, it could help him do his job better. If Governor Ridge is going around making sure the Border Patrol radios talk to the Customs Service radios, then he is functioning at the wrong level, but somebody has got to do it.

General Walker, it seems to me that arrangement is not inconsistent with the principles you laid out, and I would like to know if anybody disagrees with that.

My second question is more difficult. How do we impart this sense of urgency that is necessary to make the changes here and in the executive branch? I am circulating an editorial from USA Today from last week that basically says there is no way Congress is ever going to do the Hart-Rudman recommendations, because Congress will not step on toes here or the executive branch to rearrange. It is just too politically difficult. I agree with the Speaker, we have not yet gotten to the big event.

How do we impart that sense of urgency in order to better prepare for that big event? I would like for each of you to give us some advice on how we can do that.

Mr. WALKER. First, with regard to the Office of Homeland Security, we issued this report which ironically came out very shortly after September 11, because we had done a lot of work before September 11 on combatting terrorism. In fact, we issued it on the day that the President came up here and spoke to the joint session of Congress, and the first recommendation was that they create an office similar to what he did the night that we issued the report. We

obviously had talked to the administration several weeks in advance. It was a partial adoption. We were clear that we thought it needed to have a statutory basis, and that it would be preferable if it was a PAS appointment.

Why? Two reasons. Number one, history has told me that whether you are in the public or private sector, if you don't have significant control over financial and human resources, if all you have is an outbox and not an inbox, you are not going to be effective over time.

Number two, there is no question that Governor Ridge and President Bush know each other well, like each other, work effectively, and in this environment maybe there is a good chance that this model could work. However, that is looking at it on an individual basis, not an institutional basis, and I think that Congress needs to look at it on an institutional bases.

Number three, I am very concerned if this office does not have a statutory basis, less about whether or not it is PAS or Cabinet level, if this office does not have a statutory basis. I care about the Congress and because we are an instrument in helping you to do your job. Some of the problems we have experienced already in conjunction with the energy task force and the Vice President, you are going to have problems and we are going to have problems getting access to information to help you do your job, and in an area like homeland security I would argue that is unacceptable to the American people.

Mr. GINGRICH. I agree with everything General Walker just said. I would simply add, on the issue of being a national security adviser, it is a profound misunderstanding of why the National Security Adviser matters. The National Security Adviser matters because the President of the United States talks with his or her counterparts all over the world virtually every day, and in order to do that, the National Security Adviser is the first person to brief them every day, and is with them at different times every day. That will never be true of a Homeland Security Office. They will never be comparable in centrality to the President.

Second, we have got to decide whether we are going to be a comfortable country until the crisis, or a serious country. This is at the core of your urgency question. I think hearings matter. I think the Congress ought to hold a series of threat-based hearings and then say OK, do we want to be the people who take the right steps before there is a catastrophe or would we rather just wait and hold the hearings after the catastrophe?

There is a very real—not gigantic—but real possibility of something really bad happening and I think I agree with you, the reason people don't feel urgency is they are told over and over again by the government things are under control. This is not like Desert Storm. We are not sending professionals half a world away while we get to watch it on TV. This is a very complicated long-term struggle that has direct life-and-death implications at home. We are not today functioning that way. I think the President gets it. I think the Vice President gets it, I think the Secretary of Defense gets it. I am not sure, frankly, much beyond there that people have a sense of driving urgency that there could be a crisis tomorrow morning and we are not prepared for that crisis.



Mr. HAMILTON. I should say, first of all, that Mr. Thornberry recognized this problem far before his other colleagues did, and we on the National Security Commission are grateful to you for your recognition of that and your leadership. He was talking about this months and months ago, and I think has been an effective voice of leadership.

I agree with your observation. There is nothing inconsistent here. The President deserves a lot of credit for moving this forward. He did what he had to do. He has created an Executive order and started the process. Now the Congress has to do what it is supposed to do. It is an evolving matter.

I don't think there is a right or wrong way to deal with this organizational question necessarily. There may be a more effective way to do it than the other way, but whatever we do it is going to be an improvement over what we had before. I am sure of that.

Secondly, on imparting a sense of urgency, let me make this observation. I think the people of this country today are in the grip of fear and they want information and they want leadership today, and the domestic situation proved more serious than our public officials initially indicated, I believe. This is a function of leadership. You have to disclose fully what you know and what you don't know. We don't know everything about anthrax. We have all learned, even the scientists have learned a lot about anthrax in the last few days. You have to avoid speculation. You have to make sure your facts are straight and you have to recommend specific steps that people can take. They are out there today, they hear all of you talking about it, they hear the President talking about how urgent the situation is and how great the risk is. My gosh, they had it demonstrated graphically on September 11. What they are really saying to themselves is, what do I need to do for myself and my family? You have got to give them some direction. You are the leaders. I think the President is making a genuinely good effort to do this, and I know Governor Ridge is.

The President and Governor Ridge are not going to get it right every time. There are too many things we are not sure of here. So how do you impart the sense of urgency? That is your job. You are the leaders and the rest of us have to do the best we can to try to give you support.

Chairman NUSSLE. Ms. McCarthy.

Mrs. MCCARTHY. Thank you, and I find the testimony of everyone really extremely interesting. I agree with the sense of urgency. I don't know whether it is my nursing training—and I will be very honest with you—even when we were here without an office, and I thank you for sharing space, and I'm looking at my colleagues—everyone is saying like oh, this is nothing. It is something.

On the health care needs, smallpox, I mean that is what we should be worrying about. You know, obviously we didn't get the message across on anthrax. An awful lot of people did know some things about it but not to the extent of what was happening. Buildings didn't have to be closed, in my opinion, because the spray at the beginning is usually depleted at that time. The other stuff would be negative or positive on the swabs. We spent so much money and time and fear among people, and we have to get that

right and we have to have one spokesperson, as far as I am concerned, giving that education out there.

I agree with you, Mr. Gingrich, that we have to start educating the people. They are scared. Yet when I give a speech and say we have a long haul ahead of us and we are going to have to be careful, and yet we are sending a message out there, "oh, go to the movies and everything," and that is fine because we have to keep the economy going, but I also happen to agree that it is almost like we are taking care of children. We don't want them to know too much, and yet they know a lot more, and then their fears are built on their imagination and that is what we are seeing with our adults, our families.

As far as home security, we have to get this right and that is going to be the toughest job, in my opinion, here in Congress, because it is going to become political, and you know it and everyone else knows it. Once politics get involved in what we are trying to do as far as the right thing, unfortunately I think that we might lose in the end. I happen to think there is a sense of urgency. I happen to think that something is going to happen whether it is next week, whether it is next month, and we are not prepared for it. We are not, and that is a sad thing, but we will learn from it. I hope they listen to you when we look to see how to set up the correct formula for home security. I hope everyone works together on it.

This is the biggest challenge this Nation has faced in a long, long time. Other nations are going to be looking toward us to see if we do it right. So we have a lot at stake in this. The biggest problem, as far as I am concerned with the budget that we are talking about is taxes. Whether you agree that we need tax stimulus or not, our moneys right now should be going for national security and everything else has to be put on hold, and just at the basic line as far as I am concerned.

Mr. WALKER. Real quickly on that, Ms. McCarthy. First, after these events happened, I thought back to my undergraduate days where I was taught about Maslov's theory. Some of us might remember that. At the base of his hierarchy of needs was self-preservation; at the pinnacle was self-actualization. I would argue that prior to September 11, a lot of people in this country were focused on the word "me" and self-actualization; how can I maximize what I get out of life? Today there are a lot of people focused on self-preservation, which is a concern, but they are also focused on the word "we," both family and country, which is a positive.

The other side is—I agree with Mr. Hamilton, because of the fact that if you look at risk with regard to smallpox from the standpoint of mortality and its infectious nature. It is a very serious issue. Even those of us who had the vaccine, evidence notes that if it was years ago, it is not likely to be as effective.

Mrs. MCCARTHY. Actually after 10 years it doesn't have any effect. I was lucky. After nursing school, we had to get another shot. So I had it twice in my life. 1964 was the last time. 1974 was when they gave the last shots, if I am not mistaken.

Mr. GINGRICH. Can I just comment, because I think you put your finger on something very important. We are very likely to have overreacted to the relatively small anthrax event and be under-

reacting to the scale of the threat simultaneously. So we are spending an enormous amount of energy running in circles and not nearly enough energy on tough, deep decisions that would enable this country to survive a serious problem.

Mrs. MCCARTHY. Thank you.

Chairman NUSSLE. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman. I found the testimony of all three of you to be fascinating. It probably wouldn't have been as fascinating if it were held on September the 10th, but nevertheless that is where we are.

I guess one observation—I would like to ask all three of you. General Walker, you were talking about the idea that it will never get to zero risk, you can never attain that 100 percent. Yet at the same time, you are all talking about an inventory of some sort of risk assessment on a variety of areas, and I haven't fully looked into your reports, so I can't respond to everything that you have suggested. The question then becomes: If you can't get zero risk, at what percentage is it acceptable to be on guard? Then in that process, what do we do or how do we respond to maybe the threats that different political philosophies will have as it relates to us in a free and open society?

So I invite you, if hopefully understand what I am saying, to respond to that, to give us some sort of guidance on that.

Mr. GINGRICH. Let me draw a distinction. I don't think you would want to live in a society that was so tightened down that you had no risk of anything bad happening, just as people don't want to buy a car which is so heavy and structured that nothing could ever hurt you. It would be a tank. It would be effective, but it wouldn't sell very much.

I think the biggest challenge from a homeland security standpoint is to think through the responses and, as General Walker said, to design them to be mobile and fluid and, as we have argued, to make them as much as possible Reserve, Guard, and civil defense oriented, so that you recognize most of the time you don't need them, but to actually build them to be pretty robust. Because if you have a big problem—and a large anthrax exposure would be a big problem, smallpox or another engineered contagion would be a big problem, one or more nuclear weapons would be a big problem—what you want to have is enough response capability that you could smother a problem of that size. You want to build it in such a way that most of the time you are not paying for it to be on stand-by. Most of the time it is a reserve capability built into the society, rather than a full-time agency standing by, waiting for what could be a once-in-30-year event. The same thing as carrying lifeboats, what you don't want to do is find out you are at the once-in-30-year event and you have no capacity to respond.

Mr. HAMILTON. I think your question, Mr. Hastings, is really on the mark because it raises the most difficult task I think the President and Governor Ridge confront, and that is the question of priorities. You have got the nuclear attack, you have got the biological, you have got the chemical, you have got conventional. I think what they have to do is determine what kind of attacks are most likely and what can be done to prevent those attacks.

Now, that is a very, very tough call because what you would like to do is say, OK, we are going to defend against all of it, and we have got enough money to do it. But we don't have. Where do you put your resources? And that is tough. Most people now put chemical down the list, for example, but it was a chemical attack that blew up the building in Oklahoma City. The materials used in that attack were the materials that are used every day on the farm, so you can't just ignore that.

I would put the nuclear first. I would put biological and, as I have indicated, smallpox at the head of the list. There are about eight or nine, what do you call them, pathogens or whatever; and I would rank them, and then I would begin to identify what kind of things should be done to prevent each one. You may get the list wrong because you can't predict it. I have sat in on 100 meetings on terrorism. Nobody at any time ever suggested to me that somebody would fly a jet airliner into the Trade Towers or the Pentagon. So you can't hit it every time, but the tough job is priorities and allocating resources.

Mr. WALKER. A couple things that I think are important. First, there is no single right answer. There is no minimum acceptable percentage. You have to do a risk assessment. You have to assess your threats, vulnerabilities, their criticality, and you have to compare that against the resources that you have. Governor Ridge is the one who has to be responsible for doing that for the executive branch. I would argue that since the Congress appropriates the money and since the Congress is also going to be accountable for what happens or what doesn't happen, all the more reason why it is important that you have the ability to conduct effective oversight, not micromanagement, with regard to these activities. So that comes back to the bulk of my testimony. Thank you.

Mr. HASTINGS. That leads to a follow-up here. I found your testimony on figure 2 of page 10 of the spikes that you had of the deficits throughout our history, they all showed up in times of war. Maybe there is a study on this elsewhere but you don't mention it—at least what I read here—is what I call the “unintended consequences” of other legislation. For example, we are still trying to repeal the telephone tax of 1898 that is still on the books—but also because of the wage and price controls of the Second World War, which led to health care being delivered by employers, an “unintended consequence.”

Is there a study that you have within GAO where you have looked at statutes that were passed during this period of time that may still be on the books that have had consequences that are contrary or causing this problem right now? I mean, you put up the Medicare chart. You probably could have put Medicaid up there. And I would suggest that part of that is at least linked to the policies of the Second World War.

Mr. WALKER. We haven't done that. If you look on page 10, figure 2, that talks about deficits and surpluses as a percentage of GDP and properly points out that in times of war or serious economic recession or depression, we have had deficits, but we have come out of it.

There are two things that we face now that we never faced before. Number one, demographics are working against us, not for us;

and number two, health care costs are out of control. The system is fundamentally broken. So, therefore, we didn't face those issues, and we better do something about them.

Mr. HASTINGS. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you.

Mrs. Clayton.

Mrs. CLAYTON. Thank you, Mr. Chairman, for having the hearing. I would like to thank the panelists for their thoughtful presentations. Also, it is appreciative in both instances that your studying and deliberation was prior to the events of September 11, and you have been giving a considerable amount of thought to it.

I was struck by the Commission's report on the national security's preface. It says that the U.S. Commission on National Security 21st Century was born more than 2 years ago out of the conviction that the entire range of the U.S. national security policies and processes required reexamination in light of the new circumstances. The question is that when you looked at the stretch, your more extensive one gave all kinds of reasons for the threat. Yet, when we look at responding to the threats, we correctly looked at how do we need to make an assessment, but also, how do we detect and stop it. We do not look at the causes of which we can prevent these threatening events from occurring.

You describe the new circumstances as the advancement of information, the globalization, the quick access to information, the lack of stability in certain countries. You describe also in some instances about our failure to invest in science and education because we are not possibly keeping up. When I look at the recommendations initially from Mr. Walker, as well as the initial part from the Commission, Mr. Walker doesn't mention them at all. You put those kind of recommendations in the back of your report, investment in science and education—not the back, but it is not the first.

My question is, is it important to talk about the root causes of these, or is it important to talk about the organization and the leadership? Back to the question of how urgent is urgent; who describes the urgency of the situation? Is it the talking heads on the media who describes it? That is why we have the anthrax anxiety rather than having all of the anthrax facts. And when we also begin to try to examine the structure at the lower level of our health department and try to get them engaged in it, they are fearful because the science is changing so fast.

We do need homeland security. It is very, very important. It is the same threats in part that have threatened us abroad that is really threatening us here. The difference is that we as Americans have never suffered from that. So now we are now trying to find out how the current infrastructure can respond to these new circumstances. So it seems to me that we also have to not only create, but coordinate one who can bring all these little boxes together to respond to it, but to think of how we should respond to that. In fact, one of you talked about a new paradigm of thinking. I have not heard enough today to make me feel that I understand the basis of the recommendations of the U.S. Commission's report. I did read some part of it earlier when it first came out with the commissioners talking about it, because I was interested in the

science and education component of it, and there was a lot of emphasis on that. Can you speak to those?

Mr. GINGRICH. When we first sat down with the President to create the Commission, our point was that the world was changing so dramatically that we wanted an unconstrained look at the future. So it doesn't start with defense. It doesn't start with intelligence. It doesn't start with any narrow position. It says, what is going to affect American security in the next 25 years. In that sense it was the broadest commission since 1947. As Mr. Hamilton pointed out, it was one that was very bipartisan and very serious and took us the 3 years to think these things through.

As I pointed out earlier, I thought it was remarkable the Commission on National Security would list science and math and science education as the number two problem, and every commission member signed off on it. This is a bigger threat than any conceivable conventional war. In that sense there is a root challenge that we tried to highlight. I know you were very helpful. One is, I believe, the long-term overseas threats we are dealing with are vastly beyond al Qaeda and bin Laden and require a very profound look at how we encourage modernity and how we encourage the rise of states that are compatible with the world we live in. It is a much harder problem than we have dealt with, and it is a topic I would be glad to talk to you about sometime.

Second, when you start talking about the civil defense of the future, I believe the Internet, the capacity to reach every single doctor, including every retired doctor, every single nurse, including retired nurses, if you have planning in advance, you could have a web page that was highly authoritative that the National Institutes of Health and the Centers for Disease Control jointly produced that was exactly accurate, that gave you the most accurate information as of 3 minutes ago. People could build a high sense of certainty. That requires a willingness to cut through the baloney of the current bureaucracies and the current pork barrel and the current unwillingness to reach outside normal institutions, which in part goes back to the earlier question that was raised about the sense of urgency.

We are still behaving as though politics as usual and bureaucratic infighting as usual is tolerable, and is a very real risk that we are going to kill a lot of Americans, because we can't get people to understand we are in a modern world with modern technologies, and those technologies cut across all of the bureaucracies and create totally new capabilities if you organize around them instead of cutting them off by your bureaucratic channels.

Mr. HAMILTON. I might say a word, Mrs. Clayton, about why the Commission reached the conclusion it did with respect to Americans dying on American soil. You raised the question of root causes. We went to 28 different countries. One of the things we found there was resentment and hostility against the United States, not just in countries that are adversaries of ours, but almost every country. Now, sometimes that was expressed more strongly than others. Sometimes there was a deep hostility, but always a resentment, and we came to recognize that though it is hard for us to believe in this country, an awful lot of people in this

world have grudges against us, some of them to the extent that they want to kill us and kill innocent people.

Secondly, we determined that the terrorists have—and this is obvious, I guess—greatly expanded their capabilities and their sophistication in using those capabilities. Third, we found that the American communities are very vulnerable. You put all of this together, and we said terrorism is the number one threat.

Now, your question about root causes or organization or leadership, here I move into an area that is admittedly controversial, but I do believe myself that to deal with terrorism, you have to look at the question of root causes. I don't want to suggest for a moment that that is easy to do. I know how difficult it is to deal with those problems, but I think we have to look at the reasons why people turn to terrorism, and we have to understand that there is a lot of misery, and there is a lot of despair. There is a lot of hopelessness. There are a lot of governments out there that just are not responsive to the needs of their people and who serve only a very few people in the country, and that is part of why people turn to terrorism.

Now, I don't suggest for a moment we can deal with that easily. I know how complicated that is. On the other hand, you have to be sensitive, I think, to it and have to try to understand this phenomenon of terrorism better than we do.

Why do these people do these things? A partial answer is that foreign policy has consequences. It has been the unanimous view of every Member of Congress I have known, every President that I have known that the United States should put forces in Saudi Arabia. I have never, ever heard a speech against it. That is what triggered Osama bin Laden. What really made him mad was American forces' presence in Saudi Arabia. From our standpoint, that is a given. We have to have forces there to protect the supply of oil. From his standpoint, he sees it as defiling everything that he holds sacred.

Mrs. CLAYTON. One final question, please.

Mr. GUTKNECHT [presiding]. There are three other members who would like to ask questions.

Next we have the gentleman from Florida Mr. Putnam.

Mr. PUTNAM. Thank you, Mr. Chairman.

I read the report, and I think General Boyd did an outstanding job as your Executive Director for that Commission. And quite honestly, I am a little bit envious of the opportunities that you all had to participate in this and deal with the best epidemiologists and the best demographers and the best sociologists and the best educators and the best foreign policy folks in every possible region of the world to come up with a broad-based, comprehensive plan in dealing with technology and everything all over the map.

One of the things that you highlighted in the report that you have just mentioned, Mr. Hamilton, is that one of the greatest threats the United States faces in the next decade is resentment. You said that the Nation was not prepared for a terrorist attack on its own soil. Then you took it a step further and then said not only is the Nation not prepared, but it is less prepared than it thinks it is.

How has the reaction of the United States to the attacks in New York and Washington fit within your expectations for the American's public's response?

Mr. HAMILTON. I must say I have been favorably impressed. As I look at the response in New York City, which was the principal focus of the attack, it was better than I would have anticipated—the manner in which they dealt with that horrible tragedy. As I see, what I think is happening across the country now is every community says, well, my hospital prepared to deal with an attack in my hometown. I am encouraged by this, and I think the President deserves credit in alerting the country to it.

I don't want to be Pollyanna-ish about this. We have a long, long way to go to be prepared, but September 11 has had a profound impact on the American people, and I think that we are seeing the American people respond as we would expect them to, very constructively and favorably. Overall I have been well impressed with the way they have responded.

Mr. GINGRICH. I guess I want to agree, but with a very deep condition. I draw a distinction between how people responded to the World Trade Center and how they responded to anthrax, because there have been very different responses so far. If we had had a really big attack, I think the odds-on even money, we would be in a total mess. The weapons of mass destruction is a totally different event than even the World Trade Center, which was a confinable and definable event in one small part of New York City. It was not an event that had a 2, 3, or 4-mile radius with all sorts of secondary and tertiary damage.

Second, if we had been hit by a wave of attacks every other day for a week, we would have been in a totally different situation.

And third, if we get hit by a biological on a big scale, whether it is infectious or it is simply widely disbursed aerosols, we will be in a different situation.

I would say the American people have responded in a very positive way to a threat that is very real, but we should not in any way underestimate how rapidly this system would break down in its current structures if we were hit by a really serious attack.

Mr. WALKER. First I think the U.S. has always done a great job in responding to crises. Both at the Pentagon and in New York City, people came together to do what had to be done, whether they worked for the Federal, State, local government, whether they were public sector, private sector or not-for-profit sector. It is amazing. From that standpoint I think it is a positive.

Personally, I have been disappointed with regard to the public's reaction with regard to the anthrax situation. I think there has been more fear and more concern and more of a potentially emotional adverse reaction than potentially should be justified. We haven't done enough to really focus on some of the other areas, whether it be smallpox or whatever else that could, frankly, have more profound with regard to the implications.

In summery, I have a positive view on crisis management response and was disappointed with regard to the reaction to the real nature and extent of the threat for anthrax. Let us hope we can end up moving forward from here.



Mr. PUTNAM. Recognizing that the psychology—the motivation of these terrorists and your focus, quite understandably, on low-risk, high-consequence events, how much attention or focus did the Commission have on low-risk, low-casualty types of low-tech terrorist events that would have a fundamental impact on public confidence, food safety, food supply, quality of public health, things of that nature, which would have much less of an impact than a nuclear weapon, but tremendous economic and psychological ramifications?

Mr. HAMILTON. Mr. Putnam, I think we just didn't go into that kind of detail. We did not try to speculate on which types of terrorist attacks would be employed by the terrorists. I don't recall extensive discussions as to, for example, poisoning the American food supply.

Mr. PUTNAM. Thank you.

Mr. GUTKNECHT. Mr. Kirk.

Mr. KIRK. Thank you. Just ask a rhetorical question. Can we have Social Security without national security? If a bomb hit the Social Security Administration, would we be able to secure the future retirement of Americans? Or maybe what happened to the social security system of Poland as the German Army swept over with their plains. We are not used to domestic damage in the United States. When you look at the bloody destruction of France or Britain in the last wars, this is something that passed us by, something the United States has not seen since 1865 on a large scale.

I am worried about your chart, General Walker, about how debt can threaten democracy, that we have seen various French Republics vote themselves into debt, depression and dictatorship by transferring such a huge burden onto a future generation.

So I wonder if the panel can comment on that, that we haven't suffered domestic damage before. It lifts the costs by quantum levels above the damage that we delivered against Germany or Japan because we were not being hit back. How can we conduct a vast social program if a foreign army is able to destroy large amounts of real estate in our country? What about a vast amount of debt? I am wondering if you could give us for the record a comparison with huge levels of debt that other countries have run up in the past and what happened to their political dynamic.

Mr. WALKER. Let me try to reinforce a couple of points from my testimony. It is clear that, with regard to today, that Congress is going to have to respond to the effects of September 11, but it is also clear that before September 11 we had a big problem. Now it is a much bigger problem that we have got to figure out how to deal with, and it is a structural problem. It is a structural problem that should cause us to reexamine what government does and how government does business in the context of how the world has changed in the last 20 years and how it is going to change even more in the future. I don't think we have done that.

Mr. KIRK. Did you perceive the key point of where we reach such a level of debt that people won't buy it?

Mr. WALKER. Theoretically that is possible. We are not close to that at this point in time. One of the issues you have to ask yourself, it is not just the level of debt, it is the level of tax burden and the level of flexibility that the Congress will have to make choices

on discretionary programs and for future generations to make choices about what they want government to do.

That is part of the problem. Mandatory spending has gone from one-third of the Federal budget when Kennedy was President to two-thirds now, and it is getting worse. So it is a combination of all these things that I think represent a risk.

Mr. GINGRICH. If I could, let me put it in a little different context. I think we have some real problems. I think we have some real problems in national security. I think we have some real problems structurally, particularly as it relates to health, Social Security and the core and competency of the government as a bureaucratic delivery system that is now increasingly out of date with the way we organize to do things in the rest of society.

I am strategically a 100 percent optimist. Gil Gutknecht years ago gave me a study of the 1st Minnesota, which took 82 percent casualties at Gettysburg, stopping the last great charge that might have broken the Union. Chairman Nussle and I used to participate in a period of seeming hopelessness when we had this fantasy that you could not only have a change of 40 years power structure in the Congress, but you could balance the budget, reform welfare and do a whole range of fantasies that people often laughed at us about.

This is a country which emerged on the edge of a continent; defeated the most powerful nation in the world in order to become a country; had a very restrictive President who personified limited government—Jefferson—who sent the Marines to Tripoli, where part of their song comes from, bought all of the Louisiana territory, dramatically expanded the Nation. We survived the Civil War. We survived Imperial Germany. We defeated Fascist Italy, Nazi Germany and Imperial Japan simultaneously, and we outlasted the Soviet Union in a 45-year conflict that was strategically one of the most profound and brilliant campaigns ever fought.

If you were asking my bet, my bet is we will reform Social Security. We will reform health care. We will defeat terrorism. We will complete the job of modernizing the underdeveloped world. Your grandchildren will live in a country and on a planet that is remarkably prosperous, healthy and safe. But it takes your generation now having the same courage as the 1st Minnesota or the same courage as that band of people in past generations, and Chairman Hamilton will agree. We have seen bleak moments, and there were periods when the Congress was confused. We cheerfully participated in the confusion. But over time the system does do a remarkable job of forcing very big reforms.

Mr. KIRK. Thank you, Mr. Chairman.

Chairman NUSSLE. In that context, first of all, thank you for all of the substantive discussion we have had today.

I would like to turn to process for a moment because the Budget Committee, Mr. Speaker, is where much of those reforms begin in setting the predicate and determining so much of the process that put us on the track to at least the most recent reforms. Let me ask your opinion as well as Chairman Hamilton, who also has a very distinguished career as a chairman of a committee, your advice to me and to Mr. Spratt and the committee members here as we begin to formulate the budget for 2003 and try to take into consideration

all of these very important matters, juxtaposed with the other challenges, health care, Social Security, how do we do it? What is your recommendation to us making these big changes? We are going to start that process. If it isn't successfully started here, it may not begin at all. So what would be your recommendation on how we organize ourselves and this committee to change the budget paradigm for 2003?

Mr. GINGRICH. Well, if I might, first of all, thank you for inviting us. And let me say I think you are doing exactly what this committee ought to do, which is to intellectually look at the totality, because that is the one great virtue this committee has the over the entire rest of the House and the rest of the institution.

I will go back to what I said earlier. I think this committee ought to look at the total reform of health care, not just the pieces, not just Medicare, but the total structure of how we deal with health in America, because if you get another doubling of GDP for health, we won't be able to afford anything not just in government, it will have a profoundly distorting effect, and it is mostly unnecessary. We can find ways to do that.

Second, I do think you ought to look at retirement security, because you have to cope with the scale of the baby boomer generation and the burden that if it is not done correctly, it will be on their children.

Third, I think there is a need for a profound rethinking of how government operates. If you look at the Ford Motor Company now laying off 20 percent of its white collar employees, look at all the different efforts to rationalize, modernize, downsize, make more productive, and then you look at the bureaucracies at the State, Federal and local level, they are just unconscionable. And all the bureaucracies will explain to you why they can't change.

I want to cite one example that ought to be a case study. The Indian Trust Fund is a multibillion-dollar fiasco that it would be a comedy if it weren't so tragic. Just take that one example where the taxpayers end up on the hook for billions of dollars for a process run by thousands of bureaucrats, run badly, that would be outsourced to an agency like Schwab or Merrill Lynch. There are hundreds of agencies that handle this kind of information without scandal. In the Federal Government, the answer to a scandal is to double the number of people engaged in the scandal.

I think you have to really look at a profound rethinking of the structure of government because you cannot micromanage your way through these systems. I would say that before September 11, Secretary Rumsfeld is moving in the right direction with enormous opposition, but he needs a profound overhaul of the procurement system, the management system and the R&D system of defense as a predicate to being able to effectively transform the defense system. That is the scale of change I think you have got to be looking at. This committee ought to try to contextualize all the budget decisions in terms of these very large changes.

Mr. HAMILTON. Mr. Chairman, I don't think I can give you much advice. The Commission led by Senators Rudman and Hart had the easy job in a sense. We are looking at the fairly narrow question of national security. We didn't have to worry about money. You have to worry about the money, and you have to worry about lots

of things other than national security narrowly defined. We all know that the toughest job in government is setting priorities, but if there is anyplace in the world where that ought to be done it is in the Budget Committee. That is why you were established, to look at the big picture, as the Speaker said a moment ago, and to establish the priorities for the American people in light of the resources that are available.

Let me just conclude with this. When I first came to the Congress, I was in a room about two or three doors down and listened to then New York Times bureau chief Scottie Reston. He said, "Always take time in the Congress to put your feet up on the table and to look out the window and ask yourself what is good for the country." There are so many things that press upon you as a Member of Congress every single day, so many people after you, so many groups that want to get your ear, and that is good because it gives you a lot of good information. Somewhere along the line every Member of Congress has to put their feet up on the table, so to speak, look out the window, take time to reflect and to think and to be honest with yourself, what are the most important things that this country needs to be doing at the moment. If you do that, you will not hit it right every time, and you will not always persuade your colleagues that you are right, but you are at least approaching it in the right way.

Mr. WALKER. Two words and some examples: leadership and stewardship. We need leadership to focus on what should the priorities be, what should government be doing, how should government be doing business today and tomorrow; and secondly, there needs to be stewardship to think about the long-term implications of decisions that are made today, both actions and inaction.

One of the problems you have right now is you are flying without instruments. Where are your metrics? Should you establish some type of metrics as to, for example, debt as a percentage of GDP; mandatory spending as a percentage of the overall budget? What are not only the short-range implications of actions that are taken today, what are the implications beyond 10 years, because guess what? The first baby boomer doesn't reach 65 until 11 years from now, and the crest of the wave doesn't come until about 2016. We don't live on a flat Earth, so we can't cut our budget view off 10 years from now.

Setting priorities is tough work. Changing how government does business is tough work. But this committee is uniquely positioned. Along with the Government Reform Committee to try to track the issues about how government does business.

Secretary Rumsfeld ironically on September 10 had an historic speech in which he announced an agenda to reform DOD's bureaucracy, and we have been working very closely with the Secretary and others to try correct long standing problems. Needless to say, that is no longer as high a priority today, but that was an example of the type of courage and conviction it is going to take. It is going to take years, but this committee and other committees are going to help make it happen.

Chairman NUSSLE. Well, none of that advice was very helpful—no, I appreciate that. There is obviously a lot of work that we are going to have to do. It is a different world, and the Budget Com-

mittee will be the first step in that process. I appreciate the comments, as sobering as they are. I think they are realistic, and they are given straightforward with a lot of heart of true patriots. I have no doubt that you will continue to be in touch with us as we continue to navigate these uncharted waters.

With that, if there aren't any other questions for this panel, I appreciate your time today, and this committee will stand in recess. [Whereupon, at 3:30 p.m., the committee was adjourned.]

