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Mitch Daniels on the State of the Nation

2010 March 8
by Jacob Laksin



Thanks to the good folks at the [Hudson Institute](#) in New York, I had the chance to hear Republican Indiana Governor Mitch Daniels deliver some remarks today on the somewhat ambitious topic of “the state of the nation.” (Daniels joked that he would have preferred a more modest theme to expound upon, for instance “the universe and its prospects.”) As governor, Daniels has built up a reputation as a conservative policy wonk and pragmatist who has found innovative ways to streamline government and cut bureaucracy while eschewing partisanship. As the Republican Party searches for its next standard bearer, it’s perhaps not surprising that some influential conservatives – most notably the *New York Times*’ Ross Douthat – are [talking him up](#) as a possible presidential nominee in 2012.

Daniels is known as a serious guy, with little enthusiasm for political talking points, and his more-or-less off-the-cuff remarks were consistent with that image. Highly critical of the Obama administration and its fiscal profligacy – “not so darned good” is how he summed up the state of the nation – Daniels also cautioned that Republicans should not confuse the administration’s failures with their own success.

He used a baseball analogy to explain the current political moment. The GOP was on “second base,” he said. That’s much better than many expected, but some on the Republican side seem to think that the party has hit a home run. The truth is more that the Republicans have advanced to second after a walk. In other words, the Obama administration’s mistakes, not the GOP’s policy platform, has put it in the favorable position in which it now finds itself. Daniels expressed support for the Tea Parties, but he stopped short of suggesting that they represented the salvation of the GOP. Still, he noted that that Tea Party “hell raising is a good way to get the conversation started.”

That conversation, according to Daniels, should be about the mounting deficits and the unsustainable levels of government spending. Daniels said that the most immediate danger to the country came from the deficits run up by the federal government. (The second most pressing danger was the possibility that stateless terrorists could acquire a usable nuclear weapon.) If the GOP is to regain the presidency, he said, it has to show that it has a credible plan to cut those deficits while containing the cost of current entitlements.

In that context, Daniels paid tribute to Wisconsin Congressman Paul Ryan, whose “roadmap” plan to reform Medicare by providing private health care accounts for those under 55 while keeping benefits unchanged for current Medicare recipients was one of the [more substantive proposals](#) to reduce the federal debt to come from the Republican side recently. (Social Security, Medicare and national defense make up half the federal budget.)

Daniels suggested that if the GOP was serious about spending restraint it would have to embrace similar efforts to “bifurcate” spending and reduce the government obligations. Daniels himself said that he would favor doing everything possible to rein in spending and contain the cost of entitlements. He made clear that he did not favor meeting budget obligations by raising taxes, but he also insisted that all options should be on the table – a bold

statement in front of an audience made up largely of Republicans.

If Daniels should decide to run for president – he repeatedly dismissed such suggestions – the presumptive line of attack on his credibility would be that he served in the Bush administration, not exactly known for its fiscal prudence. (From 2001 to 2003, Daniels was the head of President Bush’s Office of Management and Budget.) One questioner cited a [Cato Institute study](#) finding that discretionary spending under President Bush rose an inflation-adjusted 5.3 percent in his first six years, outpacing even the 4.6 percent under “Great Society” architect President Lyndon Johnson. Given that history, what standing did Daniels and the Republican Party more broadly, have to pose as the party of spending restraint and fiscal discipline?

Daniels’ defense of the Bush record, such as it was, was halfhearted at best. There was a “defensive intellectual argument” made by Bush to spend more on programs like education, he said. True, he acknowledged, deficits soared under President Bush. But they’re three times higher under the Obama administration. “I bet you wish Bush was in charge now,” he joked. Daniels also pointed out that as head of OBM, he routinely advised Bush to slash spending – so much so that his White House nickname was “the blade.”

In a friendlier line of questioning, Daniels was asked to explain the success of his introduction of private [health savings accounts](#) (HSAs) in Indiana. After being elected governor in 2004, Daniels added HSAs to the standard plans available to state employees. Under the Indiana plan, the state puts \$2,750 annually into an account controlled by the employee; the account is then used to pay all health bills, with the state covering the premium for the plan. The idea is that employees will become more cautious about their health care spending and avoid the overuse and overpayment for medical services that has driven up health care costs across the country.

Daniels said that the plan has been a success: Some 70 percent of Indiana state workers use HSAs, compared to just the 2 percent one finds in the public sector nationally. Indiana’s HSA plan is also set to save the state some \$20 million in 2010. Daniels said that the plan has proven popular despite heated opposition from government employee unions, which have tried to serve as the middleman between the government and their members. Daniels said that he was able to overcome union opposition in part by decertifying the government employee unions as one of his acts in power.

While Daniels’ remarks were mostly focused on domestic politics, he did take a question on foreign policy. Asked how he saw the American relationship with Israel, Daniels said that he saw Israel as an ally. He went on to say that Israel had the right to use all means at its disposal to defend itself – including, if necessary, attacking Iran.

On the evidence of his remarks, it’s hard to see Daniels as a presidential candidate. In charisma and telegenic appeal, he is certainly no rival to President Obama. But Daniels’ command of economic issues is impressive, and his insistence that the Republican Party focus on assembling a serious policy agenda before it begins measuring the drapes for the White House is especially notable at a time when many in the GOP are already writing obituaries for the administration.



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