



THE RON PAUL/ROSS PEROT SOLUTION

Sunday, January 31, 2010

Every week CUIP's president Jacqueline Salit and strategist/philosopher Fred Newman watch the political talk shows and discuss them. Here are excerpts from their dialogues compiled on Sunday, January 31, 2010 after watching selections from "The Charlie Rose Show," CNN's "Rick's List," "The Chris Matthews Show" and "The McLaughlin Group."

Salit: The Charlie Rose panel with John Podesta, Chrystia Freeland, David Brooks, Al Hunt and Jim Fallows discussed the State of the Union late into the night. Charlie was in London. It was 4:00 a.m. there while he was doing the show.

Newman: He looked a bit tired.

Salit: Yes. And it was an interesting discussion. It focused on two interconnected issues. (1)The contradictory nature of the problems that have to be fixed on the economic side and (2)the inability of our government, as it's currently – not just operating, but designed – to meet that challenge. To begin, the basic problem for the Obama White House: unemployment is at 10%, joblessness is looking dangerously incurable, even more so because the economy "is recovering," but the jobless picture isn't. Government has to act. Government has to take initiative. Government has to spend money to address that problem.

Newman: So sayeth the Democrats.

Salit: So sayeth the Democrats, yes. Other side of the problem: We have to stop spending money because the deficit and the debt are so gigantic. There isn't a word in our language that seems big enough to describe the deficit and the debt.

Newman: That's not an uninteresting formulation because it's only a small slip-slide between that formulation and saying the deficit doesn't matter, which some economists – left and right – say and I rather lean towards. That's why you can't find a word for it.

Salit: I hear that. And there are economic advisors who are telling Obama that very thing.

Newman: What?

Salit: The deficit doesn't matter.

Newman: Yes. But, other things do matter, of a more political nature, namely our position relative to the rest of the world in terms of economic power. But the deficit, per se, is not the issue.

Salit: Alright. But these discussants seem to all agree that this may be an insurmountable contradiction, meaning the imperative for government to act and spend money to deal with joblessness combined with the size of the deficit and, at least, the perception on the part of the American people that the deficit is way out of hand. Add to that, the risk that the global economic community reacts to America's deficit spending and accumulated debt by being less and less inclined to loan money to the United States.

Newman: Put them together and what do they imply?

Salit: What?

Newman: A presidential ticket of Ron Paul and Ross Perot.

Salit: How so?

Newman: No single political figure has emphasized and spent more money railing against the deficit than Perot. And Ron Paul, with his history as an independent, as a Libertarian, who favors structural changes in the political process, could get us working on the government breakdown side of it. Put the two together and, if the American people were rational and there was enough money behind them, they might be the team that would come to Washington and start working to solve the twin problems: economic instability and political dysfunction. The team on Charlie Rose had no solution because they didn't even consider reforms of the political process. As long as you don't do that, there is no solution to this problem.

Salit: I take it part of your point is that the contradiction on the economic policy front is one of the things that is being politicized by the partisans. So, the deficit becomes a popular issue...

Newman: It's not quite a popular issue. It's a usable issue in this context. When Perot raised it, in 1992, the government laughed hysterically.

Salit: It's usable because it's a battering ram against government spending, against the Democratic paradigm of government intervention into the economy?

Newman: Yes, you can use it to make political points against the Democrats. When Perot raised it, they laughed at him and said that he was a silly guy from Texas who didn't understand anything. Which he was. But, that's neither here nor there.

Salit: So, the Rose panel pointed to the inability of the government to act in response to this. David Brooks says, 'The government is institutionally weak.' His account of why the government is institutionally weak is because the size of the entitlement budget is

so huge and so fixed that, essentially, Obama's hand is stayed. He can't do anything without a combination of raising taxes and cutting costs. You raise taxes, you piss off the 50% of the country that doesn't want taxes raised. You cut the budget, you piss off the 50% of the country that doesn't want entitlements cut. And Brooks says, 'I don't see a way out of it.'

Newman: Right.

Salit: And even Obama's seems to be saying: Given our system of government, I have a big majority in Congress and I still can't get any big changes.

Newman: Well, the system of government requires a super majority in the Senate.

Salit: So, what's the way out?

Newman: There isn't any. That's the point.

Salit: When you boil it down, the Democrats and Republicans, regardless of their approach, are saying this: If the global economy recovers, then we can make this work out, because the economic situation will be healthier. There'll be a bigger tax base. There'll be more revenues. And more jobs. There will be less unemployment. And we'll grow our way out of this problem.

Newman: Right. The way out therefore, is largely out of their control. But, what about this? What if the economy grows and the deficit grows along with it?

Salit: Because we're always going to spend more than we have. And paying down the debt is not going to be high on the list of what the government is going to do, presumably.

Newman: Well, we paid down the debt in the 1990s. And then we started borrowing again. Americans love credit.

Salit: We do indeed. So, if you're on a steady growth trajectory and things are looking fairly stable and growing, then there's no problem with the deficit and there's no problem with the debt. But, when Clinton took office, he brought Bob Rubin of Citigroup in and made a series of profound structural changes in the regulatory system, in trade policy, etc. That grew the economy. The deficit shrunk and when he left office, there was a surplus. Then, surplus in hand, a new administration...

Newman: ...but the same country...

Salit: Yes, the same country. The Democrats say the problems occurred because of a new administration, but who knows what would have happened if a Democrat had been

elected at that point. The de-regulation of the financial industry that took place in the 1980s and '90s flung open the door to the current financial crisis. That de-regulation had bipartisan support under Bill Clinton and continued under President Bush.

Newman: It doesn't make a difference whether it's Democrats or Republicans.

Salit: No. The Democrats opened the door and the Republicans rushed through it. They cut taxes. They took us to war. Twice. We put both wars on a credit card and now we have these huge deficits.

Newman: Well, yes. But on the business side, the government cut taxes and said to the private sector, Do what you do best. Go make money.

Salit: Make money.

Newman: Make money. So, they cheat and swindle, "legally." They extend credit like crazy. Every once in awhile, they make a product.

Salit: Then this bad stuff happens.

Newman: It's not "this" bad stuff. It's the same bad stuff. That's how the country works.

Salit: OK. But there's an underlying process at work here. Maybe that word is a silly word.

Newman: What? "Underlying?"

Salit: Yes.

Newman: It is. There's nothing underlying about it.

Salit: Let me put it another way. There's a non-viable situation developing in the midst of all of this.

Newman: Which is?

Salit: Which is that in order to recover, the economy has to grow in certain kinds of ways. And it's not. So, government has to intervene. But it can't.

Newman: Right.

Salit: And that's where we are.

Newman: Well, not quite. There is a rest of the world. And the rest of the world, recognizing all of that – they've read Keynes, too – sees this as an opportunity to change the order of things in the world. So the United States gets incrementally more unstable and loses its position at the top of the heap.

Salit: True.

Newman: That has an impact on everything, including on the U.S.

Salit: The U.S. is no longer a lender. It's a borrower.

Newman: And nations, like China, can say to the U.S., You're more dependent on us than ever. That impacts on lots of other things.

Salit: Lots of other things from the standard of living, to the kinds of foreign policy you can execute, and so forth. Interestingly, in his speech Obama made a point of saying, 'America is #1. I will not let this country become #2.'

Newman: Well, that's a great speech. But that moment has come.

Salit: Maybe it's more accurate to say that he's now the president of a #2 country, not the #1 country. Rich, powerful, huge military, infrastructure all around the world. USA, USA, USA, all of that. But, it's just not the same USA.

Newman: The U.S. has always been richer than its competitors – let's leave out whatever China is these days – because even in the best of times, the business sector has been less generous to working class people. The United States has allowed higher levels of unemployment...

Salit: ...and a smaller safety net...

Newman: ...than the European countries. During the best of times. Now is not the best of times. The normal unemployment rate in this country is about 6.0%. Today it's 10%. That's just not tolerable in a lot of European countries. I really wish I could be a fly on the wall of some of the discussions going on, maybe behind closed doors in Davos. I think what I'd hear from some people is, Well, 10% sounds like a terrible number and the Republicans can really nail the Democrats with that number. But I don't know if 10% is all that bad. It depends on what 10%.

Salit: Which 10%. Meaning, what level of voice they have?

Newman: No, who cares about voice? Voice doesn't mean anything to these people. Obama just got into office with the loudest voice behind him and he can't do anything. What means something is: Is this 10% due to our being in a transition from one version

of the American economy to another version? Is it a change of design of the U.S. economy and the jobs are shifting to new industries? If that's the case, then it's just a transition and you have to put up with the Republicans' form of opportunism, as opposed to the Democrats' form of opportunism, while you wait it out. Some people are saying that, or hoping that, because you can't go back to the old jobs. If you listen to Pat Buchanan, he wants to return to our old manufacturing base. But what if we can't return? And what if it's not even good for us to return? What if that's not, from capital's point of view, where the real wealth creation lies? What if the real money lies in these new fangled green, techno service jobs and it just takes time to capitalize them and get people in a position where they can be employed in them? Otherwise, the capitalists say, We'd be paying people for "busy work." And we will not pay people for busy work. Let the Democrats pay people for busy work. Then, the Republicans will attack that "busy work" approach. And there's something to that argument. Yes, you can make the claim that the country's highway system was constructed during times of depression. But what if we don't need superhighways? What if the communications structure of this culture and society are so transformed that we don't even care that the automobile industry is crippled? Because there are new industries that are going to make up for that job loss three times over or ten times over. There are no traffic jams, at least that I know of, right now in virtual space.

Salit: Exactly.

Newman: Is that being talked about? It must be, by some of those people.

Salit: Here's another conversation. Government leaders are right now meeting with business leaders who are saying, Look, this economic crisis is the best thing that happened to us. It pushed the productivity issue. We've had to shrink our work force and make it two or three times more productive. We've done that. Now you're coming to us and you're saying you want us to start hiring again. Well, guess what? We don't need to.

Newman: We don't need to and, therefore, we won't.

Salit: Exactly. Our bottom line is getting better.

Newman: We are not a social work agency.

Salit: We're not. We're private enterprise, remember?

Newman: If you in government want to function as a social work agency, feel free. But don't come to us. Which is what Obama is doing.

Salit: They have a case because it is private enterprise. They do have their bottom line.

Newman: They have a very strong case. Exactement!

Salit: I didn't know you spoke French! John Podesta, who was White House chief of staff for Bill Clinton, a Beltway aficionado, says, 'Here's the deal. Obama tried to play an inside game on healthcare. That was his strategy on this.' Podesta says: 'He looked at the picture. He looked at his majority. He looked at the political dynamics and said, Alright, we can do this.'

Newman: And he looked at the Democratic Party, who he thought controlled those 60 votes in the Senate, cold.

Salit: Exactly. And he said, We can do this as an inside game.

Newman: Right. Forget the independents. Forget the people who got him elected. We can do this.

Salit: Yes. Forget the coalition.

Newman: Right. This is our shot.

Salit: Yes.

Newman: I'm not even saying this harshly. It just didn't work.

Salit: So, is he ready to talk to us now?

Newman: I don't hear the phone ringing off the hook.

Salit: No.

Newman: But that's not the issue. That's the wrong conclusion.

Salit: What's the right conclusion?

Newman: The issue is what we have to do to accelerate our effort to talk to him. He's not going to come to us.

Salit: We are accelerating our efforts.

Newman: I think we've grown sufficiently – although it's not as much as I'd like – such that we have some plays to make that have a slightly better chance of being heard, given the circumstances, in a slightly different way than is "normal." That's a lot of "slightly."

Salit: Yes. Here's one example of the kind of development we're seeing. Right now we're in a fight in Kentucky. We, the independents, just elected a new Republican state senator. Independent Kentucky, led by Michael Lewis, made it happen. So newly-elected State Senator Jimmy Higdon goes to the legislature with an open primary bill that Michael asked him to sponsor. And the Democrats...

Newman: Maybe, here's where we differ. I think this is important. I think all the work in the states is important work. But I think it's work for the long run. I think our road to Obama right now is more directly to Obama, not through the states, per se. I don't see any way in which those things that you're talking about can happen fast enough to impact on the current situation.

Salit: You might be right about that. But, what I was going to say is that the Democrats stood up in the legislature and accused Independent Kentucky of using this issue to build the independent movement.

Newman: They're right.

Salit: Absolutely. And they're trying to block the bill. Their position is, Hey, we're fighting the Republicans for hegemony in Kentucky. We don't want you in here muddying the waters.

Newman: That's who our fight is with.

Salit: With the Democrats.

Newman: With the Democrats. That's where it is. They're aware of that. And, I think they're somewhat frightened of our growth. But, I don't think that's going to impact on the immediacy of the situation. I think they're afraid of it in the long haul and justifiably so. That's why I think we have to keep that up intensely. But I think we have to do some other things if we want to intervene relative to what's happening in Washington. You might be saying, Forget about taking a shot at what's going on now. That's out of the question anyhow. I don't think that's true.

Salit: I wouldn't say that.

Newman: I think we have to do both.

Salit: I agree, Fred.