

Will the Treasury ‘Outsource’ the Bailout to Wall Street?

The Only Ones Who Understand the Mess Enough to Fix It Are the Ones Who Created the Mess in the First Place

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Whatever the government bailout’s eventual shape may be, one thing is certain – it will be outsourced.

Paulson’s Treasury lacks both the manpower and the tactical expertise to do anything more than exhort, and sign contracts. The only people who understand the mess thoroughly enough to work the details of the fix are the people who created the mess to begin with, executives from rating services, bond companies and perhaps even from the likes of Lehman, or Washington Mutual. Investigative reporters will howl, but nothing will change the fact that yesterday’s villains will be tomorrow’s well-paid rescuers.

Once upon a time, these chastened professionals would have offered to work for the government in a patriotic gesture like the famed “dollar a year” men of World War I, business executives who volunteered their services for a token dollar to guide the U.S. economy in that time of crisis. Fat chance that will happen this time. Instead, the executives who made a killing bringing our economy to the brink will now make a second fortune – albeit a somewhat smaller one – bringing the economy back from the edge.

In the weeks to come, look for the Treasury to start retaining these new consultants. And look for the consultants to quickly form new companies around the services the Treasury will so desperately need. These companies will be to



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the financial meltdown what Blackwater, Custer Battles and the other “military contractors” are to the Iraq War. And just like Blackwater, this new industry will grow quickly and embed itself into the governmental landscape just as deeply. Before long, just like the military contractors, this new industry will have its own trade conferences and lobbying organizations housed in offices on K Street.

And what of the Treasury? Like the Pentagon, the Treasury also will slowly bleed out its internal

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Treasury 'Outsource'

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expertise as its staff begins to depart the civil service to join these new companies. Outsourcing is thus but the start of a hollowing-out process that, if not reversed will turn the Department of the Treasury into little more than a contracting shop doling out fees to the expert consultants.

We have already outsourced an astounding portion of governmental functions to private contractors. Federal contractors already outnumber federal employees 3-1: Excluding the military, there are approximately 1.8 million government employees, and 7 million federal contractors. Instead of the small government hoped for by some, we are creating a vast, but hollow federal government that has delegated its essential functions to personnel working outside the civil service system. A government of contractors is a government that

does not answer to its citizens, has no institutional memory and has no conscience.

Our democracy cannot survive without a professional civil service skilled in the core processes of government. But our civil service has been dangerously weakened by politicians who do not believe in a government capable of governing, and thus treat our civil servants as an occupying power. Unless this dangerous trend is reversed, the coming outsourced bailout will accelerate the arrival of a government at once all powerful but utterly unanswerable to the people whose taxes fund its contracts.

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