

Obama the Dealmaker

By DAVID BROOKS – The New York Times – Nov. 12, 2012

During his first term, President Obama faced a wicked problem: How do you govern in a highly polarized, evenly divided country with House Republicans who seem unwilling to compromise? Obama never really solved that one, and he was forced to pass his agenda on partisan lines (during the first two years) or not pass it at all (the final two).

Now re-elected with Republicans still in control of the House, Obama faces the problem again. You might say the success of his second term rests upon him solving it.

Some on the left are suggesting that he adopt a strategy of confrontation and conquest. The president should use the advantages of victory to crush the spirit of the Republican House majority, they say. Reject the Grand Bargain approach. Instead, take the country over the so-called fiscal cliff. Blame it on the Republicans who are unwilling to even raise taxes on the rich. Wait until they fold, and then you will have your way.

The first thing to say about this strategy is that it is irresponsible. The recovery is fragile. Europe may crater. China is ill. Business is pulling back at the mere anticipation of a fiscal cliff. It's reckless to think you can manufacture an economic crisis for political leverage and then control the cascading results.

Second, it's terrible politics. Obama could probably triumph in a short-term confrontation, pushing through higher tax rates on the rich that wouldn't even produce enough revenue to cover a tenth of the deficit. But he'd sow such bitterness that it would be the last thing he'd pass for the rest of his term. The Republican House majority isn't going to magically disappear.

Finally, it misunderstands the state of the G.O.P. This is not the Republican Party of 2010. Today's Republicans no longer have an incentive to deny Obama victories. He's never running again. Most of today's Republicans understand that they need to decontaminate their brand. They're more open to compromise, more likely to be won over with deal-making than brow-beating.

The liberal left wing, like the Tea Party types, has an incentive to build television ratings by fulminating against their foes. But President Obama and John Boehner have an incentive to create a low-decibel businesslike atmosphere. The opinion-entertainment complex longs for the war track. The practitioners should long for the deal-making track.

Before he gets lost in the mire of negotiations, the president could step back and practically describe the task ahead. Between 1947 and 2007, the U.S. economy grew an average of 3.3 percent a year. But over the next few decades, according to forecasts from

the Congressional Budget Office, it's projected to grow only at 2.3 percent per year. The task ahead is to make the sort of structural changes that will get America back on its old growth trajectory.

Then the president could remind everyone that there's lots to do. Some of the things on the to-do list are things Democrats relish doing: investing in infrastructure and basic research; reforming immigration to attract global talent; investing in student loans and community colleges; trimming the annual \$1.1 trillion in tax loopholes, many of which go to corporations and the rich.

Other things the Republicans will surely relish doing: simplifying a tax code that has bloated to 74,000 pages; streamlining the Code of Federal Regulation that has metastasized to 165,000 pages; slowing entitlement spending.

But the point is the only way to get things done in a divided polarized country is side by side — an acceptable Democratic project paired with an acceptable Republican one.

The fiscal-cliff talks are just the first chapter in this long process. In this first episode, the Democrats should get higher revenues from the rich (elections have consequences) and the Republicans should get some entitlement reform. But the main point is to lay the predicate for the bigger deals to come.

This is about horse-trading. It's about conducting meetings in which people don't lecture each other; they deal. It's about isolating those who want an economic culture war. It's about making clear offers and counteroffers.

If you want a great example of how these deals might work, check out a new paper at Third Way called [The Bargain](#). It offers a perfect model of how you might structure a series of big trades to move the country back on the growth path — on innovation policy, tax policy, spending policy and so on.

The more you put on the table, the more trading is possible, the better the atmosphere and the more you might get done. If you only put one idea on the table at a time, then everybody gets gridlocked and nothing gets done.

The economic crisis interrupted him last time, but President Obama still has a chance to build a great middle-class economy. It'll take a dealmaker, not a warrior.

Nex  **ticle**

More Risk-Taking, Less Poll-Taking

By THOMAS L. FRIEDMAN – *The New York Times* – January 5, 2013

THE U.S. military trains its fighter pilots on a principle called the “OODA Loop.” It stands for observe, orient, decide, act. The idea is that if your OODA Loop is faster and more accurate than the other pilot’s, you’ll shoot his plane out of the sky. If the other pilot’s OODA Loop is better, he’ll shoot you down. Right now, our national OODA Loop is broken. We’re are doing something crazy — taking the country back and forth to the financial brink to produce suboptimal, midnight compromises without any overall plan for how this will lead to growth in the world in which we’re living. We’re doing the worst thing a country can do — cutting taxes and spending without a plan. Maybe you can grow without a plan. But if you want to ensure that every scarce dollar gets the biggest bang, you can’t cut without a plan. It’s deciding and acting without observing and orienting. It’s how fighter pilots get shot down.

President Obama, by his own admission, focused his campaign almost exclusively on the need to raise taxes on the wealthy, and the Republicans focused theirs on lowering them. But neither one offered the country what we need most: a description of what world we’re living in, what is new, and how we maximize our ability to compete and grow in this world — and then offering up a comprehensive, detailed plan of appropriate phased-in spending cuts, tax reforms and investments in research, infrastructure and early childhood education to create more good jobs and the workers to fill them.

What world are we living in? It’s a world in which we face three major challenges: responding to the merger of globalization and the information technology revolution, which is changing every job and workplace; dealing with our mounting debt and entitlement burdens, driven by steadily rising health care costs and unsustainable defined benefits; and, finally, developing energy sources that can grow the world economy without tipping it into disruptive climate change. (At one point last week, the Senate approved a \$60.4 billion aid package to help New York and New Jersey recover from Hurricane Sandy. If fully implemented, that would mean we’d spend on *one storm* all the new tax revenue for next year that the House and Senate just agreed to in the fiscal-cliff negotiations.)

What each party should be saying is, “Given this world, here are the specific tax reforms, spending cuts, investments and policy innovations we need to grow our middle class, sustain our retirees and shrink inequality.” Instead, we have no leaders ready to trust the public with the truth, so both parties are shooting

themselves in the foot and our future in the head. As Matt Miller, author of “The Tyranny of Dead Ideas” noted in The Washington Post, “Republicans haven’t identified anything remotely equal to the savings we need. And because many liberals haven’t thought through the long-term budget implications, or wrongly assume that taxes can rise indefinitely or that the Pentagon can be shrunk to something less than a triangle, they resist sensible steps to slow the growth of Social Security and Medicare, not realizing that this course will assure before long that there isn’t any new money to spend on, say, poor children.”

I expect nothing from the G.O.P. It’s lost and leaderless. I expect a lot from Obama, who knows what needs to be done and has said so in the past. I expect him to stop acting as a party leader and start acting like the president of the whole country. When I heard Obama say, after the election, that this time he was going to take his plan to the country, and not make the mistake again of just negotiating with Congress, I thought, “Great, I can’t wait to hear what he says.” But all he took to the country was a plan for increasing taxes on “millionaires and billionaires.” There was nothing comprehensive, nothing bold, no great journey for America and no risks for him. Really disappointing.

Maybe Obama has a strategy: First raise taxes on the wealthy, which gives him the credibility with his base to then make big spending cuts in the next round of negotiations. Could be. But raising taxes on the wealthy is easy. Now we’re at the hard part: comprehensive tax reform, entitlement cuts, radical cost-saving approaches to health care and new investments in our growth engines. This will require taking things away from people — to both save and invest. A lot of lobbies will fight it. The president will need to rally the center of the country and the business community to overcome them. He’ll have to change the polls, not just read the polls. He will have to take on his own base and the G.O.P.’s.

Obama has spent a lot of time lately bashing the rich to pay their “fair share.” You know what? There are definitely some Wall Street bankers and C.E.O.’s who deserve that bashing. But there are many successful Americans who got their wealth the old-fashioned way — by risk-taking, going into debt to start a business or pursue a dream. It’s time for the president to do some risk-taking — to stop just hammering the wealthy, which is so easy, and to start selling the country on a strategy to multiply them. We need to tax more millionaires, but we also need more millionaires *and middle classes* to tax. The president was elected to grow our national pie, not just re-divide it.