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The Trial of John Snow

By Richard W. Rahn
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Treasury Secretary John Snow "can stay as long as he wants, provided it is not very long," is destined to go down in history as one of those classic Washington phrases.

The phrase appeared in an article in The Washington Post as a quote from "a senior administration official" one week before the president finally announced Mr. Snow would be retained. For some time, officials of the Bush administration also made it known they were looking for a replacement, but in the end seemed unable to find someone both willing to take the job and clearly superior to Mr. Snow.

John Snow came to the job two years ago with good reviews after the disappointing performance of his predecessor, Paul O'Neill. So what went wrong?

Mr. Snow came to the job after heading a major railroad. Therefore, much of his experience was unrelated to the many tasks at Treasury. Thus, it was unrealistic to expect him to be up to speed on Day One with the many difficult domestic and international tax and economic issues he had to deal with.

But he does hold a Ph.D. in economics and a law degree, and had Washington experience, so the subject areas he has had to master are well within his professional competence.

The first charge against Mr. Snow has been his very uneven public presentations. He has given first-rate speeches, but all too often he has given very muddled talks and press interviews. Mr. Snow proved to be a Bush loyalist during the campaign by tirelessly giving speech after speech on behalf of the president. But the White House and campaign staff had so many misgivings about the inconsistent quality of his performances that he was sent primarily to small markets where he would not face the fierce interrogation of the national TV and print press.

Despite his personal enthusiasm for the president and the Bush tax cuts, he failed to effectively utilize his Treasury staff to counter the Democrats' economic offensive and misstatements. This failure resulted in the American people believing the economy was in far worse shape than it was (and is), and this misinformation reduced the president's economic approval ratings and unnecessarily cost him votes.

Those who are concerned about the fall in the dollar also criticize Mr. Snow for his mixed messages on the issue. He has said the administration favors a strong dollar, while at other times he seemingly implied he likes the weaker dollar because it will help manufacturing exports.

Despite the urgings of many tax economists and scholars in the major think tanks (as well as some in the Bush White House), Mr. Snow has done little to insist his own tax revenue operation move away from static analysis and do more realistic dynamic tax scoring.

Moreover, he has tolerated performance by some of his staff whose personal agendas have undermined administration positions. One example is a proposal (made in the last week of the Clinton administration) by the Internal Revenue Service to provide tax information to certain foreign governments (such as France) on nonresident aliens who invest in the U.S. economy and have no U.S. tax liability.

Senior White House economic officials and many members of Congress, plus virtually every regulatory agency, industry group and public-policy organization that testified on the proposal oppose it. Opposition is intense because the move would undermine our economic and national security, violate financial privacy rights and weaken the dollar. Mr. Snow told several senior members of Congress he would withdraw the proposal. By not doing so he has damaged his credibility.

In the eyes of Washington, John Snow is now clearly "on trial." Other than national security, there are no bigger administration priorities than "tax reform" and "Social Security reform," which are both Treasury issues.

Thus Mr. Snow faces an enormous test: Can he develop and sell proposals to the American people and the Congress that will substantially improve both our tax and Social Security systems? To do so, he needs to greatly beef up his economic and tax policy team. (He could start by naming Glenn Hubbard, former chairman of the president's Council of Economic Advisers, in Treasury's just-vacated No. 2 spot. To head tax policy, he needs to find someone who is committed to the president's agenda, rather than just another Washington tax lawyer who sees it as a way to increase future income as a lobbyist.

He also needs to start working with, reaching out and regularly listening to allies in the Congress and the free-market public policy organizations. If he continues turning a deaf ear to his friendly critics (those who want him to succeed) as he has over the last year, he will have little chance of success.

Two years ago, the president told us John Snow could do the job, and many of us gave him a ringing endorsement. But he has little time to improve his hand so that those who are betting Mr. Snow will melt before spring will need to pay up.

Richard W. Rahn is a senior fellow of the Discovery Institute and an adjunct scholar of the Cato Institute.