

The Price of Politics

Bob Woodward

Straight reporting, about the political process as it is, not the soundbites that are reported

Woodward is evenhanded. He paints the personalities in Washington as they are, and is evenhanded and balanced in his treatment of both Republicans and Democrats. The problems they face are large. The greatest of these is the perennial problem of government, balancing the budget. This is something that transcends America and transcends our time.

The major story in the book is the debt crisis negotiations of 2011. They showcase the differences between the parties and the degree to which each party must cater to its political base.

It is also the story of a president who arrived in office with a minimum of experience with the political process. Though Woodward is more restrained than other critics, such as Ron Suskind in "Confidence Men," Obama comes through here again as a man who is simply out of his depth. He does not have a command of the issues, and more important, does not have enough fundamental knowledge about economics, history and American politics to effectively lead the political process. The lack of unity on the Democratic side of the aisle, in particular his failure to build a working relationship with Harry Reid in the Senate and Nancy Pelosi in the House, betray his lack of experience working with people.

The book reveals flashes of the arrogance which others attribute to him. More significant, these qualities infused his team, from Valery Jarrett to Larry Summers to Rahm Emanuel. There was little compromise in the makeup of any of them. Woodward reveals the raw, tactless way in which they wielded power their first two years, and how their high-handedness came back to bite them after the 2010 midterm elections. Mainly, however, it is a story of a man with no executive experience thrust into the world's most demanding executive position. He didn't have the tools to do the job, and was too self-absorbed to see his own shortcomings. In one of the most telling passages of the book, Valery Jarrett chews John Boehner out for saying that Obama was willing to learn. She assumed he already knew all that was necessary.

Fiscal irresponsibility is the downfall of almost every government and every currency over the long course of history. Governments have three sources of revenue. They can tax, they can borrow, and they can inflate it away their debts. This book picks up our story when the US had long ago lost its ability to balance the budget through taxes, and was running out of borrowing power. The major players in the book, most Republicans and some Democrats (Geithner, Orzag) realized that it was essential to rein in the government deficits.

Any solution must take into consideration increasing revenue and decreasing expenses. However, the expenses have been written into law in such an insidious way, as entitlements in terms of both Medicare and Social Security, that they cannot be easily taken away because such a large portion of the electorate has come to depend on these entitlements. As of now more than half of the population is dependent

on federal handouts. They simply cannot be taken away, because people have forgotten how to exist without them. And the people who pay the tab, the wealthier half, the slight minority who actually pay income taxes, are unwilling to pay anymore. We do not have the political unity within the country needed to make the necessary budget compromises.

Woodward describes the situation fairly clearly, but a man in his position cannot honestly analyze the reasons for the great divide. The Republicans and the Democrats represent increasingly different constituencies. The Republicans, on balance, represent average taxpayers. The Democrats represent the bottom and top layers of society: The academics who increasingly control the media and entertainment sectors are on the top, and the minorities and recipients of government benefits on the bottom.

It is widely agreed that there is a difference a growing gap between the two, between the well-paid and the not so well paid. We observed at the same time that there is a continual expansion in gaps in various measures of achievement between these groups, notably academic and financial success, and at the same time there is an increasing demand in society in the workplace for highly skilled workers. It is quite natural that there would be a divergence. The bulk of our workforce is less and less skilled, and yet the demands of the workplace call for more and more skills. It only makes sense that the people who can do work that is valued, a decreasing minority, earn more and the bulk of the people earn less.

However the political process cannot recognize this reality. They talk about moving jobs offshore. Of course this is true – the workers offshore, notably the Chinese, demand far less in hourly wages. What goes unstated is that they are also more productive. And that their productivity is related to Chinese intelligence, which is by most measures higher than that of the average American worker. They certainly have a strong work ethic honed by years of hanging on merely to survive.

We have therefore as American society that is becoming increasingly fragmented as it becomes more diverse. It was heading toward the model of such multiethnic societies as Brazil, the Andean nations split between Native American and European populations, and South Africa and Zimbabwe, and perhaps Italy, considering the divide between the Mezzogiorno and the North. In any case we are a multiethnic society in which the levels of achievement among the various groups vary quite widely, always have, and show no signs of converging. It is not a recipe for success.

This is an aside, but it is an important background to the facts which Woodward reports. The Republicans and the Democrats in Congress represent increasingly different constituencies. The fact that they cannot compromise easily is due in large part to the fact that their constituencies are irreconcilable. Rather, the demands of the various constituencies are irreconcilable. One of the reasons that this is so is that nobody is willing to recognize the truth of the situation.

The truth of the situation is that American labor is worth less on the world market than it used to be. Other nations have caught up. Another truth is that different people have different levels of ability. That observation goes against the grain of American history, American culture, and certainly the diversity

story as taught in schools. So we cannot accept reality, and we are increasingly the victims of our cognitive dissonance.

Another factor, one which Woodward does acknowledge, is the changing age demographics of America. The four biggest parts of the budget are defense spending, Medicare, Social Security, and welfare payments such as food stamps and long term unemployment. Obama did rein in military spending by taking troops out of Afghanistan. However, he reports that the Democrats were unable to address the ongoing liabilities concerning Social Security, Medicaid and Medicare. These are unbounded liabilities which all players recognize will lead to deficits for the foreseeable future. They are unpredictable and unbounded, as the nature of medical technologies and the demand for medical care simply cannot be predicted. The only thing one can say with certainty is that every prediction in the past has turned out to be too optimistic.

The Republicans lack the will to ask their constituency to pay more taxes, and Democrats lack the will to ask for reasonable cutbacks in entitlements. This problem is more than a lack of leadership – it is fundamental unwillingness on the part of the American people to accept the truth. Churchill observed that America will do the right thing – when all else has failed.

We did not resolve the debt crisis. Throughout the Obama administration the politicians “kicked the can down the road.” We are not alone in this. The Europeans have done no better. They have given the Federal Reserve no choice but to print more and more money through Quantitative Easing, a story better told in “Confidence Men.” The result will be a major depression, one which many believe has already begun. The iron fist of reality will impose a resolution to resource distribution problems which could not be resolved by politics. For seniors, minorities and others who benefit disproportionately from government largess the process will be ugly and painful and probably, at times, fraught with violence. If we were smarter it could have been otherwise. Woodward does not attribute a lack of brains to any of the players in this tragedy. Instead, just as in a Greek drama, each is constrained by his own party and his own human failings. Obama’s tragedy is that he doesn’t seem even to recognize his shortcomings.