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Op-Ed

## How the GOP lost on the debt deal

**The deal reached by Congress eliminates the leverage that would have been created by another imminent default until after the next election, where it will be exercised by new and possibly differently constituted players.**

By Daniel Markovits

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The chorus of liberal lament began even before the details of the deal to raise the debt ceiling were known. Rep. Raul Grijalva, co-chair of the Congressional Progressive caucus, complained that the deal "trades peoples' livelihoods for the votes of a few unappeasable right-wing radicals." Paul Krugman, writing in the New York Times, called the deal a policy "catastrophe" and "an abject surrender on the part of the president."

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In the bigger picture, however, the debt deal represents a substantial success for President Obama and the Democrats. It does indeed impose cuts that will slow the economic recovery and unjustly burden working Americans. But the deal is much nearer an affirmation of the president's core commitments than a surrender. Moreover, the deal that the president got is much, much less bad, from the progressive point of view, than a coldly rational observer would have predicted. The reason the president beat the odds is simple: The Republicans blinked.

Begin by reviewing some basic facts. The need to raise the debt ceiling made the default position, well ... default. To avoid default required a deal. And under our system of checks and balances, a deal required the president and both houses of Congress to say yes. To block a rise in the debt ceiling and trigger default, one party need control only the House or, given the filibuster rule, just a substantial minority in the Senate. And the Republicans — until now the party of no — have both.

Next, consider some basic negotiation theory. Every negotiator begins by looking to what is inelegantly called the BATNA, or Best Alternative to a Negotiated Agreement. No one will rationally accept a deal that is worse than his BATNA. That's why the party that can do well without a deal almost always does better with a deal.

Now apply these considerations to the debt ceiling debate.

Obama and the Democrats made it clear that default would be catastrophic. They believe, as a matter of economic fact, that default would have sent the economy back into recession and possibly depression. And

they believe, as a matter of moral principle, that such a downturn would inflict wanton cruelty on hardworking Americans. The Democrats' BATNA was not much of an option.

Congressional Republicans, especially the House "tea party" types who are commonly said to be calling the Republican shots, were in a different position. Republican economists ranging from the Cato Institute's John Tamny to Christian evangelical Gary North have long argued that default would not be that big a deal. And the House Republicans' moral position, as their nearly unanimous support for the Cut, Cap and Balance Act made clear, approves a draconian roll-back of the core entitlements — Social Security, Medicare and Medicaid — that drive the debate on the national debt.

Because the United States is constitutionally required to honor its debts, cuts following a failure to raise the debt ceiling would have fallen on these programs. And so the Republicans' BATNA fell strikingly near their ideal policy. On the issue of default, in other words, the tea party and its fellow travelers had very little to lose.

Given this posture, and given the tea partyers' apparent commitment to ideological purity over electability, basic negotiation theory predicts that only deals close to the Republican negotiating position — the position embodied in Cut, Cap and Balance — would ever be made. The most that the Republicans should have agreed to is a short-term stop-gap rise in the debt ceiling, insisting on some cuts in social spending now while retaining all of their leverage for demanding deep, structural cuts in a subsequent negotiation in the fall.

The deal that was struck is dramatically — shockingly — better from the Democrats' point of view.

The deal eliminates the leverage created by another imminent default until after the next election, where it will be exercised by new and possibly differently constituted players.

And today's Republicans have not gotten much for giving up their leverage; certainly nothing close to what they asked for in Cut, Cap and Balance. The current deal cuts social programs rather than raising revenue, to be sure. But while the cuts are significant and will hurt, they leave the basic core of the American social safety net intact. And the bipartisan committee charged with negotiating a grander bargain in the fall is free to revisit the possibility of new taxes. In addition, it will take up the orthodox anti-tax position (represented by the balanced budget amendment) in a manner guaranteed to be purely symbolic.

Perhaps most important, this week's debt deal does nothing to change the fact that the George W. Bush tax cuts will expire at the end of 2012. Obama and congressional Democrats will be able to bargain for increased taxes on the wealthy, in a situation in which they have much less to lose.

The radicals in the Republican Party dragged the country to the edge of a cliff, but they failed to push us off; and they were even forced, at the last moment, to pull back.

Progressives have reason to lament the incremental cuts in the deal. But that which does not kill a social contract may make it stronger. And neither progressives nor the country should lose sight of the fact that the core institutions of ours — Social Security, Medicare and Medicaid — have all been reaffirmed.

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