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Yale Program on Financial Stability

Lessons Learned

Richard “Jake” Siewert

By Mercedes Cardona

Siewert served as counselor to US Treasury Secretary Timothy Geithner from 2009 to 2011 during the Global Financial Crisis of 2007–09 (GFC). He had previously served in the Clinton administration, including as a special assistant to the president for economic affairs, at the National Economic Council, and as deputy White House press secretary. He also handled the press secretary duties from September 30, 2000, to January 20, 2001. This “Lessons Learned” is based on an interview with Mr. Siewert.

You have to keep moving. You need a good bench.

Siewert stated that in times of crisis, you have to staff up quickly with the right people even though normal hiring processes and congressional approvals may be delayed. Many who contributed to the effort, including him, just came to Washington and started working without waiting for specific approvals or titles.

Siewert also stressed that the knowledge and experience of current or new officials was key:

The officials in charge of responding to a crisis won’t have much time for transitions, for staffing or bringing people up to speed. It helps to have people who have already dealt with similar issues at a similar level.

Siewert noted that many of his colleagues during the crisis, such as Gene Sperling, Steve Rattner, and Lee Sachs, had previous experience in these levels of government and had dealt with the financial crises of the 1990s while at the Clinton White House. Their experience was valuable in many ways, especially, Siewert pointed out, since the principals will likely be pulled in many directions. That includes, he mentioned, the likelihood that they will have to make many appearances before Congress, as any major rescue effort will be subject to congressional oversight seeking to review the crisis-fighting efforts, even as they are being formed. Siewert elaborated:

You had a huge problem in the economy, huge disconnections in the financial systems, and a novel public policy that had to be forged on the go with a massive amount of duplicative, and in some cases, not particularly useful, oversight by Congress and a bunch of other agencies.

In Siewert’s opinion, being in uncharted territory during the GFC heightened the level of scrutiny toward the crisis responders and further complicated the practical formation of the government’s response at each phase of the process. It took the officials away from doing the job at hand: “We spent as much time answering questions about what we were doing as doing what we needed to do,” said Siewert. However, he noted that having

seasoned competent people in staff positions meant that the work could continue despite the need to respond to oversight efforts.

Perception is important: Thorough communications can shape it for the better.

Siewert discussed how important it was to establish early a perception or narrative about the government's objectives. If this is not done, he stressed, "a faulty narrative will become established and will be hard to root out." He pointed to the Bush administration's communications around the Troubled Assets Relief Program (TARP) as an example of the challenges faced when trying to fight a crisis and communicate to everyone what you are doing in the most accurate and beneficial manner:

Since he was on his way out, I think President Bush wasn't spending an enormous amount of time explaining what they were doing. And the press wasn't that interested in his point of view at that point. They were much more interested in the campaign between Obama and McCain. I also think that he wasn't using his bully pulpit to make the case for the financial rescue in a way you might've if you'd had two or three more years or another election coming up. After the initial vote on TARP failed, he definitely worked the Hill, as did Secretary Paulson. And they got the second vote through, barely. But again, I don't think most Americans in the fall of '08 could articulate why TARP was necessary and what TARP was designed to do because it was a moving target, and they spent more time on trying to get it passed than on communicating what it was all about. Which was understandable given the circumstances, but that decision had long-term effects.

While understanding the pressures the Bush administration was under, Siewert nonetheless points out that failing to convey the level of devastation that the TARP was intending to prevent drastically undercut the inherent historical and functional value of its passage, with lasting impact.

Before President Obama became president, I remember being up in Massachusetts, which is hardly the most Tea Party or conservative state, but there were already bumper stickers up in November saying, "Where's my bailout?" So, the idea that this was a bailout for the banks, rather than the understanding that it was necessary to save the country, was pretty deeply ingrained in the fall of '08. Unlike say, FDR in the Great Depression, there wasn't a huge effort made by then President Bush at that time to explain exactly why it was necessary. And that wasn't really Hank Paulson's job or natural expertise. He was more running at the problem itself rather than thinking about a grand communication strategy.

Siewert thinks that better communication could have helped the public understand what TARP was designed to do and what the real outcomes were. He observed that the US public was not used to the government owning stakes in companies, a practice that is common in some countries in Europe. Therefore, when the government took shares in the major banks and AIG in exchange for its support, it was very controversial.

Siewert also noted that that original less-than-favorable impression stuck: taxpayers came away with the impression that \$700 billion in government "bailouts" came at their expense. However, the government investments proved to be profitable in the long term and the companies paid back the government, some ahead of schedule.

Crises take time to unfold and their effects persist. The administration must stay focused on the issue until its impacts are resolved.

It will be a "debate for historians," Siewert said, whether President Obama was correct in moving on to the battle over healthcare and other priorities once the initial financial legislation passed. Siewert would have counseled a longer period of "laser-like focus" on the economy. However, by 2009, the narrative that the government had thrown money at the failing businesses had become entrenched. Siewert reflected:

I think that gave some people the impression that he was a little more focused on his agenda than what they saw as the most important issue of the time. And that was a challenge because it meant that those impressions that had formed in the fall of '08 of the campaign didn't shift a lot over time.

Think ahead to the next crisis.

Some of the backlash directed toward the administration's crisis-fighting efforts included proposals to cut some of the Fed's power to react effectively. However, Siewert shared, to be ready for the next crisis, the government institutions need to focus on what could be possible threats in the future, such as a cyberattack on the financial infrastructure and how to prevent and react to one. He thinks that this approach is more likely to get bipartisan support, bypassing today's polarized political climate, since such attacks are more likely to come from abroad.

The biggest challenge, Siewert shared, "was just the novelty of the situation." He continued,

There was a severe economic contraction, bigger than most economists had modeled at the time. The stimulus package was put in place pretty quickly by the White House and Congress, which broke the immediate fall. But the management of the government's response to its intervention in the financial system, which had happened in the previous administration, was a completely unprecedented case for the US government.

In future crises, institutions must be willing to use a variety of media strategies to connect with the public.

Siewert acknowledged that the next crisis would require a different communication strategy than the last one on several levels. First, he urged policymakers and thought leaders to seek to communicate with the broader public. As he put it,

It doesn't pay to be "defeatist" about the ability to get a message through, but communicating in the next crisis will require getting the word out about what the measures taken will do for the larger society.

You have to think about what your value to society is—whether you're a big academic institution or a big government institution—and how you are trying to share that message, not just with elites but with a broader audience. And then going about it in a thoughtful way.

To succeed, Siewert continued, will require doing things differently. Policy makers—government officials who may not be on the cutting edge of communication technology—will be challenged to access all manner of communication media to address the balkanization of media and the public's short attention span. He noted:

I think honestly you need to evolve. Every institution, whether it's the Federal Reserve, the Treasury, or the like, has used social media much more aggressively than they did five years ago and in the crisis. Twitter wasn't a real factor around the time of the financial crisis, it hadn't really been broadly adopted, but today with the president of the United States on Twitter, and all modern political campaigns using extensive forms of multimedia, any effective communication strategy is going to have to use the up-to-date ways in which people communicate. So you have to be mindful of that. If you're watching the campaigns today, they're very aggressive with Instagram, with Twitter, In '92 Bill Clinton was considered revolutionary because he used more cable TV shows and didn't just go to the three [main] networks at the time, ABC, CBS, and NBC. And he was considered revolutionary to appear on some of the comedy shows, like Arsenio Hall . . . And Obama updated that pretty dramatically in '08.

So any campaign is going to be looking at where people are getting information, whether it's a political campaign or a campaign for a policy. Where are people receiving information? What are the most up-to-date ways of using that mode of communication? And the reality is, these days, because the media landscape is so balkanized, you cannot settle for one or two preferred modes of communication, just the ones you're most comfortable with. You have to use a wide variety of them because everyone's attention span is scattered.

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