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### **Letter from Washington**

They say that bad news comes in threes, and it must have seemed that way to President Obama this past week.

Just at the moment when Obama wanted to focus the health care debate and push through any version of a reform bill that would allow him to claim a victory, three things happen to distract the national discussion:

- Former President Carter opined in a nationally televised interview that the majority of the public discontent was fueled by America's innate and incurable racism, and that the emotion in the health care debate was really all about the fact that Obama is black. Most Americans, however, see the debate being about what is fair, what is affordable, what is the legitimate role of government, and what causes the least change (i.e., damage) to their own position. They resent the imposition of race into the equation.
- Cleverly choosing the 70<sup>th</sup> anniversary of the Russian invasion of Poland, the administration announced that it was abandoning the idea of stationing a missile defense system in Poland and the Czech Republic. No matter that the alternative proposal might make more sense tactically, the administration pulled the rug out from under the Poles and Czechs, who had supported the concept in the face of Russian opposition. The real question is whether the administration gave the Russians this huge concession without getting anything in return.
- Finally, the President has been put in a box by the leaking of General McChrystal's report on Afghanistan. The report states bluntly that the US will lose the counter insurgency there without the addition of a large number of troops. Obama campaigned on the basis that Iraq had been the wrong war, and the real threat to American security was the Taliban regaining control of Afghanistan and allowing Al Qaeda back in. This report, from his own hand-picked military commander, puts the President in the position of providing the troops or rolling his military advisors.

After spending a summer being battered by the poll numbers, Obama has seen his personal popularity drop by 20 points since he took office, with only 45% of actual voters approving of the way he is handling the job. There is a direct correlation to be made between his personal approval and the number of Americans (56%) now opposed to the overhaul of the health care system.

The summer recess for the Congress was a difficult period for any members supporting the health care proposals, with local town hall meetings producing many memorable sound bites and visuals.

The administration has thus far failed to make the sale with the American people regarding health care. The basic issue is that the President has made several difficult promises (no increase in the deficit under the plan, no decrease in the quality and access to care for the currently insured), that for most people seem unattainable. Basically, the people do not believe that the government is capable of taking control of the health care system without screwing it up. Ultimately they believe the American taxpayer will pay out another trillion dollars, and end up with higher taxes and a health care system that is inferior to what they currently have.

More importantly, the administration seems to have fundamentally misread the mood of the people. There is a populist streak in the American psyche that goes back to the earliest days of the republic. This manifests itself in a distrust of government in general, and a profound distaste for urban elites who seem to be talking down to the people. When members of Congress went out into their districts this summer and tried to pacify their constituents with the Democratic Party talking points, they found pretty quickly that the people weren't buying. Not only did many of the constituents understand the elements of the various proposals better than the Senators and Congressmen, the fall back position (trust me, I know what I'm doing and you're not smart enough to understand) made things even worse.

As a result, when the Congress returned to session earlier this month, the issues had been so demagogued by both sides that the administration lost whatever momentum it may have had earlier. The situation was sufficiently dire that the President himself, the ultimate pitchman for health care, took to the airwaves and appeared on five Sunday morning talk shows (most people didn't know there were five Sunday morning talk shows until this past weekend). After that massive overexposure, the polls have not changed significantly, and the task now falls to the Congress to kluge together a single bill from all of the competing versions that might gain enough support to pass.

The President's biggest issue is within his own party, where he has to provide something that appeals to his left wing that favors a government-run and operated health care system, and also to the fiscal conservatives in his party who see the proposals as prohibitively expensive.

The Republicans started to just sit this one out, hoping that Obama would go all in and suffer a major defeat. At first they were wary of embracing the anger that was evident in the summer meetings, because a fair amount of it was from fringe elements (among them the "birthers" who believe Obama is not really a US citizen). Since then, however, they seem to have decided that harnessing that discontent is their key to return to power in the Congress in 2010 and 2012.

From a defense and homeland security standpoint, none of this is good news. The Quadrennial Defense Review (QDR) process that has been ongoing for most of the year is theoretically designed to shape the defense investment strategy for the next five-year cycle. Earlier Secretary Gates canceled several high-visibility high-cost programs (F-22, FCS, etc), presumably to free up investment dollars for new QDR-driven priorities. The pressure on the entire federal budget that will be caused by the trillions already spent in various bailouts and stabilization efforts, not to mention the future cost of health care reform, may have already claimed those program savings. FYI, I have attached the second in a series of updates on the QDR process by my associate, Mark Kalber.

To underscore the situation, top Air Force leaders met this past week in Washington at the annual Air Force Association meeting. In a realistic assessment of the future, Air Force Secretary Donley said the service expected no budgetary relief in the foreseeable future, and that painful trades would have to be made. Specifically, he indicated that the Air Force would not spend money to upgrade legacy aircraft and systems that are not part of the long range planned inventory. The Air Force only expects to be able to afford 12-15 new KC-X tankers per year (assuming they can get the competition run and awarded), so the necessity will be to keep the older KC-135s flying even longer, but without the resources to maintain and upgrade them.

The Air Force is not unique in this dilemma, and all services have a need to retire older equipment to reduce the escalating costs of operation, but will not have the acquisition dollars to replace those systems in a timely way. This should require a calculated acceptance of higher risk.