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WASHINGTON'S MOST DANGEROUS BUREAUCRATS IF YOU THOUGHT UNCLE SAM WAS LIGHTENING UP, THINK AGAIN. REGULATORS AND MANDATERS ARE ALIVE AND WELL ALONG THE POTOMAC. AND HORRORS! SOME ARE EVEN REPUBLICANS.

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(FORTUNE Magazine) – Washington is like a magic show: It's all about illusion. Everywhere you look, it seems another industry is being deregulated. But behind the veil, plenty of strings are still attached. Looser controls on commerce and tighter budgets, in truth, have only emboldened the bureaucracy. "The number of rules and their costs keep increasing," says Pietro Nivola, a regulatory expert at the left-leaning Brookings Institution. "And that is the wave of the future."

Pushing the trend are legions of bureaucrats who remain mostly unknown to the general public but who are dangerous in the eyes of business executives precisely because they have so much power to hurt the industries they watch. Say a complex tax deal is going down in the midnight hour and a pound of flesh is required to get it closed. Well, these are the people who can reach out and take it--from your company's hide if necessary.

Of course, the ideological leanings of such bureaucrats matter. That's why conservative corporate types deplore the renewed activism they see in Bill Clinton's executive branch. But Ronald Reagan couldn't cage the beast either. After all, once an industry's deregulated, someone still gets to police it. In times of deficit spending, in fact, even Republican Congressmen are happy to allow--nay, to encourage--unelected regulators to order up new programs the lawmakers couldn't otherwise afford. Says Edward Hudgins, editor of Regulation Magazine at the libertarian Cato Institute: "The bureaucrats and the Congress are always looking for ways to enhance their power, and the way they're doing it now is through growing regulation of economic activity."

Which bureaucrats represent the biggest bane to business? There isn't much challenge in identifying the obvious threats--headline-grabbing heads of giant Cabinet departments, such as Carol Browner of the Environmental Protection Agency, Bruce Babbitt of the Interior Department, or the soon-to-be-filled top posts of the Occupational Safety and Health Administration (OSHA) and the Federal Communications Commission. (See the box at the end of this story for more on Washington's key unfilled power posts.) The real trick is to anticipate threats from more obscure bureaucratic outposts. And only experts know where they lie in wait.

For instance, most Americans have never heard of Terry Medley. But the 46-year-old administrator of the Animal and Plant Health Inspection Service in the U.S. Agriculture Department holds the future of fruits and vegetables in his hands. Without fanfare, he has overseen the development of genetically altered plants for a decade, and since the U.S. is essentially setting international standards as well, he is also becoming a thorn in the side of agribusinesses the world over.

Or take Michael Davis of the Army Corps of Engineers. Only farmers and real estate developers know much about the 41-year-old deputy assistant secretary for policy and legislation. But in their arena, Davis is huge. He's the man behind Permit 26, which reduces the size of a wetland plot that comes under the corps' scrutiny to three acres from ten, and thus vastly increases his office's heft in the field. The homebuilders' lobby calls the new regulation "a stake through the heart of the development community."

Likewise, the name Eugene Ludwig won't light up your typical cocktail party conversation--unless the drinkers are insurance agents. As Comptroller of the Currency, Ludwig, 51, has made himself infamous among that crowd for almost single-handedly dismantling the Glass-Steagall Act by allowing national banks to expand into insurance and securities underwriting. Senate Banking Chairman Alfonse D'Amato grouses that the change exposes taxpayers to risks that Glass-Steagall was designed to foreclose.

But for all their muscle, these industry specialists--and the hundreds more like them scattered throughout government--mainly throw their weight around within a fairly narrow spectrum. Real influence arises when bureaucrats can take actions that help or harm the entire economy. Here, then, is a closer look at three people who arguably exercise more regulatory might than anyone outside the major Cabinet departments--and thus qualify as the most dangerous bureaucrats you've never heard of.

THE GREEN QUEEN

During the 1992 presidential campaign, environmental lobbyists got accustomed to receiving frequent phone calls from a young aide to Al Gore named Kathleen McGinty. Whenever President Bush or his surrogates disparaged then-governor Clinton's dedication to cleaning the air or water, McGinty's task was to canvass her colleagues to find the cleverest rejoinder and the sharpest policy response to make the Democrats seem as green as a rain forest.

McGinty doesn't need to make the calls anymore. Enviros call her, as do corporate lobbyists and members of the President's Cabinet. In title, she is chair of the Council on Environmental Quality at the White House. In reality, she is Vice President Gore's (and therefore President Clinton's) chief antipollution adviser. One of Washington's little secrets is that the young, anonymous aides who labor in the bowels of the White House are more influential in setting policy than any Cabinet officer. When it comes to the environment, that certainly is the case with Katie McGinty.

While Cabinet meetings are rare, McGinty, 34 years old, meets weekly with the President and Vice President. More significant, she controls much of the paper flow to both of them on topics that fall under her broad purview. Her staff compiles, and then synthesizes, the policy preferences of the major players inside and outside the Administration on subjects that range from endangered-species protection to clean-air regulations. McGinty insists she's an "honest broker," not an advocate, and fellow staffers agree she has lately tried to play down her own decidedly tree-hugging views. "I've been very impressed with her ability to combine a very green heart with a very hardheaded, practical approach to policy," says Gene Sperling, the National Economic Adviser.

But her outcomes aren't always in "balance," to use that very Gore-esque term. McGinty's proudest moments in Clinton service include some of the darkest days for industrial America. One high point for her was the protection from development of a breathtaking 1.7 million acres of land in southern Utah now designated a national monument, one of the largest such set-asides in decades. She also crows about her leading role in devising a new international treaty that would reduce global warming, an effort that gets a chilly reception from business.

Her biggest accomplishment was also her most damaging from the corporate perspective. This year McGinty co-chaired a task force that debated the fate of sweeping new clean-air standards. In the end, the President rejected the economic arguments made by other advisers and by most business interests, and adopted the EPA's proposed rules without alteration. An industry coalition of automakers, oil companies, and others termed the decision "a crushing blow" that will cost them $150 billion a year. McGinty says these kinds of bitter debates have taken a personal toll. "I feel like I age exponentially every day," she says. And so do the executives her decisions affect.

MR. TAX

Some powerful bureaucrats are neither Democrats nor members of the executive branch. Case in point: Kenneth Kies, staff director of the Congressional Joint Committee on Taxation. He was even a sticking point during last summer's balanced-budget talks. Treasury Secretary Robert Rubin told Republican leaders he didn't want Kies to have sole control over estimating the revenue effects of tax changes. "Ken Kies knows this so well, he'll manipulate the numbers to do whatever the House and Senate want," Rubin complained. White House Chief of Staff Erskine Bowles went so far as to suggest that Federal Reserve Chairman Alan Greenspan be brought in to mediate if Kies' and Treasury's estimates differed by more than 15%. In the end, the Kies "problem" was settled with an extraordinary letter to Bowles from GOP leaders. "The Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information," the letter vowed, "to minimize revenue estimating differences."

Fat chance. The 45-year-old Kies was--and remains--the man to see when it comes to altering the nation's tax code. As head of the 44-member joint-committee staff, Kies ghosted virtually every line of this year's massive new tax law. He was also the referee when it came to deciding how much the bill's provisions added to or detracted from U.S. coffers, despite Rubin's protests. Kies, in effect, was the senior adviser to the GOPers who control congressional tax writing. His word was pivotal to ending the tax exemption for TIAA-CREF, the teachers' pension fund, and raising the airline-ticket taxes.

The former marathon runner has been a central player in every recent fiscal fight on Capitol Hill. When lawmakers broke a three-year stalemate over how to make health coverage portable last year, it was Kies who suggested and then brokered the compromise. And during the recent tax debate, the three congressional negotiators for the final package were House Speaker Newt Gingrich, Senate Majority Leader Trent Lott, and Kies; the tax-writing chairmen weren't at the table. With some hyperbole, Mark Fahleson, staff chief to Nebraska Congressman Jon Christensen, says, "Ken Kies may be the most powerful man in Washington."

Bureaucrats aren't supposed to have that much swat, so Kies has inevitably stirred controversy. He was roundly criticized for giving more speeches to special-interest groups last year than any other staffer, or for that matter, any member of Congress. Democratic members also have lambasted Kies for pressing his own agenda, sometimes at their expense. But despite these attacks, Kies has retained the support of his Republican patrons. One reason: He knows his way around. From 1981 to 1987 he was a senior GOP staffer at Ways and Means. Then he returned to the Washington office of his former law firm, Cleveland-based Baker & Hostetler, where he lobbied his former colleagues and chaired the firm's tax practice, billing more hours than any other lawyer in the firm. But when the GOP took over the House in 1994, Kies couldn't stay away. The allure of reaching the pinnacle of the capital's hierarchy of the unelected was too much to resist. Nowadays, no lobbying campaign on a tax issue can be considered serious without a visit to Mr. Kies.

THE TRUSTBUSTER

Robert Pitofsky is the Freddie Kruger of the Federal Trade Commission. He was one of the capital's most reviled bureaucrats in the 1970s, first as director of the FTC's Consumer Protection Bureau and later as a member of the commission itself. But just when business interests thought they were rid of him, "He's baaaack!" this time as FTC chairman. Charles Rule, a former head of the Justice Department's antitrust division under Reagan, considers Pitofsky's vigorous antitrust actions "a swing back to what was going on in the 1960s and 1970s."

Under Pitofsky since 1995, the FTC has become the Rip Van Winkle of the executive branch. Having slept through most of the 1980s, it is now wide awake and challenging mergers in a way that is making the corporate world nervous. Why? The urge to merge no longer has an enabler in the shadow of the Capitol. "The minimal enforcement of the 1980s was a mistake," Pitofsky told FORTUNE. "The agency is considerably more aggressive than it was then."

The numbers make that clear. In fiscal 1986 and 1987, the FTC challenged but 15 mergers. In fiscal 1995 and 1996, it challenged a record 57 mergers, nearly four times as many on an increase in mergers overall of only 32%. And the trend continues. Pitofsky's latest victims include the Staples-Office Depot merger, the Rite Aid-Revco merger, and a proposed purchase by Questar of a pipeline from Tenneco. All three were declared potentially harmful to consumers.

At the same time, the FTC is nowhere near the "National Nanny" that it was once accused of being. The agency under Pitofsky cleared the way for large, controversial mergers between aircraft manufacturers Boeing and McDonnell Douglas and, after extracting concessions, between drugmakers Ciba-Geigy and Sandoz and between media companies Turner Broadcasting System and Time Warner (the parent of FORTUNE). Pitofsky also has broadened what constitutes restraint of competition to take into account global and domestic competitiveness.

But Pitofsky is more than willing to lash out whenever he sees an abuse in his realm. Take tobacco. He led a split decision by the FTC to ban Joe Camel from cigarette ads even before the tobacco industry volunteered to withdraw the same commercials. Pitofsky also spoke out against other parts of the settlement. He said the pact would allow price-fixing by the companies, a violation of law. As a result the offending exemption likely will be changed, much to tobacco's chagrin.

Usually Pitofsky is cagier, and, in that way, even more dangerous; he knows when to pick his fights. He recently played tennis against his European counterpart. Each man won a set, but, at Pitofsky's suggestion, they didn't play a third. Why risk the offense? Just don't expect Pitofsky and his fellow bureaucrats to be so nice when the game is for keeps.