

## **WHY AND WHAT IS NEXT IN U.S. POLITICS AND POLICY**

*Monroe Newman*

*Professor Emeritus of Economics, Pennsylvania State University*

It is not unusual for a U.S. president's party to lose representation in Congress, and even control of one or both houses, when the president is not up for re-election. In fact, in recent memory, Ronald Reagan and Bill Clinton experienced this. However, the most recent election was unusual in the scale of the losses that the Democrat's suffered. It is the size of the losses that leads to questions about why they occurred, what they imply for U.S domestic policy and how the rest of the world may be impacted.

Conjectures to explain the election outcome abound. Among the most common are:

Barack Obama carried with him into office representatives from numerous conservative districts and so the newly elected in 2008 were unlikely to be re-elected. The pain of high and continuing unemployment dimmed Democratic prospects, which were further diminished by the unrealized forecasts made when economic stimulus programs were initiated. The administration never offered a realistic program to soften the impact of the falling housing values and rising home foreclosures. Important features of Obama's agenda never were enacted or even reached a vote. The administration did not persuade the public of the importance of its rescue of the financial and automobile industries. Large amounts of campaign funding were made available to the administration's most vocal opponents who tended to focus on fiscal deficits and health care insurance reform. The Republican opposition was able to frame both the topics and the content of the election debate.

From the President's perspective, the prospects for the next two years have to look dim. Not only did the deep divisions in his own party thwart achieving much of his agenda in the past, but even more members of Congress of his party may conclude that their personal future prospects are enhanced by distancing themselves from him. Moreover, the Congressional opposition, that successfully turned his bi-partisan overtures against him before, has now announced that its purpose for the next two years is to make him a one-term president. In fact, it is likely to precipitate new battles over what are the two most signal enactments of the past two years – health care insurance reform and regulation of financial institutions.

Yet there are other major issues that will be coming before Congress. It is daunting to list just a few that come to mind – the strategic arms treaty, energy conservation and alternatives, tax policy, expenditure controls and levels, international trade, support for continuing military activities, as well as support for the unemployed and steps to improve the economy's performance. All this occurring in a Congress whose leaders in both parties certainly do not have close controls over their own members and where rancor dominates.

When to all of this is added the fact that in the U.S. governmental structure, the central bank is significantly independent of both the legislative and executive branches of government, the prospect for a period of coherent policymaking is dim indeed.

In circumstances such as this, traditionally American presidents have increased their focus on international affairs over which they have much more independence of action. It should not be surprising for these subjects to get even more attention from the President than in the recent past. Already, international terrorism, Iran, Middle East peace, international trade, trade surpluses and deficits and the related currency valuation issues, the wars in Iraq and Afghanistan, and global warming have gotten considerable attention. Unforeseeable events may add topics to this list, of course, and it is likely that those with the closest links to domestic economic ills will become even more prominent.

In the recent election campaign, domestic issues heavily dominated the discussion. As it becomes increasingly apparent that U.S. preeminence in international matters is facing new challenges from new sources, elected officials with scant background and commitments in international affairs will be responding. It is to be hoped that most will do so thoughtfully and responsibly. There was a time in U.S. history when it could be said with some accuracy that politics stopped at the waterline. It is highly doubtful that that will be true in the years immediately ahead.