

Paulsonibilities

By Gene Steuerle

Gene Steuerle is a senior fellow at the Urban Institute and a former Treasury deputy assistant secretary for tax analysis.

When President Bush announced his appointment of Henry Paulson of Goldman Sachs as Treasury secretary, the press quickly popped the obvious question to former Treasury officials like me: “Why would he want to be secretary, especially this late in a president’s tenure?”

Ideally, anyone who takes this job primarily wants to serve the public — not oneself, however ambitious. Not even the president, although he’s the boss. Certainly not a political party, although a political alliance may make or break the secretary’s run. The American people are the secretary’s stockholders — the ones who pay his salary and ultimately bear the brunt of his actions.

Serving the public means thinking long-term, transcending the petty or personal conflicts that so often dominate politics. The truth is, the secretary’s successors get credit for the secretary’s successes. Wise economic action today affects the economy for years, although rarely overnight.

Traditionally, the Treasury secretary is the most powerful and influential member of the executive branch besides the president and perhaps the secretary of state — another reason to want the job. Even so, former and current Treasury Department officials now say that the position’s stature and influence are waning — apparently a concern of Paulson, who reportedly had to be wooed with promises of greater power and access than his immediate predecessors enjoyed. That complaint isn’t merely the lament of former officials extolling their own successes. Nor is the criticism necessarily directed at recent secretaries or the current White House. Instead, officials are ruing the increasing politicization of policy at all levels — a trend that extends back at least a couple of decades and tarnishes Cabinet-level agencies and congressional committees alike.

The most incriminating evidence of politicization is that lobbyists now draft legislation. Of course, lobbyists have a legitimate function. After all, democracy is as messy as it is accommodating and effective. But when lobbyists take over as the architects of the building, displace the engineers checking out its plumbing, cease accounting for who pays and who receives, and bulldoze all who stand in their way, something is awry.

Some pundits say the way to fix this problem is simply to make government offices unabashedly political. Others would more strictly legislate or regulate the behavior of lobbyists and politicians. But the better and more time-tested solution is to strengthen those institutions that are designed and organized to serve the public.

You see where this logic leads: to the case for restoring a strong Treasury, which is a challenge that any serious nominee for Treasury must confront. Unlike many government agencies, Treasury does not represent some interest group (commerce, labor, the elderly, or small business, for example) or promote some form of consumption (such as health or transportation). Rather, its broad scope quickly forces its leaders and staff to recognize that every expense sooner or later must be covered by revenues, that every break for an interest group is a tax on the public, and that the public’s ultimate well-being is grounded in a strong economy, flexible and adaptable markets for both labor and capital, and businesses that can compete internationally. So deep are those responsibilities and mission that Treasury can’t function properly when its power to represent the public is squandered or usurped.

That power has deep roots in Treasury’s expertise and information systems, without which policy will founder. But Treasury can’t do its job when tax bills are designed in the White House; Treasury testimony no longer reveals the weaknesses of many government programs; the department all but stops issuing public reports; its staff is held in check from preparing integrated solutions to the intertwined economic, legal, and accounting issues surrounding so many public policy issues; options are not being scoped out well in advance of crises for fear that some interest group will object; and secretarial appointments of the most qualified staff are blocked solely for political reasons.

Any successful secretary must quickly learn one of Washington’s dirty little secrets: Few policy divides reflect deep differences between the major political parties. The needs to better balance the budget, contend with the extraordinary uncovered liabilities of agencies like the Pension Benefit Guarantee Corporation, expand trade, control healthcare costs and reduce the number of uninsured, put Social Security on better footing, address the engineering and insurance failures surrounding Hurricane Katrina, and reform the alternative minimum tax aren’t fundamentally political. Nor are those long-standing problems any surprise. But those national problems will continue to fester as long as strong and expert institutions, like Treasury, are prevented from advocating strongly for the public interest and coming up with practical options for solving them.

Paulson once declared on *The Charlie Rose Show* that “[in] this country . . . when there’s a problem, we shine a light on it, we move quickly to fix it.” Treasury’s lights might shine brightly inside its buildings, but too often the blinds have been pulled so the light can’t escape.

Often, an administration’s last years are considered inopportune for developing a new political agenda. Yet it’s often the right time to strengthen public institutions.

COMMENTARY / ECONOMIC PERSPECTIVE

Many of those more interested in politics than in governing have moved on, while the president begins casting an eye to the history books. That means that the secretary of a department like Treasury will, like tenured faculty, be freer from political interference.

Finally, a secretary determined to restore Treasury's role in formulating policy has one other trump card to

play — the die-hard loyalty of many former and current officials, whether Republican or Democrat or independent, to an institution they have come to know and love. Yes, for someone who wants above all to serve the public, it's an ideal time to be Treasury secretary.