

Key appointees at Treasury used as pawns in unrelated legislative battles

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For more than a year, the Treasury Department has grappled with a monumental global economic crisis while many of its most senior people have had to walk out of internal meetings at critical moments and have been barred from joining in-depth exchanges with foreign governments.

That's because the appointments of these officials have been blocked at times by various Republican senators. Until now, their reasons for thwarting the Treasury have been largely unknown beyond the halls of Congress.

It turns out the sources of discontent apparently were not the appointments themselves. In one case, it was a tax penalty on small businesses. In another, the passage of an anti-tobacco plan in Canada. Yet another involved a tussle over online gambling.

Efforts by senior Treasury officials to address some of these beefs failed to persuade Republican lawmakers to allow all the nominees to take their posts. That has forced the Obama administration to tackle the economic crisis without top lieutenants at the Treasury who, in particular, oversee policy relating to the U.S. financial system, international affairs and taxes.

Holding up nominees -- more than 80 appointments across the administration remain in limbo -- has been a well-worn tactic on both sides of the aisle over the years. Now it's souring the mood in Washington, already bitterly divided over the efforts to pass health-care legislation and overhaul the financial regulatory system.

Political analysts say the holds highlight the dysfunction of the political system. In the Senate, a lawmaker can block a nominee without revealing the reason or even his or her identity.

Treasury Secretary [Timothy F. Geithner](#) has made several attempts to break the logjam to get his staff in place.

Last month, he met with Senate Minority Whip [Jon Kyl](#) (R-Ariz.), who had put a hold on about a half-dozen Treasury nominees over the issue of online gambling.

Kyl, who staunchly opposes online gambling, objected that the Treasury had pushed off implementation for six months of a law that would effectively ban the practice, congressional aides said. The administration had been lobbied hard by the banking industry and lawmakers, who said the law was difficult to implement. [Rep. Barney Frank](#) (D-Mass.), who leads the House Financial Services Committee, said he led the efforts to postpone the ban, arguing that government should not be telling the public what to do with its money.

In the meeting, Geithner agreed to no further delays, and Kyl lifted his hold, officials recounted.

That deal, however, did not clear the way for the Treasury appointments.

[Sen. Jim Bunning](#) (R-Ky.) slapped another hold, this time on two of the senior-most nominees, as well as two U.S. trade representatives, according to congressional aides from both parties.

Some Senate [GOP](#) aides said Bunning wanted to see the Obama administration more vigorously oppose a plan by the Canadian government to ban fruit-flavored cigarettes. The Canadian initiative, which was intended to curb youth smoking, could hurt Kentucky tobacco farmers.

Bunning did not respond to requests to comment.

Aides to [Senate Majority Leader Harry M. Reid](#) (D-Nev.) said they have little information about Bunning's holds. The [majority leader's](#) office is sometimes given no details about who's holding up a nominee and why. Congressional aides said it is possible that yet another Republican senator might be blocking the Treasury nominees and that Bunning could be holding them up for reasons beyond the Canadian dispute.

Kyl and Bunning are not the only ones to have held up the appointments. [Sen. Charles E. Grassley](#) (R-Iowa) put a brief hold on the nominees just before Christmas to bring attention to a decision by the Internal Revenue Service.

He objected to the IRS imposing stiff penalties on small businesses that unknowingly participated in unlawful tax shelter transactions, Grassley's aides said. He was especially upset that this occurred at the same time the agency was offering tax breaks to big, bailed-out banks such as Citigroup.

After Grassley announced his hold, the Treasury immediately sent a letter to his office saying it would delay imposing the penalties for three months to give Congress time to amend the tax code, a move that the IRS acknowledged was "highly unusual."

Treasury officials declined to comment for this story. Although the department urgently needs its officials in place, it has been wary of addressing the impasse in public out of concern that it would anger Republican senators and exacerbate the situation, congressional and other government sources said, speaking on condition of anonymity because the negotiations over the personnel matters have been private.

But [President Obama](#) has had no such qualms. In early February, he warned against letting politics "stand in the way of a well-functioning government" and told GOP senators that he would appoint his officials without their consent while lawmakers are in recess. Such appointments would expire at the end of the current congressional session unless the Senate later votes to make them permanent.

Shortly after Obama's chiding, the Senate confirmed more than two dozen appointees, including most of the Treasury officials Kyl had blocked.

But the confirmation votes still left the three senior Treasury posts unfilled. Bunning's hold has blocked [Lael Brainard](#), nominated for undersecretary of international affairs, as well as Michael Mundaca, nominated for assistant secretary for tax policy. A third nominee, [Jeffrey Goldstein](#), nominated as undersecretary for domestic finance, is still awaiting a vote from the Senate Finance Committee.

These officials remain in limbo at a time when Treasury's senior staff is about to get even thinner. Geithner is losing two top aides. Senior counselor [Gene Sperling](#) is poised to take a job at the White House as the deputy director of the Office of Management and Budget. Another senior counselor, [Lee Sachs](#), is leaving the administration.

Nominees awaiting confirmation cannot speak on behalf of the Treasury in a public capacity or make policy decisions, according to the Congressional Record. Their contact with foreign officials, interest groups and reporters is also restricted, and they have restricted access to classified material.