



April 23, 2012

Letter from Washington

The Republican presidential primary campaign ended suddenly, and with a whimper rather than a bang. Mitt Romney basically outlasted the opposition, and the outpouring of love and support, which has always been lacking, is still elusive. After running for President for the past 6 years, Mr. Romney still seems unable to ignite passion in his supporters, and will end up with the nomination more because his competitors flamed out one by one, rather than because he landed a knockout blow by making the case for himself overwhelmingly.

Romney is a curious candidate. His core supporters are not passionate about his candidacy but seem to view him as "acceptable" or "least objectionable" in a field of poor choices. The Republican Party has a stable of stronger candidates, mainly incumbent governors in the industrial states of the Midwest and northeast, but they all chose to sit this one out for various personal reasons and political calculations.

The ridiculously long Republican primary season with its dozens of debates has gained Mr. Romney a fair amount of exposure, but also subjected him to a prolonged series of attacks from his competitors. The negativity and scorched earth attacks, particularly from Newt Gingrich and more recently Rick Santorum, have had their effect and Romney's polling shows his unfavorable rating dangerously high for a party nominee.

The conservative right wing of the party has always viewed Romney with suspicion at best, alarm at worst. As the governor of arguably the most liberal state in the union, Romney developed a medical insurance plan that was in many ways the model for the hated Obama plan. In addition to his suspect conservative bona fides, Romney is a Mormon and that religious faith is viewed as a strange cult rather than a legitimate branch of Christianity by the fundamentalists. These negative perceptions forced Romney to the right in the primaries, especially in his match ups with Gingrich and Santorum, and he will have difficulty maneuvering back to the center for the general election without being accused of craven flip-flopping.

Meanwhile, the Obama campaign has focused on Romney's wealth as a key negative issue, and has attempted to paint him as out of touch and unable to relate to the problems of the average working family. Ironically, his success

is being treated as a disqualifier for national political office. The wisdom of that tactic has yet to be proven, but it does go right at Romney's main claim to the Presidency --- his managerial skill and knowledge of the economy.

Gingrich and Ron Paul remain in the race in theory, but both have acknowledged that they do not have a realistic path to the nomination. Both are fueled in part by a desire to remain relevant and to have a voice in shaping the party platform in the fall, but equally by vanity, and in Gingrich's case by pique. Gingrich was roughed up early on by Romney's overwhelming advantage in money and the TV advertising that comes with it, so will apparently stay in the field until the end. Claiming to be motivated only by the desire to keep Romney honest in his embrace of conservative principles, Gingrich is clearly angry and looking for vindication and some level of revenge.

Traditionally Americans don't begin to pay attention to presidential campaigns until the September Labor Day bank holiday that marks the end of the summer. That bit of traditional wisdom may no longer apply in the era of the 20-minute news cycle, and while Romney may not be able to win the election over the summer he can probably lose it if he is not careful.

The good news for Romney is that while he has lost some ground as a result of the long negative primary campaign, he still matches up fairly well against Obama. He will also benefit as his effort shifts from primary campaign mode, which has been mainly spent trying to stay to the right of his competition on the social issues which will not have much play in the fall, to general election mode focusing on economic issues. Even at this point in the cycle, which is probably Romney's low water mark, he outpolls the President by a couple of points on the "who would you vote for today" question in both the Gallup and Rasmussen polls conducted this past week.

The long primary process has damaged Romney but he is running against an equally damaged President. Obama still has his hard core of "hope and change" idealists left over from 2008, but their numbers have shrunk dramatically as he has been unable to deliver on the central premise of the campaign: that he somehow transcends politics and race and is a new kind of politician. His ability to perpetuate the myth of moral superiority ran aground quickly on the reality of governing, and rather than bridging the differences between the warring factions in Washington, his first term has seen the hardening of positions and increasing lack of cooperation, which most people would have thought impossible. Rather than the above-the-fray Olympian figure of 2008, Obama has been largely revealed as just another politician, and not a very good one at that.

Obama's main vulnerability is in the economy. 30% of the American public believes the country is still in recession, and the main reason that unemployment has edged downward from the 10% area is that the long term jobless who have given up looking for work and are no longer counted. In

the logic of the Department of Labor, one is not unemployed unless actively looking for work, otherwise no longer statistically relevant. The weak recovery, which is fragile enough that it might be stalled again by rising gas prices, is imperceptible to many. Meanwhile, the traditional liberal economic view that the government can spend its way out of an economic downturn, has run up against the realization by many that the deficits that have been amassed in ineffective attempts to stimulate the economy cannot be sustained.

The election in November will turn on the perception of the economy by 15% of the population in the key swing states in the Midwest. The two party's faithful equate to about 40-45% each, and these people will vote with the party regardless of the candidate or the issues. The uncommitted 10-15% hold the ability to shift the election one way or the other, and they generally vote on pocket book and right track/wrong track issues. The population-dense rust belt states hold the key electoral vote totals, and neither Romney nor Obama can win the Presidency without carrying Ohio.

The media have generally already declared Obama the winner, and portrayed Romney as fatally damaged by the primary process. This is partly wishful thinking by the big print and TV media, which tend to have a more liberal bias, and partly skillful PR by the Obama camp, hoping to create a feeling of inevitability. The November election will play out as a much closer race than the pundits currently admit.

Meanwhile, Congressional ineffectiveness has reached new levels with neither side willing to concede the other anything that might be used to their advantage in November. Both sides have effectively given up on this cycle and are waiting it out to see if either party gains a decisive advantage in the general election. The Department of Defense continues to be held hostage by the broken process, and the threat of the sequestration of an additional US\$500B from the DoD budget has not been resolved. Ironically, the doomsday budget process that was set into motion by the Budget Control Act of 2011 was thought to be so draconian and so impossibly punitive that it could not be left in place. Nevertheless, nine months later the issues have still not been resolved and the threat, once unthinkable, now seems entirely possible. The most likely scenario is that a lame duck Congress (the last session of the current Congress, after the election but before the new members are seated in January) will fix the DoD problem by legislating it away. The members who are retiring or have been defeated will cast the controversial votes without fear of reprisal. This presumes that a number of deficit hawk Congressmen can be persuaded to do what is necessary to keep from damaging national security. In 2012 that is not a good bet.