

TRANSCRIPT
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It's terrific to be here, my thanks to Ron [Smith]. When I said earlier today that Brookings likes to go from the local to the national to the global and back again, Ron and Susan [Thompson] as a family do this every night and, when I was here two weeks ago – first at the Lincy event, which was so keenly focused on the Nevada region, the southern Nevada region in Las Vegas, and then that was the first event that I went to – and the last event, before I climbed on the red-eye home, was that of Susan's welcoming reception for all the international students and faculty here, and it gave me a sense of what the university's reach can be and, in a sense, it reminded me of why we are here.

We at Brookings like to go from the local to the national to global, and the syntax that I am going to talk about today is another effort that we're doing to try to bring together our sprawling research agenda at Brookings [*checked microphone to make sure it is working*]. The way that this comes together for us is we have five research programs at Brookings: foreign policy, government studies, economic studies, foreign policy, metro studies, and global economy and development, and we started thinking about how can we together work to assess what's going. This is particularly in the wake of the financial crisis last fall and presidential election, we started talking about pulling together a composite set of matrices that look at a number of trends, and we went back and we read through a bunch of documents and we focused on the opening paragraph of the Constitution.

In addition to "forming a more perfect union" and "justice" and "domestic tranquility," we focused on three cores, or what we thought were the three core missions of the federal government at the time of founding: providing for a common defense, promoting the general

welfare, and securing the blessings of liberty. And we tried to think across the institution, how do we marry up against that and against those three core objectives of government and how we assess and understand where the country and world is at any one time? How do we connect the local, the national, and the global, and how do we bring the economic and political dimensions of those spheres of focus together in a way? And so our first How We Are Doing Index tried to do that. And what we tried to do in this first index was benchmark the first six months of the Obama presidency against the five predecessors and how they were doing at six months into their presidency in each of these three spheres.

So the first one was looking at the Common Defense, and actually what I am going to do is have some friends and colleagues here pass out the version that appeared in the *Washington Post*; I think it also ran in the *Las Vegas Sun*, although I didn't have a hard copy version to pass out. This is both a benchmark for how we're doing – and how the Obama administration and how we the country and the world are doing six months in – against these past five presidencies, moving forward on a quarterly basis. What we at Brookings are going to do is to compare each quarter against the three quarters that preceded it, and then once a year we will compare at a yearly mark how it compares back against the four previous years, so you will have a little bit of shifting time perspective sort of.

In the introduction today when Neal [UNLV President Neal Smatresk] was talking about how UNLV's thoughts on these issues have been going on for two years, and I spoke about how Brookings has been looking at Las Vegas for five years, and Brian topped that to say he has been thinking about a partnership like this for 20 years ... well this chart goes back 32 years to the Carter administration. What we see on the top: this shading tries to represent in general terms – it is a little bit hard because, depending on perspective, to indicate positive versus negative, and I'll talk about one or two that sort of belie the color coding but generally lighter is better

than darker – but on the first two items we decided not to give them any qualitative value – that is the size of the defense budgets and the number of military persons stationed abroad – and the reason for that is that there is a very strong argument of Americans that the unipolar world that came out of the Cold War has actually been a beneficial thing not just for the United States but for the planet. And you can see that through the matrices here. So, for instance, the number of military combat fatalities has generally been relatively low as the defense budgets have gone back to their pre Cold War levels. The one thing that [President] Obama has inherited is two wars, which he now owns, and so what you can see is the first six months of his presidency has had more combat fatalities than in any of the previous past five presidencies, any one of them, but all of them combined. Now, if we had included Richard Nixon in here, him inheriting the Vietnam War, those combat fatalities would have been higher. It would give you the sense that easily the biggest foreign policy challenges that he [President Obama] faces are these two wars that are out there.

The number of nations that have tested a nuclear weapon: this was actually a good news story of the Cold War. Actually, you can play the numbers slightly differently in the middle period, because in the consolidation of the Soviet Union there were two other countries that technically were independent states, even though they were under the Soviet umbrella, Belarus and Ukraine, that had nuclear weapons, so depending on how you counted, it [the number] actually went down in the early years of the Clinton administration. But what we've seen was by the time George Bush took office, India and Pakistan had tested and North Korea also tested. And that's a very troubling data point that's out there, particularly with some major negotiations ongoing.

The Non-proliferation Treaty of 1968 is falling apart, partly because you have these new countries. In that treaty, unless you were signatory of that treaty and were acknowledged as a

nuclear state, you couldn't test a nuclear weapon. And what's happened in the last nine-ten years is that India and Pakistan tested nuclear weapons – actually, eleven years ago, now, in 1998. What you see a number of countries abrogating that treaty. So one major challenge going forward for the Obama administration – it hasn't gotten as much attention today because of the wars in Pakistan, Afghanistan and in Iraq – is that this negotiating is going to be ongoing within the next few years, starting first with Russia and then other nuclear weapon states.

Again on conflicts worldwide, that number has actually gone down. Many people think that that is the result of the end of the Cold War. So while we're fueling two armed conflicts in the United States, the rest of the world actually is looking a little bit more peaceful, and to some degree that's because, during the Cold War, superpower rivalry wasn't happening between two superpowers it was happening in Central America, it was happening in Southern Africa, that has appeared to back off a bit. As a result, civilian casualties worldwide are also down. So again we're experiencing it quite powerfully because we're engaged in these two conflicts, but the rest of the world is actually feeling a bit more peaceful.

Another terrific development that's happened in the world has been world population. While world population has been growing, it turns out it may not be such a good thing. As you can see, we shade that darker blue. The share of people living in poverty in the world has declined dramatically and that's largely because of economic growth in India and China. You know, literally a billion people have been lifted out of poverty in the decade alone in those two places. It's also happened in Latin America and Africa, and I think one thing that we think is going to be happening over the next set of years, and we're going to be trying in future indices to look at, is growth in those two places, because we're actually somewhat bullish on both of those places. And then lastly with a major climate change negotiation happening in Copenhagen in December of this year, we wanted to track at least in this first one where the

concentrations of greenhouse gas emissions in the climate are. We've used carbon concentrations as the metric here. Most scientists believe that 470 parts per million of carbon in the atmosphere is dangerous. It going to cause over the next 50 years real, consequential global warming and potentially the melting of the ice caps and then it throws off all kinds of weather patterns. We are getting very close to that. We're 439, now 470 is considered dangerous, so unless we start bending that curve down, we could be in real trouble.

The General Welfare: this is essentially for us a marker of where we are in the economy, and it is not going to be surprising to anyone in this room that the economy is not doing well. I think this chart shows us what makes this recession so great. It turns out that many presidents inherit recessions. Part of the reason presidents change particularly, presidents from different parties take over, is because they are inheriting a bad situation and they're going to make it better. That is the case under Jimmy Carter inheriting the Gerald Ford recession from the first oil shock; Ronald Reagan in part inheriting a second oil shock recession that Jimmy Carter lived through; George Bush actually had inherited a relatively good economy but by the time Bill Clinton ran against him, the economy in the wake of the first Gulf War was not doing so well; George Bush inherited actually a decent economy, kind of, but then the dot-com bubble hit, and it really wasn't as good, but then obviously the Obama administration is inheriting a bad situation, and the reason it is so bad is the number – or the way that you can feel why this recession is so great – is the number of different elements of economic growth that are being affected right now.

In previous recessions, you often had one or two. You had perhaps high inflation or perhaps high unemployment, but in the Obama administration nearly everything is bad with two exceptions. We have low inflation, and that's a good thing, and we have low interest rates. We also have a relatively low savings rate. This is one of the things that I was going to mention, that

the personal savings rate is actually back down to 4.3 percent and generally we've been hearing that Americans don't save enough and actually, in this case, that is not a good thing because by retracting so quickly it's affecting the other matrices that are out there.

We've included two other statistics in here, [*checking the PowerPoint*: I want to see how I go back], two other statistics that I want to point out that are going to be a part of this. These bottom two, which should affect a place like Las Vegas, the percentage of large metropolitan areas with major housing price drops 61% in this recession. In the Clinton recession and in the Reagan recession those numbers were high as well, but what you didn't have in those was the percentage of large metros that also experienced employment declines: 97 percent in the Obama recession compared to only 37 and 20 percent in the Bush and Reagan recessions.

And then finally the Blessings of Liberty. We debated internally about this title. We're trying to get a sense of the political health of the country. Some of our branding people, particularly on the economic side, didn't really know what that meant. But what we think about this is: how robustly is the administration doing in engaging with a free public, a public that wants to be engaged and not just receive the dictates of government? And this is the best news story that [President] Obama had at the six month point.

The numbers have come down a little bit since, but I think they are still fairly robust. And what's robust is not the personal popularity – which you can see from previous administrations Jimmy Carter was quite popular at six months, Ronald Reagan, George Bush – but the turnaround in public mood. Not since [President] Reagan in a first six month period have you seen such a turnaround in how Americans think the country's going. The turnaround here is the metric. The "right track/wrong track" number was 14 points worse when he was inaugurated than it was six months later in the middle of July, and that compares very favorably with [President] Reagan. The reason that was the case, one of the reasons that it's very telling,

is where independent voters are, and this is the number that the White House looks at very carefully and there are two things about this. One is he [President Obama] has very relatively high numbers, it's in George Bush territory from the first six months, very much so where [Ronald] Reagan and even Jimmy Carter were at six months. But what you see in the bottom number also tells you something important that is going on in the country, which is that political polarization has really risen in the country. There is a 65 percent gap between President Obama's approval rating among Democrats, which is 85 percent, and among Republicans which is 20 percent.

There are a couple reasons behind that, and one of them is the shrinking of the Republican Party. Self-identified Republicans have gone from being 35 percent of the electorate to under 30 percent of the electorate. They are a much harder core, they are much less inclined to view the president favorably, some of them have shifted to being independents; a few Republicans have shifted, particularly in the northeast, to being Democrats, so I think that the important thing to watch moving forward is not just what that gap between Democratic and Republican ratings look like, but also Independents and then the number behind them, which is the self-identification of people.

If health care goes, the health care reform effort does not go well, if the energy effort also fails, will the Republicans be beneficiaries of that? Will there just be a more disaffected independent pool? Those are the things that we are trying to track. I want to stop there because I want to leave time for questions and get into the next lecture. But this is just to give you a sense of what we are doing in the How We Are Doing Index and what we hope to be doing over the next seven years. And we hope this will be a regular feature of our involvement here in Las Vegas and Southern Nevada.

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