

Hit the Road, Barack

Why We Need a New President

Why does Paul Ryan scare the president so much? Because Obama has broken his promises.

By historian [Niall Ferguson](#) | August 19, 2012 1:00 AM EDT NEWSWEEK COVER STORY

I was a good loser four years ago. “In the grand scheme of history,” I wrote the day after Barack Obama’s election as president, “four decades is not an especially long time. Yet in that brief period America has gone from the assassination of Martin Luther King Jr. to the apotheosis of Barack Obama. You would not be human if you failed to acknowledge this as a cause for great rejoicing.”



Despite having been—full disclosure—an adviser to John McCain, I acknowledged his opponent’s remarkable qualities: his soaring oratory, his cool, hard-to-ruffle temperament, and his near faultless campaign organization.

Yet the question confronting the country nearly four years later is not who was the better candidate four years ago. It is whether the winner has delivered on his promises. And the sad truth is that he has not.

In his inaugural address, Obama promised “not only to create new jobs, but to lay a new foundation for growth.” He promised to “build the roads and bridges, the electric grids, and digital lines that feed our commerce and bind us together.” He promised to “restore science to its rightful place and

wield technology's wonders to raise health care's quality and lower its cost." And he promised to "transform our schools and colleges and universities to meet the demands of a new age." Unfortunately the president's scorecard on every single one of those bold pledges is pitiful.

In an unguarded moment earlier this year, the president commented that the private sector of the economy was "doing fine." Certainly, the stock market is well up (by 74 percent) relative to the close on Inauguration Day 2009. But the total number of private-sector jobs is still 4.3 million below the January 2008 peak. Meanwhile, since 2008, a staggering 3.6 million Americans have been added to Social Security's disability insurance program. This is one of many ways unemployment is being concealed.

In his fiscal year 2010 budget—the first he presented—the president envisaged growth of 3.2 percent in 2010, 4.0 percent in 2011, 4.6 percent in 2012. The actual numbers were 2.4 percent in 2010 and 1.8 percent in 2011; few forecasters now expect it to be much above 2.3 percent this year.

Unemployment was supposed to be 6 percent by now. It has averaged 8.2 percent this year so far. Meanwhile real median annual household income has dropped more than 5 percent since June 2009. Nearly 110 million individuals received a welfare benefit in 2011, mostly Medicaid or food stamps.

Welcome to Obama's America: nearly half the population is not represented on a taxable return—almost exactly the same proportion that lives in a household where at least one member receives some type of government benefit. We are becoming the 50-50 nation—half of us paying the taxes, the other half receiving the benefits.

And all this despite a far bigger hike in the federal debt than we were promised. According to the 2010 budget, the debt in public hands was supposed to fall in relation to GDP from 67 percent in 2010 to less than 66 percent this year. If only. By the end of this year, according to the Congressional Budget Office (CBO), it will reach 70 percent of GDP. These figures significantly understate the debt problem, however. The ratio that matters is debt to revenue. That number has leapt upward from 165 percent in 2008 to 262 percent this year, according to figures from the International Monetary Fund. Among developed economies, only Ireland and Spain have seen a bigger deterioration.

Not only did the initial fiscal stimulus fade after the sugar rush of 2009, but the president has done absolutely nothing to close the long-term gap between spending and revenue.

His much-vaunted health-care reform will not prevent spending on health programs growing from more than 5 percent of GDP today to almost 10 percent in 2037. Add the projected increase in the costs of Social Security and you are looking at a total bill of 16 percent of GDP 25 years from now.

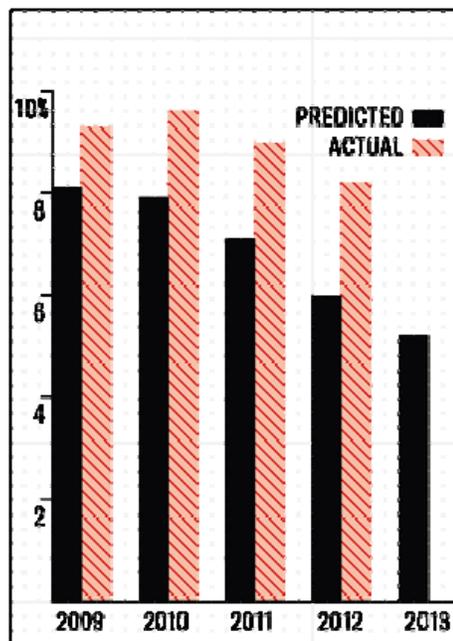
That is only slightly less than the average cost of all federal programs and activities, apart from net interest payments, over the past 40 years. Under this president's policies, the debt is on course to approach 200 percent of GDP in 2037—a mountain of debt that is bound to reduce growth even further.

And even that figure understates the real debt burden. The most recent estimate for the difference between the net present value of federal government liabilities and the net present value of future federal revenues—what economist Larry Kotlikoff calls the true “fiscal gap”—is \$222 trillion.

The president's supporters will, of course, say that the poor performance of the economy can't be blamed on him. They would rather finger his predecessor, or the economists he picked to advise him, or Wall Street, or Europe—anyone but the man in the White House.

There's some truth in this. It was pretty hard to foresee what was going to happen to the economy in the years after 2008. Yet surely we can legitimately blame the president for the political mistakes of the past four years. After all, it's the president's job to run the executive branch effectively—to lead the nation. And here is where his failure has been greatest.

WHAT RECOVERY? Obama's Jobless Projections



On paper it looked like an economics dream team: Larry Summers, Christina Romer, and Austan Goolsbee, not to mention Peter Orszag, Tim Geithner, and Paul Volcker. The inside story, however, is that the president

was wholly unable to manage the mighty brains—and egos—he had assembled to advise him.

According to Ron Suskind's book *Confidence Men*, Summers told Orszag over dinner in May 2009: "You know, Peter, we're really home alone ... I mean it. We're home alone. There's no adult in charge. Clinton would never have made these mistakes [of indecisiveness on key economic issues]." On issue after issue, according to Suskind, Summers overruled the president. "You can't just march in and make that argument and then have him make a decision," Summers told Orszag, "because he doesn't know what he's deciding." (I have heard similar things said off the record by key participants in the president's interminable "seminar" on Afghanistan policy.)

This problem extended beyond the White House. After the imperial presidency of the Bush era, there was something more like parliamentary government in the first two years of Obama's administration. The president proposed; Congress disposed. It was Nancy Pelosi and her cohorts who wrote the stimulus bill and made sure it was stuffed full of political pork. And it was the Democrats in Congress—led by Christopher Dodd and Barney Frank—who devised the 2,319-page Wall Street Reform and Consumer Protection Act (Dodd-Frank, for short), a near-perfect example of excessive complexity in regulation. The act requires that regulators create 243 rules, conduct 67 studies, and issue 22 periodic reports. It eliminates one regulator and creates two new ones.

It is five years since the financial crisis began, but the central problems—excessive financial concentration and excessive financial leverage—have not been addressed.

Today a mere 10 too-big-to-fail financial institutions are responsible for three quarters of total financial assets under management in the United States. Yet the country's largest banks are at least \$50 billion short of meeting new capital requirements under the new "Basel III" accords governing bank capital adequacy.

And then there was health care. No one seriously doubts that the U.S. system needed to be reformed. But the Patient Protection and Affordable Care Act (ACA) of 2010 did nothing to address the core defects of the system: the long-run explosion of Medicare costs as the baby boomers retire, the "fee for service" model that drives health-care inflation, the link from employment to insurance that explains why so many Americans lack coverage, and the excessive costs of the liability insurance that our doctors need to protect them from our lawyers.

Ironically, the core Obamacare concept of the "individual mandate" (requiring all Americans to buy insurance or face a fine) was something the president himself had opposed when vying with Hillary Clinton for the

Democratic nomination. A much more accurate term would be “Pelosicare,” since it was she who really forced the bill through Congress.

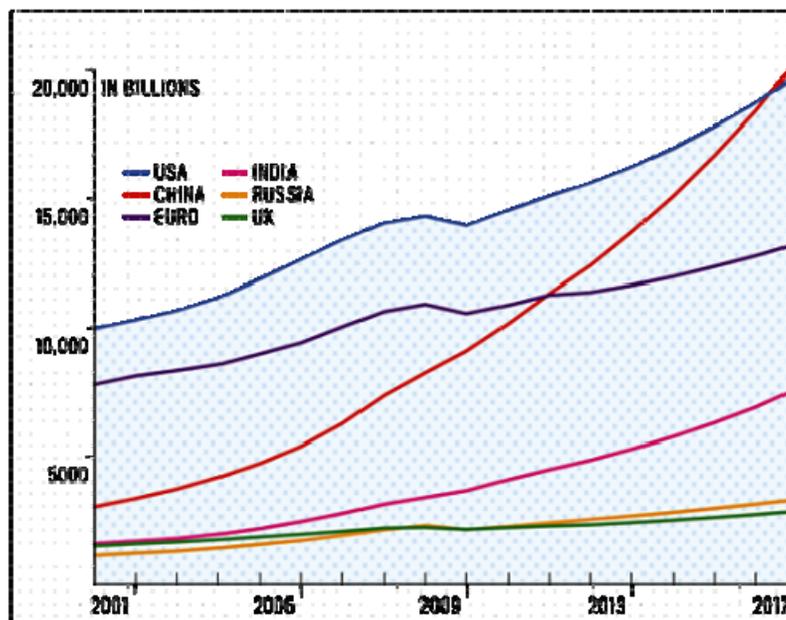
Pelosicare was not only a political disaster. Polls consistently showed that only a minority of the public liked the ACA, and it was the main reason why Republicans regained control of the House in 2010. It was also another fiscal snafu. The president pledged that health-care reform would not add a cent to the deficit. But the CBO and the Joint Committee on Taxation now estimate that the insurance-coverage provisions of the ACA will have a net cost of close to \$1.2 trillion over the 2012-22 period.

The president just kept ducking the fiscal issue. Having set up a bipartisan National Commission on Fiscal Responsibility and Reform, headed by retired Wyoming Republican senator Alan Simpson and former Clinton chief of staff Erskine Bowles, Obama effectively sidelined its recommendations of approximately \$3 trillion in cuts and \$1 trillion in added revenues over the coming decade. As a result there was no “grand bargain” with the House Republicans—which means that, barring some miracle, the country will hit a fiscal cliff on Jan. 1 as the Bush tax cuts expire and the first of \$1.2 trillion of automatic, across-the-board spending cuts are imposed. The CBO estimates the net effect could be a 4 percent reduction in output.

The failures of leadership on economic and fiscal policy over the past four years have had geopolitical consequences. The World Bank expects the U.S. to grow by just 2 percent in 2012. China will grow four times faster than that; India three times faster. By 2017, the International Monetary Fund predicts, the GDP of China will overtake that of the United States.

A NATION LOSING GROUND

China's GDP is expected to surpass America's in 2017.



Meanwhile, the fiscal train wreck has already initiated a process of steep cuts in the defense budget, at a time when it is very far from clear that the world has become a safer place – least of all in the Middle East.

For me the president's greatest failure has been not to think through the implications of these challenges to American power. Far from developing a coherent strategy, he believed – perhaps encouraged by the premature award of the Nobel Peace Prize – that all he needed to do was to make touchy-feely speeches around the world explaining to foreigners that he was not George W. Bush.

In Tokyo in November 2009, the president gave his boilerplate hug-a-foreigner speech: "In an interconnected world, power does not need to be a zero-sum game, and nations need not fear the success of another ... The United States does not seek to contain China ... On the contrary, the rise of a strong, prosperous China can be a source of strength for the community of nations." Yet by fall 2011, this approach had been jettisoned in favor of a "pivot" back to the Pacific, including risible deployments of troops to Australia and Singapore. From the vantage point of Beijing, neither approach had credibility.

His Cairo speech of June 4, 2009, was an especially clumsy bid to ingratiate himself on what proved to be the eve of a regional revolution. "I'm also proud to carry with me," he told Egyptians, "a greeting of peace from Muslim communities in my country: *Assalamu alaikum* ... I've come here ... to seek a new beginning between the United States and Muslims around the world, one based ... upon the truth that America and Islam are not exclusive and need not be in competition."



Charles Ommanney for Newsweek

Believing it was his role to repudiate neoconservatism, Obama completely missed the revolutionary wave of Middle Eastern democracy – precisely the wave the neocons had hoped to trigger with the overthrow of Saddam Hussein in Iraq. When revolution broke out – first in Iran, then in Tunisia, Egypt, Libya, and Syria – the president faced stark alternatives. He could try to catch the wave by lending his support to the youthful revolutionaries and trying to ride it in a direction advantageous to American interests. Or he could do nothing and let the forces of reaction prevail.

In the case of Iran he did nothing, and the thugs of the Islamic Republic ruthlessly crushed the demonstrations. Ditto Syria. In Libya he was cajoled

into intervening. In Egypt he tried to have it both ways, exhorting Egyptian President Hosni Mubarak to leave, then drawing back and recommending an “orderly transition.” The result was a foreign-policy debacle. Not only were Egypt’s elites appalled by what seemed to them a betrayal, but the victors—the Muslim Brotherhood—had nothing to be grateful for. America’s closest Middle Eastern allies—Israel and the Saudis—looked on in amazement.

“This is what happens when you get caught by surprise,” an anonymous American official told *The New York Times* in February 2011. “We’ve had endless strategy sessions for the past two years on Mideast peace, on containing Iran. And how many of them factored in the possibility that Egypt moves from stability to turmoil? None.”

Remarkably the president polls relatively strongly on national security. Yet the public mistakes his administration’s astonishingly uninhibited use of political assassination for a coherent strategy. According to the Bureau of Investigative Journalism in London, the civilian proportion of drone casualties was 16 percent last year. Ask yourself how the liberal media would have behaved if George W. Bush had used drones this way. Yet somehow it is only ever Republican secretaries of state who are accused of committing “war crimes.”

The real crime is that the assassination program destroys potentially crucial intelligence (as well as antagonizing locals) every time a drone strikes. It symbolizes the administration’s decision to abandon counterinsurgency in favor of a narrow counterterrorism. What that means in practice is the abandonment not only of Iraq but soon of Afghanistan too. Understandably, the men and women who have served there wonder what exactly their sacrifice was for, if any notion that we are nation building has been quietly dumped. Only when both countries sink back into civil war will we realize the real price of Obama’s foreign policy.

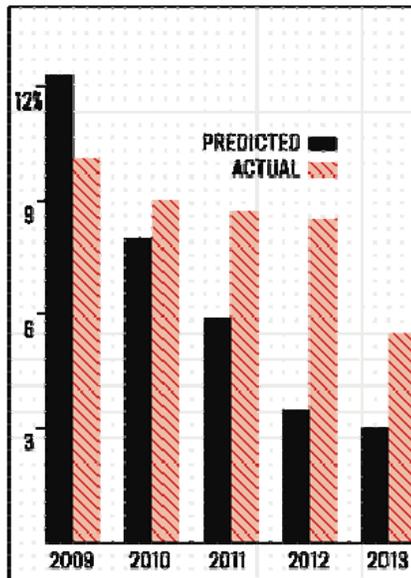
America under this president is a superpower in retreat, if not retirement. Small wonder 46 percent of Americans—and 63 percent of Chinese—believe that China already has replaced the U.S. as the world’s leading superpower or eventually will.

It is a sign of just how completely Barack Obama has “lost his narrative” since getting elected that the best case he has yet made for reelection is that Mitt Romney should not be president. In his notorious “you didn’t build that” speech, Obama listed what he considers the greatest achievements of big government: the Internet, the GI Bill, the Golden Gate Bridge, the Hoover Dam, the *Apollo* moon landing, and even (bizarrely) the creation of the middle class. Sadly, he couldn’t mention anything comparable that his administration has achieved.

Now Obama is going head-to-head with his nemesis: a politician who believes more in content than in form, more in reform than in rhetoric. In

the past days much has been written about Wisconsin Congressman Paul Ryan, Mitt Romney's choice of running mate. I know, like, and admire Paul Ryan. For me, the point about him is simple. He is one of only a handful of politicians in Washington who is truly *sincere* about addressing this country's fiscal crisis.

EPIC BUDGET FAIL Obama's Deficit Projections



Over the past few years Ryan's "Path to Prosperity" has evolved, but the essential points are clear: replace Medicare with a voucher program for those now under 55 (*not* current or imminent recipients), turn Medicaid and food stamps into block grants for the states, and—crucially—simplify the tax code and lower tax rates to try to inject some supply-side life back into the U.S. private sector. Ryan is not preaching austerity. He is preaching growth. And though Reagan-era veterans like David Stockman may have their doubts, they underestimate Ryan's mastery of this subject. There is literally no one in Washington who understands the challenges of fiscal reform better.

Just as importantly, Ryan has learned that politics is the art of the possible. There are parts of his plan that he is understandably soft-pedaling right now—notably the new source of federal revenue referred to in his 2010 "Roadmap for America's Future" as a "business consumption tax." Stockman needs to remind himself that the real "fairy-tale budget plans" have been the ones produced by the White House since 2009.

I first met Paul Ryan in April 2010. I had been invited to a dinner in Washington where the U.S. fiscal crisis was going to be the topic of discussion. So crucial did this subject seem to me that I expected the dinner to happen in one of the city's biggest hotel ballrooms. It was actually held in the host's home. Three congressmen showed up—a sign of how successful the president's fiscal version of "don't ask, don't tell" (about the

debt) had been. Ryan blew me away. I have wanted to see him in the White House ever since.

It remains to be seen if the American public is ready to embrace the radical overhaul of the nation's finances that Ryan proposes. The public mood is deeply ambivalent. The president's approval rating is down to 49 percent. The Gallup Economic Confidence Index is at minus 28 (down from minus 13 in May). But Obama is still narrowly ahead of Romney in the polls as far as the popular vote is concerned (50.8 to 48.2) and comfortably ahead in the Electoral College. The pollsters say that Paul Ryan's nomination is not a game changer; indeed, he is a high-risk choice for Romney because so many people feel nervous about the reforms Ryan proposes.

But one thing is clear. *Ryan psychs Obama out.* This has been apparent ever since the White House went on the offensive against Ryan in the spring of last year. And the reason he psychs him out is that, unlike Obama, Ryan has a plan—as opposed to a narrative—for this country.

Mitt Romney is not the best candidate for the presidency I can imagine. But he was clearly the best of the Republican contenders for the nomination. He brings to the presidency precisely the kind of experience—both in the business world and in executive office—that Barack Obama manifestly lacked four years ago. (If only Obama had worked at Bain Capital for a few years, instead of as a community organizer in Chicago, he might understand exactly why the private sector is not “doing fine” right now.) And by picking Ryan as his running mate, Romney has given the first real sign that—unlike Obama—he is a courageous leader who will not duck the challenges America faces.

The voters now face a stark choice. They can let Barack Obama's rambling, solipsistic narrative continue until they find themselves living in some American version of Europe, with low growth, high unemployment, even higher debt—and real geopolitical decline.

Or they can opt for real change: the kind of change that will end four years of economic underperformance, stop the terrifying accumulation of debt, and reestablish a secure fiscal foundation for American national security.

I've said it before: it's a choice between *les États Unis* and the Republic of the Battle Hymn. I was a good loser four years ago. But this year, fired up by the rise of Ryan, I want badly to win.

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