

The Democrats' Strategic Challenge

If the Democrats win the election, can the next president and Congress make significant progress toward realizing liberal aspirations? Here's how—a roadmap for the start of a new America.

BY PAUL STARR

We may be on the verge of one of those moments when the underlying currents in American politics change directions. The conservative agenda is exhausted, public opinion has unmistakably swung away from the right, and although there are no guarantees about the outcome of the election, 2009 may find Democrats in control of both the White House and Congress. But if ever there were a time when liberals needed to be strategic about their goals and the ways of achieving them, this will be it.

In the past two years, anger against the Republicans has driven moderates and independents toward the Democrats and stirred an awakening among progressives. Yet all that energy will dissipate if after a Democratic victory at the polls, the new administration proves to be faltering and ineffectual. A durable shift in our politics will depend on what the new president and Congress are actually able to accomplish and whether they can frame those accomplishments as elements of a coherent vision.

The way forward for any new administration with progressive goals, however, will be difficult, if not positively treacherous. In 2000 Al Gore stood to inherit a strong economy, a bulging budget surplus, and a positive international climate; George W. Bush's successor will inherit a weakened economy, bulging deficits, and the Iraq War. Long-term challenges such as rising economic inequality and global warming will have gone unaddressed for eight years and seem more daunting than ever. Meanwhile, other problems such as immigration have become politically explosive, and new crises stemming from financial instability (as in the sub-prime mortgage meltdown), political instability (as in Pakistan), or terrorism could suddenly alter the entire landscape.

In the face of these risks, judgments about the priorities for action, framing of proposals, building of coalitions, and other matters of strategy will be critical in determining not just whether progressive aspirations are realized, but whether a new administration can govern at all. In one crucial respect, liberals are in a stronger position to influence strategic choices than they were the last time Democrats held control of both Congress and the White House. Since 1994, as the South has

moved to the GOP, Southern conservatives have faded as a force among congressional Democrats and in the party at large. Though important differences remain, Democrats have reached a broad consensus about such goals as ending the Iraq War, providing universal health coverage, and restoring greater progressivity to the tax system by sunsetting the Bush tax cuts for those making over \$200,000. The major Democratic presidential candidates strike different themes, but they have broadly similar positions on these and many other issues. A new president will have to build on such areas of agreement in order to get a fast start in turning around the everyday cynicism that Washington can't get anything done, let alone make a real difference in ordinary people's lives.

EFFORTS TO SCOPE OUT THE POSSIBILITIES of a new administration face two symmetrical dangers. Some ideas in circulation are so visionary as to be impracticable, while others are so limited as to be uninspiring. The first risk overreach; the second, letdown. To avoid both these problems, a liberalism with a strategic outlook ought to call for measures that are achievable in the short term and significant in their own right, while laying the foundation for more ambitious goals that may take a decade or longer to reach.

The short-term agenda should consist of proposals that a new administration could realistically bring to fruition in its first two years through legislation or via executive orders, appointments, and the federal regulatory process. How ambitious the two-year legislative agenda can be will hinge on whether the Democrats in 2008 are able to increase their current slim majorities in Congress. The wider their majorities, the bolder ought to be the new administration's short-term goals. If, against all odds, a political tsunami enables Democrats to capture 60 seats in the Senate, they might enjoy one of those historic moments, like 1965–1966, when it's possible to enact major legislation across a wide range of issues. But in the more likely event that the election leaves the Democrats short of a filibuster-proof edge in the Senate, they will have to be more selective and willing to compromise.

The outcome in the Senate is particularly crucial in deter-



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mining how much a new administration will have to rely on the budget reconciliation process as the principal vehicle for its domestic program. The advantage of incorporating policy change into the budget bill is that it cannot be filibustered and therefore requires only 50 votes in the Senate (with the vice president breaking a tie); the disadvantage is that Senate rules limit what the bill can include. In 1993, Bill Clinton was able to use the budget reconciliation process to bring about major changes in tax policy—including an increase in the Earned Income Tax Credit that was the largest expansion in anti-poverty aid in decades. But the budget bill couldn't accommodate health-care reform. In general, the smaller the Democratic majority in the Senate, the more the new president will have to use tax policy and already-authorized programs rather than calling for structural change that would need 60 votes.

There are, however, at least some substantive measures that the new administration may be able to front-load—proposals that enjoy wide familiarity and support in Congress, having already been extensively discussed, fleshed out in detail, drafted into legislation, scrutinized in hearings, and perhaps even put to a vote. Some bills will have passed in one house in a previous session or, as in the case of the reauthorization of the State Children's Health Insurance Plan (S-CHIP), passed both houses, only then to have been vetoed by President Bush. In 1965, Congress was set to move on Medicare, partly because Lyndon Johnson had campaigned for it in 1964. In 1993, family and medical leave was ready to be acted on—in part because Bill Clinton had campaigned in 1992 on the promise to sign

family-leave legislation. A new Democratic president in 2009 would also be on record in favor of measures that Democrats in the current Congress have tried to enact, such as the expansion of children's health insurance and a commitment to end the U.S. occupation of Iraq.

Nailing down early victories is crucial because more ambitious plans may get bogged down in disputes or derailed by crises, and because the Democrats need a record of promises kept, or at least down payments made, to go back to the voters at the midterm elections in 2010. The short-term agenda won't serve that purpose if it consists merely of symbolic measures; it has to provide for changes that materially improve ordinary people's well-being. And even if those changes fall short of the full aims that Democrats hope to achieve, they can be strategically successful if they create the institutional machinery and legal principles that can later serve as the basis of more substantial reforms.

CONSIDER TWO OF THE BROAD AIMS that any new Democratic administration would hope to pursue: reviving an economy of shared prosperity and confronting the threat of global

warming. The first calls for policies that raise the real incomes and well-being of working families after a long period when the gains from economic growth have flowed

almost entirely to the top; the second calls for a new posture toward energy and the environment requiring major changes in our way of life and new forms of international cooperation. In both cases, while some on the right still deny that the problems exist and that a change in direction is necessary, many others see the problems as so overwhelming that they doubt a change in direction is possible. The first imperative of new leadership in both areas is to overcome fatalism as well as denial and to lay out a credible path toward the twin goals of economic and environmental security.

How might a new Democratic administration make a convincing start in two years on efforts that will necessarily stretch out for 10 years and longer? An agenda for shared prosperity has to have at its heart economic policies that promote full employment—and if the economy enters a recession or worse, as some now fear, that objective will take priority in macroeconomic policy and, among other things, reinforce the case for accelerated federal investment in new infrastructure (energy, transport, schools, and so on). Early steps can also be taken to raise the two vital supports for low-wage workers—the minimum wage and Earned Income Tax Credit—and to strengthen the right of workers to organize and bargain collectively. But, as important as these objectives are, two sets of overlapping issues will be particularly crucial in strengthening economic security for the long-term: health insurance for all and support for young working families.

Health coverage has again become a core issue because

of the relentless rise in medical costs and its wide ramifications, especially for the fate of the employment-based insurance system. Costs are rising far more rapidly than general inflation or real wages: The average total insurance premium for family coverage now runs over \$12,000 (just about what a minimum-wage worker makes in an entire year) and is projected to pass \$21,000 in 2013. Unsurprisingly, employers have shifted costs to workers, the proportion of jobs that come with health benefits has fallen, and the number of uninsured has grown—according to recent figures, to about 47 million.

Being uninsured has also become a more economically perilous condition. In the past, doctors and hospitals charged low-income people lower rates on a sliding scale, but now that insurers negotiate discounts, health-care providers are imposing their highest charges on the uninsured. And as a result of what a recent *Business Week* cover story called the “medical debt revolution,” providers have begun turning over unpaid bills to aggressive collection companies charging usurious interest rates and taking advantage of the new bankruptcy law that makes it difficult for people overwhelmed with debt to start over.

Health care is not only a central issue in the Democratic presidential race but also one that commands a substantial amount of agreement, except on one critical point. The proposals for reform put forward by Hillary Clinton, John Edwards, and Barack Obama converge on several basic elements. All seek to make coverage universal or nearly so, not by establishing a government-run, single-payer system, but by providing Americans with a choice of private and public health plans. To make that choice affordable, all three candidates would finance subsidies for coverage by ending the Bush cuts for high-end taxpayers, and all would create a public insurance-purchasing pool that would include a Medicare-like public plan as one option. Finally, all would set rules for insurers requiring them to accept subscribers without pre-existing-condition exclusions and limiting premiums for people at higher risk of illness.

The key difference among the candidates is that both Clinton and Edwards would require everyone to carry insurance coverage, while Obama would require coverage only for children. Without an individual mandate for adults, however, other aspects of Obama’s plan collapse. Insurers cannot be required to ignore pre-existing conditions if people can just wait to buy coverage anytime they’re sick. Obama claims to want to bring the costs down first in order to make coverage affordable, but his plan would make insurance more expensive by giving healthy people an incentive not to pay for it until they need it.

Obama’s opposition to an individual mandate, however, is probably symptomatic of a wider reluctance to require people to pay for health insurance and indicates how difficult it will

be to get the 60 votes in the Senate needed to pass universal coverage. Even if he is not the next president, the Illinois senator may well have established the outer limits of what a new administration can hope to accomplish in health care in its first two years. The Democrats carry a peculiar historical burden on the issue. The next Democratic president, especially another Clinton, cannot afford to propose a comprehensive reform plan and come up with nothing. There has to be an achievable Plan B.

Unlike the 1993 Clinton plan, the next Democratic effort at health-care reform doesn’t have to come in one package. A new administration could try to nail down a major expansion of coverage through S-CHIP and Medicaid in the president’s first budget. A separate bill could establish the institutional machinery for a reformed market, including the creation of a public insurance pool and Medicare-like public plan. That bill or a third one could require parents to see to it that their children have health coverage—with the help of state programs and federal subsidies.

As a step toward coverage for all, universal coverage for children has much to recommend it. Children are the least

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expensive group to insure, and the development of S-CHIP has already taken us a good part of the way. Health care for children also has a payback in greater productivity and lower costs later in life. The requirement for coverage is easier to justify for children than for any other group. As a society, we have both a moral responsibility for the young and an interest in their being able to contribute productively when they grow up. The same concerns that justify state-mandated education justify mandated health coverage.

Covering all children could also build public confidence in taking the next step toward universality, which as a practical matter will be a lot easier to achieve if one of the thorniest problems in an employment-based system—how to pay for the children of low-to-middle income workers—is out of the way. For example, it would be easier to pass a requirement for employers to pay for coverage if that mandate involved the employee alone under a system in which firms could buy into an already-established purchasing pool.

Universal health coverage for children would also advance a related interest in improving economic security and opportunity for the young. Many of the pressures reshaping the American economy in recent decades have come to bear the hardest on America’s youth and young families. After World War II, through the GI Bill and the expansion of education, America invested in the generation returning from the war, and the long era of prosperity that followed created lots of opportunity for young families to move into the middle class. In recent decades, though, social spending has tilted away

from the young; jobs that provide a middle-class standard of living have become harder for young workers to find; and the conflicts between work and family life have intensified as both spouses work full-time. America has failed to respond to these changed conditions, and it shows: Last year, in a UNICEF study of the well-being of children and adolescents in 21 rich countries, the United States ranked next to last.

We need a new generation of social policy—what I’ve elsewhere called a “new deal for the young” or a “Young America” program. The basic premise is that a program that serves young people also serves the country: An increasingly unequal society that exposes so many of its young to poverty and insecurity cannot be the strong and prosperous nation that Americans want it to be. One element of a Young America program that already commands a wide consensus among Democrats is federal support to the states for access to early childhood education—not custodial day care, but high-quality preschool programs for four-year-olds to ensure they enter kindergarten ready to learn. Along with universal health coverage for children, “universal pre-K,” as it’s called, would be a major investment in the nation’s future.

And it’s precisely a concern for our future security that motivates the growing movement to confront climate change and begin the transition to a new energy economy, which would also have the happy effect of reducing our dependence on foreign oil. As in health-care and family-related policy, the leading Democratic presidential candidates and congressional Democrats have substantially overlapping positions. The centerpiece in domestic policy is a “cap and trade” system for greenhouse-gas emissions that would authorize the federal government to set a national cap on total emissions and to assign or auction allowances to individual firms, which could then trade any amount they didn’t use as a result of better pollution controls. This system—the same kind we’ve used to control air pollutants that contribute to acid rain—is the most efficient way to reduce the emissions that contribute to global warming.

Enacting a cap-and-trade system will require compromises. The vital step is to put the framework in place, while negotiating international agreements to limit climate change. In line with those agreements, Congress can periodically adjust both the total cap on emissions and the proportion that are auctioned off rather than given away. To the extent allowances are auctioned, the policy will also generate a stream of revenue to support research into alternative fuels, investments in energy efficiency, and other steps toward a clean-energy economy. And as part of a shared-prosperity agenda, much of the revenue raised from the auctions can be returned to consumers in the form of low-income energy assistance.

HOW TO PAY FOR NEW POLICIES? One of the neat features of cap-and-trade is that the same regulatory system limiting emissions also generates the revenue needed for complementary public expenditures. Ending the Bush cuts in income and estate taxes at the high end could contribute much of the revenue needed for other programs such as expanded health-care coverage. Congress should also shut off the loopholes

that have allowed some of the wealthiest people in America—hedge-fund and private-equity firm partners—to pay income taxes at a 15 percent rate.

A new Democratic president is going to have to be careful, however, about proposing one tax increase after another; it would be a strategic mistake, for example, to try to eliminate the earnings cap in the payroll tax for Social Security, because the program does not face any urgent crisis and there are other ways to deal with its long-term financing. Medicare poses more serious long-term problems, but these reflect the overall problems of health-care inflation that require system-wide change. In the long run, either we impose tighter financial controls on health care, or we find new ways of paying for it, such as a value-added tax. A new administration should not take on this problem in its first two years, but it can begin laying the groundwork for new thinking.

For the immediate future, undoing the Bush era will be good fiscal policy in itself. Like the end of the high-end Bush tax cuts, ending the Iraq War should contribute toward a better fiscal balance. But, after Bush, a new administration should not be intimidated by conservatives into insisting on a balanced budget. A modest deficit on the order of 1 percent of gross domestic product is not a problem, particularly if the money goes toward new investments in the young or in new sources of clean energy that serve the interests of future generations.

Repairing the errors of the Bush era and meeting the demands of new crises could consume the next president. And there are difficult issues such as immigration that the president and Congress will need to address even at the risk of further arousing ugly divisions in the country. A president who can evoke the better angels of our nature may be able to summon the nation to overcome those divisions. But if the next administration is to succeed in a lasting way, it has to show some real progress in its first years in addressing the challenges that loom over our future. A new commitment to America’s young—exemplified in universal health care for children and universal pre-K—and a system to address climate change and begin the transition to a new energy economy wouldn’t be a bad start.

At the close of his speech announcing the signing of the nuclear test-ban treaty with the Soviet Union in 1963, President Kennedy quoted a Chinese proverb, “A journey of a thousand miles must begin with a single step.” I was 14 years old at the time, listening to Kennedy on the radio at a summer camp, and I probably remember those words only because my mother, who was an activist in the Committee for a SANE Nuclear Policy, had taken me to protest marches against nuclear testing in what seemed like a hopeless cause. Amazingly, however, it turned out not to be hopeless: Here was the president announcing a ban on above-ground testing and suggesting it was just a first step toward lifting the shadow of nuclear war.

Now we also face grim threats, and there are many among us who doubt anything can be done. Perhaps the president who takes office in 2009 will astonish them, too, by taking the first steps in a new journey. **TAP**