

Letter from Washington: Obama's Playing Field

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It was August, 1993 and President Clinton was working the Democratic majority in Congress to gather the votes for his first budget plan. For a President trying to change the direction of federal policy, as he was after 12 years of Republicans Ronald Reagan and George H.W. Bush, the first budget is perhaps the most important piece of legislation that he would propose – ever. Reagan used his first budget plan to cut taxes dramatically while restraining domestic spending and shifting resources for a big defense build-up. So this was a key moment for Clinton, one that could literally make or break his young presidency.

He barely had a Democratic vote to spare because congressional Republicans were opposing him to a person. Clinton was struggling because Bob Kerrey, a mercurial Democratic Senator who had lost the party's presidential nomination to Clinton a year earlier, was threatening to vote 'no.' In one phone conversation between them, the explosive Clinton said, 'If you want to bring this Presidency down, then go ahead,' and cursed at Kerrey a moment later. Kerrey eventually voted for Clinton's plan, sending it to passage by the narrowest of margins.

Clinton's struggles with Democrats did not begin with his budget, nor would they end with it; conflicts over health care, welfare, trade, and other issues infused their relationship while Democrats ran Congress in 1993 and 1994. Nor is conflict within the party that controls both the White House and Congress an oddity in modern-day Washington. President Carter's clashes with the Democratic congressional majority of the late 1970s were fiercer than Clinton's – House Speaker Tip O'Neill referred to Carter's Chief of Staff, Hamilton Jordan, as 'Hannibal Jerkin' – and Democrats John Kennedy, Harry Truman, and Franklin Roosevelt all railed against their party-mates, with Truman complaining about 'S.O.B. so-called Democrats.'

President-elect Obama should expect a dose of the same, for the very reasons that drove the intra-party conflict of yore. Democratic committee chairmen will seek to protect their own power and shape their own legacies. They will have limited tolerance for order-taking, even from their own President. Meanwhile, Democratic lawmakers of all rank will seek, before anything else, to protect their own seats. The

vast majority of the incoming 111th Congress first won their seats years before Obama won the presidency, and most will want to remain in Congress after he leaves, whether he serves one term or two.

Nevertheless, congressional Democrats know their political fortunes are not fully severable from Obama's. A successful Obama presidency would send an important message to Americans about how much better the Democratic Party can govern than the hapless GOP. (An unsuccessful Obama presidency, of course, will do the opposite.) In essence, Obama and congressional Democrats are travelling on the same political train, however much they may want to stop at different places along the way. How they travel together will prove hugely important to Obama's success. Also important is how Republicans respond to the reality of all-Democratic government. In the Senate, they will sometimes have the votes to slow, if not kill, key elements of Obama's agenda. Whether, and how often, they choose cooperation or conflict will greatly influence Obama's prospects for success.

Most important of all is whether Obama accurately gauges the public mood and addresses problems in ways that comfort Americans, rather than frighten them. In this era of great economic uncertainty, with hardship rising and savings falling, Americans want their new President to restore prosperity and also tackle other deep-seated problems, such as health care. But they are deeply sceptical that the federal government can deliver. Thus, Obama should proceed methodically, making step-by-step progress to build confidence in his administration. He should avoid 'big government' solutions that will make Americans nervous and, in turn, run the risk of failing to secure congressional approval. Fortunately, in tapping proven pragmatists with lots of Washington experience for top White House and Cabinet positions so far, Obama seems to recognise the cross-cutting winds of public desire and public scepticism.

A fickle populous

Our quadrennial process of choosing a President nourishes a sense of renewal across American society, a reassurance that's derived from the beauty and stability of American democracy and an expectation of new mountains to climb (or, at this time of economic tumult, new holes out of which to climb). Obama's ascendancy will only enhance the hopefulness that our process naturally engenders, for he campaigned as a candidate of 'change we can believe in,' his soaring rhetoric fuelled a following of starry-eyed Americans of all ages and colours and incomes, and his

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coming elevation as the first African-American to assume the highest office has reminded Americans of all ideological stripes that, as Obama himself put it on election night, 'America is a place where all things are possible.'

Obama's triumph, like many recent presidential victories, also brings hopes of long-term political realignment by the victors. Writing the cover piece for TIME's November 24 issue, illustrated by a sketch of Obama as a modern-day FDR, left-leaning thinker Peter Beinart opined, 'If Obama begins restoring order to the economy, Democrats will reap the rewards for a long time.' Democracy Corps and the Campaign for America's Future – the former a polling operation, the latter a progressive advocacy organisation – asserted Obama 'spearheaded a sea change election. It marks the end of the conservative era that has dominated our politics since 1980 and the beginning of a new era of progressive reform, driven by an emerging progressive majority.' His victory, they wrote, reflected support for his progressive agenda – quality health care for all, higher taxes on the rich and tax cuts for the middle, 'fair trade' as opposed to 'NAFTA-style agreements,' and so on.

But, before we predict a Democratic realignment akin to how William McKinley's victory in 1896 presaged Republican rule through the 1920s, how FDR's victory in 1932 ignited Democratic majoritarianism through the late 1960s, or even how Ronald Reagan's victory in 1980 launched more limited GOP rule over the last three decades, let us proceed cautiously. Even under the umbrella of Reaganism, with its commitment to low taxes and limited government that has shaped our politics since 1980, the last three decades has been marked by wild swings in the relative positions of our two parties. Whether Obama's victory signals a longer lasting Democratic ascendancy is an open question.

Carter won the White House in 1976, two years after the Watergate scandal sent Republicans packing; followed by Reagan's victory in 1980, which sent Democrats packing; followed by Clinton's victory in 1992, which sent the first President Bush packing and marked the return of all-Democratic government; followed by the GOP's mid-term victories of 1994 that gave Republicans full control of Congress for the first time in 40 years; followed by George W. Bush's victory in 2000 that gave Republicans all levers of power; followed by the Democrats' mid-term victories of 2006 that gave them control of Congress; followed by Obama's victory that returns the government to Democratic control.

While shifting its allegiances between the parties, the public has similarly shifted its preference between one-party rule and shared power. In the last three decades, Democrats controlled all levers of power from 1977-80 and 1993-94, Republicans from 2001-05. In between, the parties shared power. In terms of achievement, one-party rule seems not to trump shared power. The former has often produced the kinds of intra-party battles of which we have spoken. The latter has often persuaded the two parties to abandon their stridency, move to the political center, and opt for cooperation. Reagan and a Democratic Congress secured tax, immigration, welfare, and health care reform in the late 1980s, while Clinton and a Republican Congress achieved their own welfare, immigration, and health care reform a decade later.

Thus, Obama assumes office in an era in which the public has proved remarkably fickle in its political loyalties. But we must not confuse political fickleness with ideological fickleness. Through it all, Americans have remained largely centrist in philosophy. The percentages of Americans who identify themselves as 'liberal,' 'conservative,' or 'moderate' have remained consistent, with the latter the most popular. Conservatives insist America remains a 'center-right' nation, and that Obama's victory amounts to just a repudiation of Bush-ism. Progressives insist America is now 'center-left' and that Obama's victory signalled an ideological shift. All sides agree, however, that America is of the 'center.'

To succeed in this environment, Obama must deliver, producing tangible evidence that things are getting better in the America of 2009 and beyond – that the economy is improving, living standards are rising, and jobs are growing. The path he pursues will prove less important than the impact he has. As former Democratic National Chairman Terry McAuliffe told the Washington Post, 'the Democrats will have control... and it will be incumbent on us to produce. Voters don't care if they're Democratic jobs or Republican jobs; they just want people who can produce.' Unfortunately, more than any President of recent vintage, Obama will face a clash between goals and limits. He will be the President of enormous opportunity and necessary restraint. That's true in both a fiscal and a political sense, each of which is worth a closer look.

Fiscal cross-currents

First and foremost, Obama will have to stabilise the nation's financial system and revive the economy, and he now promises a huge stimulus plan once he takes office. Beyond that, his domestic agenda includes tax cuts for 95 percent of Americans

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(and tax increases for the top five percent); health care reform to constrain spiralling costs and to provide coverage to the uninsured who could soon number 50 million (nearly a sixth of all Americans); an energy policy to help wean the nation from foreign oil (and, thus, U.S. dependency on nations with which America is otherwise in conflict); and, related to energy, an initiative to address global warming around which the world can rally.

Foreign affairs also will demand a sizeable share of Obama's time. He will inherit a Status of Forces Agreement that dictates the pace of America's withdrawal from Iraq. But while inheriting the astonishing prospects of victory in Iraq after what seemed the inevitability of defeat, Obama also will inherit a troubled U.S. effort in Afghanistan. There, military commanders admit the United States is not winning, although they insist we could with the requisite commitment of troops and time. Obama, who insists we must win in Afghanistan while questioning why we ever invaded Iraq, has promised to shift forces from the latter to the former. More broadly, he has pledged to increase the size of America's armed forces. The Pentagon and defense-minded lawmakers will resist efforts to finance the troop build-up by cancelling weapons projects, especially job-producing projects at a time of rising unemployment. Russia has signalled its plans to test the young President, China undoubtedly will do so, and Obama must decide quickly whether to accept the inevitability of a nuclear-armed Iran or take the economic or military steps to prevent what he calls that 'game changer.' Add it all up and the Pentagon budget seems likely to expand, not shrink.

But, while hoping to address pent-up demands at home and abroad, Obama will inherit a budget deficit that is approaching economically dangerous levels, fuelled by both a built-in mismatch between revenues and spending and an infusion of deficit-financed federal dollars to bail-out, stabilise, or buy pieces of financial institutions. The deficit for fiscal 2008, which ended September 30, hit a record \$455 billion in dollar terms and a troubling 3.2 percent of Gross Domestic Product. That of 2009 could easily top a once-unfathomable \$1 trillion!

The question of how, or whether, or when, or under what conditions Obama can reconcile the competing challenges of expansion and restraint, of boosting spending to pursue his agenda and squeezing spending to reduce the deficit, is fast becoming the defining issue of his emerging Administration. The battle is already underway on Capitol Hill, where Democrats are split between free-spending liberals and

deficit 'hawks,' and in the private sector, where fiscal watchdog groups are squaring off against progressive foundations, charities, and related organisations.

This is no new intra-party contest. It reflects a raging philosophical battle that dates back to Clinton's presidency when, progressives believe, Clinton focused too much on budget balance and too little on public investment. In progressive quarters, 'Rubinomics' – Clinton's tripartite policy of budget balancing, investment in human and physical capital with available resources, and free trade, which is named for Clinton's top economic advisor, Robert Rubin – is a dirty word. That Rubinomics coincided with – indeed, helped to generate – a roaring economy that brought budget balance after three decades of red ink, fuelled higher living standards for Americans at all income levels, produced 22 million new jobs in eight years, and reduced poverty and welfare seems strangely irrelevant to these progressives.

Political cross-currents

America's financial meltdown, which shook Wall Street and Main Street in late 2008 as stock portfolios plummeted, has prompted progressive calls for a second 'New Deal' – a huge expansion of federal activity in the economy, health care, and other sectors to reshape Washington, if not capitalism. Advocates propose to seize the opportunity of economic disarray to pursue an agenda that would stand little chance of enactment at a less frightening time. Deficit reduction would take a backseat to government expansion. But Obama has reason to proceed cautiously, for analogies to the 1930s are strained at best.

The America of 1933 was a place of public desperation, with joblessness approaching 25 percent and a virtually non-existent public safety net. That of 2009 will be one of public anxiety, with unemployment over six percent and perhaps heading to nine and concerns about how to plug holes in a well-established safety net. FDR built the New Deal on a government that occupied less than 10 percent of Gross Domestic Product; Obama will preside over one that's well above 20. FDR inherited a small budget deficit that he had first hoped to eliminate; Obama, as we have said, will inherit one that's large and about to be huge.

American attitudes about government provide another reason for caution. In the early 1960s, three-quarters of Americans trusted their government to do the right thing most or all of the time. That figure has steadily declined in subsequent decades, as promises from the War on Poverty went unfulfilled, Watergate fuelled

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popular cynicism about America's leaders, and conservatives mounted a full-throated assault on government as a tool of social problem-solving. In a New York Times/CBS poll this fall, the percentage of Americans who trusted government to do the right thing most or all of the time totalled just 17 percent.

Even those who interpret Election '08 as a mandate for progressivism acknowledge the strong public scepticism about governmental action. Stressing the favourable climate for progressive activity, Democracy Corps and the Campaign for America's Future nevertheless admitted, 'There is only one area – and it is a critical one – where independents and moderates still side with conservatives. That is on government spending. Clearly, years of conservative misrule have made people sceptical of the ability of government to act decisively.' Obama seems to recognise both the public's desire for progress and its scepticism about government, for he is building a pragmatic team to, in the parlance of American football, move the ball steadily down the field without throwing 'hail Mary' passes that would likely fall to the ground.

Team Obama

No President governs alone. The federal government is too big, the society too complex, the world too dangerous, the competing demands on him too numerous. During their campaigns, would-be Presidents assemble a cadre of advisors to craft a policy agenda. During their post-election transition before assuming office, President-elects create teams to assess the problems plaguing the White House, executive departments, and independent agencies. They also begin to announce their picks for top jobs in the White House and Cabinet.

Through nearly two years of campaigning, Obama had no trouble attracting the services of seasoned political and policy experts. During his battle for the nomination, his soaring rhetoric inspired those who sought a fresh face. During the fall campaign, he welcomed the added help of former supporters of Hillary Rodham Clinton who were hungry enough for a Democratic victory to overcome their disappointment that it would not be Clinton's. Obama, thus, had the cream of Democratic advisors from whom to draw. In making his selections, he sent a clear message about the presidency he envisioned. It's this: pragmatic centrism is in, aggressive liberalism is not.

After clinching the nomination, Obama ignited a storm on the left by appointing Jason Furman, a centrist economic advisor to President Clinton, as his top economic advisor for the fall campaign. Furman's selection, though, was merely a piece of a larger puzzle, as Obama also relied heavily on the advice of Clinton veterans Gene Sperling (who headed the National Economic Council), Lawrence Summers (who served as Treasury Secretary), and even Robert Rubin of 'Rubinomics' fame (who served in each capacity). This was the crowd that steered Clinton's economic policies of the 1990s and, in the process, attracted the ire of frustrated liberals.

Since Obama's election, that larger puzzle has added more pieces. John Podesta, who was President Clinton's last Chief of Staff, is running a transition staff that's heavily populated with Clinton veterans. In making his initial appointments for the White House and Cabinet, Obama is following a similar pattern, tapping pragmatists from Clinton-land. For Chief of Staff, he chose Rahm Emanuel, a top Clinton White House advisor who helped resurrect Clinton's presidency after the devastating mid-term elections of 1994 by repositioning his boss as a centrist. Emanuel helped push welfare reform, immigration reform, and law enforcement initiatives to fruition, and he focused Clinton on the political benefits of making incremental progress on problems facing America, rather than proposing huge, one-step solutions.

And so it goes. For his economic team, Obama appointed Summers to head the National Economic Council; Timothy Geithner, a former Undersecretary of the Treasury under President Clinton, to serve as Treasury Secretary; and Peter Orszag, another centrist economic advisor to Clinton, to run his Office of Management and Budget. For his national security team, he asked Bush's Defense Secretary, Robert Gates, to stay; tapped Hillary Rodham Clinton (who displayed signs of hawkishness before and during the campaign) for Secretary of State; and chose retired Marine Gen. James L. Jones for National Security Advisor. From domestic to foreign policy, Team Obama is thoroughly centrist and pragmatic.

Conclusion

On January 20, at noon, on the steps of the Capitol, looking out at the historic 'mall' that houses monuments to George Washington and Abraham Lincoln, before millions of Americas who will brave the wintry weather to witness this history-making event, a 47-year-old African American will raise his right hand, place his left on a bible, and take the oath of office as the nation's 44th President. Barack

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Obama will immediately become the world's most powerful figure at a time of great uncertainty, with an economic system in crisis, and with the nation engaged in two wars and its enemies in Moscow, Beijing, Tehran, Caracas, and elsewhere eager to take the measure of its inexperienced new leader.

Obama will face the twin pressures of public demand for action and public deficits that are rising to once-unimagined levels. He will work with Democratic majorities on Capitol Hill that are far from united about the proper role of government and about whether Washington should ignore budget deficits or make them a priority. He will preside over an electorate that is less ideological than pragmatic, less interested in philosophical purity and more interested in practical solutions. He is assembling a team that is appropriately centrist and pragmatic.

In this time of tumult and hope, of crisis and opportunity, Obama will have to deliver. It will not be easy.

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