

Strong Treasury Team Goes to Bat With One Strike Already Called

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I must confess that I am quite exuberant about the new Treasury team when it comes to taxes. Secretary Paul O'Neill is someone with years of experience in dealing with budget issues at the Office of Management and Budget, and anyone with that background has a sixth sense for how numbers have to be added up and balanced. By the same token, his years of business experience clearly indicate that he knows how to make choices and make them effectively. My colleagues all speak highly of their work with him over the years at OMB and on various boards.

Meanwhile, I have known the newly appointed assistant secretary for tax policy, Mark Weinberger, for several years. Although some identify him by his representation of clients at Washington Counsel and then at Ernst and Young, I think his work with various entitlement commissions is more revealing. In many ways, he is a reformer at heart, and by reformer I basically mean someone who wants to make failing systems work again. He is not an ideologue, and he is not afraid to search out answers from others. His well-known enthusiasm itself will carry him and the Office of Tax Policy a long way.

Finally, who could be better for deputy assistant secretary for tax policy than Pam Olson? She comes to the job with experience at IRS Chief Counsel and with wide contacts in the practitioner, researcher, and policymaking communities. Her recent positions as chair of the Section on Taxation of the American Bar Association and on the board of the American Tax Policy Institute only serve as proof of the high regard in which she is held by others and of her position at the pinnacle of her profession.

The team, however, clearly starts out with at least one strike called against it before it has even stepped up to bat. Treasury has a primary role to serve as gatekeeper for the president and as a crucial adviser to Congress when it comes to the implications of different choices lawmakers are considering. That involves not just defining positive implications, but costs, administrative burdens, problems of unequal treatment of those who appear as equal, and so on. It is a delicate task but a necessary one. Unfortunately, Treasury has been precluded from performing this task in recent years.

The denial of Treasury's primary role comes from both past executive branches and past Congresses. Often Treasury's internal opponents are those in other departments and offices. A large share of political appointments today are made to positions that are defined as serving some constituency. Many throughout various departments and the White House itself end up mainly acting as advocates for those whom they feel they should represent. It might be a political faction, an economic interest group, or simply people who benefit from various existing government programs.

Meanwhile, in its constant vote-seeking mode for the continual campaign, the executive branch has in recent years tried to present the president as being for everything and everyone. Negative comments are often not welcome by the PR types, especially in testimony or public appearances. Sound tax policy advice often becomes contained within Treasury's walls.

In policy design, a more traditional model had been for the president to put forward various goals and then ask Treasury formally to come up with options to meet those goals. A more modern model has been for someone elsewhere in the executive branch to advocate some policy whose details have not been checked by Treasury. When a policy is announced even before it has been vetted at Treasury, however, the department is constrained mightily to come up with details that do not violate what is claimed publicly. Policy follows sound-bite rather than the other way around. It is as if a new 20-story building is announced before the architects and engineers are allowed to check plans, codes, and resources to see if the building really can be put on the site. Knowing that Treasury is likely to worry a lot about details, other advocates in the executive branch will deliberately try to circumvent it.

Congress, of course, is constructed to represent selective constituencies. Log-rolling among legislators is a skill far older than the republic. Nary a bill passes that does not contain some special provisions put in to buy the votes of members. Again, within reason that is how democracy works, but our founding fathers did worry about this enough to try to create a strong president who could represent the interests of all the people. When Congress doesn't even get testimony on the bills it is considering, it is signaling that it not only doesn't want that information, it doesn't think the president can or will do anything about it.

The purpose of Treasury analysis and vetting is to go beyond making policy simply by adding up what is sought by selected constituencies. Treasury generally must indicate that if this special preference is to be served, then tax rates on others must be raised if the same level of revenues is to be obtained. Or if revenues are to be lowered, then favoring one group means less for taxpayers in general. If a line is currently drawn between the benefits received by A and B, and a bill would equalize them, then Treasury must also point out which C now receives a different benefit than A or B.

Treasury's role is vital if often thankless. Good tax policy doesn't just happen by accident. It takes a strong Treasury. There's little doubt in my mind that the current leaders of tax policy at Treasury will try to reassert its traditional role. It remains to be seen how good a batting average they can attain when at least one strike has already been called.

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