

Summers' Time... (Part 1 of 5)

C. Eugene Steuerle

**"Economic Perspective" column reprinted with permission.
Copyright 2000 TAX ANALYSTS**

Document date: June 19, 2000

Released online: June 19, 2000

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

And the policymaking is, well, easy. Or is it? Summer hit Washington early this year, with several days of mid-90s temperatures and a heat-humidity index in the 100s. These are days when many believe it's best just to relax, enjoy a cold drink, and take it easy.

A similar conventional wisdom is usually preached to the heads of the federal government's departments at the end of a presidential term: do little, protect your flanks, and lay low. Yet nothing could be further from the truth. In the case of Lawrence Summers, these next few months may represent more a test of his success as Treasury Secretary than any others.

Sure, it's summertime during an election year, and a new and different president is on the way. That president is going to put forward a new set of priorities. If you're sitting there as Secretary of the Treasury—or head of any department, for that matter—you're certainly going to be called on to fight the last battles of the outgoing administration. And members of the opposite party in Congress just as certainly are going to try to capture attention for themselves and their agenda. Conventional wisdom says it's time to engage in those few battles and otherwise sit back and see what develops. Reactive, not proactive, measures are thus the order of the day.

Besides, conventional wisdom continues, policy is mainly made during the first year or so of a new administration. Excitement is in the air. Campaign promises need to be fulfilled. And just fulfilling those promises and hanging onto the victories could fill up much of a president's tenure. Ambitious politicians and political aides add to the early excitement as they push and shove to try to get a position in the new administration. In those early days is when the action is, it is believed.

By the last year of an administration, even the political scientists tell us that the president is on his last legs. His influence over the legislature is low, and he turns his attention to foreign affairs where he has greater power to move events. Many political appointees seek to leave even before the ship is put into dry dock. Some stay on, hoping to get a position in the next administration, and, to achieve that end, try to do all they can to help in the campaign of the candidate of the same party. For the most part, "help" means avoiding bad publicity for their departments or agencies and giving good sound bites on the candidate's only partially formulated positions.

The error in this conventional wisdom follows partly from the way that even the best newspapers, magazines, and TV news broadcasts treat politics: largely like a sports event. The new presidential contest gets almost all the attention, and focus is on the creation of winners and losers. Continuing with the sports metaphor, however, consider the weakness of the coverage. Very seldom does one get a report on new training techniques, the late-night calculations of new strategies, and all the other efforts that are made to prepare a team for the coming season. The attention of the press to politics, just like sports, seldom provides a glimpse of what is to come.

For a high-level official, especially the head of a department or an agency, it's often at the end of an administration that one has the most freedom. Less time is required to fight internal battles, defend turf, or try to win over 200 political appointees in the White House to your point of view. A Treasury Secretary's independence, in many ways, has never been greater. No, it's not an independence to seek publicity in lieu of the president or the party's candidate. It is an independence to help set an agenda for the future—an agenda that can even transcend who wins the election.

At the Treasury Department, there is a solid history of actions taken in the last year of a presidential term that were to lead to significant policy changes in the coming year. The 1986 Tax Reform Act was largely made possible because of a 1984 study—a study that most people had forgotten about or thought, like many

Treasury mandates, would never be completed. Believe me, it never would have been completed if its tentative suggestions first had to be vetted outside of Treasury or if the Secretary had not taken a personal interest in the outcome.

Of course, that study was undertaken between Ronald Reagan's two terms, rather than at the end of his administration. But the notion that one shouldn't do much—in particular, much that was independent of a campaign—was the same.

The year 1969 provides another important historical precedent for tax reform that was to be enacted largely as a consequence of studies undertaken in Treasury in the previous year. For example, one study began to document the behavior of a number of foundations that were engaging in behaviors then thought to be unacceptable, such as distributing very few of their assets. In that case, the study had begun under a Democratic president, but legislation was brought to fruition under a Republican one.

For Secretary Summers, then, this period provides a test of his performance as a Treasury Secretary. Certainly, he can already claim some measure of success. He is entitled to a share of the credit for a solid fiscal policy during the past few years, but much of that was put in place long before he became secretary. And the truth be told, the efforts to bring the nation's fiscal house in order go back as far as 1982 and include budget agreements then and in 1990 that were larger in magnitude than any achieved under President Clinton.

Certainly, Secretary Summers can also claim some political credit for finding ways and techniques for dealing with Republicans in Congress, and improvements, as in the IRS, probably resulted.

Further, after hearing a number of Secretary Summers' speeches in recent years, I have been convinced that he has acquired a balanced and thoughtful perspective on this "new" economy and the possibilities it offers.

What I am talking about is more fundamental—the creation and development of institutions and laws that serve for generations to come. In the end, I believe that is the real test by which to judge the success or failure of someone in power. Progress of that type requires real vision, a plan of action, setting in motion the wheels or forces that gather momentum that is hard to stop later, and gathering allies from across the political spectrum.

In a coming column, I will suggest some of the opportunities that are making themselves available to the secretary. For now, I simply want to make the case that despite the conventional wisdom, the timing for visionary preparation couldn't be better.

Other Publications by the Authors

- [C. Eugene Steuerle](#)

Usage and reprints: Most publications may be downloaded free of charge from the web site and may be used and copies made for research, academic, policy or other non-commercial purposes. Proper attribution is required. Posting UI research papers on other websites is permitted subject to prior approval from the Urban Institute—contact publicaffairs@urban.org.

If you are unable to access or print the PDF document please [contact us](#) or call the Publications Office at (202) 261-5687.

Disclaimer: *The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Copyright of the written materials contained within the Urban Institute website is owned or controlled by the Urban Institute.*

Source: The Urban Institute, © 2012 | <http://www.urban.org>