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## **Letter from Washington**

On the eve of the first of three televised debates between President Obama and Mitt Romney, it is worth taking a moment to review where the election campaigns stand and assess likely outcomes.

Nationally the campaigns are where they have been pretty much for the last two months with Obama holding a one or two point lead, within the margin of error of most of the polls. However, in the key battleground states where the electoral college vote will be decided, Obama has apparently opened up a lead that continues to grow.

It is hard to interpret whether this is a display of great strength on the part of the President or a sign of great weakness from Romney.

Looking at the overall situation going into the last month before the election, there are significant negatives for Obama:

- The economy continues to sputter and shows signs of sinking back into recession. The signs are alarming enough that Fed chief Bernanke has announced that the Federal Reserve will start printing money again in an open-ended third round of "quantitative easing", flooding the markets with cash in an effort to jump start economic activity. There is more than a whiff of desperation in Bernanke's actions.
- Unemployment remains stubbornly high, probably at least twice the official 8% figure when the long-term unemployed and the chronically under-employed are factored in.
- The federal debt has surpassed \$16T with budget deficits predicted to exceed \$1T on into the future.
- In foreign policy, the administration's disjointed approach to events have resulted in a series of failures:
  - Afghanistan policy is in disarray as the number of "green on blue" attacks increases, with NATO forces expending as much effort protecting themselves from their "allies" as from the Taliban.
  - Obama's policy of reaching out to the Muslim world now appears ill advised and naïve.

- Iran policy is continually thwarted in the UN by Russia and China, with open disagreement with Israel over Iran's current capability and timetable.
  - The one foreign policy success, the take-down of Osama bin Laden, has been overshadowed by the al Qaeda-inspired attacks on US embassies across North Africa and the assassination of the ambassador to Libya. The administration's inept attempts to spin the attacks as unpremeditated mob actions has caused the story to linger on, displaying a lack of coordination among senior officials and the blatant politicization of the position of the Director of National Intelligence.
- There are several scandals bubbling in the background, most notably the ATF's ill-advised "gun walking" program, in which hundreds or thousands of illegal firearms were allowed to migrate to Mexico, subsequently reappearing in high-profile crimes, including the death of a US Border Patrol agent.
  - Finally, the fiscal disaster which will occur on January 2, 2013 is estimated to raise the average American's tax bill by \$3,500 yearly, in addition to the across-the-board spending cuts in key agencies. While Obama is not solely responsible for the impasse, timely and effective leadership would have prevented it.

With this record of failure how can Obama be increasing his lead and not 15 points behind? Despite being given what should be a winning hand, Mitt Romney has a couple of significant problems that he has not been able to overcome.

First, the one thing he can't really do anything about is the fact he is Mitt Romney. However unfairly, he is viewed as stiff and artificial with a patina of phoniness that makes him untrustworthy and unlikable.

He was demonized early in the process by fellow Republicans as a predatory capitalist, and a pioneer in the practice of off-shoring jobs to China and India. His phenomenal success as a private equity banker has somehow become a negative, and rather than supporting his claim to understanding the economy and job creation, it has made him appear to be an elitist financier, unconcerned with the day-to-day problems of the 47% of the US population that does not pay income tax. Obama and the Democrats have run a class-divisive campaign in which the "rich" (represented by Romney) have become the enemy of the aspiring middle class, and need to be brought to "fairness" through punitive taxes.

The two parties' nominating processes have resulted in these interminable campaigns in which the candidates have to pander to the extremes on both the right and left in order to win the nomination. In Romney's case, he had a

track record as a moderate governor in a very liberal state, which he had to run away from in order to defeat the more conservative Republicans in the primaries. This resulted in his having to adopt more hard right policies than he probably believes in, especially on lightning-rod issues such as abortion and immigration. The hard edge of the social policies now works against him in attempting to appeal to the suburban female population that represents the only really independent pool left.

Finally, Romney probably thought even six months ago that all he needed to do was show up in the general election and the anti-Obama vote would sweep him in. As a result, he has campaigned not to lose rather than to win aggressively, and as a result most of his policy proposals have been high-level generalizations that the Democrats have been able to misrepresent freely. What Romney has not done has been to define the path forward that he would take the country with enough specifics to win over the people who voted for Obama in 2008 and have serious misgivings four years later.

Historically Presidential debates have been good theater, but don't generally result in major swings toward or away from either candidate. There have been notable exceptions (Kennedy-Nixon 1960, Reagan-Carter 1980, Bush-Gore 2000). Unlike previous modern elections, the pool of undecided voters at this point is very small, so Romney's task is made that much more difficult in that he doesn't just have to make the case for himself, he has to strip support from Obama in the process.

In this first debate Romney needs to accomplish three things:

- He has to take the fight to Obama aggressively, but do it without appearing nasty or unfriendly. He can't be cautious and just try to escape without making a major mistake. He has to peel away Obama's support more in sorrow than in anger, so that he doesn't live up to the caricature of the heartless money manager.
- He has to translate his business experience and success from being a negative to a positive, and show how that experience will enable him to fix the things that are currently beyond the reach of the Obama administration's policies.
- Finally, he has to demonstrate the linkage between Obama's policies and the lack of an effective economic recovery, and his own policies and the road to a prosperous future.

If he cannot make substantial headway in these areas it is probably game over.