



## Toxic Politics Ahead

Congress rarely acts in defiance of public opinion. Too risky. But it's going to do so again, very soon, when it votes to raise the country's debt limit. And maybe on other issues as well, like Medicare cuts and tax hikes.

Welcome to the era of toxic politics.

Here, the people rule. When Congress is heedless of public opinion, there is a political price to be paid. So why does Congress do it?

Usually because the entire national Establishment is in agreement that something has to be done—never mind what the polls say. When Washington and Wall Street are in agreement, Congress will make the tough choice of doing something unpopular. And hope the people will understand. They rarely do. And that the Establishment will give them political cover. It rarely does.

Remember the Senate vote to ratify the Panama Canal treaties in 1978? The American public was outraged when President Carter signed the treaties. Senate ratification became a major controversy. "It's our canal," Sen. Sam Hayakawa (R-CA) memorably declared. "We stole it fair and square."

But the Establishment closed ranks in support of the treaties, including the leadership of both parties. Last year, Carter called it "the most courageous decision in the history of the U.S. Congress." And what happened? The public rose up. The issue energized anti-Establishment conservatives. Ronald Reagan

made the canal his signature cause. His rallying cry, "We built it. We paid for it. It's ours. And we're going to keep it."

The Senate ratified the treaties by a one-vote margin in 1978. And then? Former President Carter tells the story, "There were twenty senators who voted for the treaties up for re-election in 1978. Only seven of them came back to the Senate the next year." Another twelve treaty supporters were defeated in 1980, including Democrats Frank Church of Idaho, Birch Bayh of Indiana and George McGovern of South Dakota. Not to mention President Carter himself.

In 2008, we had the TARP vote to bail out the big banks. Wall Street was in a panic. The measure's defenders, including President Bush, said it was must-pass legislation that would keep the country from sliding into depression. But polls showed the public was highly skeptical of bailing out the big banks. "Where's MY bailout?" voters demanded to know. At first, the bill was rejected by the House. But after some arm-twisting, and growing financial panic, the measure passed the House and Senate a few days later.

And look at what happened. Nine TARP supporters were defeated in 2008. Another five were defeated in primaries and conventions in 2010, including Republicans Bob Bennett in Utah and Bob Inglis in South Carolina. TARP was a key issue in the Republican

primary defeats of Peter Hoekstra for Governor of Michigan and Kay Bailey Hutchison for Governor of Texas (her critics branded her Kay “Bailout” Hutchison). In November 2010, twenty more TARP supporters lost their bids for re-election. Just as opposition to the Panama Canal treaties helped create Ronald Reagan, opposition to TARP helped create the Tea Party movement.

In the next few months, Congress will have to vote to raise the limit on federal borrowing. Failing to do so, Federal Reserve chairman Ben Bernanke said, would most likely be “a recovery-ending event.” Treasury Secretary Tim Geithner said, “Default by the United States is unthinkable” and “would cause a financial crisis potentially more severe than the crisis from which we are only now starting to recover.”

The people are not impressed. A Fox News poll found the public opposed to raising the debt limit, 62% to 26%. A poll by NBC News and the *Wall Street Journal* carefully elaborated the arguments for raising the debt limit (“the government will be unable to pay the nation’s bills”) and against raising the debt limit (“doing so will increase the debt that will be passed on to the next generation”). The result: 62% to 32% opposed.

After much wrangling and a last-hour round of dealmaking, the measure will pass. Most likely with a narrow bipartisan majority, as happened in the past when the country has had divided government (see graphic, p. 4).

Will supporters pay a political price? Congress has cast unpopular votes to raise the debt ceiling before without significant political repercussions. The biggest confrontation came at the end of 1995, when the Republican Congress ended up shutting down the federal government for several weeks. Anger over the shutdown displaced anger over raising

the debt limit. Any lingering resentment over the debt disappeared when the economic recovery picked up speed in 1996 and the federal budget went into surplus. Nobody is predicting any such outcome this time.



Let’s turn the issue around. If the voters are really angry about increasing debt, does that mean they are ready to support tough measures to deal with the nation’s debt crisis? The Washington-Wall Street Establishment is in agreement on that issue as well. President Obama warned in his April 13 budget speech, “Our debt has grown so large that we could do real damage to the economy if we don’t begin a process now to get our fiscal house in order.” House Budget Committee Chairman Paul Ryan (R-WI) said, “The debt poses an existential threat to all we hold dear.” We stand warned.

But are the voters ready to take radical steps like raising taxes (the Obama plan) or ending Medicare as we know it (the Ryan plan)? There’s not a lot of support in the polls. Actually, the voters’ top concern right now has nothing to do with the battle in Washington over debt ceilings and budget plans. What the voters are worried about is gas prices. ■

## Disgruntled Democrats?

Are Democratic voters disgruntled over the spending cuts in the last-minute budget deal? Not so much.

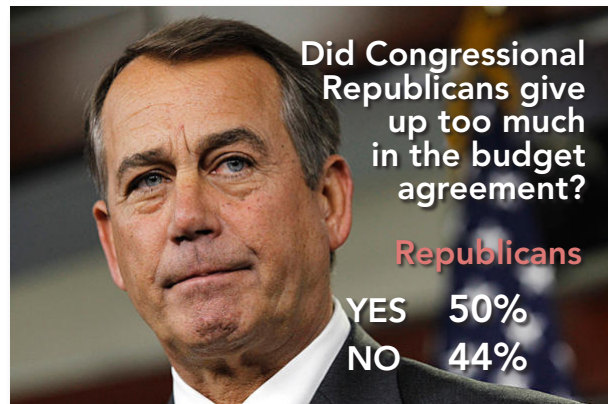
CNN and the Opinion Research Corporation polled Americans during the two days after the agreement. Overall, the public approves of the deal (58%). Democrats are even more supportive (66%). Republicans are split (47% approved, 49% disapproved).

What about Independents, those crucial swing voters President Obama has been targeting? Got 'em: 56% of Independents like the deal.

By more than two to one, Democrats do not think President Obama and the Democrats in Congress gave up too much in the budget agreement.

Republicans are divided over whether their leaders gave up too much. Half say they did.

Bottom line: there is disgruntlement, but it's mostly in the GOP.



## Debt Politics

Think the vote to raise the debt limit is about principle? Think again.

The graphic on p. 4 shows stand-alone votes in Congress to raise the debt ceiling over the past decade. In 2003, 2004 and 2006, Republicans controlled everything—the White House, the House of Representatives and the Senate. When the debt limit came up for a vote in the Senate, guess what happened. The vote to raise the debt ceiling came almost totally from Republicans. Same thing was true when the debt ceiling came up for a vote in the House in 2002 and 2004. (In June 2002, a year after Sen. Jim Jeffords of Vermont became an Independent, the Senate was narrowly controlled by Democrats but the House was still Republican.)

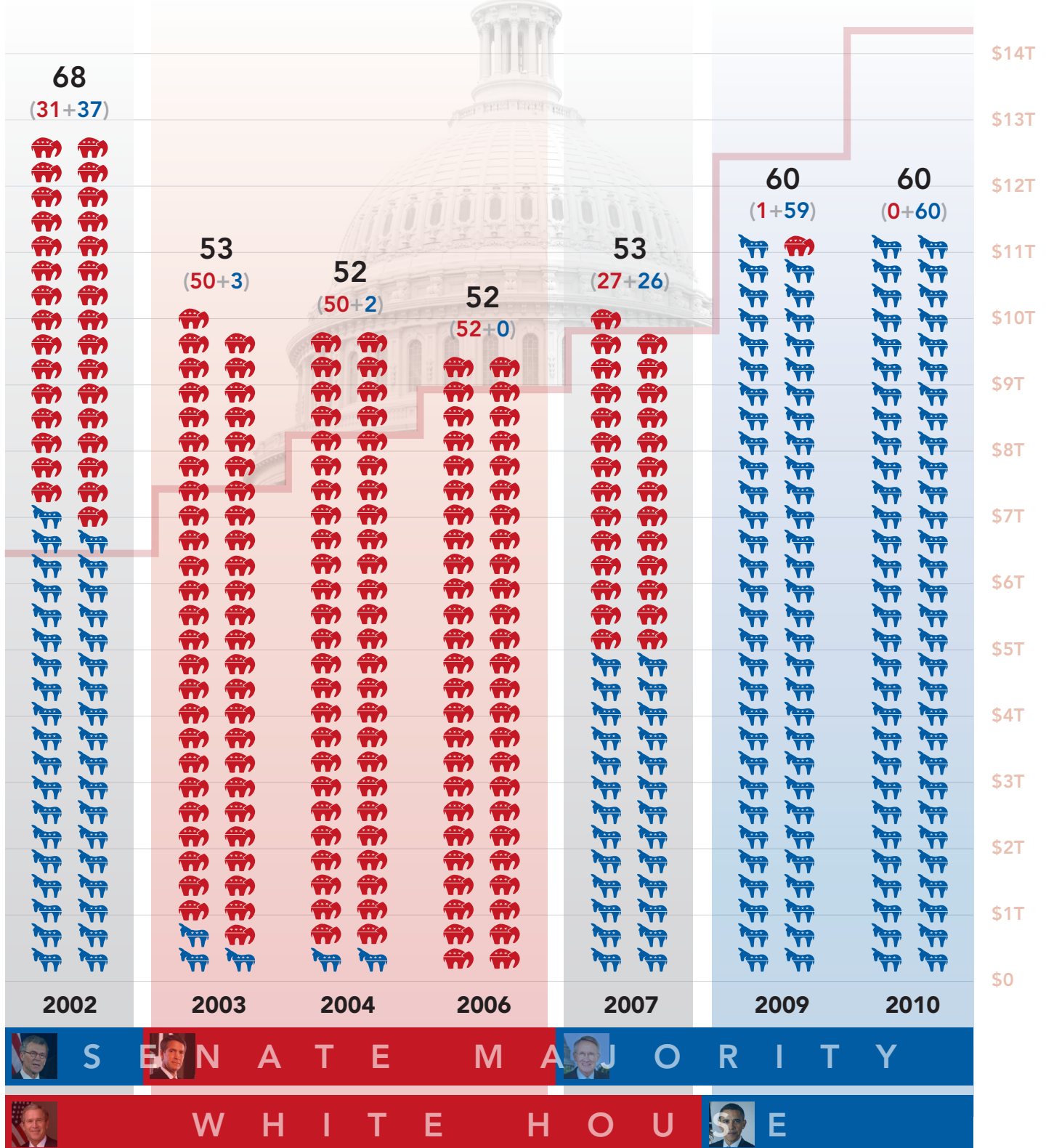
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When power was divided in 2002 and 2007, the Senate votes to raise the debt ceiling were bipartisan.

If there is a principle involved, it seems to be this: whose problem is it? If your party is not in power, the debt ceiling is not your problem. Democrats were not in power in 2006. So Senators Barack Obama, Joe Biden, Edward Kennedy, Hillary Clinton, John Kerry, and Harry Reid all voted against raising the debt ceiling.

# RAI\$ING THE ROOF: PRINCIPLE OR POLITICS?

Senate "Yea" Votes in Favor of Raising the Debt Ceiling, 2002-2010



\* Stand-alone debt ceiling bills only. In four stand-alone House votes ('02, '04, '09, and '10) the majority party, who also held the White House, provided 99.7% of the yea votes. Votes cast by Independents caucusing with Democrats counted as Democratic.

Data from Donald Marron, "Handicapping the Debt Ceiling Debate," Tax Policy Center, January 14, 2011. Available at: <http://taxvox.taxpolicycenter.org/2011/01/14/handicapping-the-debt-ceiling-debate/>. Illustration by Bill Rapp.