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Out to lunch at Treasury?

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If the major departments of government were baseball teams, the Treasury Department would be the New York Yankees. Historically, from the time of Alexander Hamilton, most of the best and brightest in government were in Treasury.

Treasury was viewed as the class act. Treasury officials were treated with the respect that officials of HUD (Housing and Urban Development) could only dream of.

At times of war, Defense would eclipse Treasury, and occasionally State or Justice would have their moments of glory; but over the decades, Treasury was the shining prince.

During the first Reagan administration, Treasury Secretary Don Regan assembled a team of world-class economists and lawyers who took the lead in devising and selling a revolutionary tax and economic plan that not only revitalized the American economy but helped set the stage for a global change in economic policy. The Reagan/Regan Treasury was also in the forefront of selling its success to the voters during the 1984 presidential campaign. Treasury clearly was one of the key ingredients in Mr. Reagan's economic and election successes.

In President Clinton's 1996 re-election campaign, Treasury Secretary Bob Rubin, Deputy Secretary Larry Summers and the Treasury staff did an extraordinary job convincing the media and many Americans that they had created an economic miracle. Without the Treasury team, Mr. Clinton's re-election would have been unlikely.

Mr. Clinton actually had inherited a nicely growing economy from the first President Bush (real growth in 1992 was a respectable 3 percent and unemployment was falling). Mr. Clinton also had the advantage of the end of the Cold War (largely engineered by Ronald Reagan). He was able to drastically reduce defense spending, which allowed him to hold down overall spending. During the first Clinton administration, the economy continued improving, but in 1996 it was in no better shape than today's economy (in terms of economic growth, unemployment, and inflation).

The second Clinton administration left the economy in a recession. President Bush was left with the pieces to pick up, and then we were hit by the September 11, 2001, terrorist attacks. Mr. Bush had proposed a tax cut which, if enacted in the summer of 2000, may well have allowed us to avoid the recession. The Bush tax-cut package that led us out of the recession was designed and sold not by Treasury, but by Mr. Bush's White House economic advisers, Larry Lindsey and Glenn Hubbard.

Polls show many (if not a majority of) Americans think their economy is in far worse shape than it is and that John Kerry would be better for the economy than Mr. Bush. The Treasury Department is not only supposed to take the lead in developing and managing economic policy but also in explaining it to the American people (as it historically has). The objective reality is that Treasury has failed in its task, and this failure is now understood by key people in the White House and the Bush campaign and among Republicans in Congress.

Treasury has lost many of its best people. Too many of the current seat-warmers are arrogant wafflers who refuse to give substantive answers to legitimate questions posed by friends in the Congress and the think tanks, and by the press.

During the Reagan years, when Republicans in Congress or the think tanks were critical of or had policy questions, Treasury staff would call them, set up meetings and lay out their case.

Too many in the current Treasury just hide under their desks, which merely reinforces the belief they have no case.

The problem partly is Treasury has become a revolving door for tax lobbyists who seem more interested in currying favor with the bureaucracy than doing what is best for the economy.

The president has made it very clear he wants to get rid of regulations that do not meet reasonable cost-benefit tests and wants to simplify the tax system. Yet there are people in the Treasury Office of Tax Policy who push proposals to do the opposite. It is well known some Treasury personnel have personal agendas opposed to both the Bush agenda and the best interests of the American people. Yet, at the same time, others in Treasury who are trying to get the word out of how the Bush administration took a sow's ear and turned it into a silk purse, are put on an all too short leash.

All this is demoralizing to the many fine and exceptionally talented people still at Treasury and very disappointing to many former Treasury officials.

Treasury Secretary John Snow only has two months to educate the American people about how the Bush administration took an economy in recession and made it more successful than the first Clinton economy; sell the Bush vision for economic reform and expansion; and shape up those Treasury staffers who have been part of the problem rather than the solution. If he fails to do so before the election, expect a big house cleaning at Treasury, well down into the ranks.

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