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Michael Grunwald, *The New New Deal. The Hidden Story of Change in the Obama Era*

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GRUNWALD, Michael, *The New New Deal. The Hidden Story of Change in the Obama Era*, New York, Simon & Schuster, 2012, 528 pages, ISBN 978-1451642322, 18 euros.

- 1 Even before the specter of the lame-duck president began looming over Barack Obama's second term, his ability to fulfill his promises of change had long been questioned. Neither the broad progressive agenda that the Left had hoped for, nor the color-blind society or the postpartisan era that the outsider candidate had envisioned ever materialized. For the critics, the lofty rhetoric of change hit the grim reality of legislative politics.
- 2 This makes Michael Grunwald's *The New New Deal* both a daunting task and an original contribution to the study of the Obama presidency. His analysis focuses on the "hidden story of change" through the prism of one of the first measures signed by the forty-fourth president of the United States: the American Recovery and Reinvestment Act (ARRA) of 2009. A senior correspondent for *Time* magazine, Grunwald dissects everything you wish to know about the monstrous spending bill known as the stimulus. With vibrant prose interspersed with colorful metaphors and exquisite quotations from both secondary sources and new interviews, the author accomplishes the arduous task of making 500 pages on the intricacies of fiscal policy a fascinating journey through crisis management and the challenges of transformative politics.
- 3 Grunwald's main purpose is to rehabilitate ARRA from a controversial short-term economic policy to a launching pad for long-term reforms that will transform

American society—“the purest distillation of what [Obama] meant by change.” For him, ARRA was a visionary program that has already begun to revolutionize energy, health care, education, transportation and taxation. The question, according to Grunwald, is not how many million jobs were saved or created after the bill was passed, or how many percentage points of Gross Domestic Product (GDP) were added to the economy. ARRA’s real legacy lies in the qualitative changes that it has brought to a broad range of policy spheres, all of which are crucial to the future of the U.S. economy.

- 4 And yet, despite its noble ambitions, the stimulus package became taboo soon after its passage, most notoriously among previously supportive Democrats, who quickly distanced themselves from what became the caricature of a big-government approach to the enduring pains of the Great Recession. For the author, “the Recovery Act [...] was oversold as a short-term economic fix, undersold as a long-term catalyst for change, and fumbled as a political football” (9). There lies the second question that Grunwald tackles, i.e., why the stimulus program—ridiculed as “porkulus”—became a symbol of failure in Washington and across the country, and why it has overshadowed Obama’s political legacy ever since its passage. The answer, argues Grunwald, is to find partly in the White House’s failed communication strategy (emphasizing job creation over a “New Foundation”), partly in people’s tendency to confuse the stimulus with the notorious banking bail-out, and in the media’s relentless focus on short-term economic arithmetic or the ludicrous expenditures that ARRA contributed to finance (among which costumes for water safety mascots and a study of cocaine-addicted monkeys).
- 5 The book is divided into three parts. Part I takes place before Obama’s election. It begins with a portrait of the Democratic candidate and examines the “four pillars” of his political platform (energy, healthcare, education and the economy), setting the ground for the future architecture of the stimulus package. One tension arises early on in Grunwald’s book and haunts his demonstration throughout the book: the contrast between Obama’s transformative agenda and the very cautious nature of the candidate, whom the author describes as a “data-oriented, left-of-center technocrat who is above all a pragmatist.” Thus, early on, Grunwald’s quest for the “New New Deal” stands on shaky grounds, as the reporter acknowledges that Obama “wasn’t a policy entrepreneur, and his campaign wasn’t about new ideas.” The second half of Part I examines the onset of the financial crisis and the early debates on short-term stimulus plans during the Democratic primaries and the presidential election.
- 6 Part II (“Making Change”) dissects the internal debates and long decision-making process that turned a two-digit plan (under 100 billion dollars) into the largest spending bill in U.S. history. At a final cost of \$831 billion, ARRA is more than 50% bigger than Franklin D. Roosevelt’s entire New Deal (in constant dollars), and twice as big as the Louisiana Purchase and Marshall Plan combined. This story reveals the sharp tensions between economic wisdom and political reality: while most economists agreed that the stimulus plan had to be exceptionally large to prevent economic collapse, many advisers were wary of asking Congress for \$800 billion, let alone the \$1.2 trillion that some advisers like Christina Romer (Chair of the Council of Economic Advisers) recommended.¹ Similarly, the idea of counterbalancing states’ budget cuts with federal transfers may have seemed self-evident; yet, politically, it was anathema to many Democrats who anticipated that Republican governors would take credit for their management of the crisis, while blaming Democratic lawmakers for irresponsible spending.

- 7 The third part of the book focuses on “change in action,” i.e., the implementation of the complex set of policies deployed after the signature of the 1000-page stimulus bill. For Grunwald, many of these policies contained in this “New New Deal” are in effect historic reforms: the most transformative energy bill in US history, the biggest education reform since the Great Society, the deepest foray into industrial policy since FDR, the greatest expansion of antipoverty initiatives since Lyndon Johnson, the biggest middle-class tax cut since Ronald Reagan and the largest infusion of research money ever. As the author notes, the groundbreaking nature of these individual measures was largely overshadowed by debates on job creation and economic recovery. These long-term goals, said Vice President Joe Biden are “what nobody gets about the Recovery Act.”²
- 8 Grunwald’s meticulous analysis is an important contribution to the study of the Obama presidency, whose legislative record has often been underestimated. The author’s argument appears particularly convincing when it comes to Obama’s so-called “moon mission”: clean technology. For Grunwald, the federal government’s unprecedented investment in green technologies (from a few billion annually to \$90 billion) not only saved a declining industry (especially wind power), but also allowed a number of infant industries to reach critical mass. In this sense, the author joins other voices like *New York Times* columnist Thomas Friedman to argue that government incentives and investments are instrumental to change the dynamics of the energy market.³ From a theoretical standpoint, this study implicitly contributes to the growing literature on American industrial policy by unveiling the complex functions that the federal government performs in the national system of innovation, e.g., allocating seed capital to radical innovation projects or brokering deals between entrepreneurs and investors.⁴
- 9 If the author deserves credit for shedding new light on the misnamed stimulus package, he is not always successful at demonstrating that Obama’s reforms are groundbreaking. At times, his exhaustive account of the politics of the stimulus leaves little room for policy analysis and historical perspective. To begin with, despite the title of the book, there is very little comparison between FDR and Obama’s political records. Grunwald argues early on that the stimulus is “not the New Deal,” but rather an update of FDR’s program for a new era, a way to “reinvent the economy” in Obama’s words. And yet, the idea of a “New New Deal” ignores the historical legacy of the original New Deal: the creation of the US welfare state, the significance of which can hardly be matched by Obama’s generous and innovative reinvestment program.
- 10 Another lacuna resides in the author’s limited reflection on the relative continuity between Obama’s education policy and the logic behind George W. Bush’s No Child Left Behind. As Grunwald shows, Barack Obama and Secretary of Education Arne Duncan embraced early on school competition and testing regimes, two ideas that would shape Obama’s education policies like the “Race to the Top” program. Yet, these were two pillars of the education reform undertaken by the Bush administration.⁵ Similarly, the author gives little consideration to the idea that the president’s decision to devote one third of the stimulus package to tax cuts was hardly a departure from the policies of his predecessor. What’s more, as the author acknowledges, part of this “new” tax policy was also bad politics to the extent that most Americans (9 out of 10) were not aware that they had benefitted from tax breaks.

- 11 In short, Grunwald's "New New Deal" is an overstatement of an otherwise fascinating story that deserves to be told. In reality, the author is keenly aware of the inherent tensions between the two "Rs" of ARRA, and of the dilemma that Barack Obama continues to face between his cautious and pragmatic approach to politics and his desire to bequeath a political legacy akin to transformative presidents that he admires, whether they be Abraham Lincoln, Theodore Roosevelt or FDR.
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NOTES

1. Neo-Keynesian economists like Paul Krugman argued from the very beginning that anything less than a one-trillion package would undermine the short-term impact of the stimulus and tarnish Obama's entire political legacy.
 2. Ironically, both Biden and Grunwald tend to leave "Reinvestment" out when they refer to ARRA, thereby perpetuating the same short-term bias that they denounce.
 3. FRIEDMAN, Thomas L., *Hot, Flat, and Crowded: Why We Need a Green Revolution—and How It Can Renew America*, New York, Farrar, Straus and Giroux, 2008.
 4. BLOCK, Fred, "Swimming Against the Current: The Rise of a Hidden Developmental State in the United States," *Politics & Society*, 36.2, 2008, 169-206; ETZKOWITZ, Henry, and L. A. LEYDESDORFF, *Universities and the Global Knowledge Economy: A Triple Helix of University-industry-government Relations*, London, Pinter, 1997.
 5. For a critical analysis, see RAVITCH, Diane, *Reign of Error: The Hoax of the Privatization Movement and the Danger to America's Public Schools*, New York, Knopf, 2013.
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