

August 22, 2011

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So 11-year-old Schylar and other middle-schoolers targeted by the microregulatory superstate might well appreciate Gov. Perry's pledge. But you never know, it might just catch on with the broader population, too.

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This is the best argument the supposedly smartest operator in the Democratic Party can muster? If Bill Clinton wants to make the increasingly and revoltingly unrepublican lifestyle of the American president a campaign issue, Gov. Perry should call his bluff. If I understand correctly the justification advanced by spokesgropers for the Transportation Security Administration, the reason they poke around the genitalia of 3-year-old girls and make wheelchair-bound nonagenarians in the final stages of multiple sclerosis remove their diapers in public is that, by doing so, they have made commercial air travel the most secure environment in the United States. In that case, why can't the president fly commercial.

Streetwise Professor leads off a couple of articles on the future of Europe.

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... Gangrene kills slowly, but it kills. It is difficult to see how Europe can survive in the long run as currently constituted, with the rot progressively eating its way from country to country. Amputation is a shattering experience, but it can be survived, and can increase the odds of long term survival. But

politicians typically choose to avoid pain today even if it is beneficial in the long run. Which means that Europe's future is bleak indeed.

Noted European historian **Walter Laqueur** tries to understand what has happened.

"The twenty-first century may yet belong to Europe." Thus said the late Tony Judt, author of a widely praised history of Europe after the Second World War. Historians are not necessarily prophets, and our century has a while to go, but the prospects of such a future coming to pass are not brilliant at present. Tony Judt was in good and numerous company at the time, in America even more so than on the Continent, and the reasons for such misplaced optimism (which has now quite often given way to panic) will no doubt be studied in the years to come.

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At a time of deep, multiple crises in Europe it is too easy to ridicule the delusions of yesteryear. The postwar generations of European elites aimed to create more democratic societies. They wanted to reduce the extremes of wealth and poverty and provide essential social services in a way that prewar generations had not. They had had quite enough of unrest and conflict. For decades many Continental societies had more or less achieved these aims and had every reason to be proud of their progress. Europe was quiet and civilized.

Europe's success was based on recent painful experience: the horrors of two world wars; the lessons of dictatorship; the experiences of fascism and communism. Above all, it was based on a feeling of European identity and common values—or so it appeared at the time. Euroskeptics suspected it was simply a community of material interests; it began, after all, as an iron, steel and coal union. Jean Monnet, the father of the European Union, saw the dangers ahead. He later said that he would have put the emphasis on culture rather than economics if he had to start all over again.

When did things start to go wrong? It would seem the immediate crisis is certainly one of sovereign debt, of common currency and of other financial issues. It was no doubt a mistake to believe that an economic union could be established in the absence of a political one. And yet, did the current crisis perhaps happen because the European idea (meaning the welfare state), the basis of the scheme, was eroded? ...

Speaking of failed enterprises, **Ed Morrissey** speculates on the idea Obama may quit. ... Some will scoff at the notion that Obama and his large ego would walk away from the office, but LBJ was also rumored to think pretty highly of himself. It's a low-probability outcome, but it isn't a zero probability outcome. Obama's ratings have tanked this year along with the economy, and he hasn't come up with an original thought on economic policy since Porkulus. The leaks of his rumored plan sound a lot like Porkulus II, a sequel to a flop. This gives the impression that Obama has run out of ideas, and as Noonan argues in her piece, his attacks on Republicans for their supposed refusal to pass a plan he has yet to even submit to them sounds like a man who realizes that he's out of ideas, too.

But the decision may end up being out of his hands if the political environment doesn't improve. Obama's numbers are plummeting in places Democrats can hardly afford to lose. In Pennsylvania, where Obama will top a ticket that also includes Bob Casey's bid for a second Senate term, he's either at 43% approval (Quinnipiac) or at 35% (Muhlenberg). Wisconsin turned Republican last year and a series of elections this year confirmed it, and Herb Kohl's seat in the Senate is up for grabs. Obama can be expected to drag down the ticket in Virginia (James Webb's seat is open), Florida (Bill Nelson), Ohio (Sherrod Brown), Maryland (Ben Cardin), and Michigan (Debbie Stabenow). ...

Last week we closed with the student loan piece from the Atlantic. [There's some follow-up](#) with a scary graph. Alert readers will note a contradiction. The article in the Atlantic noted student debt was approaching \$1 trillion while this piece says it has ballooned to \$550 million. We will follow up on that.

You think the housing bubble was enormous? Meet the education bubble. On Wednesday, an [article here](#) by Andrew Hacker and Claudia Dreifus explained the debt crisis at American colleges. But some startling statistics will help to make their analysis a little more tangible. The growth in student loans over the past decade has been truly staggering.

Here's a chart based on New York Federal Reserve [data](#) for household debt. The red line shows the cumulative growth in student loans since 1999. The blue line shows the growth of all other household debt except for student loans over the same period.

This chart looks like a mistake, but it's correct. Student loan debt has grown by 511% over this period. In the first quarter of 1999, just \$90 billion in student loans were outstanding. As of the second quarter of 2011, that balance had ballooned to \$550 billion.

Orange County Register [Empathy thrown under Obama's bus](#)

by Mark Steyn

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You'd be surprised how many heads of state do. Queen Beatrix of the Netherlands flies long haul on KLM. Don't worry, she's not in coach, squeezed next to the mom with the crying baby and the party of English soccer hooligans baying moronic victory chants all night. She rides up front and has so many aides that sometimes she'll book the entire first-class cabin! By contrast, the president of the United States took his personal 747 (a transatlantic aircraft designed to hold 500 people that costs a fifth of a million dollars per hour to run) to go from Washington to a Democratic Party retreat in Williamsburg, Va., 150 miles away.

Queen Margrethe of Denmark flies commercial, too. For local trips she has a small Challenger jet. When she's not zipping around in it, they use it for fishery enforcement off Greenland. Does that detail alone suggest that a thousand-year dynasty dating back to King Gorm the Sleepy (regnant 936-958) travels in rather less luxury than the supposed citizen-executive of a so-called republic of limited government?

Undoubtedly King Gorm the Sleepy would have slept a lot better on Air Force One, yet the Danish Royal Family seems to get by.

Symbols are important. In other circumstances, the Obamas' vacation on Martha's Vineyard might not be terribly relevant. But this is a president who blames his dead-parrot economy on "bad luck" – specifically, the Arab Spring and the Japanese tsunami: As Harry S Truman would have said, the buck stops at that big hole in the ground that's just opened up over in Japan. Let us take these whiny excuses at face value and accept for the sake of argument that Obama's Recovery Summer would now be going gangbusters had not the Libyan rebels seized Benghazi and sent the economy into a tailspin. Did no one in the smartest administration in history think this might be the time for the president to share in some of the "bad luck" and forgo an ostentatious vacation in the exclusive playground of the rich? When you're the presiding genius of the Brokest Nation in History, enjoying the lifestyle of the super-rich while allegedly in "public service" sends a strikingly Latin American message. Underlining the point, the president then decided to pass among his suffering people by touring small-town Minnesota in an armored Canadian bus accompanied by a 40-car motorcade.

In some of these one-stoplight burgs, the president's escort had more vehicles than the municipality he was graciously blessing with his presence.

By sheer coincidence, I happen to be writing a conspiracy thriller in which a state-of-the-art Canadian bus transporting President Michael Douglas on a tour of Minnesota goes rogue and takes over the government of the United States. Eventually, crack CIA operative Keira Knightley breaks in the rear window and points out to the Canadian bus that it's now \$15 trillion in debt. In a white-knuckle finale, the distraught and traumatized bus makes a break for Winnipeg, pursued by Chinese creditors.

Where was I? Oh, yes. Instead of demonstrating the common touch – that Obama is feeling your pain Clinton-style – the motorcade tour seemed an ingenious parody of what (in Victor Davis Hanson's words) "a wealthy person would do if he wanted to act 'real' for a bit" – in the way that swanky Park Avenue types 80 years ago liked to go slumming up in Harlem. Why exactly does the president need a 40-car escort to drive past his subjects in Dead Moose Junction? It doesn't communicate strength, but only waste, and decadence. Are these vehicles filled with "aides" working round the clock on his supersecret magic plan to "create" "jobs" that King Barack the Growth-Slayer is planning to lay before Congress in the fall or winter, spring, whatever? If the argument is that the president cannot travel without that level of security, I note that Prince William and his lovely bride did not require a 40-car motorcade on their recent visit to Los Angeles, and there are at least as many people on the planet who want a piece of Wills and Kate as do of Obama. Like the president, the couple made do with Canuck transportation, but in their case they flew in and out on a Royal Canadian Air Force transport described as "no more luxurious than a good motor home": The shower is the size of a pay phone. It did not seem to diminish Her Royal Highness' glamour.

I wish Gov. Perry well in his stated goal of banishing Washington to the periphery of Americans' lives. One way he could set the tone is by foregoing much of the waste and excess that attends the imperial presidency. Believe it or not, many presidents and prime ministers manage to get by with only a 14-car or even a four-car motorcade. I know: Hard to imagine, but there it is. A post-prosperity America that has dug itself into a multitrillion-dollar hole will eventually have to stop digging. When it does so, the government of the United States will have to learn to do more with less. A good place to start would be restoring the lifestyle of the president to something Calvin Coolidge might recognize.

Streetwise Professor Amputation or Gangrene

by Craig Pirrong

The recent volatility in the market has been linked with the S&P downgrade, but the real epicenter is Europe. The shock waves that commenced in Greece and then Portugal and Ireland have spread to Italy and Spain, and tremors are being felt in France as well.

Europe has two choices: amputation or gangrene.

The amputation option is to jettison the Euro project by lopping off the weak Med countries, and letting them respond to fiscal crisis in the old fashioned way, through a currency devaluation that would permit these countries to become more competitive, and which would reduce the real burden of their debts.

If Europe eschews amputation, its only real choice is to socialize the debt of the financial zombies on the continent's southern periphery, and have the Germans and Dutch and French assume responsibility for paying the obligations assumed by the poorer, more spendthrift nations currently in financial distress.

This will not go down well with said Germans, Dutch, and French. It is often said that such a path will require a fiscal union in Europe, but the details of such a union are crucial. Fiscal union is not sufficient to ensure fiscal probity. (Cf., States of America, United.) Indeed, it is hard to see how any European legislative or executive body that is remotely representative of the nations currently in the EU could avoid perpetuating transfers between the creditor nations and the debtor ones. Which means that the Germans and Dutch and even the French are unlikely to sign on.

No, to avoid the moral hazards associated with socialization of debt, the government of the fiscal union would have to resemble the creditor committee of a bankrupt firm, imposing a stringent restructuring plan on the debtors, controlling their expenditures, and requiring them to surrender a substantial amount of autonomy. But that would not be acceptable to sovereign debtor nations, and it is doubtful that any such creditor committee could enforce austerity, given the nationalist resistance any such attempt would spark.

So the Europeans are likely to try to muddle along, and socialize the debt on the sly via the ECB and the EFSF. Which will be the worst alternative. It will not address the moral hazard problem and the debtor nations are likely to scrape along, largely unreformed. And it will be expensive. As long as it is clear that the EU/ECB/EFSF will attempt to support the debt of bankrupt nations when their spreads spike, it will be vulnerable to periodic speculative attacks—and these attacks are expensive to fight off. Very expensive.

The perverse incentives of such a policy, and the cost of implementing it, will doom Europe to a slow demise, as the financial gangrene spreads throughout the system, progressively threatening currently healthy (relatively speaking) nations. Amputation would be the painful, gruesome, but superior alternative. There is a chance of saving something that way. Failing to choose that course threatens the entire body of nations.

But the Euros are so invested psychologically in the Euro, and so many of the elites have their interests tied up in the continuation of the Euro project, that they recoil from making the hard choice. What's more, politicians always prefer to let their successors clean up messes, and are therefore loath to admit failures on their watch. There is also fear that amputation would be very costly to French, German and Dutch banks and insurers, as they would suffer losses on the bonds of the amputated members.

But as I said in March 2010, when the crisis first turned serious, it would be better to bail out the banks directly than bail them out indirectly by supporting the profligates. That would be a one time expense and the damage would be contained, whereas the current MO will lead to a chronic drain of resources from north to south. Defending against speculative attack for years will be expensive.

Moreover, the flight to quality and the improved fiscal prospects of Germany et al would lead to gains on the banks' holdings of non-PIIGS debt that would offset some the losses on the latter. But it is a cost that would be paid now, and the blame attached to the politicians currently in office—so it's unlikely to happen.

The implications of this are rather grim. It means that Europe will continue to be the source of economic tremors, whenever there is a run on the debt of any shaky country—or the countries that are supposedly propping up the shaky countries (France being a candidate). And as we've seen in the last week, these tremors will be felt in the US—which is likely to generate more than its share of shocks in the coming years.

It also means that Europe is likely to die slowly, as the financial gangrene spreads progressively throughout the system. This will be accompanied by slow growth, and social stresses as the promises of the welfare state become impossible of fulfillment not just in Greece or Portugal, but in

France and Germany. What is happening in London could be the harbinger of things to come on the continent—and that is a much more combustible situation (literally so, if you recall the balieues in Paris, several years back).

Gangrene kills slowly, but it kills. It is difficult to see how Europe can survive in the long run as currently constituted, with the rot progressively eating its way from country to country. Amputation is a shattering experience, but it can be survived, and can increase the odds of long term survival. But politicians typically choose to avoid pain today even if it is beneficial in the long run. Which means that Europe's future is bleak indeed.

National Interest

The Slow Death of Europe

by Walter Laqueur

“The twenty-first century may yet belong to Europe.” Thus said the late Tony Judt, author of a widely praised history of Europe after the Second World War. Historians are not necessarily prophets, and our century has a while to go, but the prospects of such a future coming to pass are not brilliant at present. Tony Judt was in good and numerous company at the time, in America even more so than on the Continent, and the reasons for such misplaced optimism (which has now quite often given way to panic) will no doubt be studied in the years to come.

Some five years ago in a book entitled *The Last Days of Europe* I dealt with Europe's decline—and was criticized for my pessimism. And yet I now feel uneasy facing the apocalyptic utterances of yesterday's Euro-enthusiasts. For even if Europe's decline is irreversible, there is no reason that it should become a collapse.

At a time of deep, multiple crises in Europe it is too easy to ridicule the delusions of yesteryear. The postwar generations of European elites aimed to create more democratic societies. They wanted to reduce the extremes of wealth and poverty and provide essential social services in a way that prewar generations had not. They had had quite enough of unrest and conflict. For decades many Continental societies had more or less achieved these aims and had every reason to be proud of their progress. Europe was quiet and civilized.

Europe's success was based on recent painful experience: the horrors of two world wars; the lessons of dictatorship; the experiences of fascism and communism. Above all, it was based on a feeling of European identity and common values—or so it appeared at the time. Euroskeptics suspected it was simply a community of material interests; it began, after all, as an iron, steel and coal union. Jean Monnet, the father of the European Union, saw the dangers ahead. He later said that he would have put the emphasis on culture rather than economics if he had to start all over again.

When did things start to go wrong? It would seem the immediate crisis is certainly one of sovereign debt, of common currency and of other financial issues. It was no doubt a mistake to believe that an economic union could be established in the absence of a political one. And yet, did the current crisis perhaps happen because the European idea (meaning the welfare state), the basis of the scheme, was eroded?

With all its importance, the economic crisis is only part of our sad story—and probably not even the decisive one. For the present debacle is also one of an apparent lack of a common European identity and values, of national interests prevailing over a shared European interest. It is a crisis of lack of

solidarity, leadership and—perhaps above all—political will. It is a crisis of internal tensions, of failed integration at home (as shown, for instance, by recent events in Britain). For many years European elites lived in a state of denial; they wanted more democracy but were unprepared for the erosion of authority that led to anarchy.

To a considerable degree, the political elite, the media and public opinion became oblivious of the darker aspect of domestic politics. They largely ignored the growing disparity in income and the effects of youth unemployment. Those preoccupied with foreign affairs had grown up (as British diplomat Robert Cooper put it) in a belief in peaceful interdependence and modern cooperation, whereas the policy of the rest of the world was rooted at best in ideas of traditional spheres of influence and balance of power. And meanwhile public opinion gradually moved away from erstwhile belief in Europe.

Such false optimism and the subsequent collapse of illusions was bound to lead to dejection. Did Europe still have a future, would it still exist a decade or two from now? Or would it revert to what it had been before—a mere geographical concept? One is reminded of Prince Metternich's famous letter to the Austrian ambassador in Paris (and later also to Palmerston) in which he said that while "Italy" was a useful geographical term it had no meaning or reality as a political concept. True, at about the same time Carlo Alberto Amadeo, king of Sardinia, in an equally famous aside said *Italia fara da se* (Italy will take care of itself). One hundred and fifty years later (and considering the present state of Italy) it is still not certain whether Metternich was right or the Sardinian king. The present state and future prospects of Europe are not dissimilar to those of nineteenth-century Italy.

Many Europeans complain about a lack of democracy and they fear, rightly perhaps, that a Europe dominated by Brussels would be even less democratic. But to survive the Continent needs leadership. How much democracy could there be in this Europe of tomorrow? Some Asian political philosophers in Beijing as well as in Singapore have been advising us that the Asian, more authoritarian model will be more suitable (and efficient) to confront the tasks of the years to come.

There are, broadly speaking, three potential scenarios as far as the future of Europe is concerned. Only the very brave will predict at this time which one will be chosen by the Europeans—or to which they will sleepwalk. The European Union may break up, wholly or in part within a few years. The stronger economies will stick together, renegotiating a new framework. The weaker ones will be excluded. They will find it very difficult to face the future with its increasing imbalances and the danger of protectionism on their own. Perhaps they will be loosely united in a second union, hoping that after a while they will be promoted again to the championship league—to borrow a concept from the world of European soccer. The future of the Euro is uncertain; it may survive the present crisis, but what about the next? There is no willingness for now proceed towards political unity, but it is even more difficult to imagine a return to the fragmented Europe of pre-EU days.

The second scenario: A recovery from the present crisis, quickly, or more likely, over time. Such recoveries have occurred in the past. Thirty years after its defeat by the Germans in 1870–1, France had recovered its confidence. It took Germany less than twenty years after its defeat in World War I to emerge as the strongest power (and greatest threat) in Europe; it took the Russians even less time to resurface after the demise of the Soviet Union.

But what could provide the impetus for such a miraculous recovery? A major, existential crisis generating a feeling of urgency and the conviction that basic changes are needed. Yet at present there are few indications that a new dynamism will prevail over European exhaustion and listlessness (aboulia in the language of an earlier period of psychiatry). Given its demographic weakness, Europe will need immigrants. But its experience of late in this respect in has not been a happy one. It is unlikely to produce the push needed to shift the Continent in a new direction. A profound change,

surprising even the confirmed skeptics, is, I suppose, possible—but it involves a tremendous deal of hope.

Lastly the scenario most likely to happen and least likely to succeed: a bit of reform and a bit of business as usual. The richer countries will help the poorer ones to muddle through. It may work this time, but it is unlikely to be sufficient to deal with the next crisis. Even if it will be ready to act decisively, northern Europe may not be strong enough.

To opt out of Europe would be very costly, even more costly than staying in. For this reason the present uneasy situation is likely to continue for a long time: a big-but-not-very-happy family, constantly bickering and complaining that their national interests are not taken into account, incapable of coordinating their domestic policies, let alone having a common defense and foreign policy. Kicking, screaming and threatening, individual countries will in the end not leave the fold. This allows for survival, but certainly not for a civil and moral superpower, the great model for all mankind in the twenty-first century.

But how to ensure that Europe's withdrawal from the top league of great powers will be relatively painless, a soft landing rather than a crash? There is no magic prescription except commonsense behavior.

Psychologically, such an adjustment to a reduced state in the world may not be easy. Having been accustomed to being strong and influential, it may be difficult to give up old habits. Ambitions will have to be reduced. Europe will have to stop preaching to the world about human rights, freedom and democracy. As the Chinese foreign minister told his colleague from Singapore—we are big and you are small and you ought to behave accordingly.

The outlook is bleak. But it is also true that *nil desperandum*, never say die, is a better guide to action than the violent changes in mood about the future of Europe that we have witnessed over the years resembling the convulsions on the stock markets.

Hot Air

[What if Obama quit?](#)

by Ed Morrissey

I'm not talking about resignation, or just refusing to offer any proposals until after the next election. What if Obama simply decided not to run for a second term as President?

The thought occurred to me after reading [Peggy Noonan's piece](#) this week for the Wall Street Journal, which argues that Obama has already quit in a practical sense:

"The phrase of the day is "new lows." It blares from every screen. The number of Americans satisfied with the ways things are going hits new lows—11%. President Obama's popularity: new lows. The Dow Jones Industrial Average this year: new lows. Maybe it will enter ordinary language. "Charlie, it's been ages. How are you, how's Betty?" "I'm experiencing some volatility, but she's inching toward new lows."

The market is dispirited. I'm wondering if the president is, too, and if that won't carry implications for the 2012 race. You can imagine him having lunch with political advisers, hearing some unwanted advice—"Don't go to Martha's Vineyard!"—putting his napkin by his plate, pushing back from the

table, rising, and saying in a clipped, well-modulated voice: "I'm tired. I'm going. If they want this job so much let them have it." ...

The president shows all the signs of becoming a man who, around the time he unveils his new jobs proposal in September, is going to start musing in interviews about whether anyone can be a successful president now, what with the complexity of the problems and the forces immediately arrayed, in a politically polarized age, against any specific action. That was probably his inner rationale for not coming up with a specific debt-ceiling plan: Why give the inevitable forces a target? But his refusal to produce a plan became itself the target. Reverse Midas.

Under these circumstances he could not possibly be enjoying his job. On the stump this week in the Midwest, he should have been on fire with the joy of combat, he should have had them whooping and hollering with fresh material and funny lines. But even at his feistiest, he was wilted. Distracted. Sometimes he seems to be observing himself and his interactions as opposed to being himself and having interactions. His audiences wanted to show support, it was clear, that's why they came. But there was something tentative in their response, as if they wanted to come through for the applause line but couldn't figure out exactly where the applause line was. The president was dropping his g's, always a terrible sign, a kind of bowing that assumes he speaks from a great height. He also started saying "folks" again. That too is a tell. It's the word politicians who think they're better and brighter than normal people use when they're trying to make normal people think they're normal."

Nothing says that Obama *has* to run for a second term in office. We have had Presidents walk away from opportunities to run for re-election. Prior to FDR, that would include every President who didn't run for a *third* term, of course, but there are examples in the post-[22nd Amendment](#) era, too. Harry Truman was specifically exempted from the term limits imposed by the constitutional amendment but chose not to run for a second full term in 1952. Lyndon Johnson also chose not to run for *his* second full term in 1968. Both men made those choices at least in large part because they had become so unpopular that they clearly couldn't win, especially LBJ. Another parallel to LBJ is the effect of having an unpopular war tied around a president's neck.

Some will scoff at the notion that Obama and his large ego would walk away from the office, but LBJ was also rumored to think pretty highly of himself. It's a low-probability outcome, but it isn't a *zero* probability outcome. Obama's ratings have tanked this year along with the economy, and he hasn't come up with an original thought on economic policy since Porkulus. The leaks of his rumored plan sound a lot like Porkulus II, a sequel to a flop. This gives the impression that Obama has run out of ideas, and as Noonan argues in her piece, his attacks on Republicans for their supposed refusal to pass a plan he has yet to even submit to them sounds like a man who *realizes* that he's out of ideas, too.

But the decision may end up being out of his hands if the political environment doesn't improve. Obama's numbers are plummeting in places Democrats can hardly afford to lose. In Pennsylvania, where Obama will top a ticket that also includes Bob Casey's bid for a second Senate term, he's either at 43% approval (Quinnipiac) or at 35% (Muhlenberg). Wisconsin turned Republican last year and a series of elections this year confirmed it, and Herb Kohl's seat in the Senate is up for grabs. Obama can be expected to drag down the ticket in Virginia (James Webb's seat is open), Florida (Bill Nelson), Ohio (Sherrod Brown), Maryland (Ben Cardin), and Michigan (Debbie Stabenow). Obama is underwater in New York and New Jersey already, two normally staunch Democratic states, both with Senate races on the line as well. If Obama runs at the top of those tickets, *he* might eke out victories in the two states, but his presence on the ticket will depress Democratic turnout and *might* endanger Kirsten Gillibrand and Robert Menendez; Democrats would almost certainly have to spend a ton of money to bolster them that they'd normally spend elsewhere.

Democrats will be looking at a massacre in the Senate, and that's not even including already-endangered seats in Nebraska, Missouri, Montana, and New Mexico, which just elected its first Republican woman governor last year. Democrats could wind up losing enough seats to give Republicans a filibuster-proof majority in the Senate if Obama chases away the white working-class vote that he's been alienating for the past two years on ObamaCare and now his disastrous economic performance. If unemployment starts rising and growth remains low in the next few months, Democrats may insist on Obama finding a graceful exit before the primaries.

And guess who that leaves with an open path to the Democratic nomination? *Hillary Clinton*. She can step into the void with promises to return America to the economic policies of her husband. The Left may not have much love for Hillary any longer, but she was winning the very working-class Democrats in the 2008 primaries that Obama is losing to the Republicans now. States like Pennsylvania and Michigan would snap back into place for Democrats, and perhaps Wisconsin as well. Having Obama off the top of the ticket would take some of the downward pressure off of some other Senate races, and Hillary would likely be a plus in most.

If Hillary took Obama's place in 2012, Republicans would face a much tougher electoral map. They would still have the advantage of running against Obama's record, but the GOP may not capture that disaffected Democratic working-class vote if Hillary also ran against Obamanomics and promised a return to Clintonian prosperity. The eventual Republican nominee would have at least a tougher task in winning those votes and the White House. And even if Hillary lost in a general election — Democrats lost the White House in 1952 and 1968, coincidentally both times with Richard Nixon on the Republican tickets — the Democrats might save a few Senate seats with an improved turnout in key states.

All of this is entirely speculative, of course, but it's not impossible, either. Democrats might be loathe to push the nation's first African-American President into an early retirement, but they may eventually balk at committing political suicide if Obama's numbers and the economy keep going south in the next few months. Under those conditions, even Obama might be ready to walk away without much pushing.

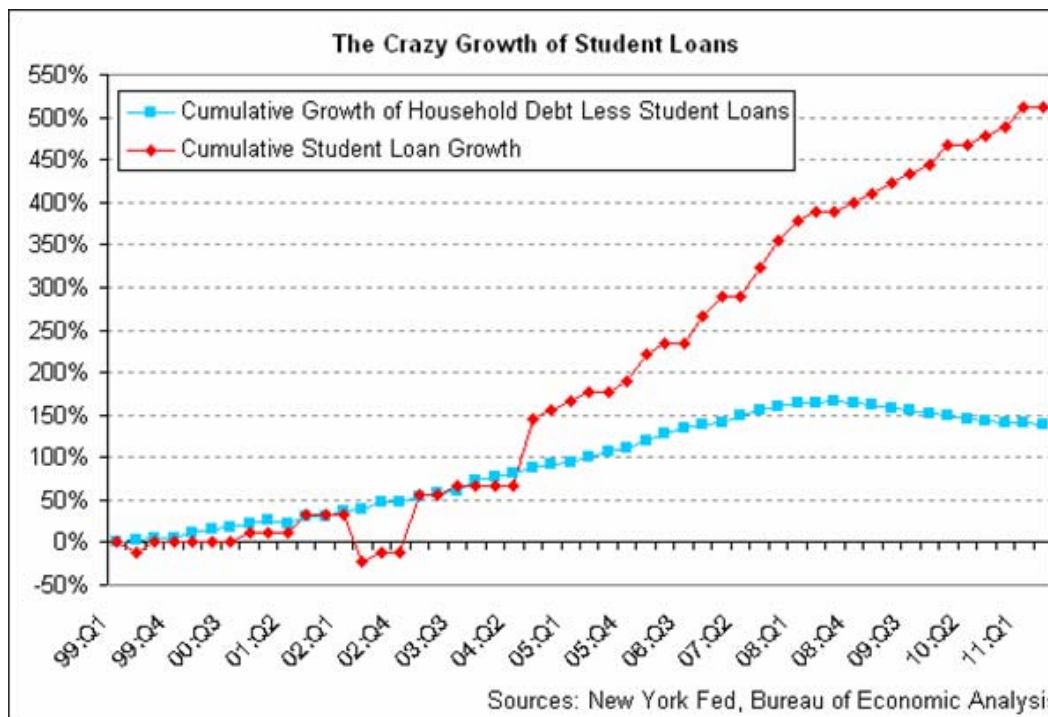
Atlantic Monthly

[Chart of the Day: Student Loans Have Grown 511% Since 1999](#)

by Daniel Indiviglio

You think the housing bubble was enormous? Meet the education bubble. On Wednesday, an [article here](#) by Andrew Hacker and Claudia Dreifus explained the debt crisis at American colleges. But some startling statistics will help to make their analysis a little more tangible. The growth in student loans over the past decade has been truly staggering.

Here's a chart based on New York Federal Reserve [data](#) for household debt. The red line shows the cumulative growth in student loans since 1999. The blue line shows the growth of all other household debt except for student loans over the same period.



This chart looks like a mistake, but it's correct. Student loan debt has grown by 511% over this period. In the first quarter of 1999, just \$90 billion in student loans were outstanding. As of the second quarter of 2011, that balance had ballooned to \$550 billion.

The chart above is striking for another reason. See that blue line for all other debt but student loans? This wasn't just any average period in history for household debt. This period included the inflation of a housing bubble so gigantic that it caused the financial sector to collapse and led to the worst recession since the Great Depression. But that other debt growth? It's dwarfed by student loan growth.

How does the housing bubble debt compare? If you add together mortgages and revolving home equity, then from the first quarter of 1999 to when housing-related debt peaked in the third quarter of 2008, the sum increased from \$3.28 trillion to \$9.98 trillion. Over this period, housing-related debt had increased threefold. Meanwhile, over the entire period shown on the chart, the balance of student loans grew by more than 6x. The growth of student loans has been twice as steep -- and it's showing no signs of slowing.*

Obviously the number of students didn't grow by 511%. So why are education loans growing so rapidly? One reason could be availability. The government's backing lets credit to students flow very freely. And as the article from yesterday noted, universities are raising tuition aggressively since students are willing to pay more through those loans.

This student loan growth sure looks unsustainable. But it's hard to see how this bubble's inevitable pop might look. Ultimately, it might look more like a balloon slowly deflating, if a large portion of college graduates decide to strategically default on their debt over time.

All this college debt could put the U.S. on a slower growth path in the years to come. As Americans grapple with high student loan payments for the first few decades of their adult lives, they'll have less money to spend and invest. All that money flowing into colleges and universities is being funneled away from other industries where it would have been spent in future years. Of course, this would be a rather unfortunate irony: higher education is supposed to enhance a nation's growth, but with such an

enormous debt burden, graduates might not be able to spend and invest enough to allow that growth to occur.

