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The Unnecessary Fall

A counter-history of the Obama presidency.

- John B. Judis
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On April 14, 2009, as Barack Obama's standing in the polls was beginning to slip, and as Tea Party demonstrators were amassing in Washington for tax day protests, the president gave a lengthy address at Georgetown University explaining the "five pillars" of his economic policies. The speech was intended to promote a memorable slogan for Obama's program that would evoke comparisons with Theodore Roosevelt's Square Deal, Franklin Roosevelt's New Deal, and Lyndon Johnson's Great Society.

Obama's contribution was to be the New Foundation. "We must lay a new foundation for growth and prosperity—a foundation that will move us from an era of borrow and spend to one where we save and invest," he declared. Obama would repeat the phrase seven times that day and on many more occasions over the next months. At Obama's private White House dinner with presidential historians that June, the historians were no more impressed than the public with the New Foundation as a slogan. "I don't think it's going to work," Robert Dallek warned. Doris Kearns Goodwin said it sounded "like a woman's girdle."

One of these historians might have been able to forewarn Obama that the slogan had been unsuccessfully deployed by a Democratic president once before. In his 1979 State of the Union address, Jimmy Carter began, "Tonight, I want to examine in a broad sense the state of our American Union—how we are building a new foundation for a peaceful and a prosperous world." Carter would use the phrase five times in the speech, including in its conclusion, where he asked members of Congress to join him "in building that new foundation." Like Obama's effort, the phrase inspired, at most, a few underwear jokes and was then forgotten.

Obama's evocation of Carter was obviously unintended—but the Man from Plains is indeed the specter now hanging over his presidency. Of course, Obama has already accomplished more in his first 20 months than Jimmy Carter did during his entire presidency. But there is a disturbing political resemblance between the two presidencies. Both men ran inspired campaigns in which they positioned themselves above the scandals and partisan quarrels of their predecessors and

initially stirred hopes of a “transformational” presidency. But, as presidents, both men somehow failed to connect with large parts of the electorate.

To be sure, there are a number of very specific reasons why Carter and Obama landed in political trouble. Both men contended with rising unemployment—Carter with rampant inflation as well—and voters’ approval of a president and his party tend to track closely with changes in the economy. Carter faced friction in his own party and the rise of a powerful business lobby, and Obama has dealt with a Republican Party that has frustrated his dreams of a post-partisan presidency. Yet the most important reason for their difficulties—evident in their inept attempts to brand their programs—has been an inability to develop a politics that resonates with the public.

In the United States, politics pivots around the allegiance of the middle class, even as its identity has changed from yeoman farmers and mechanics to store clerks, office workers, x-ray technicians, and small business owners. They are, in Bill Clinton’s words, “those who work hard and play by the rules.” They are the central characters in a populist rhetoric that goes back to the early republic. It depicts the middle class as embattled and threatened either from forces below (impoverished immigrants, welfare cheaters, ghetto rioters) or above (Wall Street speculators, state bureaucrats, K Street lobbyists). Populism can be embraced by Glenn Beck or Tom Harkin. It is intrinsically neither left-wing nor right-wing.

Politicians, such as Franklin Roosevelt or Ronald Reagan, who found a way of using populism’s appeal during downturns have enjoyed success, while those who have spurned it have suffered accordingly. If, in circumstances like the present one, you don’t develop a populist politics, your adversaries will use populism to define you as an enemy of the people. That’s what Carter discovered during the stagflation of the late ’70s. And that’s what has happened in the last 20 months of the Great Recession to Barack Obama and to the Democratic Party he leads.

Obama took office with widespread popular support, even among Republicans, and some of his first efforts, including the \$800 billion stimulus, initially enjoyed strong public favor. But that wide appeal began to dissipate by the late spring of 2009. Disillusion with Obama fueled the November defeat of Democratic gubernatorial candidates in New Jersey and Virginia. By January 2010, it was a crucial factor in Republican Scott Brown’s astonishing victory over Martha Coakley in Massachusetts.

In the postmortem debate over these defeats, some Democrats have blamed Obama’s dogged pursuit of health care reform while the economy was hemorrhaging jobs. That may have been a factor, but the real damage was done earlier. What doomed Obama politically was the way he dealt with the financial crisis in the first six months of his presidency. In an atmosphere primed for a populist backlash, he allowed the right wing to define the terms.

As Obama was delivering his inaugural address, the financial crisis was already in full swing; and it was already apparent that financial speculation, outright fraud, and irresponsible and sometimes illegal housing-loan practices had played a very large role in precipitating the crisis. The public was up in arms. But, instead of rallying the public against the “money changers,” as Roosevelt had done in his first inaugural, Obama, taking a leaf from Jimmy Carter’s infamous “malaise” speech, put the blame on the public as a whole. “Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices and prepare the nation for a new age,” he declared.

Over the next month, Obama would periodically criticize bankers after embarrassing revelations—at various times calling the bonuses they gave themselves “shameful” and an “outrage”—but, after hearing complaints about his rhetoric from the

bankers, he would back off. At a private meeting on March 28 with 13 Wall Street CEOs, the president, his spokesman Robert Gibbs said, “emphasized that Wall Street needs Main Street and Main Street needs Wall Street.” And, in his Georgetown speech, Obama returned to his theme of collective responsibility. The recession, Obama said, “was caused by a perfect storm of irresponsibility and poor decision-making that stretched from Wall Street to Washington to Main Street.”

Obama’s policy followed the same swerving course as his rhetoric. One week, he would favor harsh restrictions on bank and insurance-company bonuses, but, the next week, he would waver; one week, he would support legislation allowing bankruptcy judges to reduce the amount that homeowners threatened with foreclosure owed the banks; the next week, he would fail to protest when bank lobbyists pressured the Senate to kill these provisions. But, more importantly, Obama—in sharp contrast to Roosevelt in his first months—failed to push Congress to immediately enact new financial regulations or even to set up a commission to investigate fraud. (When Congress finally appointed a commission in July 2009, Obama and his party put a milquetoast Democratic politician, former California State Treasurer Philip Angelides, in charge of it.)

Obama’s appointments also conveyed an impression that he wanted to let Wall Street off the hook. He appointed Timothy Geithner to be treasury secretary. Geithner claimed that he was not part of Wall Street, but, in his capacity as president of the Federal Reserve Bank of New York, he had served under a board of directors headed by JP Morgan Chase CEO Jamie Dimon. As New York Fed president, Geithner had been partly responsible for the decision to let Lehman Brothers go under, for the unpopular tarp program, and for American International Group (AIG) paying back its Wall Street creditors with government money. Geithner chose as his chief of staff a former lobbyist for Goldman Sachs. Retiring Democratic Senator Byron Dorgan told me, “Most Americans were reading about the massive compensations and bailouts, and the administration largely hired people from the culture of Wall Street.”

By the spring, Obama’s apparent tilt to Wall Street had sparked a right-wing populist revolt in the country. The newly formed Tea Party movement, Beck and Fox News, and a host of right-wing bloggers were leading the charge; but, in a less extreme form, the general public shared their anger. In an early April New York Times/CBS News poll, the public disapproved of Obama’s aiding the banks by 58 percent to 33 percent. In this same poll, public approval of Obama’s handling of the economy began to fall. Pollsters who did focus groups also traced disillusionment with Obama’s economic policies to his handling of the financial crisis.

Congressman Barney Frank, who defends Obama’s policies, acknowledges that the president’s political difficulties began with the revelation that AIG, which had received \$170 billion from the government, had paid out \$165 billion in bonuses to the division that had brought the company down. Geithner had known about the bonuses but insisted there were no legal grounds to block them. (It then came out that Geithner had pressured Senate Banking Committee Chairman Chris Dodd to insert a provision in the stimulus bill that protected the bonuses.) “The pitchforks were out. It added injury to injury,” Frank says. That’s when public opinion of Geithner plummeted. According to a Rasmussen poll, 24 percent had a favorable view of Geithner and 44 percent an unfavorable one.

The public’s view of the bank bailout and the AIG bonuses colored its view of the auto bailout, the stimulus, and health care reform. One of the rallying cries for the populist opposition to Obama was “where’s my bailout?” (Obama himself acknowledged that it was “one of the most frequent questions” he was asked in letters.) The auto program became a bailout for the Big Three CEOs; the stimulus became a bailout of government itself; and health care reform was a bailout for the uninsured—or “reparations,” as Rush Limbaugh put it. Wrote right-wing blogger Michelle Malkin, “hardworking citizens were getting sick of being played for chumps” by “moochers, big and small, corporate and individual, trampling

over themselves with their hands out demanding endless bailouts.” Obama and the Democrats were successfully portrayed as aiding “the moochers,” but not the “hardworking citizens.” In American politics, that’s a recipe for political disaster.

Some in the White House political operation recognized in the late spring that the administration’s economic efforts were being defined by right-wing populism and tried to push Obama to take a more populist tack. A group within the White House began calling themselves the “pitchfork gang,” but they would find their attempts to convince Obama to get tough on Wall Street or on insurance companies undermined by Geithner and by National Economic Council head Larry Summers, who were worried about upsetting business confidence. “There was a continual tension in the White House,” says a person who was privy to the discussions. “One week, we would be very hot, and then, the next week, we would dial it back.”

By early January of this year, Obama was clearly losing the battle for the middle class. According to a CNN poll, 60 percent of Americans thought Obama “had paid more attention to the problems faced by banks and other financial institutions” than to the “problems faced by middle class Americans.” Only 28 percent, barely more than a quarter, thought he had paid more attention to the middle class. As Brown surged ahead of Coakley in the polls, the White House temporarily embraced a populist approach. On January 14, Obama called the bank bonuses “obscene” and said, “we want our money back.” In a January 22 speech at Lorain County Community College in Elyria, Ohio (a far cry from Georgetown), Obama used the word “fighting” 13 times and “fight” nine times. “I will not stop fighting for you,” he declared.

But, faced with a falling stock market and anger from Wall Street, Obama once again turned conciliatory. On February 10, he said that he didn’t “begrudge” the \$17 million bonus awarded to Dimon and the \$9 million to Goldman Sachs CEO Lloyd Blankfein. “I know both guys. They are very savvy businessmen.”

Obama’s reluctance to rail against Wall Street might have led to a watered-down financial reform bill, or even no bill at all, but, on April 16, the Securities and Exchange Commission indicted Goldman Sachs for fraud. The next week, an emboldened Obama went to New York to criticize the bankers directly for their “failure of responsibility.” As a result of the indictment and Obama’s rediscovery of his anger, Republicans became somewhat less obstructionist, moderate Republicans broke with the party’s leadership, and moderate Democrats fell into line. Congress produced a much stronger bill than the Democrats had ever expected.

But Obama’s embrace of populism has remained fitful and sporadic. After the U.S. Chamber of Commerce and Verizon’s Ivan Seidenberg, the head of the Business Roundtable, criticized Obama for being anti-business in June, the president dispatched Geithner, White House aide Valerie Jarrett, and Bill Clinton to appease the business community. Obama has said enough to anger the CEOs, but he has failed to convey to the greater public that he is fighting for them.

Obama’s unwillingness to buck Wall Street and the Business Roundtable, along with his delayed and muddled response to the BP disaster in the Gulf, has eroded the public’s confidence in his leadership. In Pew’s midyear report card on Obama’s image, the greatest drop from February 2009 to this June was in the perception of Obama as a “strong leader.” Voters will sometimes tolerate policies they question from presidents like John Kennedy or Reagan, whom they regard as “strong,” but not from politicians like Jimmy Carter, whom they regard as weak.

What of the other factors behind Obama’s political difficulties? There is no doubt that, if the economy were growing faster, and if unemployment were dropping below 9 percent, Obama and the Democrats would be more popular and not fearing a

November rout. But, unfortunately, the economy's sluggish recovery cannot be completely disentangled from the White House's weak political performance.

In January, when the White House debated how large a stimulus to propose, Christina Romer, the head of the Council of Economic Advisors, proposed a \$1.2 trillion Keynesian jolt. David Obey, the chairman of the House Budget Committee, told *The Fiscal Times* that Obama's Treasury Department asked initially for a \$1.4 trillion bill. But the administration finally proposed a stimulus between \$700 and \$800 billion that included large tax cuts that were more likely to stimulate saving than consumption—and spending that would be unlikely to produce many jobs until the end of Obama's first term. In the stimulus's first year, the administration spent only \$17 billion of the \$139 billion allocated for infrastructure spending.

Prominent economists, including Paul Krugman and Joseph Stiglitz, made the case that a much larger stimulus was necessary to reverse (rather than merely reduce) the rise in unemployment, and that, if a modest stimulus failed to reduce unemployment, Republicans would convince the public that the stimulus was toxic medication and would block additional Keynesian measures. That argument has been proven sadly correct. Some White House advisers appear to have underestimated the depth of the Great Recession. Others seem to have doubted the administration had the political clout to get more from Congress.

But the White House might have gotten more if Obama had proclaimed a national economic emergency (which it was); framed the issue in terms of rescuing the middle class from damage done by Wall Street speculators, short-sighted CEOs, and Chinese mercantilism; and directly attacked Republicans as heartless obstructionists. When Obama belatedly made this sort of case on the eve of the financial reform vote this year, he got a much stronger bill than anyone had anticipated. So it's not clear that the failure to get a larger stimulus—which has ended up hurting the administration politically—wasn't itself a result of political timidity.

The president has also suffered from an inability to explain to the public why he sought such a large stimulus and what he thought it could accomplish. Obama's New Foundation speech at Georgetown was soon forgotten. Afterward, Obama, to the dismay of Democrats in Congress and some of his White House aides, pretty much dropped the jobs issue. From then to Labor Day, he devoted a July visit to Buffalo and an August stopover in southern Indiana to the issue—at a time when the right wing was mobilizing against him. Obama didn't just fail to develop a consistent narrative about the economy; he didn't really try.

Contrast Obama's attempt to develop a politics to justify his economic program with what Reagan did in 1982. Faced with steadily rising unemployment, which went from 8.6 percent in January to 10.4 percent in November, Reagan and his political staff, which included James Baker, Mike Deaver, and Ed Rollins, forged a strategy early that year calling for voters to "stay the course" and blaming the current economic troubles on Democratic profligacy. "We are clearing away the economic wreckage that was dumped in our laps," Reagan declared. Democrats accused them of playing "the blame game," but the strategy, followed to the letter by the White House for ten months, worked. The Republicans were predicted to lose as many as 50 House seats, but they lost only 26 and broke even in the Senate.

Some commentators have noted Reagan's popularity was even lower than Obama's. But, on key economic questions, he did much better than Obama and the Democrats are currently performing—and voters expressed far greater patience with Reagan's program. According to polls, even as the unemployment rate climbed, a narrow plurality still expressed confidence that Reagan's program would help the economy. On the eve of the election, with the unemployment rate at a

postwar high, a New York Times/CBS News poll found that 60 percent of likely voters thought Reagan's economic program would eventually help the country. That's a sign of a successful political operation. If Obama could command those numbers, Democrats could seriously limit their losses in November. But Obama has not been able to develop a narrative that could convince people to trust him and the Democrats.

Why has the White House failed to convince the public that it is fighting effectively on its behalf? The principal culprit is clearly Barack Obama. He has a strange aversion to confrontational politics. His aversion is strange because he was schooled in it, working as a community organizer in the 1980s, under the tutelage of activists who subscribed to teachings of the radical Saul Alinsky. But, when Obama departed for Harvard Law School in 1988, he left Alinsky and adversarial tactics behind.

The young lawyer who returned to Chicago and won a seat in the Illinois state Senate in 1996 practiced a very different style of politics. Obama's principal accomplishments in Springfield were bills restricting lobbying and requiring videotaping of confessions in potential death penalty cases. He was not a typical blue-collar, bread-and-butter Chicago Democrat, but the kind of good government liberal that represents the upscale districts of the city, seeing in politics a higher calling and ill at ease with (although not in open opposition to) the city's Democratic machine. He was also a post-racial politician who eschewed the hard-edged, angry rhetoric of Jesse Jackson. (That, too, is oddly reminiscent of Carter, who partly campaigned in 1976 as the white Southern antidote to George Wallace's angry racial populism.)

Obama carried this outlook into the U.S. Senate, into his campaign for the presidency, and then, into the presidency itself. He is a cerebral, dispassionate, post-partisan; he wants to "end the political strategy that has been based on division," to "turn the page" on the culture wars of the 1960s and the partisan battles of the 1990s. During the campaign, his aides jokingly referred to him as the "black Jesus." While he can tolerate and even brush aside conflict, he is reluctant to actively foment it. "In a time of crisis, we can't afford to govern out of anger," he declared in February 2009. During his campaign and his first year in office, he held to a blind faith in bipartisanship, even as the Republicans voted as a bloc against his legislation. He is, perhaps, ill-suited in these respects for an era of bruising political warfare.

His advisers have clearly reinforced these inclinations. In the campaign, they fashioned him as the outsider candidate of "hope" and "change" and have extended this strategy into the presidency itself. They see him as standing above party. In a meeting with congressional leaders last April, senior adviser David Axelrod rejected the complaint that Obama accorded equal blame to Democrats and Republicans with his descriptions of the "cynical politics in Washington." Within the White House, top aides still speak of promoting the Obama "brand." Organizing for America, the administration's campaign organization, which is supposed to be focusing on the 2010 elections, recently devoted its resources to organizing parties across the country to celebrate Obama's forty-ninth birthday.

These efforts to elevate Obama above the hurly-burly of Washington politics have been disastrous. Obama's image as an iconic outsider has become the screen on which Fox News, the Tea Party, radicalright bloggers, and assorted politicians have projected the image of him as a foreigner, an Islamic radical, and a socialist. He has remained "the other" that he aspired to be during the campaign, but he and his advisers no longer control how that otherness is defined.

The White House and cabinet officials he appointed have reinforced his aversion to populism. As Jonathan Alter recounts in *The Promise: President Obama, Year One*, Geithner and Summers repeatedly blocked attempts to get tough on Wall Street on the grounds that doing so would threaten the recovery itself by upsetting the bankers. For most of his first year, Alter writes, "Obama bought the Geithner-Summers argument that the banks were fragile and couldn't be confronted

while they remained in peril.” Its reluctance to come down on the bankers crippled the administration politically, making it far more difficult for it to get its way with Congress on a second stimulus program that would have boosted the recovery and Democrats’ political prospects. Bad politics can trump good policy.

Populism has profound shortcomings as a worldview. It tends toward demagoguery. In its relentless focus on the middle class, it can ignore or stigmatize those below it. It can prove hostile to a long-range scientific outlook. A more populist Obama, for instance, might have postponed the battle for climate change legislation or national health insurance and probably would have taken a weaker stand on immigration. But populism has been an indelible part of the American political psyche, and those who are uncomfortable making populist appeals, like Hoover or Carter—or, more recently, presidential candidate John Kerry—suffer the consequences at the polls.

If Obama’s politics leads to a Republican takeover of one or both houses of Congress, and even to a Republican president in 2012, then much of what Obama has accomplished could be undone. It’s unlikely that a new Republican president and Congress would actually repeal the health care or the financial reform bill. But the former could be starved of public funds and deprived of regulatory oversight; and the latter could be neutered by a hostile treasury secretary and by weak or hostile presidential appointees to the Securities and Exchange Commission or the new Consumer Financial Protection Agency. Reform legislation needs administrations and congresses committed to reform. That is where politics has to come in; and that’s where the Obama administration, with its aversion to populism, has fallen short.

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