



## Déjà Vu All Over Again?

We've been through this before.

It starts with a Republican President getting elected—Ronald Reagan in 1980, George W. Bush in 2000. The new President gets a massive tax cut and a huge increase in military spending. The federal budget deficit begins to soar.

The deficit issue dominates the political agenda for the next decade. The country tries gimmick after gimmick to deal with the presumed crisis. All the gimmicks fail, and many of them produce a damaging political backlash. Politicians eventually discover that to most Americans, the deficit is not really a crisis.

In the 1980s, we tried the Gramm-Rudman-Hollings law, which mandated across-the-board spending cuts if the federal budget missed its deficit-reduction targets. Every time big budget cuts loomed, the public wondered what was causing the crisis. Answer: it was an artificial crisis, created by Congress.

The law did put pressure on the first President Bush to break his no-new-taxes pledge. And lose re-election. His Democratic successor also raised taxes. And saw his party get massively repudiated by the voters in the 1994 midterm.

We had two blue-ribbon commissions tasked with coming up with deficit-reduction plans. The National Economic Commission delivered its report in 1988. It was pre-empted by a new President who got elected on a pledge to "Read my lips. No new taxes!"

The Kerrey-Danforth Commission deliv-

ered its recommendations in 1994. They got shoved aside when Republicans won control of Congress for the first time in forty years.

Congress came very close to approving a balanced budget amendment to the Constitution in 1995. If nothing else works, let's just declare the deficit unconstitutional!

A number of candidates tried to run for President on a platform of deficit-reduction: Democrats Walter Mondale, Bruce Babbitt and Paul Tsongas; Republican Phil Gramm; Independent Ross Perot. They all failed.

In the end, the deficit did disappear for four years (1997-2000). How did that happen? One word: growth. President Reagan knew that way back in 1985, when he said in his State of the Union speech, "The best way to reduce deficits is through economic growth."

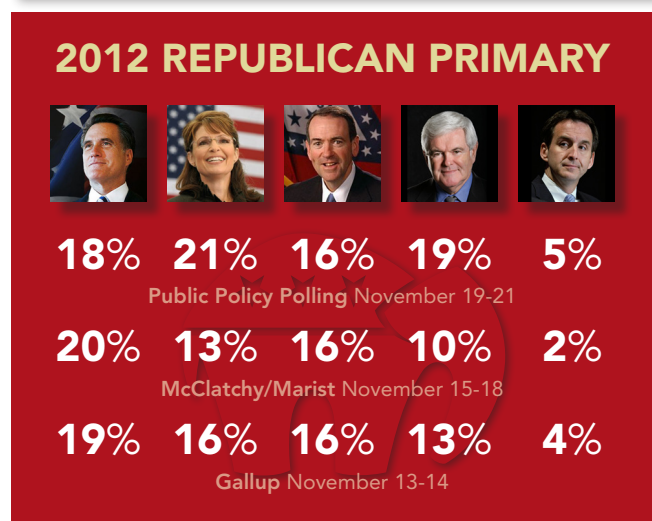
So where are we now?

A majority of President Obama's deficit commission has endorsed another ambitious plan. Military spending cuts! Smaller social security checks! Higher gasoline taxes! No more mortgage interest deductions! Higher medicare premiums!

But it was not a large enough majority to force a vote in Congress. The deficit commission proved that if you isolate a small group of political figures (eighteen in this case), force them to stare at the numbers for several months and threaten them with embarrassment if they don't come up with something, they will most

likely come up with something. At least, eleven of them did. Now how do you get the American people to go through that exercise?

In one crucial respect, the deficit issue is not really different from what it was in the 1980s and 1990s. In a CBS News poll taken after last month's election, only four percent of the public said deficit reduction should be the top priority for the new Congress.



But doesn't the newly empowered Tea Party put the deficit issue front and center? Not really. The Tea Party's grievance is with the size of government. The pledge to reduce the deficit is really a pledge to cut spending and thereby cut the federal government down to size. Don't expect Tea Party activists

to respond enthusiastically to proposals that would raise taxes.

The deficit is an Establishment issue. Elites worry about it more than ordinary voters do. In the November Wall Street Journal-NBC News poll, solid majorities of the public opposed spending cuts (70%), tax increases (59%) and raising the retirement age (57%). Only 25% of Americans thought the commission's proposal was a good idea.

If Republican leaders try to make a deal with President Obama that involves tax increases, they can expect a full-scale revolt from their base. Similarly if Democratic leaders push for serious cuts in entitlement spending.

So what happened? Just a few days after the deficit commission reported its plan, the White House and congressional Republicans announced a deal that would increase national debt by more than \$900 billion.

Austerity is a tough sell, politically, in a country with a populist political culture. It's easier to sell austerity in Europe, where the public is relatively deferential to the received wisdom of the ruling class.

Not here.

The one big difference between now and the 1990s is this: current deficits are so huge, it will be impossible for the U.S. to grow its way out of them. But economic growth can make the task a whole lot easier. Using budget data from academic economists, New York Times columnist David Leonhardt estimates that if the economy were to grow just one half of a percentage point faster than forecast over the next ten years, deficit reduction would be 40 to 50% easier.

Which is why many economists are urging the President and the new Congress to be cautious about spending cuts and tax hikes. Cutting the deficit may be important, but getting the economy back on track is more important. Just like President Reagan said. ■

## How Many for Tea?

How big is the Tea Party going to be in the new Congress?

In the House, 47 Members of the Tea Party caucus—all Republicans—were re-elected in November. Add to that 41 new Republicans elected on November 2 with the backing of Tea Party groups—nearly half of the 84 new Republicans in the House.

The Tea Party caucus in the new House may have 88 Members, old and new. That's more than a third (36%) of the 242 Republicans in the new Congress.

Additional Members may join. Many of the other 154 House Republicans are likely to feel pressure to fall in line with the Tea Party. Or else face a Tea Party opponent in the 2012 Republican primaries. Tea Party activists have made it clear they will not tolerate waverers and RINOs (Republicans in name only).

Five newly elected Republican Senators were supported by the Tea Party: Marco Rubio (FL), Mike Lee (UT), Rand Paul (KY), Patrick Toomey (PA) and Ron Johnson (WI). Add to that list one incumbent senator, Jim DeMint, who was just re-elected in South Carolina.

Six Tea Party Senators out of 47 Republicans in the new Senate doesn't sound too impressive (just 13% of the Republican caucus). But most Senate seats were not up in this year's election. Altogether, the Tea Party freshmen account for 5 of the 13 new Republicans in the Senate.



## The Missing Wing

It takes two wings to fly.

That's the message of the 2010 election for Democrats. In 2010, one wing of the Democratic Party fell off: the populist wing.

Most Democratic nomination contests end up in a race between a progressive and a populist. The progressive wins educated, high-minded, upper-middle-class voters. Prius drivers. The populist wins wage earners and the financially squeezed. Pick-up truck drivers.

	PROGRESSIVE	POPULIST
<b>1952</b>	Adlai Stevenson	Estes Kefauver
<b>1968</b>	Eugene McCarthy	Robert F. Kennedy
<b>1972</b>	George McGovern	Hubert Humphrey
<b>1984</b>	Gary Hart	Walter Mondale
<b>1988</b>	Michael Dukakis	Dick Gephardt
<b>1992</b>	Paul Tsongas	Bill Clinton
<b>2000</b>	Bill Bradley	Al Gore
<b>2008</b>	Barack Obama	Hillary Clinton

This year, the white working-class Democratic vote collapsed. Why? Because Democrats failed to deliver on jobs. And because President Obama sometimes seems disdainful of economically hard-pressed voters who "cling to guns and religion."

Nationwide, only one third of white voters without a college degree voted Democratic. The Washington Post reports that Republican victories were concentrated in districts with a lot of older, blue-collar, non-college voters. And this: "47 of the 63 districts won by the GOP had a higher percentage of white people than the national average." The kinds of places where Hillary Clinton did very well in the 2008 Democratic primaries.

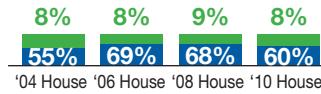
# DEMOCRATIC LATINO VOTE IN SELECT STATES AND NEWLY ELECTED LATINO REPUBLICANS



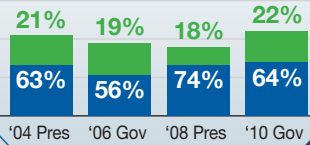
Latino % of Total Vote

% of Latinos Voting Democratic

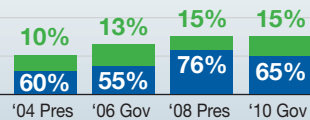
## NATIONAL



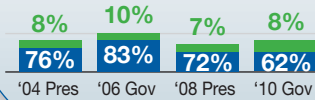
## CALIFORNIA



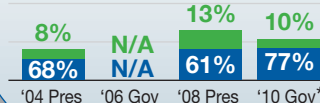
## NEVADA



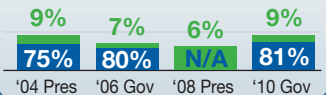
## ILLINOIS



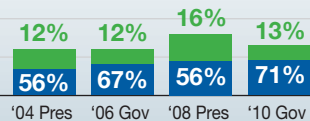
## COLORADO



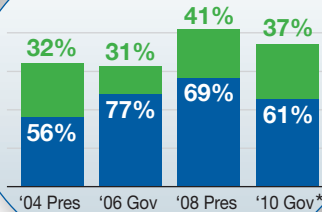
## NEW YORK



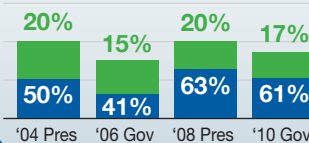
## ARIZONA



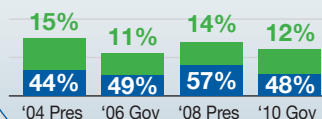
## NEW MEXICO



## TEXAS



## FLORIDA



Unless otherwise noted, all data from exit polls as reported by CNN.

\* Data from Latino Decisions, a non-partisan Hispanic polling and opinion research firm that conducted election eve polls in states with large Latino populations.