

# PUBLIC FINANCE AS A PROFESSION

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BY GIRARD MILLER

Amid this unique compendium of articles addressing the career development challenges, opportunities, and resources for governmental finance officers, I will attempt to provide a broader perspective on the profession and the vocation of public finance as I believe it should be understood by practitioners and the academy. This will require adjustments in the thinking of some in the field, because “public finance” has come to mean many different things in different contexts. It is not unlike the proverbial Twelve Blind Men and the Elephant (see *What IS Public Finance?*).

Many GFOA members would likely find themselves hard-pressed to define the term “public finance.” In the accounting field, the term “public accounting” means something, and “governmental accounting” means something. Thanks to the GFOA’s name change<sup>1</sup> and its big-tent spirit of professional association, “governmental finance” means something.

So “public finance” must be something bigger. And indeed it is.

Public finance is a combination of the many official, professional, and economic activities that collectively provide the funding and financial management for public goods, serv-

ices and facilities.<sup>3</sup> As a vocation and as a profession, the field has unique characteristics. I hope my observations will ring familiar to those who are practicing the art and the science of this field. Equally important, one hopes that students searching for a meaningful career of skilled service to our society will find in this article a way to anticipate and appreciate the choices they must make.

## SERVING THROUGH SKILL IN THE PUBLIC INTEREST

One of the defining features of public finance as a profession is that it requires a commitment to public service. Some souls stumble their way into our field by default, taking an accounting or financial job in the public or non-profit sector because it is the only skilled position they can find within driving distance of their home at a given time in life. For most practitioners in the field, however, a career in public finance is a conscious choice to serve through skill. Those who make public finance a lifelong commitment generally must forgo the opportunities to accumulate wealth that abound in the world of private finance.

### What IS Public Finance?

Ask an economist to define “public finance” and you will discover it is the sub-discipline of macroeconomics that studies the economic impact of the government sector in the overall economy. The principal focus is on federal fiscal activity (taxing and spending) and its impact on GDP. State and local finances are thus a footnote in that view of the field, and are typically addressed at the graduate school level as a one- or two-week topic in the broader public finance classes, or as a topical area in classes on state and local governmental management in schools of public administration. The classic collegiate textbook *Public Finance In Theory and Practice*<sup>2</sup> was last revised by Richard and Peggy Musgrave in 1989. That text provides volumes of theory but very little about the actual practice of public finance at the ground level, as you and I would know it.

Ask a municipal bond underwriter or a debt manager to define “public finance” and you will learn that it is about issuing government bonds. Those specializing in this part of the field would confine the term to raising money for infrastructure and capital projects, although some might open the door a crack to include taxation and revenue management. In the U.S. Treasury Department, the term would relate primarily to debt management. Although some private-sector underwriters, financial advisers, and investment bankers would call themselves “public finance” professionals, I believe this is a misnomer: they are investment professionals, underwriters, and advisers who specialize in public finances. They are indeed professionals, but they are not practitioners of public finance. That is a distinction with a difference.

Ask the CFO of a not-for-profit organization, a museum, or a professional association serving a public interest whether she is a public finance professional, and the answer will most likely be “Of course!” Certainly that position provides greater public service than a muni bond trader working the bid-ask side of a secondary market trade.

In government and in the not-for-profit sector, ownership of the entity and its resources belongs to the amorphous “public,” however that may be defined. Officials and administrators are expressly prohibited from profiting personally from their contributions. A democracy cannot tolerate the corruption that could result from financial officials lining their pockets at the expense of taxpayers or charitable donors. In government, this is accomplished through conflict of interest laws and rules; in the not-for-profit world, the tax law deals severely and punitively with “personal inurement.” Unlike a private-sector CFO or an investment banker who may enjoy immense wealth gained from stock options or other equity compensation that links prosperity directly to his or her personal accomplishments or corporate status, a public servant must accept a pat on the back and if fortunate, a modest salary increase, or on rare occasions a token performance bonus.

Service to the public need not require a vow of poverty, however. As skilled professionals, many public finance officers possess scarce talents that command a value in the marketplace, and public employers must offer a combination of monetary and “psychic” income that satisfies the needs of the skilled professional. However, the payroll compensation on this side of the economy, even for the most talented, will seldom exceed the professional middle class in the private sector. Some practitioners may subsequently leverage their skills in the private economy and achieve prosperity there, but those paths are extraordinary rather than commonplace, despite the widespread press attention often given to “revolving door” careers in Washington, D.C.

Many public finance officers have unparalleled opportunities to quickly climb a vocational learning curve and achieve mastery of complex and sometimes large-scale operations, often earlier in their careers than their private sector counterparts. Moreover, most professionals in this field report a strong sense of “making a difference” in our society and their com-

munities. As a colleague once told me, “I’m not just working for a potato chip company.” Those willing to continuously broaden their knowledge and their professional network, and remain geographically mobile, can often continue their professional growth well into the senior stages of their careers. This underscores the practical value of career development initiatives.

One of the unique and essential characteristics of the public-service professional association, therefore, is its ongoing ability and responsibility to remind its members of the “reason we’re all in this in the first place.” When GFOA restated its mission, it recognized this essential aspect of the calling for public service: “The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit.”

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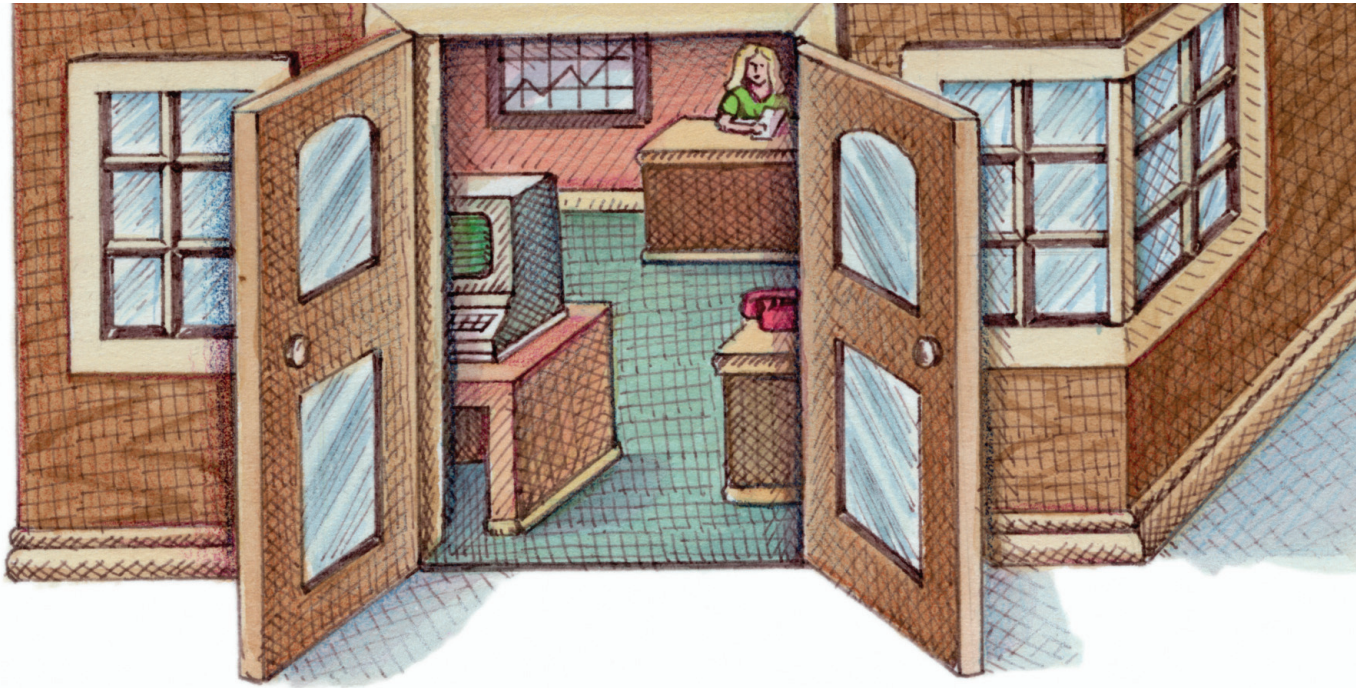
## A CALLING

The great political economist and sociologist Max Weber advanced the secular concept of a “calling” in his 1904 work on *The Protestant Ethic and the Spirit of Capitalism* as well as his 1918 lectures and essays on “Politics as a Vocation” and “Science as a Vocation.” My experience, after 30 years of membership in the GFOA, is that most of its members, and certainly those who consider themselves public finance professionals, do in fact view their work to be a calling, in the secular sense. This is not accidental. Public service is demanding, difficult work. Public life is no picnic, although there are great rewards for those who can judge their achievements by contributing to broad-based accomplishments. Nobody who works in this sector can long avoid criticism, public rebuke,

back-stabbing, second-guessing, betrayal, and the seamier side of politics. Thus, it requires a special conviction to forge past the naysayers in order to contribute to the public good, especially when that good is ill defined, nebulous or even arguable. When the work is thankless, the internal satisfaction of fulfilling one’s calling may be the only solace. Therefore, the best advance reading for this profession is Homer’s *Odyssey*.

To quote Weber directly: “Only he who has the Calling for (service), who is sure that he will not crumble when the world from his point of view is too stupid or too base for what he wants to offer — ‘Only he who in the face of all this can say, ‘In spite of it all!’ has, the Calling.”<sup>4</sup>

My personal observation on this theme is that the great leaders of GFOA and the field of public finance have been, without exception, people who possess this unique capacity



to continue to give and never retreat “in spite of it all.” They are servant leaders. When appropriate, they are cheerleaders for their staff and their colleagues. And many practitioners with less visible careers in this association, who have lived equally fulfilling lives, have shown a similar spirit. In stark contrast, I have also witnessed successful public officials who, late in their careers, lost sight of their reason for being and grew jaded and miserable as they began to envy the material prosperity enjoyed by their private sector counterparts. One of the unique and essential characteristics of the public-service professional association, therefore, is its ongoing ability and responsibility to remind its members of the “reason we’re all in this in the first place.” When the GFOA restated its mission, it recognized this essential aspect of the calling for public service: “The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments *for the public benefit*.” (emphasis added)

## THE POLICY/ADMINISTRATION DICHOTOMY DEBATE

Financial work begins as technical work. It involves numbers. The building blocks of our distinguishing work product are, for the most part, discrete and objective. Although there are vast opportunities for professional differences on how to categorize data, and about the assumptions we make when

we construct models, the work of public finance is empirically based. But there is a much bigger picture. The way numbers are used in the public sector is quite different from the private sector. As administrative officials, most public finance professionals must yield to the policy authority of those who are elected. As any budget officer can tell you, the data are only part of the story. Policy trumps Numbers. Policy invokes Values. And Policy can be Political.

And here, I believe that the public finance profession has fallen short in its preparation of those who would enter this field. Although most rookie finance officers quickly learn on-the-job that it is foolhardy to step in front of a politician’s buzz saw, the profession lacks the same sophisticated reverence for representative democracy and the nuances of policy that I have encountered in my professional work with city managers, for example. As it turns out, our schools of public administration do a remarkably good job of inculcating in MPA students a working knowledge of both the classical policy/administration dichotomy,<sup>5</sup> and its neoclassical descendants. Sadly, our schools of public accounting and business finance almost universally fail to even address this subject matter.

Those who would make public finance a vocation would benefit from a brief introduction to this essential area of political philosophy, touching on the classical public administration writings of the Municipal Reform movement and the

## Exhibit I: Code of Professional Ethics

The Government Finance Officers Association of the United States and Canada is a professional organization of public officials united to enhance and promote the professional management of governmental financial resources by identifying, developing and advancing fiscal strategies, policies, and practices for the public benefit.

To further these objectives, all government finance officers are enjoined to adhere to legal, moral, and professional standards of conduct in the fulfillment of their professional responsibilities. Standards of professional conduct as set forth in this code are promulgated in order to enhance the performance of all persons engaged in public finance.

### I. Personal Standards

Government finance officers shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust, and confidence of governing officials, other public officials, employees, and of the public.

- They shall devote their time, skills, and energies to their office both independently and in cooperation with other professionals.
- They shall abide by approved professional practices and recommended standards.

### II. Responsibility as Public Officials

Government finance officers shall recognize and be accountable for their responsibilities as officials in the public sector:

- They shall be sensitive and responsive to the rights of the public and its changing needs.
- They shall strive to provide the highest quality of performance and counsel.
- They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.
- They shall uphold both the letter and the spirit of the constitution, legislation, and regulations governing their actions and report violations of the law to the appropriate authorities.

### III. Professional Development

Government finance officers shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of government finance. Finance officers shall promote excellence in the public service.

### IV. Professional Integrity — Information

Government finance officers shall demonstrate professional integrity in the issuance and management of information.

Progressive Era, and the neoclassical New Public Administration of the 1970s and Action Theory of Policy/Administration of the 1990s. If nothing else, an educational foundation in this one central theme of public administration might reduce the frustration level and burnout rate of those left-brained control types who cannot bear to work with the ambiguity and Alice-in-Wonderland logic of the political world.<sup>6</sup>

## PROFESSIONAL KNOWLEDGE, LITERATURE, AND THE SCIENCE OF PUBLIC FINANCE

One of the defining features of a profession is a body of specialized, instructive, and collegial professional literature. In this regard, the GFOA is a fountainhead of professional knowledge in the field of public finance. Other associations have made contributions in special areas, but the breadth of subject matter addressed by the GFOA has now made this organization an epicenter of knowledge transfer among practitioners.

The GFOA will undoubtedly do more in the years to come. Its committees are vibrant sources of professional energy and will continue to generate best practices and provide guidance on new publications and training programs. Eventually, more members of the academic community will come to realize that pragmatic public finance involves far more than an economic textbook and the arcane data buried in the appendices of the Federal Reserve's flow-of-funds database.

Especially lacking is a broadly based curriculum in public finance that would expand the horizons of students with interests or mastery in a single subject area. The technically gifted students with accounting or finance skills typically lack a broader exposure to the "public" side of public finance. The administrative generalists, such as MPA students, usually lack technical depth in such fields as accounting and capital markets. Undoubtedly this reflects the growing trend toward specialization throughout society. We also must appreciate the limited capacity of academic institutions to cover the broader field for a small number of interested students who themselves are unsure of their career paths. Courses entitled "Financial Techniques for Public Officials" and "Public Policy and Financial Management" would help bridge this gap.

If ever there were a time to energize and convene both academics and practitioners concerned about the future of public finance and the pedagogical requirements of the university communities that train future practitioners for public finance, it would be now. Unless we begin to think about the orientation we provide to the future leaders of this profession, we are likely to see their energies diverted into the more lucrative private sector, or wasted in narrowly defined careers (thinking that the Elephant must be a Tree or a Rope).

Perhaps a cognate-rich Institute of Public Finance, whether affiliated with the GFOA and other professional associations, or based in a university setting, could bridge these gaps. The challenge, of course, is making such an endeavor economically viable, as funds are seldom available for entry-level public finance practitioners to be trained offsite. Distance learning networks, Internet video-conferencing, or multi-locational video symposia such as interactive satellite broadcasts, may offer solutions for those with limited resources.

## PROFESSIONAL ETHICS

In addition to the body of knowledge discussed above, the other key differentiator of a profession is its ethical code. What separates a “profession” from a “job” or a “vocation” is the set of collegial standards of conduct that one’s peers have formally established to govern behavior in a complex, challenging world in which there are only too many shades of gray. One of the primal functions of a professional association, therefore, is to establish and enforce a code of ethics.

The GFOA may not speak on behalf of all public finance professionals, but please now re-read the professional code that the association has established for its membership (see Exhibit 1). Although the broader concept of “public finance” discussed in this article would naturally include others in the field who are not themselves governmental officials, I think we would all agree that the central ethical canons of the GFOA’s professional code of ethics are quite appropriate. With a few additions to deal with financial transactions involving public debt, not-for-profit management, and the ethics of research, it would be easy to imagine a Public Finance Code of Ethics that is a logical extension of the work the GFOA has already done.

- They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.
- They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.
- They shall respect and protect privileged information to which they have access by virtue of their office.
- They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

## V. Professional Integrity — Relationships

Government finance officers shall act with honor, integrity, and virtue in all professional relationships.

- They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.
- They shall not knowingly be a party to or condone any illegal or improper activity.
- They shall respect the rights, responsibilities, and integrity of their colleagues and other public officials with whom they work and associate.
- They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.
- They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment, or other unfair practices.

## VI. Conflict of Interest

Government finance officers shall actively avoid the appearance of or the fact of conflicting interests.

- They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.
- They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.
- They shall not use public property or resources for personal or political gain.

## SUMMARY

Whether readers will agree with me that public finance is the professional umbrella under which practitioners, students, and teachers in these various fields should make our intellectual home, I would hope that this article provokes deeper thought about the truly multi-disciplinary nature of this vital field of endeavor. Narrow technical professionalism must give way to broader sophistication and understanding of related fields in order that increasingly scarce public financial resources can be best leveraged for the public good. And above all else, we must prepare a professional career path for our successors, so that they may learn from our mistakes and our insights.

Regrettably, American society has lost its appreciation for the public servant. With the notable exception of the uniformed public heroes of 9/11, Americans grant higher esteem to rock stars and professional athletes than to their civic leaders. History suggests that eventually there will again come a time when public service and sacrifice is broadly respected.

To this end, I recite the oath of the ancient Athenian City State, which should serve as a guide to all who choose to dedicate their lives as public finance professionals:

*We will never bring disgrace to this our city  
by any act of dishonesty or cowardice;  
We will fight for the ideal and sacred things  
of the city, both alone and with many;  
We will revere and obey the city's laws and do  
our best to incite a like respect in those above  
us who are prone to annul or set them at naught;  
We will strive unceasingly to quicken the public's  
sense of civic duty.  
Thus, in all these ways, we will transmit this city  
not only not less, but greater and more beautiful  
than it was transmitted to us.¶*

### Notes

1. In 1985, the Municipal Finance Officers Association officially changed its name to the Government Finance Officers Association.
2. Richard A. and Peggy B. Musgrave, *Public Finance in Theory and Practice*, Fifth Edition (New York: McGraw Hill, 1989).
3. Public goods and services are characterized by "non-rivalry" in that they are available to more than one consumer without a loss of value to the other, and "non-exclusivity" in that they can be enjoyed by more than one. They also have externalities such that their costs or their benefits are impossible to package solely for a single user. For a more elaborate discussion, see Musgrave, op cit.
4. Max Weber, "Politics as a Vocation," *From Max Weber*, edited by Gerth and Mills (New York: Oxford University Press, 1946).
5. Brian R. Fry, *Mastering Public Administration: From Max Weber to Dwight Waldo*, (New York: Chatham House Publishers, February 1989). Those interested in the paradigm shift from classical to neoclassical public administration can refer to Dwight Waldo's *Administrative State: A Study of the Political Theory of American Public Administration* (Teaneck, NJ: Holmes & Meier, 1984, 2nd edition) and Frank Marini, *Toward a New Public Administration: The Minnowbrook Perspective* (Scranton, PA: Chandler Publishing Co., 1971).
6. Aristotelian logic, in which "A is A, and not non-A," is remarkably deficient in the world of politics and governance in general. This is the curse of the analytic left brain – unless complemented by a right-side counterpart that can thrive on ambiguity and accept fuzzy logic on appropriate occasions. Anecdotally, the step from controller to CFO, and from manager to leader, almost always requires this mental development.

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**GIRARD MILLER** is the ongoing sponsor of the Daniel B. Goldberg Scholarship in Public Finance and serves the GFOA as an advisor to the Committee on Retirement and Benefits Administration. He is a Master of Public Administration graduate of the Maxwell School at Syracuse University, and a Fellow of the National Academy of Public Administration. Now residing in Malibu, California, he speaks and publishes on retirement investing, and public and personal finance, including [Governing.com](http://Governing.com) online. He credits his first mentor, H.M. Kagi (University of Washington, 1971-72) for the historical and intellectual foundations of this article.



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