

IT'S EVEN WORSE THAN IT LOOKS

HOW THE AMERICAN
CONSTITUTIONAL SYSTEM
COLLIDED WITH THE NEW
POLITICS OF EXTREMISM

THOMAS E. MANN AND NORMAN J. ORNSTEIN

BASIC BOOKS
A MEMBER OF THE PERSEUS BOOKS GROUP
NEW YORK

Contents

Introduction ix

PART I: The Problem

1. The New Politics of Hostage Taking 3
2. The Seeds of Dysfunction 31
3. Beyond the Debt Ceiling Fiasco 81

PART II: What to Do About It

4. Bromides to Avoid 107
5. Fixing the Party System 131
6. Reforming U.S. Political Institutions 163
7. Navigating the Current System 179

Acknowledgments 203

Notes 205

Index 220

Introduction

On January 26, 2010, the Senate voted on a resolution to create an eighteen-member deficit-reduction task force with teeth, a fast-track procedure to bring a sweeping plan to solve the U.S.'s debt problem straight to the floor for an up-or-down vote. The resolution was coauthored by Democrat Kent Conrad of North Dakota and Republican Judd Gregg of New Hampshire, and had substantial bipartisan support, including from Republican leaders like John McCain and Mitch McConnell. The latter did not cosponsor the resolution but had said eight months earlier on the Senate floor:

We must address the issue of entitlement spending now before it is too late. As I have said many times before, the best way to address the crisis is the Conrad-Gregg proposal, which would provide an expedited pathway for fixing these profound long-term challenges. This plan would force us to get debt and spending under control. It deserves support from both sides of the aisle. The administration

has expressed a desire to take up entitlement reform, and given the debt that its budget would run up, the need for reform has never been greater. So I urge the administration, once again, to support the Conrad-Gregg proposal. This proposal is our best hope for addressing the out-of-control spending and debt levels that are threatening our nation's fiscal future.¹

But on January 26, the Senate blocked the resolution. Fifty-three senators supported it, but it could not garner the sixty votes needed to overcome a Republican filibuster. Among those who voted to sustain the filibuster and kill the resolution were Mitch McConnell and John McCain. McCain was joined in opposition by six other original cosponsors, all Republicans. Never before have cosponsors of a major bill conspired to kill their own idea, in an almost Alice-in-Wonderland fashion. Why did they do so? Because President Barack Obama was for it, and its passage might gain him political credit.

Fred Hiatt, the opinion editor of the *Washington Post*, wrote of McConnell's change of position, "No single vote by any single senator could possibly illustrate everything that is wrong with Washington today. No single vote could embody the full cynicism and cowardice of our political elite at its worst, or explain by itself why problems do not get solved. But here's one that comes close."²



Six years ago, we wrote *The Broken Branch*, which sharply criticized the Congress for failing to live up to its responsibilities as the first branch of government. Based on four decades of watching Congress, ours was a sympathetic perspective, one that reflected

our appreciation of the inherent messiness of the legislative process within the constitutional system. Reconciling diverse interests and beliefs in America's extended republic necessarily involves adversarial debates and difficult negotiations.

But there was no denying the impact of broad changes in America's wider political environment—most importantly the ideological polarization of the political parties—on how Congress went about its work. We documented the demise of regular order, as Congress bent rules to marginalize committees and deny the minority party in the House opportunities to offer amendments on the floor; the decline of genuine deliberation in the law-making process on such important matters as budgets and decisions to go to war; the manifestations of extreme partisanship; the culture of corruption; the loss of institutional patriotism among members; and the weakening of the checks-and-balances system.

While we observed some improvement after the Democrats regained control of Congress in the 2006 midterm elections, the most problematic features of the system remained. We thought them unlikely to abate absent a major national crisis that inspired the American public to demand that the warring parties work together. America got the crisis—the most serious economic downturn since the Great Depression—and a pretty clear signal from the voters, who elected Barack Obama by a comfortable margin and gave the Democrats substantial gains in the House and Senate. What the country didn't get was any semblance of a well-functioning democracy. President Obama's postpartisan pitch fell flat, and the Tea Party movement pulled the GOP further to its ideological pole. Republicans greeted the new president with a unified strategy of opposing, obstructing, discrediting, and nullifying every one of his important initiatives. Obama reaped

an impressive legislative harvest in his first two years but without any Republican engagement or support and with no apparent appreciation from the public. The anemic economic recovery and the pain of joblessness and underwater home mortgages led not to any signal that the representatives ought to pull together, but rather to yet another call by voters to “throw the bums out.” The Democrats’ devastating setback in the 2010 midterm elections, in which they lost six Senate seats and sixty-three in the House, produced a Republican majority in the House dominated by right-wing insurgents determined to radically reduce the size and role of government. What followed was an appalling spectacle of hostage taking—most importantly, the debt ceiling crisis—that threatened a government shutdown and public default, led to a downgrading of the country’s credit, and blocked constructive action to nurture an economic recovery or deal with looming problems of deficits and debt.

In October 2011, Congress garnered its lowest approval rating (9 percent) in polling history. Public trust in the government’s capacity to solve the serious problems facing the country also hit record lows. Almost all Americans felt their country was on the wrong track and were pessimistic about the future. The public viewed both parties negatively, and President Obama’s job approval rating was mired in the forties. The widespread consensus was that politics and governance were utterly dysfunctional. In spite of the perilous state of the global economy—and with it the threat of another financial crisis and recession—no one expected the president and Congress to accomplish anything of consequence before the 2012 election.³

Paradoxically, the public’s undifferentiated disgust with Congress, Washington, and “the government” in general is part of the problem, not the basis of a solution. In never-ending efforts to

defeat incumbent officeholders in hard times, the public is perpetuating the source of its discontent, electing a new group of people who are even less inclined to or capable of crafting compromise or solutions to pressing problems. We have been struck by the failure of the media, including editors, reporters, and many “expert” commentators, to capture the real drivers of these disturbing developments, and the futility of efforts by many non-partisan and bipartisan groups to counter, much less overcome, them. We write this book to try to clarify the source of dysfunctional politics and what it will take to change it. The stakes involved in choosing who will lead us in the White House, the Congress, and the Supreme Court in the years ahead are unusually high, given both the gravity of the problems and the sharper polarization of the parties.

In the pages that follow, we identify two overriding sources of dysfunction. The first is the serious mismatch between the political parties, which have become as vehemently adversarial as parliamentary parties, and a governing system that, unlike a parliamentary democracy, makes it extremely difficult for majorities to act. Parliamentary-style parties in a separation-of-powers government are a formula for willful obstruction and policy irresolution. Sixty years ago, Austin Ranney, an eminent political scientist, wrote a prophetic dissent to a famous report by an American Political Science Association committee entitled “Toward a More Responsible Two-Party System.”⁴ The report, by prominent political scientists frustrated with the role of conservative Southern Democrats in blocking civil rights and other social policy, issued a clarion call for more ideologically coherent, internally unified, and adversarial parties in the fashion of a Westminster-style parliamentary democracy like Britain or Canada. Ranney powerfully argued that such parties would be a

disaster within the American constitutional system, given our separation of powers, separately elected institutions, and constraints on majority rule that favor cross-party coalitions and compromise. Time has proven Ranney dead right—we now have the kinds of parties the report desired, and it is disastrous.

The second is the fact that, however awkward it may be for the traditional press and nonpartisan analysts to acknowledge, one of the two major parties, the Republican Party, has become an insurgent outlier—ideologically extreme; contemptuous of the inherited social and economic policy regime; scornful of compromise; unpersuaded by conventional understanding of facts, evidence, and science; and dismissive of the legitimacy of its political opposition. When one party moves this far from the center of American politics, it is extremely difficult to enact policies responsive to the country's most pressing challenges.

Recognizing these two realities and understanding how America got here is key to taking the right steps to overcome dysfunctional politics.

The New Politics of Hostage Taking

The story we recount in our introduction, when seven original cosponsors of a tough Senate resolution to create a deficit-reduction panel voted against the plan in January 2010, solely because President Barack Obama, a Democrat, had endorsed it, underscores how out of whack American politics and policy making have become. But the debt limit crisis eighteen months later—in which Republican party leaders cynically decided to hold hostage America’s full faith and credit in a reckless game of chicken with the president—moved the dysfunction gauge sharply into the danger zone.

The debt limit crisis of 2011 inspired as much coverage as any political story of the year, but we believe we need to revisit it, from its genesis on, to understand its future implications. The crisis underscored for many Americans the utter dysfunction in our politics and the disdain of our elected officials for finding

solutions to big problems. To be sure, prolonged and contentious negotiations over important policies are not new, and the endgames usually go right up to the deadlines, and occasionally beyond. But these negotiations were so prolonged and contentious, and involved so many threats by top leaders that they would, according to Jason Chaffetz of Utah, “have taken it [the debt limit and America’s credit] down” unless the Republicans’ inflexible demands were met. The final deal to raise the ceiling left a clear impression that the next time might well be worse.

Watching the debt limit debacle unfold led us to our title for this book: *It’s Even Worse Than It Looks*. As bad as the atmospherics were, the new and enhanced politics of hostage taking, of putting political expedience above the national interest and tribal hubris above cooperative problem solving, suggested something more dangerous, especially at a time of profound economic peril.

The short-term consequences of the standoff were serious, as Standard & Poor’s downgraded the U.S. credit rating for the first time in history, noting that “[t]he political brinkmanship of recent months highlights what we see as America’s governance and policy making becoming less stable, less effective, and less predictable than what we previously believed.”¹ Federal Reserve Chairman Ben Bernanke weighed in as well, with unusually pointed criticism of Congress: “The negotiations that took place over the summer disrupted financial markets and probably the economy as well.”² Voters were, if anything, even angrier; a *New York Times* survey completed after the votes showed the highest disapproval levels for Congress since it began recording them, at 82 percent, with Republicans suffering voters’ unhappiness more than Democrats.³



The debt limit is a vestigial organ created in 1917 to facilitate Congress's ability to raise money on the eve of America's entry into World War I. Until then, Congress had to appropriate money through short-term debt instruments, like Treasury bills. So a device to enable Congress to issue longer-term debt instruments, even for specific appropriations, both lowered interest costs and made the borrowing easier for the Treasury Department. The process was altered to pull all spending requirements together and create a single, overall debt limit in 1939.

There are other ways to deal with the problem of raising money besides nineteenth-century methods, including the passage of a budget (something which Congress did not do until after enactment of the 1973 Budget and Impoundment Control Act). Since the debt limit simply accommodates debt that has already been incurred, raising it should, in theory, be perfunctory. But politicians have found it a useful shibboleth for showing their fealty to fiscal discipline, even as they vote to ratify the debts their previous actions have obligated the country to pay. The symbol of railing against debt has proven politically beneficial, even if not substantively meaningful.

Congressional efforts to raise the debt limit are not rare events. Between 1960 and August 2011, Congress had done so seventy-eight times, forty-nine times with Republican presidents and twenty-nine with Democrats in the White House.⁴ Many efforts to raise the debt limit were contentious, and not a few pushed the issue to the brink, going right up to the date at which the Treasury Department declared that default would occur absent congressional action. Indeed, in 2002, Congress pushed well past the point at which the Treasury said the formal debt limit would be breached and after it had exhausted most of the informal measures, such as borrowing temporarily from federal

retirement accounts. With the prospects of default looming, the House passed an increase in the debt limit by a single vote.

Most votes on the debt limit, including the one in 2002, were partisan. Lawmakers' votes could be predicted best by looking at whether they shared party identification with the incumbent president. Most votes involved overheated rhetoric, either in the service of fiscal discipline or in the dire consequences of denigrating the full faith and credit of the United States. Notably, many on both sides of the aisle had a history of voting for and/or arguing both sides of the issue at different times, including leaders like Nancy Pelosi, John Boehner, and, yes, then Senator Barack Obama (who voted against raising the debt limit when George W. Bush was president). Many of the votes involved razor-thin margins. On several occasions, most recently in 1977, the eleventh-hour votes did not leave enough time to finish the formalities of enacting bills into law, resulting in a technical default (i.e., no legal authority for the government to pay its bills) for a matter of hours. But, as evidence of the underlying danger of the issue, this modest technical default—no bills went unpaid—actually resulted in a rise in interest rates because it led to questions about America's reliability in its promises to lenders.

Pyrotechnics and symbols aside, on every occasion on which the government needed to raise the debt ceiling, the key actors in Washington, including presidents and congressional leaders, knew that almost nobody—until now—had any intention of precipitating a default. Leaders of the president's party told us privately on the eve of more than one ostensibly nail-biting vote, including in 2002, that they knew in advance that their counterpart's members, along with some of their own antsy colleagues, were willing to switch if it looked as if the debt limit vote might actually fail with the deadline looming. Until 2011, both parties tacitly accepted the

hypocritical political posturing that always accompanies the debt limit discussion, even as it brought heartburn to the president and his congressional leaders, who would have preferred not to rely on the private promises of reluctant lawmakers afraid of attack ads hitting them for fiscal profligacy. And until 2011, when Republicans insisted that the president and Democrats cave in to their demands on sweeping spending cuts (and no tax increases), no debt limit increase had any preconditions attached.

Frustrated by the drama accompanying debt limit votes, both Republican and Democratic leaders frequently invoked the so-called Gephardt Rule (named after its author, former Majority Leader Richard Gephardt of Missouri), which, starting in 1980, automatically increased the debt limit with passage of a budget resolution that itself set spending and taxing levels.

When the Republicans took the House in 1995, they waived the Gephardt Rule, setting up a confrontation with President Bill Clinton, but they blinked when it came to breaching the debt limit and instead sought to use the threat to shut down the government to reduce spending. (The result was two partial government shutdowns and a huge backlash against the Republicans.) In 2011, after retaking the House, Republicans did more than waive the Gephardt Rule. They repealed it, setting up a new and more serious confrontation.

We know now that the result of the 2011 debt limit fandango was by no means preordained. The Republican Party leaders did not have guaranteed votes to pull out just in time, nor were they playing the usual political games to gain more traction on the argument for greater fealty to fiscal discipline. For the first time, major political figures, including top congressional leaders and serious presidential candidates, openly called for default or demanded dramatic and unilateral policy changes in return for

preserving the full faith and credit of the United States. For some members, including but not limited to Tea Party freshmen, the real threat of Armageddon was a way of spurning “politics as usual,” of showing they would operate outside the old-boy network of standard Washington practices. For Republican leaders, the hope was that the genuine threat of breaching the debt limit would force the president to cave, giving them both a substantive and, more importantly, a political victory over a weak president forced to bend to their will. They were joined by major outside opinion leaders like hedge fund manager Stan Druckenmiller, a staunch conservative, who told the *Wall Street Journal* that he had no fear of a default—that he was more uneasy about a deal between the parties that would compromise his ideology.⁵

The Young Guns

A key to the new dynamic was in the new generation of Republican leaders in the House—a group calling themselves the “Young Guns,” the name alone demonstrating their swagger and commitment to new confrontational politics and in-your-face tactics designed to distinguish them from both their compromising predecessors and their accommodating senior colleagues.⁶ Led by incoming Majority Leader Eric Cantor of Virginia, the Republican Young Guns were an interesting and unusual phenomenon. The parties have often had young turks rebelling against their leaders and pushing for bolder, simpler, and more confrontational solutions or actions. These young turks were not outsiders, however, but core members of their own party establishment and key figures high up in the party leadership. They had lofty ideological goals combined with fierce personal ambition. That combination made it much harder for Speaker of the

House John Boehner of Ohio to operate as a negotiator with the president or Democrats in the House or to forge a common leadership position to contain the right-wing forces from the Tea Party and the conservative caucus called the Republican Study Committee within his own ranks. For a year or more, the Young Guns had plotted a confrontation over the debt limit that would not be an idle threat but a real bludgeon to force radical policy change in one fell swoop.

Thus, the hostage crisis began. Of course, an effective hostage-taking operation requires hostage takers to convince their adversaries that they will follow through if their demands are not met. That credible threat was a core part of what made 2011 different from previous confrontations over the debt limit.

At the root of the threat was Eric Cantor's rise through House Republican leadership ranks and his ambitious plan, hatched soon after Barack Obama's 2008 victory with his two Young Gun colleagues, Kevin McCarthy of California and Paul Ryan of Wisconsin. They planned to recruit a new generation of highly ideological and uncompromising conservative candidates for the 2010 elections, provide them with money and technical support, and keep the focus on fiscal issues. The fiscal issues served two goals: they were meant to reinforce voters' unhappiness with Washington and the economy, and to accomplish a greater end, decreasing—by any means necessary—the size of government to pre-1960s Great Society levels.

At the Young Guns' urging, many of those candidates began early in the 2010 campaign to talk about the debt ceiling as a core symbol of all that was wrong with Washington. They frequently mischaracterized a vote to lift the debt ceiling as a vote to add more debt. The Young Guns also appealed to the Tea Party movement that had emerged in 2009, fanning the seething

populist anger that many activist conservatives felt. Ryan, Cantor, and McCarthy wrote a book in the fall of 2010—called, naturally, *Young Guns: A New Generation of Conservative Leaders*—that was a manifesto of their tough conservative views, including large tax cuts to starve the beast of big government. The book also conspicuously failed to mention the top House Republican leader, John Boehner, a sign of tensions to come.

Of course, the Young Guns' strategy fit nicely with the sweeping Republican victory in the 2010 midterm elections. Cantor became House Majority Leader, McCarthy emerged as the choice for Majority Whip, and Ryan became chairman-elect of the House Budget Committee. Non-Young Gun Boehner became Speaker-elect of the House.

With eighty-seven freshmen, most elected with Tea Party backing, Boehner knew that his job as Speaker, which made him responsible for governing, would be especially challenging. And he knew even before he was sworn in that the debt limit would be a critical test. Two weeks after the election, Boehner was quoted as saying of his freshmen and the debt limit, "I've made it pretty clear to them that as we get into next year, it's pretty clear that Congress is going to have to deal with [it]." He added, "We're going to have to deal with it as adults. Whether we like it or not, the federal government has obligations, and we have obligations on our part."⁷⁷

Of course, neither the freshmen nor the Young Guns received this message well, and Cantor was especially resistant to the idea of swallowing hard and accepting the responsibility that comes with being in the majority. Soon after the election, Utah's second-term firebrand Jason Chaffetz talked to Cantor about how the new majority would use its power. Based on an interview with Chaffetz, a *Washington Post* story recounts, "Cantor didn't hes-

itate. He said, ‘One of the biggest things that’s going to happen is that we have to deal with the debt ceiling.’ Said Chaffetz, ‘He, in particular, knew a long time ago that was going to be a big deal.’” In other words, Cantor was prepared to make a stand on the debt limit and dare President Obama and the Democrats either to accept his demands or to live with the economic consequences of a debt limit breach. That was not the approach Speaker Boehner wanted to pursue, but it appealed to a sizable group of restive House Republicans eager for a revolution.

In January 2011, the newly installed House majority gathered in Baltimore for a retreat. Here, Cantor made his intentions clear, giving the message—counter to what the Speaker-elect had warned after the election—directly to his full party caucus. He implored them to use the coming debt limit vote as their golden opportunity to force the White House to bend to their will and dramatically cut spending: “I’m asking you to look at a potential increase in the debt limit as a leverage moment when the White House and President Obama will have to deal with us.” He added, “Either we stick together and demonstrate that we’re a team that will fight for and stand by our principles, or we will lose that leverage.”⁸

Cantor did not confine his pitch to the debt limit. He outlined a three-prong strategy for confrontation with the president. The first prong would be the continuing resolution needed to keep much of the government funded through the remainder of fiscal year 2011, which had started the previous October 1. The second prong would be the debt limit, and the third, the spending bills for the next fiscal year, starting October 1, 2011.

When Congress is unable to complete its spending bills on time, it passes a resolution to continue spending, usually at the previous year’s levels, as a stopgap measure. But no continuing resolution means no spending—and a government shutdown. Due to

both the heavy substantive agenda in the second session of the 111th Congress (including health-care reform and the Dodd-Frank financial regulation) and to Republicans' delay and obstruction, Congress had enacted not one of the twelve appropriations bills funding agencies and programs from health research to education to transportation to homeland security for the new fiscal year. And the continuing resolutions enacted for fiscal year 2011 had, at Republican insistence, been of much shorter duration than is typical. Six separate resolutions were needed between October 2010 and April 2011 as part of the Cantor-driven strategy. This also meant there would be multiple threats to shut down portions of the government unless the GOP's demands were met—the equivalent of serial games of chicken, each one with escalating stakes.

Cantor and his House Republicans set hyperambitious goals for cutting spending. They pledged during the campaign and right after the election to cut \$100 billion from the 2011 budget. But reality soon set in. With a fiscal year already well under way, cutting \$100 billion from the discretionary part of the budget would have meant across-the-board cuts of more than 20 percent, wreaking havoc on programs from homeland security to food safety to disaster relief to air traffic control. The leaders, including Budget Chair Paul Ryan, began backpedaling in January, much to the chagrin—and rage—both of Tea Party freshmen who had made the \$100 billion cut a solemn campaign pledge and of more senior conservatives like Jim Jordan of Ohio, chairman of the Republican Study Committee, who wanted even more.

Ryan's heart was with the conservatives, but as Budget Chair, he knew what was practical and achievable in the real world of budgeting. Ryan initially floated a budget plan with cuts barely more than a third of that goal, but with much deeper longer-term reductions. His caucus rebelled, forcing him to go back and double

his original cuts. None of the House GOP plans or demands were acceptable to the president or to congressional Democrats. What followed was a set of extended and difficult negotiations between Speaker Boehner, Senate Majority Leader Harry Reid, and President Obama over a continuing resolution, with the date for shutdown looming. Finally, late on Friday, April 8, the leaders announced a deal one hour before the midnight deadline.

That deal made \$38 billion in budget cuts for the fiscal year, equal to what even Ryan had said was a feasible—meaning achievable—amount, and adding up to a prorated \$78 billion in cuts if taken over the entire year. Boehner boasted that it was “the biggest annual spending cut in history.”⁹ Even that was not enough to placate all House Republicans; fifty-nine hard-liners, including twenty-seven freshmen, voted against the plan (eighty-one Democrats supported it, enough to enable it to pass). The fact that fifty-nine House Republicans were willing to brush aside Ryan’s seal of approval on the numbers was a troubling signal for Boehner’s efforts to forge unity in his caucus while trying to achieve the compromises necessary to govern.

But soon after passage of the continuing resolution, more details emerged about the deal, making it clear that the cuts were less than they had appeared on the surface and included a sizable share of budget tricks and legerdemain, with few of the “cuts” actually biting deeply in the short run. Boehner, determined to avoid a debilitating shutdown, had cut a deal that was the best he could do, but one that involved major compromises, cloaked with “budgetese” that would not be deciphered until after the vote. None of the revelations were enough to precipitate a full-scale revolt of rank-and-file conservatives, but the disappointment led many to reinforce their resolve to achieve real and much deeper cuts with the second bite at the apple—the debt limit.

In May, the formal ceiling on the debt of \$14.3 trillion was reached, meaning that the clock now started ticking seriously toward a drop-dead date when, without action, the Treasury would not have enough money coming in to pay the bills due each day, from Social Security checks to payments to government contractors or Medicare providers. On Monday, May 2, the stage and its timing were set, as Treasury Secretary Tim Geithner sent a letter to Congress projecting August 2 as the date when Treasury's mechanisms for diverting default, which included borrowing from other accounts, would no longer be available, and the government's receipts would no longer cover its obligations.

The president responded by setting up a series of meetings at Blair House under the direction of Vice President Joe Biden, to try to achieve a compromise and avoid a default. Congressional leaders chose their own representatives for the talks. Congressional Democrats, via House Minority Leader Nancy Pelosi and Senate Majority Leader Harry Reid, sent two representatives each from the House and Senate (House Minority Whip Jim Clyburn and Budget Committee Ranking Member Chris Van Hollen; Senate Appropriations Chair Dan Inouye and Finance Chair Max Baucus). Congressional Republicans, via John Boehner and Mitch McConnell, opted to send only one lawmaker from each house, House Majority Leader Eric Cantor and Senate Minority Whip Jon Kyl. The choices were striking; Democrats Van Hollen, Inouye, and Baucus were known for their deal making; Republicans Cantor and Kyl, for their aversion to deal making. For Speaker Boehner, the choice of Cantor was probably a way to force the latter to be a deal maker, but also a way to legitimize any deal that involved tax increases as part of a compromise with the Tea Party freshmen and the more conservative senior members of his caucus.

The initial session went so well that even Cantor spoke of “good rapport” as the parties discussed spending cuts they could agree on. But the good rapport lasted only for a few weeks. As soon as the issue turned from cutting spending to increasing taxes as a part of a comprehensive plan to cut at least \$2 trillion from the long-term debt, the dynamic shifted dramatically. On June 23, Cantor abruptly pulled out of the talks, saying that they would have to break the “impasse” by moving to a higher level, involving the president and the Speaker.

Cantor’s move was a sign of his unwillingness to be party to a grand bargain that included taxes, which would undercut his own standing with conservatives. We know now that Cantor’s move surprised Speaker Boehner, who reportedly learned of it only moments before it leaked to the press. As *Daily Beast* reporter Patricia Murphy recounted, “After news broke of the majority leader’s surprise maneuver, Boehner and Cantor hardly presented a united front. . . . When asked if he had encouraged Cantor to break off the negotiations, Boehner said only that he sympathized with Cantor, clearly distancing himself from his deputy’s move.” Murphy quoted a Republican aide: “Cantor is basically saying to Boehner, ‘Now, it’s your problem.’”¹⁰

If Speaker Boehner had hoped to co-opt his majority leader, it backfired, putting Boehner squarely in the hot seat, while preserving Cantor’s purity.

A Grand Bargain?

With Cantor’s withdrawal, Boehner was forced to regroup and get directly involved in negotiations. He and President Obama, along with Reid, began intensive negotiations aimed at a “grand bargain,” something comparable to what a succession

of bipartisan groups had proposed. The goal was to develop a plan reducing projected deficits by \$4 trillion over ten years, including restraints on domestic and defense discretionary spending; cutbacks in the growth of Medicare, Medicaid, and Social Security; tax reform to reduce rates and broaden the tax base; and enough revenues to make up the difference.

There were signs that a grand bargain might actually be in the offing, despite the Young Guns and their disciples' reluctance to accept any tax increases. Indeed, Boehner was so bullish about the negotiations that he spoke to the Senate Republican Conference, the caucus of all Senate Republicans, about their progress. But as soon as word emerged that revenues were on the table—the issue that Cantor had said the Speaker would have to resolve—Cantor openly criticized and undercut the negotiations, saying publicly that the House would never pass a plan with tax increases. Again, Boehner was sandbagged. As *Politico's* David Rogers reported, “Boehner’s forces appeared to be shaken Thursday by the skepticism they encountered for even entertaining new tax revenues as part of the package. And the GOP’s divisions broke into the open at a White House meeting hosted by Obama for congressional leaders.”¹¹ A few days later, the *Los Angeles Times* quoted a Republican strategist and former leadership aide: “I don’t think Boehner would want to serve in a foxhole anytime with Eric Cantor.”¹²

By July 9, Boehner was forced to step back from talks of a grand bargain. Though only a few days earlier he had supported it, he now claimed that the White House’s insistence on tax hikes meant that only a “smaller bargain,” one without taxes and with more limited budget cuts, was feasible. That move put Cantor back into the center of negotiations, and at Boehner’s direction, he resumed his role in the discussions. At a White House meeting,

Cantor informed the president and others attending that there wasn't enough time for a deal and that he would call for a short-term extension in the debt ceiling, but one that would only last until the fall, when election season pressure would make it even harder for Republicans, many facing challengers from the Tea Party, to make concessions. An angry Obama responded, "Eric, don't call my bluff," and said that no other president, including Ronald Reagan, would've been willing to sit through such negotiations. He left the room. Soon thereafter, Moody's said it was putting the U.S. on review for a possible downgrade. That warning did not faze Cantor or his followers, who continued to push for deeper spending cuts with no taxes.

Senate Republican Leader Mitch McConnell weighed in on July 13 with his own reflections on why Congress needed to avoid default, not because it would cause serious economic hardship, but because it could damage the Republican brand, just as the blowback from the government shutdown at the end of 1995 had done:

I refuse to help Barack Obama get re-elected by marching Republicans into a position where we have co-ownership of a bad economy. . . . If we go into default, he will say that Republicans are making the economy worse and try to convince the public—maybe with some merit, if people stop getting their Social Security checks and military families start getting letters saying service people overseas don't get paid. It's an argument he could have a good chance of winning, and all of the sudden we have co-ownership of a bad economy. . . . That is very bad positioning going into an election.¹³

McConnell's statement indicating a desire to cut a deal and avoid default changed the dynamic, but as he said, it was not

because he feared the economic consequences for the country, but because the failure to do so would damage the Republican brand. The clear implication was that if default brought economic hardship and the president and Democrats got blamed, that would be just fine. That kind of calculus—putting partisan advantage ahead of problem-solving, with the stakes for the country being sky-high—was not politics as usual, at least not as we have seen it practiced through several generations of party leaders.

The politics and the policy process both changed as August 2 loomed. In the Senate, an informal bipartisan group of six senators, known widely as the Gang of Six, had been meeting since 2009 to try to find a bipartisan debt-reduction plan. It had had its own roller-coaster ride. One of its founders, Tom Coburn of Oklahoma, had walked out of the intensive negotiations in May 2011, saying that his colleagues were not serious about major entitlement reductions, but as the debt limit breach approached, the five remaining members of the gang finally reached a deal on July 19, and Coburn returned belatedly to endorse it. An endorsement also came from Senate Republican Conference Chair Lamar Alexander of Tennessee. Even more notably, President Obama said the plan was “good news” and consistent with his own approach. But, as Mike Allen of *Politico* revealed at the time: “A Senate Republican leadership aide e-mails with subject line ‘Gang of Six’: ‘Background guidance: The President killed any chance of its success by 1) Embracing it. 2) Hailing the fact that it increases taxes. 3) Saying it mirrors his own plan.’”¹⁴

In other words, anything that Barack Obama is for, Republicans reflexively oppose.

The House Republicans wanted nothing to do with anything that smacked of compromise. Boehner, sensitive to his uneasy

position relative to the hard-liners who dominated his ranks, pushed for a vote that took an even harder line, called “Cut, Cap and Balance,” which required ten-year statutory spending caps that would cut \$5.8 trillion from spending over the decade, where the debt limit increase on the table was for \$2.4 trillion. The bill also included a constitutional amendment to balance the budget that would cap spending at 18 percent of GDP, well below recent levels and requiring far more draconian cuts, given population growth and the aging society. Not surprisingly, President Obama said he would veto the bill if sent to him.

David Rogers reported that day:

Washington’s frayed nerves showed through Monday amid tough talk on the right, a White House veto threat, canceled weekend passes and the top Senate Democrat likening default to a “very, very scary” outcome even for those “who believe government should be small enough to drown in a bathtub.” . . . House Speaker John Boehner confirmed a POLITICO report that he had met again privately with President Obama at the White House on Sunday to try to get the debt talks back on track. But ignoring Obama’s veto warning, Boehner will press ahead Tuesday with House votes on a revised debt ceiling bill that shows no signs of compromise on the spending and tax policy differences behind the crisis. . . . [I]n his haste to act, Boehner will bring the so-called Cut, Cap and Balance bill to the floor under exactly the type of procedure he has said he abhors: limited debate and with no real review by any legislative committee.¹⁵

The bill passed on a nearly party-line vote, 234–190, and was sent to the Senate.

It was subsequently reported that the secret meeting on Sunday, July 17, at the White House that Boehner had confirmed had actually been between Boehner and White House Chief of Staff Bill Daley, along with Treasury Secretary Tim Geithner and OMB Director Jack Lew, with President Obama stopping by on occasion, for intensive negotiations—line by line, some reported—over yet another grand bargain.¹⁶ This deal was to include \$800 billion in new revenues through growth and closing loopholes, along with \$1.7 trillion in spending cuts, including major changes in entitlements, one of which was to raise the Medicare eligibility age to sixty-seven. The progress over details in the talks suggested that a deal of that magnitude might actually be reached. But many Democrats, leery that the president was not striking a tough enough deal, rebelled. The bipartisan Gang of Six framework actually had more than double the revenue amount in the previous Boehner–White House negotiation (albeit in conjunction with major tax reform). In the eyes of many congressional Democrats, if Obama couldn't get more in revenues, they wanted fewer tough cutbacks in Social Security and Medicare.

The president called Boehner on Thursday afternoon and said that if he were to sign off on the entitlement changes Boehner wanted, the president would need more revenue, perhaps as much as \$400 billion more, or the alternative would be to “dial back” on the entitlement cuts. *Time* magazine reporter Jay Newton-Smith reported that the president, according to a senior White House aide, told Boehner, “I understand you may not be able to come up on the revenue, and if you can't I'm open to doing something else. . . . We can come down on the revenue and we have to lighten up on the mandatories, the entitlements, a little bit. We can come together on this.”¹⁷ The one thing the president said he would not do was succumb to Majority Leader

Cantor's demand that the deal include an end to the individual mandate from the health-care reform act.¹⁸ According to the *Washington Post's* team of reporters, the president felt the call went well, and that evening he discussed with Democratic congressional leaders the need to accept some tough cuts in Medicare and Medicaid.

But from Thursday night through the next day, Obama's multiple phone calls to Boehner went unreturned. Late Friday afternoon—at exactly 5:31 p.m., too late for the evening news shows—Boehner and the president had an eleven-minute call in which the Speaker told the president he was again walking away from the negotiations. “‘At some point,’ Obama said, wrapping up his post-collapse press conference the next morning, ‘I think if you want to be a leader, then you’ve got to lead.’”¹⁹

The near-breakthrough had turned into a highly public breakup. After his conversation with the president—and after the markets had closed for the weekend—Boehner sent a letter to his House Republican colleagues, saying, “A deal was never reached, and was never really close. In the end we couldn’t connect. Not because of different personalities, but because of different visions for our country.” To those watching the byplay, it seemed clear that a deal had been in sight and Boehner blinked, again fearing a firestorm of criticism from his own colleagues and a lack of backup from the Young Guns in the leadership. Again, he blamed the White House.

The Senate, not surprisingly, rejected the House’s “Cut, Cap and Balance” bill on a party line vote on Friday. With barely more than a week until doomsday—and with at least a day or two needed for the Congressional Budget Office to analyze and quantify any deal’s budget impact and then turn it into legislative language—the two-day delay caused by the Speaker’s failure to

return the president's phone call ratcheted up the pressure on Congress. The president called the Speaker and Democratic congressional leaders back to the White House on Saturday morning, again to no avail. On Sunday, Boehner turned up the pressure by suggesting to reporters that he would make a guaranteed vote on a balanced budget constitutional amendment a condition for an increase in the debt limit.

From his perspective, the president had put himself out on a limb to reach a deal, accepting painful changes in Medicare and other entitlements that his party stalwarts passionately opposed, and in return had been openly disrespected by Boehner. He faced the real possibility of a major jolt to an already weak economy; experts predicted that default might send the economy into a deeper tailspin. So he went on national television to offer his own version of what had happened, underscoring his support for the \$4 trillion plan he had come close to securing with Boehner. He placed blame not on Boehner but on the other Republicans in Congress who had insisted on a cuts-only approach that Obama chastised as unfair because it spared the wealthy alone any sacrifice. He expressed alarm at the dire consequences, including the first time in history that the nation's AAA credit rating would be downgraded, and decried a six-month extension of the debt limit as irresponsible. He called for compromise and said, "The American people may have voted for divided government but they didn't vote for dysfunctional government."²⁰

Boehner followed with his own address from the Capitol to push the Republican narrative: "President Obama came to Congress in January and requested business as usual—yet another routine increase in the debt limit. We in the House said 'not so fast.' . . . What we told the president in January was this: the American people will not accept an increase in the debt limit with-

out significant spending cuts and reforms.” He added, “I want you to know I made a sincere effort to work with the president to identify a path forward that would implement the principles of Cut, Cap and Balance in a manner that could secure bipartisan support and be signed into law. I gave it my all. Unfortunately, the president would not take yes for an answer. Even when we thought we might be close to an agreement, the president’s demands changed.”

With no basis in fact, Boehner went on to say that there was no stalemate in Congress, that he believed a bill close to his latest version of “Cut, Cap and Balance,” which only raised the debt limit by \$900 billion, leaving another showdown before the 2012 election, would pass the Senate and avert the crisis—after the Senate finished debating its own bill “filled with phony accounting and Washington gimmicks.” Boehner’s optimism about Senate reaction to his plan received a blow on July 27, when every Senate Democrat signed a letter declaring opposition to the Boehner package. And it also came under siege from his own House conservatives, with Jim Jordan of Ohio saying that he was confident that there were not 218 Republicans in support of their Speaker’s plan.

Boehner delayed the vote as he negotiated with his conservatives, changing the plan in a rightward direction so, for example, it required that a constitutional amendment to balance the budget not just be brought to a vote but actually *pass* through Congress and be sent to the states. The bill authorized \$900 billion in borrowing while reducing spending by \$917 billion over ten years. It enabled the president to request a second increase in borrowing of up to \$1.6 trillion, conditioned on passage in both houses (by a two-thirds vote) of the balanced budget constitutional amendment and passage of a separate \$1.8 trillion deficit-reduction

plan. By moving his bill even more sharply to the right, Boehner and his lieutenants scored just enough votes to pass the plan on Friday, July 29, even as the Senate voted 59 to 41 to table a resolution to bring the plan forward in the upper chamber. The vote in the House was 218–210. Twenty-two Republicans voted against the bill, and no Democrats supported it.

The House and Senate continued to play their game of chicken, but over the next two days, Obama, Boehner, and McConnell, along with Reid, continued to negotiate as the clock ticked toward the deadline. They finally reached an agreement late Sunday, July 31, in just enough time to have it passed and enacted before budgetary Armageddon hit. The complex deal included no tax increases, but extended the debt limit adequately—assuming no serious additional economic downturn—to get through the election, with deficit reduction coming in two tranches. The first tranche was \$900 billion, requiring offsetting cuts in discretionary spending over ten years, with \$400 billion of them immediate to avert default. That would be followed by an additional \$1.2 trillion to \$1.5 trillion increase in the limit, with a new “super committee” of twelve, evenly divided by party and chamber, to recommend offsetting debt reductions that would receive guaranteed, up-or-down votes in both houses. If the committee could not attain a majority, or if Congress rejected the committee plan, a set of across-the-board cuts, coming equally from defense and other programs, with a small portion from Medicare, would be triggered.

While both liberal Democrats and conservative Republicans criticized the plan, it managed to make it comfortably through the House and Senate on Monday, in time to avert the worst. The vote in the House was 269–161; 174 Republicans joined 95 Democrats in favor, and 66 Republicans and 95 Democrats

voted no. In the Senate, the vote was 74 to 26. The nays included 19 Republicans and 7 Democrats.

Relieved congressional leaders were in a self-congratulatory mood after the votes. Not many other people or institutions were. The markets reacted badly, in part because most economists and investors believed that the already weakened economy would be further damaged by the root canal of immediate spending cuts. And despite the deal, Standard & Poor's downgraded the United States four days later, blaming, as we noted at the beginning of this chapter, the dysfunctional political process. In previous "Perils of Pauline" style episodes of brinksmanship on the debt limit, the U.S. never came close to a downgrade, suggesting again how different and more destructive the politics had become.

"A Hostage Worth Ransoming"

Mitch McConnell continued to be astonishingly candid about his view that the permanent campaign had trumped policy, with analysis that suggested that this was a perfectly acceptable course, meaning many more upheavals to come. He said, "I think some of our members may have thought the default issue was a hostage you might take a chance at shooting. Most of us didn't think that. *What we did learn is this—it's a hostage worth ransoming.*"²¹ McConnell went further the day after the Senate vote, in an interview with Fox News's Neil Cavuto:

It set the template for the future. In the future, Neil, no president—in the near future, maybe in the distant future—is going to be able to get the debt ceiling increased without a re-ignition of the same discussion of how do we cut spending and get America headed in the right direction. I expect the next president, whoever that is, is going to be asking us

to raise the debt ceiling again in 2013, *so we'll be doing it all over.*²²

House Majority Whip Kevin McCarthy was especially proud of the role the intransigent freshmen and other arch conservatives had played; the genuine threat that they would take the country down via default, he said, forced Democrats to accept an unpalatable deal. As the *Washington Post* reporters noted, Jason Chaffetz, “who voted against both Boehner’s first proposal and the final bill, said he was well aware of how the leadership had used his and others’ willingness to let a default happen as a negotiating chip, and said he didn’t mind at all. ‘*We weren’t kidding around, either,*’ he said. ‘*We would have taken it down.*’”²³

It is of course possible that the willingness of bomb-throwing rank-and-file lawmakers to bring the system crashing down, and the eagerness of cold-blooded congressional leaders to hold the nation’s full faith and credit for ransom on a now-regular basis, will lead ultimately to positive policy outcomes, though that was nowhere evident when the dust settled in 2011. The whole dynamic of the debt ceiling battle that poisoned the well in Washington left more than a disgruntled ratings agency and a dissatisfied chairman of the Federal Reserve.

To us, the battle was a template for all that is wrong with contemporary society and politics. Balancing interests, conducting meaningful deliberation and debate, respecting adversaries and, most of all, focusing on problem solving all took a backseat to the Republicans’ take-it-or-leave-it bargaining positions. Many shrill voices on talk radio, cable television, blogs, and Twitter urged on the most intransigent of forces; they were joined in an unprecedented way by ostensibly credible opinion leaders, including senators like Pat Toomey of Pennsylvania, presidential

candidates like Tim Pawlenty, billionaire investors like Stanley Druckenmiller, and a slew of serious commentators providing reassurance that default was no big deal.²⁴

The typical voices of caution and prudence were drowned out by the take-no-prisoners crowd. The idea that immediate deep budget cuts could weaken the slow economic recovery, possibly creating a double-dip recession, was ignored. There is no avoiding the fact that this crowd was located on the Republican side of the aisle. With a Democratic president, the opponents of a debt ceiling deal were naturally going to be concentrated on the GOP side—but the intensity of support for actual default was not routine.

Not surprisingly, the public was appalled by the entire spectacle and overwhelmingly unimpressed with the outcome. Ratings of the Congress and the president, as well as confidence in the ability of the government to improve the grave economic conditions, dropped even further. A problem precipitated by one party's deliberate intransigence caused damage to all the actors in the process, suggesting that any real accountability for bad behavior would be elusive.

The deal that was reached did offer a new opening for sanity, with the creation of the super committee—technically, the Joint Select Committee on Deficit Reduction—to take the bold steps toward a ten-year plan that would stabilize the federal debt-to-GDP ratio (the size of debt relative to the overall economy), authorize additional short-term stimulus to boost the tepid recovery, and begin to lower the shocking level of unemployment. In blunt terms, the super committee was designed to transcend the dysfunction and get to “yes,” to the ten-year, \$4 trillion debt-reduction plan that we described earlier—based on the common template shaped by various outside commissions (the presidential

one known as Simpson-Bowles and one created by the Bipartisan Policy Center known as Rivlin-Domenici) and the one informal inside group (the Senate “Gang of Six”) that had previously tackled the problem. By giving the committee unprecedented leverage—both houses would vote on any product without delay or amendment—the president and congressional leaders had at least offered a way out. And the congressional leaders appointed some members, like Republican Senator Rob Portman of Ohio and Representative Dave Camp of Michigan, and Democratic Senator John Kerry and Representative Chris Van Hollen, who were all knowledgeable and inclined to make deals.

But in the end, dysfunction driven by tribalism would win again. Republican opposition to significant revenue increases, which had torpedoed earlier negotiations between Obama and Boehner, remained the dominant stumbling block. Nothing fundamental had changed. Early on, Democrats on the committee, to the dismay of many liberals in and out of Congress, offered significant concessions on sensitive entitlements like Medicare, in return for sufficient revenues to make a balanced package in line with the ones crafted by Simpson-Bowles and Rivlin-Domenici. True, the Democrats did not get into specific details, leaving those to negotiations. But there was a long period without relevant negotiation because the Republicans on the committee refused to consider any tax increases as part of the package. Toward the deadline of November 23, 2011, negotiations evolved into a semblance of give-and-take, as the strong anti-tax Senator Pat Toomey offered approximately \$300 billion in revenue increases. That sounded promising, but there was a condition—that Democrats agree to the permanent extension of all the Bush tax cuts otherwise scheduled to expire at the end of 2012, at a cost of \$3.7 trillion in lost revenue. Toomey’s insistence that

the maximum marginal tax rate be lowered well below the Bush levels made the offer even worse, meaning an even greater loss of revenue. That made the offer a non-starter. Despite the fact that forty-five senators and a hundred House members from across the partisan and ideological spectrums called for the grand bargain, it was not to be.

The presumed Republican deal makers put party fealty ahead of problem solving, showing that near-religious anti-tax cant continues to rule. One reason: As 145 members of Congress called for a bipartisan bargain, 70 House Republicans, led by fire-breather Patrick McHenry of North Carolina insisted that there be not a dime of tax increases. They joined other conservative activists who denounced even the Toomey offer—a net tax cut of well over \$3 trillion—as off-limits because it used the words *tax* and *increase* together. Despite the fact that a majority of Americans, including a majority of Republicans, supported a broad deficit deal including increased taxes on the rich, the super committee Republicans, presumably along with the leaders who chose them, sided with the fringe ideological base. What better example of deep dysfunction?

The failure to reach an agreement left in place the first tranche of spending cuts approved as part of the debt ceiling deal that created the super committee as well as automatic cuts that are to begin in January 2013. These spending reductions are not directed at the main drivers of the projected deficits—health-care cost increases and inadequate revenues—and could well inflict substantial damage on the wellsprings of future economic growth and national security.

In 2010, an angry and frightened electorate had put the Republicans in the majority in the House and strengthened the GOP's hand in the Senate. What that produced was a year of

hostage taking and wrangling in Congress, misdirected steps to deal with the deficit, and nothing whatsoever to remedy the public's greatest concern—chronic unemployment. Democracy's most essential power—the ability of the citizenry to “throw the bums out”—proved wholly inadequate to the task of governing effectively.