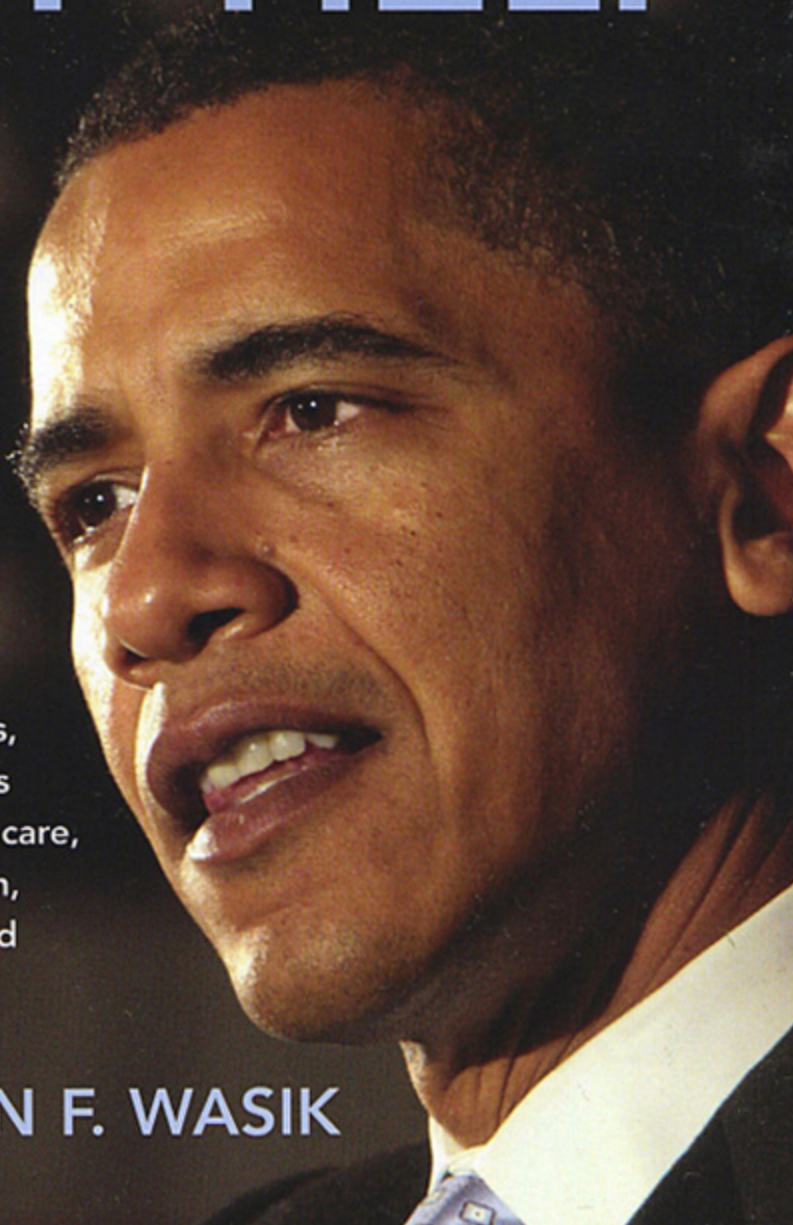


THE AUDACITY OF HELP



Obama's Economic Plan and the Remaking of America

Who wins,
who loses
in health care,
education,
taxes, and
energy

JOHN F. WASIK

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The Audacity of Help
Obama's Economic Plan and the Remaking of America
By John F. Wasik

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Obama's Economic Plan and the Remaking of America

JOHN F. WASIK

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To Kathleen Rose
Oui, nous pouvons!

CONTENTS

Preface xi

Introduction: A Brief History of Obamanomics 3

- 1** First Aid and Income Boosters 17
- 2** Rebuilding Infrastructure, Creating Jobs 35
- 3** Bottom-Up Economics: Small-Business Benefits 51
- 4** Job Creators and the Green-Collar Bonus 65
- 5** Get Smarter 81
- 6** Borrowing Wisely 97
- 7** Restoring Home Ownership: Keeping the Dream Alive 113
- 8** Health-Care Reform 125
- 9** Unfinished Business: Long-Range Goals in Entitlement Reform 141
- 10** The Road Ahead 155

Appendix 173

Resources 185

Index 193

Preface

IN THE CITY'S FRONT YARD, set against the splendid Lake Michigan on a perfect, warm November day (a miracle in itself given Chicago's typically nasty weather from Halloween to Memorial Day), the hopeful gathered, attempting to get into a park that was tightly cordoned off to anyone without Secret Service clearance. It was November 4, 2008, and Barack Obama was about to make history.

"Who sent you?" was the first question barked at me by a security guard as I showed my press credentials at the gate of the media staging area. How ironic that this time-honored greeting of Chicago ward politicians would welcome my attempt to get a close look at Obama's election-day victory celebration. Alas, I did not obtain Secret Service clearance from the campaign in advance, so I was denied admission. I grimaced and muttered a mea culpa and walked around the perimeter of the park.

The energy was palpable approaching the campaign's epicenter. I closed my eyes and felt the dynamic pulse of optimism and pessimism competing for my attention. The potential dread of him losing because of some widespread fraud, which I am sure would have sparked mayhem, rang in my ears like a maddening tinnitus. Yet my auditory precognition reverberated with the prospect of him winning, an act that could restore some hope to the country and the world after eight destructive years. I chatted briefly with an African-American police sergeant. "It's been pretty quiet today—so far," he said, broadly smiling the whole time.

The fete was on hallowed ground in the history of the Republic. Abraham Lincoln was nominated in a long-forgotten place called the WigWam a mile north of the site, in an election that fomented the Civil War. An even more forgotten statue of Union General John Logan sat opposite the Obama fest site. Vendors were selling T-shirts with images of Martin Luther King and Obama. Some were emblazoned with “Rosa [Parks] sat so Martin [Luther King Jr.] could walk, so Obama could run, so our children could fly.”

The Chicago police riots during the 1968 Democratic National Convention—when the cops beat up Vietnam War protesters—took place two blocks away. In the middle of that violence, Mayor Richard J. Daley blustered, “We are here to *preserve* disorder, not to create it.” A few years earlier, Dr. Martin Luther King, marching in Marquette Park, was hit in the head with a brick a short bus ride from Obama’s current home.

In the years since, much progress has come to the former “hog butcher to the world” and the nation. Jim Crow, apartheid in schools and public places, came and went in my lifetime. Voting rights came to minorities in the South. Americans landed on the moon several times. But despite that, a president, his brother, and Dr. King were assassinated, and Chicago remains one of the most segregated cities in the United States.

Who Is Obama?

Who is Barack Obama, the first person of color to be elected president? The son of a wayward Kenyan economist and a teenage mother. Community organizer. Harvard Law School graduate. University of Chicago Law School professor. State senator and U.S. senator. Once a little-known Illinois lawmaker, he ascended to his U.S. Senate seat when wealthy commodities trader Blair Hull bowed out of the race as details of his ugly divorce became public. His initial Republican opponent also had domestic issues.

With roots in the Midwest and Africa, Hawaii and Indonesia, Obama brings to the job a worldly genome and deep experience of many cultures. Because of his unique background, he may have a greater understanding of economic violence and social dislocation than any modern president.

When I met Obama during his Senate campaign in 2004, a voice echoed in my head: “This man *can* become president. He has the complete package.” Millions agreed with me, taken by his calm confidence, intelligence, and eloquence. Unlike George W. Bush, he spoke to us, rather than *at* us. Obama organized a volunteer army of more than 13 million people, mostly through the Internet and text messaging. The Bush-weary twenty-first-century electorate was ready for Obama and was not put off by the strangeness of his name, his heritage, or his elite education.

During the campaign, he spoke to me and my neighbors in Prairie Crossing, about 45 miles northwest of Chicago and deep in Republican territory. At the time, and in many speeches thereafter, Obama echoed Lincoln when the sixteenth president spoke of his central idea of equality: “the principle that clears the path for all—gives hope to all—and, by consequence, enterprise, and industry.”

By elucidating his concept of economic equality, Obama’s message had a powerful resonance. Obama took office at a time when inflation was outpacing wage growth, companies were cutting pensions, and market disruptions and unemployment were leaving more than 45 million people without health insurance or retirement security. Obama also spoke to those raised to believe that they *would* be better off than their parents yet who were falling behind, losing their homes, and going bankrupt.

Big Troubles

With the economy a priority, the man who had been drawing millions of people to his speeches and ideas probably was not about to neglect the streets of Chicago or the forlorn urban pockets of despair from the Central Valley of California to the Bronx. Time will reveal if he is a man for all seasons; he first must assemble and execute an economic revival plan of historic proportions that may take years to transact, if it works at all.

His economic revival plans are ambitious and include everything from middle-class tax cuts to fixing the banking system. Everything that needed to be fixed was on the table in an effort to promote financial equality. Not all of it will survive congressional scalpels,

but I hope to document what Obama promised and what Congress delivered.

The U.S. economy will be altered in some modest ways, but do not expect too much. Those who dismiss Obama as a socialist should look to his intellectual roots at the University of Chicago, the mother ship of market economics. The virtual Nobel Prize factory has cradled or crippled the global economy, depending on your worldview. Some of his top advisers are from that Hyde Park enclave, the spiritual home of free-market godfather Milton Friedman.

Will Obama be able to replace the more than 4 million manufacturing jobs that have been lost since 2000? Will he be able to repair and re-regulate the disemboweled financial system? Like any president, he may not have that much direct impact. It took World War II to fully re-engage the U.S. economy after a decade of FDR's New Deal programs.

And what of the human misery that is born of economic despair? The meanest streets of Chicago, where joblessness and street gangs claimed more than 400 lives in 2008, were just blocks away from Obama's celebration. Such an ongoing waste of human potential needs to end.

Obama's Insights

Fortunately, Obama is a uniquely qualified expert on economic violence. When he was a community organizer on the South Side of Chicago, he tried to restore a measure of dignity to tens of thousands of steel and other manufacturing workers who were impoverished by the brutal recession of the late 1970s and early 1980s.

It was ironic and utterly mean-spirited that he was ridiculed for his community efforts on the floor of the Republican National Convention in the summer of 2008. We could want for no greater authority on how neighborhoods and families could suffer during a recession than Obama.

I know of his work because I walked the same streets when I was writing (as a business-labor reporter for the long-defunct *Daily Calumet* newspaper) about the same people who had gone from decent wages and guaranteed benefits to poverty nearly overnight.

Their ranks were legion and included men such as Frank Lumpkin, a bare-fisted boxer who came from a Georgia sharecropping family to a decent job in a steel mill only to end up being a jobless coalition organizer when his mill (Wisconsin Steel) closed in 1980, depriving him and more than 4,000 others of back pay and benefits. Most of those same economic-security problems, sadly, were still hounding working Americans when I began this book. If you lost your job, you lost your health and retirement benefits—and a chance to get ahead. Why is this still a problem that bedevils our prosperity?

The Future

As I watched a gaggle of Chicago school kids march into Grant Park to see the spectacle of history on election day, my heart skipped a beat. As I was walking away from the park, they were strolling *into* it. The future was striding by. They were the heirs of everything Chicago had given the world: the modern electrical grid, commodities markets, transportation nexuses and countless tons of steel, machine tools, and candy. These children were players in the worldwide network, connected through aspirations and intelligence to street dealers in Rio, AIDS orphans in Tanzania, souk urchins in Cairo, and taxi drivers in Mumbai. Somehow, because of Obama's ascension to the highest office in the land, they had a feeling that they, too, could make a difference.

Would these future agents of change find room and hope in Obama's new network of progress, one so remarkable that it linked young and old, rich and poor in raising more than \$600 million, a record amount for any campaign? Obama may not be able to boost incomes, restore sanity to financial markets, or even make health care affordable and available to all, yet he has provided a new agenda for tackling these problems. In his first days in office, he gave some direction by ordering the closing of the Guantanamo Bay prison, signing a law allowing women to sue for job discrimination, and lifting restrictions on stem-cell research.

As the ghosts of one of the most avaricious periods in American history continue to haunt our culture, will Obama restore market economics or simply create a new form of government-guided,

compassionate social capitalism otherwise known as *Obamanomics*? Given the huge agenda he has taken on for reviving the economy and fixing the housing, financial, and mortgage markets as well as creating jobs, it will be this compelling fusion I call the “Green Deal.” It will be holistic and looking far beyond his time in office. It is nothing less than restructuring the economy and industrial goals of the United States for the twenty-first century.

As a personal finance columnist for Bloomberg News, I have followed Obama’s every move since he arrived on the national scene. Not only do I have a deep professional interest in seeing how he attempts to rebuild the economy, but also I want to know how individuals will benefit from his programs. I also want you to understand what he has promised and how Congress is reshaping—and sometimes sidelining—his ideas to deliver final pieces of legislation.

Genius for Reinvention

America has always possessed this genius for invention and reinvention. It’s been a Valhalla for second chances. Illinois has had its share of makeovers and leaders who were pillars of power and purpose. Remember other renowned Illinois-bred politicians who reinvented themselves, including Ulysses S. Grant, who was transformed from merchant to general, and then got elected to two terms as president, eventually finishing his life as one of the greatest autobiographers in history; Adlai Stevenson, the intellectual turned presidential candidate and United Nations ambassador; and Ronald Reagan, the “B” actor turned governor, president, and Republican lion.

There was also the Great Emancipator, an icon whose prose Obama seeks to emulate. Lincoln himself was transformed from uneducated rail-splitter, failed shop owner, and railroad lawyer to win two short terms in the Illinois legislature and Congress and to become perhaps our most revered president. He was self-taught and born poor.

Whatever Obama will do, we can hope that he will not be the captive of the efficient and ruthless Chicago political machine or acquiesce to the powerful overlords of K Street and Wall Street. I trust he will stay true to Lincoln’s dedication to the ideals of universal equality.

It is no small irony that Obama was inaugurated during the bicentennial of the births of both Lincoln and Charles Darwin. America is still on the tortured road to equality and evolves to seek the angels of our better nature. So goes the audacity of hope.

Thanks

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THE AUDACITY OF HELP

The Ownership Society doesn't even try to spread the risks and rewards of the new economy among all Americans. Instead, it magnifies the uneven risks and rewards of today's winner-take-all economy. . . . That's not a recipe for sustained economic growth or the maintenance of a strong American middle class. . . . Fortunately there's an alternative approach, one that recasts FDR's social compact to meet the needs of a new century.

—Barack Obama, *The Audacity of Hope*

INTRODUCTION

A Brief History of Obamanomics

Hope floated Barack Obama into the presidency. Elected with the boreal tailwind of an electorate facing a deep recession, buffeted by the myriad failures of the previous administration, and an old-fashioned lack of confidence in the status quo, the candidate for change had Herculean tasks ahead of him. The economic underpinnings of the American Dream were popping like rivets in a submarine that had gone too deep in the ocean. The most visible malady was the economy: in 2008, the stock market suffered its worst loss since 1937. Global credit markets nearly shut down, threatening a devastating depression. Millions of homeowners were either in or facing foreclosure. Average household income wasn't beating inflation.

"Something has gone terribly wrong with the American dream," wrote Kathleen Parker in the *Washington Post* the week before Obama's inauguration. "No longer is a college degree—or even an advanced degree—a guarantee of employment or job security."

Few Americans felt like they were getting ahead anymore, and more than 10 million were pounding the pavement. It was this vexing economic insecurity that propelled Obama's "change" and "Yes, We Can" campaign to the White House.

Why did the American people entrust an unknown, not-quite one-term senator from Chicago with the highest office in the land—one who promised just a broad outline of a plan for revival? Imbued with soaring intelligence, a gift for language, and jazz-age cool, Obama deftly delivered a disciplined message: I will create jobs,