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America's debt ceiling face-off: The audacity of hopelessness

By James Politi and Stephanie Kirchgaessner in Washington



Tea for one? John Boehner, Republican speaker of the House (left), with Barack Obama last Saturday. Talks are continuing with still no resolution in sight

With a week to go before the US faced a potentially disastrous default on its debt, Kevin McCarthy was thinking of ways to quash a rebellion from a group of conservative Republicans in no mood for compromise.

To persuade them that the party's plan to raise the debt ceiling was not a sell-out, the third-ranking Republican in the House of Representatives showed them a clip from *The Town*, a modern-day gangster film.

In the scene, a bank robber played by Ben Affleck tells a friend he needs help for something. "I can't tell you what it is," he says. "We're gonna hurt some people." In the next scene the two men, wearing masks, beat their rivals with tyre irons and shoot one in the leg.

As the US edges closer to not being able to pay its bills next Tuesday, the nature of divided government – a Democratic Senate and White House, a Republican House of Representatives – dictates that the two parties will have to negotiate an agreement to increase the federal debt ceiling. But Mr McCarthy's cinematic inspiration goes to the heart of the atmosphere that has settled on Washington: it is one of destruction, not dealmaking.

Congress and the White House may yet find a way to avert catastrophe. But the fact that America has been brought to the brink of default, jeopardising its own fragile economic recovery and threatening to trigger a new global financial crisis, is eliciting a wave of soul-searching about the state of the US political system.

Both sides say gridlock in Washington is nothing new. Passions were just as high, positions just as fixed in past struggles such as civil rights and desegregation in the 1950s. Indeed, some argue that limited government is a healthy by-product of legislative gridlock. Unlike a parliamentary structure, the US constitution created an elaborate system of checks and balances deliberately designed to cool tempers and force compromise.

Yet to many, reaching the edge of economic collapse reflects a much higher level of paralysis in the US capital that is fuelling talk of a decline in US might around the world. It is a point not lost on China, the biggest foreign holder of US Treasury paper. "The ugliest part of the saga is that the well-being of many other countries is also in the impact zone when the donkey and the elephant fight," Xinhua, Beijing's official news service, observed this week.

Rapid changes in the US media landscape and the pervasive influence of special interests, on which politicians rely to finance elections, have set the stage for the acidic political climate. But the anger of segments of the US population, particularly those hit hard by recession, has added fuel to the fire. To make matters worse, political leaders, both in the White House and Congress, have seemed unwilling or unable to overcome these forces.

"It's just really poisonous – it's polarised and chaotic – and it's happening at the same time as America's status as an economic leader is starting to be questioned," says Jim Kessler, a former Democratic aide in Congress who is now vice-president for policy at Third Way, a think-tank. "I've never seen it like this before."

Even if the US escapes default, significant damage may already have resulted from the stand-off. Credit rating agencies have indicated that they could downgrade the US. Stripping the world's largest economy of its triple A badge would be seen as emblematic of a power humbled.

While politicians have been at each other's throats over the budget, unemployment has been ticking up, growth data have been revised sharply downwards, trade deals have stalled and nominations to key economic posts have been quashed or delayed. Just last week, bickering over the closure of 13 small regional airports meant Congress failed to extend some funding for the Federal Aviation Administration, leading to the furlough of some 4,000 workers at the agency.

The emergence of the populist Tea Party movement as an intransigent force is often singled out as driving the malfunction, with last year's midterm congressional elections shifting the Republicans so far to the right that any agreement with the Democrats becomes virtually

impossible. Recent opinion polls show the vast majority of Americans believe Congress and the White House should be adopting a “balanced” approach. According to a Pew Research Center poll released this week, 68 per cent say politicians who share their views should be willing to make concessions on the debt ceiling; just 23 per cent say they should hold the line, even if it leads to default.

“I think the American people wanted compromise and a middle-of-the-road approach but over-corrected and hired people who heard the message of 2010 to be not just slow down, not just stop, but reverse direction,” says Chris Coons, a Democratic senator from Delaware.

Yet for the Tea Party right, any whiff of compromise brokered by career politicians in backroom deals is anathema. In their view federal government has become a Leviathan, a reprise of earlier criticism of Lyndon Johnson’s “Great Society” of the 1960s, which dramatically expanded welfare programmes. It is “big government” created by compromising lawmakers that they say has driven the US to the brink of bankruptcy.

“They didn’t start the fire, they sounded the alarm” on America’s fiscal woes, said Jeff Sessions, the top Republican on the Senate budget committee, in a speech this week. Many in the Tea Party felt burnt by an April agreement between Republican leaders and the White House to avert a government shutdown, arguing that the size of the spending cuts turned out to be smaller than billed.

“These people in the House were elected because they were campaigning on our core values of fiscal responsibility, constitutionally limited government and free markets. We expect them to do that,” says Jenny Beth Martin, co-founder of Tea Party Patriots, a grassroots organisation.

Tom Davis, a former senior Republican congressman from Virginia, points to another shift in the culture of politics. Politicians, he says, are increasingly winning elections based on their “national outlook” instead of local politics, thus fuelling the ideological divide. Partisan media are also to blame, he adds. Voters are increasingly turning to cable news – MSNBC on the left, Fox News on the right – for their “fix” and do not deal with “the same set of facts”.

Finally, the changing nature of money in politics following recent rule changes has diminished the clout of political parties. Now, special interests – from groups such as the liberal MoveOn.org to the conservative Crossroads GPS – have become indirect sources of financing for candidates’ political campaigns. “If you are worried about primaries, you are worried about interest groups. These members don’t get an award for compromising and saying, ‘I cut a deal with Obama’,” says Mr Davis.

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But there are also concerns about a lack of leadership at the top: the ability of President

Barack Obama and John Boehner, the Republican House speaker, to enact crucial legislation is in doubt. Many now nostalgically recall the 1980s partnership between Ronald Reagan as president and Tip O'Neill, the Democratic House speaker. They may never have been great friends but they got things done.

This new Washington reality is proving a worry for corporate America. "For a long time, you could afford some level of government dysfunction. But with the global economy developing the way it is and with technology allowing businesses to move operations around the world, the US can least afford it now," says Peter Scher, who has oversight of government relations at JPMorgan Chase.

Not everyone is so glum. "There have been so many harsh fights going back – from impeachment [of Bill Clinton in the 1990s] to Obamacare [the 2010 battle over health reform]," says Kevin Brady, a Texas Republican congressman. "It doesn't feel any worse."

David Boaz of the Cato Institute, a libertarian think-tank, says the crisis may be a cleansing moment. "One of the issues with gridlock is that it stops legislation from happening. For those of us who think the government signs too many laws, this sounds like a feature, not a bug," he says. If the government loses its triple A rating as a result, "I can live with that".

But other veterans from both sides of the political aisle say Washington is on a perilous path. "I think we are in uncharted waters without any historic parallel," says Mark McKinnon, a Republican strategist and former adviser to President George W. Bush. "I don't blame the Tea Party so much as the members of Congress who don't have the fortitude to go their own direction."

Mark Warner, a Democratic senator from Virginia, represents a glimmer of hope that a remnant of the "old" Washington still exists. Over the past six months, he has led the so-called "Gang of Six", a group of Democratic and Republican senators that sought to forge a compromise to solve America's debt woes.

"This repeated 11th-hour brinkmanship is not only disruptive to the financial system," he says. "It is disruptive to the confidence that the American people have in all of their elected representatives' ability to step up and get the job done."

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