



## **Borking the Budget**

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“The economies of Europe and the United States have arrived at the moment when they no longer have any conceivable hope of being able to pay for the huge public commitments they’ve amassed the past 40 years. This year’s ‘debt crisis’ has been building for decades.”

*The Wall Street Journal, August 5, 2011, “The Global Rout”*

### **The debt-ceiling overhang**

Readers will remember the 1987 nomination fight over the appointment of Robert Bork to the United States Supreme Court. Mr. Bork, a law professor at Yale University, was by all accounts highly qualified for the position but held extremely conservative legal views. Senate Democrats turned the process into a lynching of Bork because they opposed his conservative views. The lowlight of the hearings was the late Senator Ted Kennedy’s peroration that, “Robert Bork’s America is a land in which women would be forced into back-alley abortions, blacks would sit at segregated lunch counters, rogue police could break down citizens’ doors in midnight raids, schoolchildren could not be taught about evolution, writers and artists would be censored at the whim of government, and the federal courts would be shut on the fingers of millions of citizens for whom the judiciary is often the only protector of the individual rights that are the heart of our democracy.” Senator Kennedy was a great orator, and his words sealed the Senate’s rejection of the nomination even though they grossly caricatured Bork’s views.

Just three years later, Clarence Thomas, who most would agree was far less qualified than Bork (a view that has been borne out by his performance on the bench), was nominated for the Supreme Court by President George Bush and treated to what he described as a high-tech lynching. Thomas’s nomination was approved by a sharply divided Senate after a series of hearings that made the recent debt-ceiling debate look dignified.

Since then, all Supreme Court nominations have become highly partisan affairs in which the parties overstep their Constitutional responsibility of “advise and consent” by attacking



the views rather than evaluating the qualifications of the nominee. This approach allows them to score political points with the most radical parts of their constituencies that exercise undue influence over the judicial nomination process. Today, dozens of federal judgeships remain unfilled because of each party's intransigence.

It now appears that the obstreperous approach that succeeded in the Bork nomination fight is being applied to the federal budget. Instead of treating this subject with objectivity and reason, both parties have borrowed the tactics that their most radical elements have historically applied to social issues like abortion. The advent of the Tea Party is proof positive of this. Republicans were able to successfully hold out against the possibility of tax hikes by threatening to let the United States default. Many Tea Party members expressed something between indifference and enthusiasm at the prospect of a U.S. default without having the faintest idea of what a default would entail. As *The Economist* argued, "That the Republicans deployed such a threat so successfully will encourage both parties to try it again."<sup>1</sup> The Republicans were hardly subtle about their success. Senate Majority Leader Mitch McConnell declared their strategy "a new template." He added that this was only the beginning, not the end, of the Borking of the budget. "In the future, any president, this one or another one, when they request us to reach the debt ceiling, it will not be clean any more...we will go through the process again and see what we can continue to achieve."<sup>2</sup>

Mr. McConnell and his Tea Party colleagues may be celebrating, but the rest of us are suffering. The Republican approach is highly dysfunctional, although the Democratic response was little better. Ironically, while the Democrats came out on the losing side of the debt-ceiling debate, they can only blame themselves for the approach adopted by the Tea Party. Think back to the denouement of the Obamacare debate, when Nancy Pelosi and other Democratic leaders marched up the steps of the Capitol Building arm-in-arm with heroes of the Civil Rights Movement. By turning healthcare into a civil rights issue, Barack Obama, Nancy Pelosi and Harry Reid created a monster that has now turned its fangs on them. The problem is that these leaders' dysfunction is inflicting massive doses of pain on American society and the economy. Standard & Poor's may not have interpreted matters in precisely this way, but it clearly understood the damage that continuing political dysfunction is inflicting on the American economy. As I've written, the downgrade was not about America's ability to pay its bills; it was about America's ability to govern itself. Somebody had to hit the political class its head and explain that its conduct is unacceptable. It says a lot about our system – nothing good obviously – that it was left to a deeply discredited credit rating agency to fill that role. Decline has been a difficult thing to watch throughout history. The failure of government is a symptom of American decline, and it prompts feeling of anger and frustration from all sides of the political spectrum.

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<sup>1</sup> *The Economist*, "No thanks to anyone," August 6, 2011, p. 27.

<sup>2</sup> Quoted in *The Economist*, August 6, 2011, p. 27.



## Global unrest

Periods of rapid economic change frequently lead to social unrest. The world is starting to see that phenomenon take effect this year, first in the Arab Spring, now in the riots in the UK and an even greater incidence than ordinary of violence in the U.S. China, a country experiencing mammoth economic change in a compressed period of time, is riven with social unrest it tries to hide from the Western media. The historian Niall Ferguson wrote of the dark side of rapid economic change in his magisterial history of the bloody 20<sup>th</sup> century, *The War of the Worlds*: “[E]thnic conflict is correlated with economic *volatility*. A rapid growth in output and incomes can be just as destabilizing as a rapid contraction. A useful measure of economic conditions, too seldom referred to by historians, is volatility, by which is meant the standard deviation of the change in a given indicator over a particular time.”<sup>3</sup> Professor Ferguson defines economic volatility as “the frequency and amplitude of changes in the rate of economic growth, prices, interest rates, and employment, with all the associated stresses and strains.”<sup>4</sup> The United States has moved from a budget surplus at the end of the Clinton Administration in January 2001 to trillion dollar deficits as far as the eye can see today. The U.S. federal debt burden was \$5.8 trillion in 2008; it is \$14.3 trillion today (excluding GSE debts). The unemployment rate rose sharply during the recent recession and remains at an elevated level. The United States has experienced the kind of rapid change that other countries have experienced as the prelude to ugly social consequences. While the volatility of the stock market may not tell a lot about the condition of underlying companies, it is a reflection (in ultra-fast motion) of the economic volatility that is threatening global stability politically and economically.

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<sup>3</sup> Niall Ferguson, *The War of the Worlds: History's Age of Hatred* (London: Allen Lane, 2006), p. xli.

<sup>4</sup> Ferguson, p. lix. Italics in original.