

DEVOLUTION:
GOVERNMENT AND OTHER FACTORS IN 2050

REMARKS¹

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Good afternoon. Thank you for the opportunity to discuss the topic of government and other factors in 2050 and my thoughts on devolution, upward and downwards, of what previously may have been viewed strictly as the province of the federal government.

Since there is almost zero chance that I will be here in 2050, this gives me a certain license to speculate, wildly if you like, certain in the knowledge that I will not be around to answer for any bonehead predictions. That said, I will try to identify current trends which might be of consequence to our grandchildren.

Before I do, let me offer a personal vignette. I grew up in St. Louis on the Big Rivers. I recall being hustled out of the dormitory at Saint Louis University, while attending law school, to join a sand-bagging party at West Alton, Missouri, near the confluence of the Mississippi and Missouri Rivers during a big flood in the early 1970s. Years later I served as Director of the Missouri Department of Natural Resources, but I left the state before the big floods of the early 1990s.

Last summer I drove through Chesterfield, Missouri, in western St. Louis County, to cross the Missouri River into St. Charles County. I was shocked by the extensive development on the floodplain behind massive new dikes and levees. It seemed to be the antithesis to every sound policy recommendation in light of what we know about rivers and floodplains, water and people, hydrology and ecology. What I was looking at was not market failure, but government failure: failure of science to inform policy; failure of Congress to exercise fiscal discipline; failure of local government to put the public good

over its short-term interest. An economist might see it as an example of the system externalizing the externalities rather than internalizing them.

So I am pretty pessimistic about our ability to manage floodplains. But that may be my salvation. There is the famous story about Admiral Jim Stockdale, tortured for eight years in Viet Cong POW camps. When asked by James Collins, the celebrated author of the best selling business book, *Good to Great*, why many Americans did not make it home from the camps, he said:

Oh, that's easy. It was the optimists. They were the ones who said we were going to be home by Christmas... You know, I think they all died of broken hearts.

So maybe realism, tending toward pessimism, will serve us well in the work to improve the way we manage our rivers and our floodplains. Certainly, our hope for the next generation should.

A realistic look at the federal budget

A good place to start in assessing what government may look like in 2050 is the federal budget. Not a pretty picture.

The simple truth is that the federal budget is being consumed by entitlements—Medicare, Medicaid, and Social Security—payment on the national debt, and the War on Terror,

specifically our wars in Iraq and Afghanistan. According to the General Accountability Office (GAO), the unfunded liabilities, what it calls “implicit exposures” associated with future Medicare and Social Security benefits, increased 197 percent between 2000 and 2006, from \$13 trillion to \$38.8 trillion.

A trillion here, a trillion there, soon you are talking about real money. When the late Illinois Senator Everett Dirksen first used that line, he was speaking in terms of millions, not billions or trillions of dollars.

GAO’s simulations show that the demographic trends and rising health costs yield a structural deficit which would require either cutting federal spending by 60 percent, or raising taxes to a level twice that of today’s levels, to balance the budget in 2040.

Presumably, some combination of these two might do the trick.

David M. Walker, Comptroller General of the United States, a modern-day Cassandra, has noted the urgency in transforming government and aligning it with modern needs because of the nation’s growing financial imbalance. America, says the Comptroller General, is on a path toward “an explosion of debt” which threatens our children and our grandchildren. The baby boomer retirement has commenced and spiraling health care costs, plummeting savings rates and increased reliance on foreign lenders present “unprecedented fiscal risks.”

Walker describes his agency’s long-range simulations as “chilling.”

“If we continue as we have, policy makers will eventually have to raise taxes dramatically and/or slash government services the American people depend on and take for granted,” he says. “Importantly, our nation’s financial problems are undermining our flexibility to address a range of emerging challenges.”

Basically, federal domestic, discretionary spending, what most citizens think of as “government” is pretty thin.

Yet, it is interesting that President Bush’s recent new financial initiative for the National Parks System utilizes a public-private partnership with private contributions making up a large part of the funding.

Foreign aid from our government is being overtaken by private philanthropy, such as that engaged in by Bill and Melinda Gates, churches, foundations, and other charities.

According to the foreign policy expert, Walter Russell Mead, conventional surveys of foreign aid show the U.S. as one of the world’s less generous powers.³ As a percentage of GDP, America does not show up very well in comparison with other nations. But such governmental development assistance comprises only 17 percent of total American giving overseas including remittances. 61 percent comes from the private sector.

Foundations give about \$3 billion per year which is almost double any Scandinavian countries.

³ Walter Russell Mead, *Power, Terror, Peace, and War: America’s Grand Strategy in a World at Risk* (Alfred A. Knopf, New York 2006), p 39, citing Carol C. Adelman, “The Privatization of Foreign Aid: Reassessing National Largesse,” *Foreign Affairs*, 25, no. 6 (November-December 2003), pp. 9-14.

Remittances to Latin America by immigrants, legal and illegal, and amounting to tens of billions of dollars, dwarf any kind of development aid ever imagined by the federal government.

The case of private land and water conservation

In other areas of conservation, the explosion of private land trusts reflects the dual, contradictory phenomena of increasing private wealth and government penury.

The recent 2005 National Land Trust Census, released in November 2006, broke all records. Total acres conserved by local, state, and national land trusts doubled to 37 million acres over the previous five years—an area 16 times the size of Yellowstone National Park. The number of such trusts has grown to 1, 667, a 32 percent increase. And a reporter at USA TODAY calculates that private land trusts are protecting as many acres each year as are being developed.

It is interesting to note that the Milwaukee Metropolitan Sewer District (MMSD), which has floodplain management as part of its portfolio, is working with The Conservation Fund, a national land conservancy, to acquire, protect, and restore floodplain land as a means of both managing floods and controlling stormwater runoff. MMSD's Greenseams program⁴ has already protected 1,400 acres and aims to eventually garner

⁴ www.mmsd.com/news/detail.cfm?id=142, accessed November 5, 2007.

several thousand more acres into the program, a key effort in its urban wet weather program.

It is not out of the question that private land trusts could conserve 49 million acres by 2015. I serve on the board of the Potomac Conservancy⁵, a relatively new player locally, which is close to passing the 10,000-acre mark in terms of conservation easements acquired in the headwaters of the watershed.

The land trust movement is an example of devolution of function downward, not just to the level of local or state government, but to the private sector, an example of what Alexis De Tocqueville described as “voluntary associations”—the product of a uniquely American genius which occupies the zone between big, distant government and the solitary, isolated individual.

As the Germans say, try this thought experiment: what if floodplain managers made common cause with the land trust movement to protect the floodplain and its vital ecological services? You would avoid many of the political difficulties of regulation and mitigate the negative impacts of government failure.

Moving up to the level of state and local government, the Trust for Public Land reports that voters in 23 states approved 99 ballot measures, municipal as well as state, allocating \$5.73 billion for land and watershed protection in Red and Blue states alike. This beat

⁵ www.potomac.org, accessed November 2, 2007.

the previous record of \$5.68 billion in 1998. The total amount of conservation funding for the entire calendar year 2006—primary and general elections—set a new record of \$6.03 billion. This year, tomorrow actually, is looking pretty good, too.

The American Water Works Association (AWWA) has been partnering with the Trust for Public Land to promote land protection as a tool for source water protection under the Safe Drinking Water Act. They have published several reports on private, state, and local land protection efforts targeted to protection of drinking water sources. Again, there may be a lesson here for floodplain managers.

Public-private partnerships (PPP)

The federal government is not alone in experiencing the pressure of entitlements. State governments have that pressure and that of education funding on top. So it is no surprise that we see more interest in public-private partnerships (PPP) in the area of transportation funding. Private investment houses have purchased long-term leases of or licenses on state toll roads in Illinois and Indiana under circumstances of disrepair and inadequate funding. The arrangements will allow for more consistent tolling or funding because the systems has been removed from politics, a plus or a minus depending on to whom you are talking.

Indiana Governor, Mitch Daniels, formerly head of OMB, noted that the Indiana tolls were so low, for so long, that they would have done better to simply put a bucket out with a sign asking for voluntary donations.!

Here in Virginia we are about to experience Hot Lanes on the Beltway, another PPP which will be funded through (traffic) volume-based pricing as an alternative to the free, heavy-traffic lanes.

The truth is America and the world is awash, awash in private capital—and now capital from sovereign wealth funds across the globe—but government, the federal government at least, is broke. The challenge is to overcome political barriers to accessing this private capital for the benefit of public goals, be they environmental, as in the case of water quality and flow, and hard economic infrastructure such as water and highway systems.

So devolution downward may ultimately lead us to the private sector, be it a land conservancy or an investment bank. For some this may be a big negative. I do not share that foreboding, although I recognize that new arrangements must be negotiated with eyes wide open.

Creative abandonment or just abandonment?

But the reality is that the federal government's reach is now exceeding its grasp. I recall Peter Drucker, the father of American management theory, a native-born Viennese, once

saying that the federal government did only two things well. Wage war and inflate the currency. Fortunately, it stopped doing the second. Given that our soldiers are under fire abroad, I will not comment on the second. But it is certain that Washington is not really doing a heck of a job in—well, fill in the blank—fiscal restraint, educational achievement, farm subsidies, controlling the borders, achieving energy security in a carbon-constrained world.

Drucker also spoke of “Creative Abandonment.” In other words, look at what you are doing and ask: if I wasn’t doing this now, would I start doing it again? If the answer is “No,” then maybe it is time to stop doing it. You might say that General Petraeus embodied this kind of thinking when he implemented his counter-insurgency philosophy and started afresh in Iraq. I think federal agencies should be asking themselves this question more and more. So should members of congress and the executive branch. It is better to do a few things well, rather than many things poorly.

My sense is that devolution of function from the federal government to the state and local governments, and even to private entities, both for-profit and not-for-profit, will proceed apace. The only question is whether or not it will be a rational, orderly, prioritized effort.

Will it be Creative Abandonment or just abandonment?

Ronald Reagan once said that a federal program is the nearest thing to immortality in this life. I think the latest iteration of the Farm Bill is a classic example of such a New Deal-era dinosaur living beyond its time or its usefulness to society as a whole.

So, clearly, a major effort at broad civic education is required, an outside game if you will, to change the political culture in Washington. I make no claim that it would be successful. Still, the goal should be to allow the phasing out of low-priority federal investments and programs and the redeployment of resources towards those that remain.

In those areas where redeployment of federal resources, devolution, or the implementation of public-private financing partnerships do not occur, and private equity markets (or other not-for-profit sources) are not accessed or tapped into, we shall see a slow, inexorable degradation of function, absent a large increase in taxes or a significant reduction in federal spending.

I thank you for your attention and look forward to hearing your views.