



# Deficits, income disparity & few jobs

## The dilemma over debt & jobs

By **BRIAN A. HOWEY**

INDIANAPOLIS - Rod Ratcliff of Centaur Gaming asked the most pertinent question of our times the other day. "When are we going to get jobs?" he asked as workers broke up concrete at the corner of Market and Illinois in a jackhammered fit of public works.

A few days later, U.S. Rep. Todd Rokita openly questioned the wisdom of Federal Reserve Chairman Ben Bernacke and Treasury Secretary Tim Geithner. Bernacke had warned that tying the debt ceiling to corresponding budget cuts was the "wrong tool" in reviving the staggering U.S. economy.

"We are making a stand on the debt ceiling because we want to reduce spending for our kids so they have a better and bright future," Rokita told me. "Bernacke said yesterday that we may injure the economy. Whether the economy gets injured or not doesn't trump the fact that this gets kicked down the road. I'm not trying to save the economy. I'm doing it for our kids. If we



have to take some near-term pain, we shouldn't be giving that problem to our kids and grandkids. I put very little weight into that argument."

The problem with Rokita's stance is that the "near-term pain" has been going on three years now. People are still hurting with higher gas and food prices. My wife and I went through the list of people we know who have grappled with some type of financial pain since the Great Recession took form in 2008, and it's a lengthy one and includes people we never would have believed five years ago would be in trouble today. People we know have dealt with job loss, business closure, underemployment, pension loss, portfolio free fall, mortgage foreclosure and catastrophic health/financial crises.

President Obama's 2009 stimulus package of \$800 billion has not worked. It was too small, too unfocused, too political or some combination thereof.

While Elkhart's and Kokomo's jobless rates have fallen from near 20 percent, they remain mired in the 12 percent range today, with untold thousands who have stopped looking.

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# Bottom-line journalism

By **BRIAN A. HOWEY**

NASHVILLE, Ind. - What will the future of journalism hold in say, three to five years?



That was a question put to the Indianapolis Chamber panel that included myself, WISH-TV's Jim Shella and Lesley Stedman Weidenbener of the Louisville Courier-Journal on June 14.

The question came as Shella must now not only research and report the news of the day for broadcast, he's also expected to write copy for the TV station's web-



**"America, it is time to focus on nation building here at home."**

**- President Obama**



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site. Weidenbener's role as a journalist, typical of so many print journalists these days, included slinging cameras and video equipment for the Courier-Journal. Traditional print reporters are now expected to write news stories, take photos and capture video for the web - each function complex and time consuming.

Between the three of us we have close to 75 years of journalistic experience here in Indiana. And our collective answer to the question of journalism's future is "No one knows."

**Less than a week** later, Weidenbener was the latest state capitol journalist to lose her job on Monday, part of a disturbing trend that has seen 355 full-time staff writers covering their state capitols in 2009, nearly a third fewer than the 524 in American Journalism Review's 2003 survey. The Courier-Journal joined a growing number of Indiana newspapers and news organizations who have pulled out of day-to-day Statehouse coverage, joining the Bloomington Herald-Times, South Bend Tribune, Terre Haute Tribune-Star and Post-Tribune.

Weidenbener's boots on the ground coverage of the Indiana Statehouse wasn't just any job in any bureau. The Courier-Journal has operated an Indiana Statehouse bureau for more than half a century. Pat Siddons - a longtime friend of our family - directed the bureau in the 1960s and '70s - when the Courier-Journal was committed to Pulitzer Prize winning journalism under the Bingham family. He was followed by Mary Dieter and then Weidenbener.

**But even veteran** television news reporters like Shella and WRTV's Norm Cox have reason to worry. WISH-TV has cut back and Shella's longtime videographer Jim Hester was bought out several years ago. Local newscasts for places like Detroit and Peoria, Ill., are now being broadcast from Fort Wayne where Melissa Long (spouse of Senate President Pro Tempore David Long) anchors a Detroit

newscast. WRTV is now up for sale and management will also certainly be looking for bottom-line efficiencies.

Tiffany Shackelford, executive director and a founder a decade ago of Capitolbeat, the Association of Capitol Reporters and Editors, told the American Journalism Review the toughest part of the role is convincing members, whether they have been put out of work or remain at a newspaper, that by reinventing themselves they can help reinvent statehouse coverage. "I will be brutally honest: The mentality of a lot of journalists, in spite of what they can see right in front of them, is complacency," Shackelford says. "They look out there and just don't know how to make money doing what they do. I feel very strongly that for reporters to survive in this time, they are going to have to show some entrepreneurial spirit. Unfortunately, I don't see nearly enough of it. It's either change or die."

**Which is essentially** what I did in 1994 after I had had enough of what I call an era of the worst newspaper management in the history of the profession over the past two decades. I started The Howey Political Report in 1994, essentially reinventing myself into an entrepreneurial startup that has become profitable. In fact, the evolved Howey Politics Indiana has had its best financial years since 2006 as established newspapers like the Indianapolis Star have withered.

On the same day Weidenbener lost her job, the Indianapolis Star cut 62 positions - 15 percent of its newsroom staff - to fall to 136 positions, down from 230. Many longtime reporters and friends were sadly on the list.

This came a year after I wandered away from a day of covering Dan Coats Senate campaign, meeting a reporter from the Peru Daily Tribune, my father's old newspaper. Back in the 1960s and 70s, the Tribune served a city of about 15,000 with an enterprise that had about 75 full-time employees making living wages. The Tribune I





visited last summer had seven employees and only one news reporter.

If there was a need for a photographer, one came in from the Marion Chronicle-Tribune more than 30 miles away. The place looked like a dump with graffiti on the old newsroom ceiling. The Michigan City News-Dispatch covering a city of about 40,000 people once had close to 80 full-time employees. Last time I checked it was down to nine.

Where did contemporary newsroom management go wrong?

**Numbed by years of 35 percent profit margins**, newspapers essentially gave their content away when the Internet grew in the late 1990s and over the past decade. They completely allowed websites like Monster.com and Craigslist to erode their classified advertising base. And the family newspapers began selling out to chains when they saw troubling trendlines. This happened with the big newspapers when the Bingham, Chandlers and Pulliams sold family owned enterprises to chains like Gannett. In smaller markets companies like Nixon Newspapers, Inc. - who employed my father and gave me my start - were sold to Paxson.

Joe and John Nixon in their heyday at NNI believed fiercely in community journalism. Their newspapers owed it to their readers to stay engaged and be good corporate citizens, and give back to their communities. It has been replaced by what I call "bottom-line journalism" where the stockholder is king. The Indianapolis Business Journal reported on Tuesday that Gannett earned \$541 million on \$5.4 billion in revenue last year, and CEO Craig Dubow took home salary and benefits worth \$9.4 million, double his take in 2009. Part of Dubow's compensation was a \$1.75 million bonus partly tied to achievements in "restructuring costs and creating efficiencies." Gannett shares rose almost 3 percent Tuesday, to \$14.15.

The Marion Chronicle-Tribune was a consistent Hoosier State Press Association Blue Ribbon newspaper a generation ago. Gannett virtually gave it away to Paxson earlier this decade and now it is a shell of its former self.

**If there's a bookend to the** Courier-Journal's pullout of tailored Indiana coverage for a huge swath of their Southern Indiana readership, it's up in Chicago where both the Tribune and Sun-Times (parent company of the Post-Tribune) are in bankruptcy. If you live in Northern Indiana, the Chicago papers are a key part of the news equation.

James O'Shea, the former editor-in-chief of the Los Angeles Times, has written a book, "The Deal From Hell: How Moguls and Wall Street Plundered the Great American Newspapers." In a New York Times story on Monday, O'Shea reveals an inside look at the Los Angeles Times parent company sale of Times Mirror to Tribune Company, and then the subsequent sale of Tribune Company to real estate tycoon Sam Zell. In those deals, O'Shea discovers that key bankers that included JPMorgan, Citibank and Bank of America knew the Tribune deals were destined for the dustbin after consummation. "There is wide speculation that Tribune might have so much debt that all of its assets aren't gonna cover the debt in case of (knock-knock) you know what," an internal email from JPMorgan Chase revealed.



The big banks received \$283 million for the two Tribune sales, O'Shea reports. The city of Chicago ends up with bankrupt newspapers employing half of the reporters and editors they did a decade ago. The watchdog sleeps more these days.

The irony of the New York Times review of O'Shea's book is that it is currently trying to put the news toothpaste back in the tube by attempting to charge online readers for content (after free access to 20 stories a month). A friend of mine noted that after he mows through his 20 free NYT stories, he simply goes to the Washington Post. American consumers expect free content now.

**HPI stayed the course** and keeps most of its content restricted for paid subscribers. The Courier-Journal and the Star didn't and now reporters like Weidenbener are out of work.

Bloggers fill some of the void, but most are not trained journalists or accredited as sanctioned news gatherers. Many won't pick up the phone and confirm a story because they lack credibility or are politically biased and can't cross party lines. Governor Daniel's recently referenced what he called the "pajamas-clad blogger." Very rarely do they suit up to attend press conferences let alone do the one-on-one, sit down interview.

O'Shea told the NYT that if newspapers had collaborated, sold advertising nationally and charged readers for content in all forms, none of this might have happened. "This isn't just a bunch of companies going under," O'Shea said. "We are headed into uncharted waters where the availability of reliable local news is under threat and there is a social consequence far beyond a deal going bad."

What comes after local media withers? After State-



house coverage continues in atrophy? After the Shellas and Coxes and Schneiders are put out of work because their counts against the bottom-line outweigh their institutional knowledge? There's public service value to an experienced journalist who is reporting on a "new" solution being proposed by a government official and they have the historical knowledge to recall they heard the same thing years before by another official.

Even with a winnowed media, Hoosier voters elected a secretary of state despite reported legal and ethical troubles. The General Assembly passed a spate of laws

that are now subject to a multitude of lawsuits. The past generation of Hoosier political leaders who were wary of the press watchdog may give way to a new generation of unchallenged leaders.

These are troubling questions that should extend far beyond the darkened newsrooms.

It's a troubling time for the Fourth Estate and voters who look to it as a reliable source of keeping government in check. ❖

## Jobs, from page 1

The number of people who applied for unemployment benefits last week rose by the most in a month, signaling growing weakness in the job market. Applications rose by 9,000 to a seasonally adjusted 429,000 last week, the Labor Department said Thursday. It was the second increase in three weeks and the 11th straight week that applications have been above 400,000.

There doesn't appear to be any political will in Washington to go to a job creation Plan B. Instead, there is lip service about jobs, but through the prism of deficit reduction.

### Bernacke confused

On Wednesday, Bernacke had a rare press conference and seemed perplexed by the economy. There would be no Plan B. "We don't have a precise read on why this slower pace of growth is persisting," Bernacke said. Problems in the financial sector, the housing market, and consumers struggling to pay down debt, had been underestimated. "Some of these head winds may be stronger or more persistent than we thought."

"Our budgetary problems are very long-run in nature," Bernacke said with his sights on 2025 CBO estimates. "That doesn't mean we should wait to act. The sooner we can act, the better. But the most efficient and effective way to address our fiscal problems . . . is to take a long-run perspective, not to focus the cuts heavily on the near term."

The Washington Post reported: The Fed left its policy of ultra-low interest rates unchanged and will continue to hold massive amounts of securities in a bid to foster growth. But it confirmed Wednesday that it will let its policy

of buying \$600 billion in Treasury bonds expire at the end of this month, as has long been the plan. That brings to an end the controversial round of quantitative easing — or QE2, as it became known — enacted in November to boost the economy.

### Repeating 1937?

Economist Amity Shlaes, writing for Bloomberg responded to a recent Paul Krugman column in the New York Times in which he feared the mistakes of 1937 were repeating themselves in 2011.

"What if it just keeps going?" Shlaes asked. "That's the question Americans are asking as they consider last month's 9.1 percent unemployment rate, still so high 33 months after the crash of September 2008. Scholars of economic history are asking another question: Are we repeating 1937? That year, when Americans were expecting their economy to finally pull out of the Great Depression, the stock market dove again, with the Dow Jones Industrial Average dropping from the 190s in March 1937 to less than 100 in March 1938. Nonfarm private unemployment, the measure of Roosevelt's industrial economy, increased to more than 18 percent. Industrial production plunged by a third."

Shlaes explained, "The problem then was monetary, some economists now say. Paul Krugman, in his New York Times column on June 2, argued that monetary and fiscal tightening caused the 1937 downturn, and might be squeezing the breath out of the economy now, precluding job creation. Krugman cites Gaulti B. Eggertson of the New York Federal Reserve Bank, who recently published blog posts and papers noting that the later 1930s, as now, saw higher commodity prices. Officials considered these rising prices a signal of inflation, and pressed for tightening. They erred. This version of history holds, to some extent. Or: Up to a point, Lord Krugman. After spending heavily during the 1936 election, President



**U.S. Rep. Todd Rokita believes cutting the deficit is more important than job creation. (HPI Photo)**



Franklin D. Roosevelt was now feeling more like a thrifty 'Dutch householder,' as the journalist Anne O'Hare McCormick wrote, and his administration cut executive-branch employees. His Treasury secretary, Henry Morgenthau, claimed that the government had 'licked the Great Depression.' Tax increases, themselves a form of fiscal tightening, were passed into law. In January 1937, Americans began to make their first payments into Social Security, taking away cash that workers might have spent on food, housing, clothing, liquor or cigarettes."

On the monetary side, the Fed doubled reserve requirements on banks, seeking to make them less vulnerable to failure. "What the Federal Reserve didn't anticipate was that this would make the banks nervous, leading them to amass yet more reserves and taking money out of circulation," Shlaes said. "The Fed and the Treasury also fiddled with the gold-standard system for fear of inflation."

### **Deficit dilemma**

Rokita and his fellow House freshmen Republicans are rightfully concerned about the legacy of debt we are poised to pass along to our children. And unlike the 1980s, with the Baby Boom now retiring, the margins are thin and the "Red Menace" tipping points are unknown. But his notion of allowing the economy to tank again - "I'm not trying to save the economy" - in the name of deficit reduction is a brutal dilemma.

Even more troubling is a Washington Post report earlier this week that shed additional light on the accumulating pain of the faltering American middle-class. For years, statistics have depicted growing income disparity in the United States, and it has reached levels not seen since the Great Depression. In 2008, the last year for which data are available, for example, the top 0.1 percent of earners took in more than 10 percent of the personal income in the United States, including capital gains, and the top 1 percent took in more than 20 percent.

The Post piece says economists have little idea who these people are. How many are Wall Street financiers? Sports stars? Entrepreneurs? Economists can only speculate, and debates over what is fair stalled. Now a mounting body of economic research indicates that the rise in pay for company executives is a critical feature in the widening income gap.

The largest single chunk of the highest-income earners, it turns out, are executives and other managers in firms, according to a landmark analysis of tax returns by economists Jon Bakija, Adam Cole and Bradley T. Heim. These are not just executives from Wall Street, either, but from companies in even relatively mundane fields such as the milk business. The top 0.1 percent of earners make about \$1.7 million or more, including capital gains. Of those, 41 percent were executives, managers and supervi-

sors at non-financial companies, according to the analysis, with nearly half of them deriving most of their income from their ownership in privately held firms.

An additional 18 percent were managers at financial firms or financial professionals at any sort of firm. In all, nearly 60 percent fell into one of those two categories. Recent research, moreover, indicates that executive compensation at the nation's largest firms has roughly quadrupled in real terms since the 1970s, even as pay for 90 percent of America has stalled.

### **Staggering transformation**

In Kevin Phillips' 2008 book "Bad Money: Reckless Finance, Failed Politics and the Global Crisis of American Capitalism," he talks of the "staggering transformation" of the U.S. economy and the growth of the debt business. "Between 1987 and 2007, debt - in all flavors, from credit cards and mortgages to staid U.S. treasury and exotic Wall Street - became the nation's largest, fastest growing businesses. Over those two decades so-called credit market debt roughly quadrupled from nearly \$11 trillion to \$48 trillion. Without much publicity, the financial services sector - banks, broker-dealers, consumer finance, insurance and mortgage finance - muscled past manufacturing in the 1990s to become the largest sector of the U.S. economy."

By 2004-06, financial services represented 21 percent of GDP. Manufacturing fell to 12 percent. In dozens of Hoosier towns I've traveled to, the 20 or 25 manufacturing plants are now just half or a third of what they used to be. The new jobs tend to come at warehouses and logistics firms locating near interstates.

"Moving money around instead of making things is always dicey, and the U.S. transformation has been the most grandiose to date," Phillips notes. "The transformation intensified during 2007, overlapping with the high-profile emergence of the housing, mortgage and credit crisis. Both situations, I believe, related to what the United States in recent years had ceased to do - produce enough of its manufactures and oil - as well as what it had started to do: fantasize about military and financial imperialism, about exporting mortgage-backed securities and collateralized debt obligations to a grateful world. Few miscalculations have been so tragic."

Essentially, the smell of Gordon Gekko greed in 2007 has been replaced by fear.

It prompted U.S. mayors earlier this week to pass a resolution - the first of its kind since the Vietnam War - to withdraw from the three wars and do "nation building" in the U.S. Congressional Republicans appear transfixed by the deficit rather than job creation. Gov. Daniels likes to talk about the lowest government employment since 1978. CNN/Money reports that state and local payrolls have shrunk by an average of 23,000 jobs a month over the past





three months, while federal payrolls have stayed essentially flat. Meanwhile, the private sector has created an average of 180,000 a month during the same period. The worst is yet to come.

State and local governments are forecast to shed up to 110,000 jobs in the third quarter, according to IHS Global Insight. That would be the first time for above 100,000 job cuts in just one quarter. Twelve of the 20 weakest-performing metro areas in the first quarter shed public sector jobs since the recession ended, according to the report, published Wednesday. The loss of government jobs also drove many metro areas deeper into the recession. Thirteen of the 20 areas that suffered the most since the start of the nation's economic troubles lost government jobs after hitting their economic peaks.

"This is not the time to be shrinking the size of government," said Howard Wial, a Brookings fellow and co-author of the report. "We're in a very precarious recovery. If we shrink the size of government right now, we'll only make that recovery more precarious."

In many small cities, the school corporation, local government, the hospital and Wal-Mart are the biggest local employers. The tax caps are reducing municipal and school employment. Local hospitals are merging into the IU and St. Vincent health networks and jobs are contracting there.

### Deficits can wait

The Post's Ezra Klein points to Bill Gross, a key money manager at PIMCO. "I know of no family, who, after watching the Republican candidates' debate in New Hampshire, went out the next day and bought themselves a flat screen under the assumption that their Medicare entitlements would be cut in future years and the U.S. budget balanced," Gross wrote. That theory belongs "in the trash bin of theses and research aimed more toward academics

than a practical remedy to America's job crisis. Government must temporarily assume a bigger, not a smaller, role in this economy, if only because other countries are dominating job creation with kick-start policies that eventually dominate global markets. Deficits are important, but their immediate reduction can wait for a stronger economy and lower unemployment. Jobs are today's and tomorrow's immediate problem."

President Reagan cut taxes, which showered American technology with startup funding, while the deficits bulged to then-historic levels. He then raised taxes 11 times to bring things into balance. Today's Republicans have taken taxes off the table - even for that 0.1 percent which makes 10 percent of our income. Since the Bush tax cuts of 2001, job creation in the U.S. has been fitful. Under Gov. Mitch Daniels - who has the reputation as a successful governor and a job creator - Indiana is now in its third year of 8 percent or above unemployment.

### The Indiana exception, but ....

The New York Times in today's editions questioned Indiana's economy in an article title "The Indiana exception, yes, but ...."

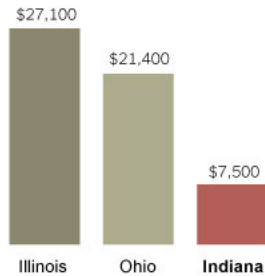
Reporters Michael Powell and Monica Davy write: Indiana is no world apart, even if Mr. Daniels would like to suggest it is. Large cracks have opened in its economic foundation, a sign of just how severe the downturn remains. "Much like the rest of the country, we did not survive unscathed," said Jessica Fraser, a research analyst with the Indiana Institute for Working Families. Hundreds of thousands of Indiana residents are unemployed and underemployed. Although the state's unemployment rate is slightly better than that of its neighboring states, a striking number of people here — a significantly greater percentage than in Illinois or Ohio — have simply left the work force altogether since the dawn of the recession. For the second year in a row,

<http://www.nytimes.com/imagepages/2011/06/23/us/23indiana-graph.html?ref=us> 23, 2011

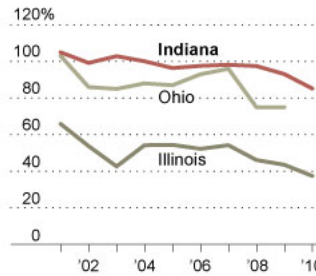
#### A Tale of Three States

Indiana provides much less income for its retirees than its neighbors to the west and the east, but its retirement fund is in better fiscal shape.

**Average annual payout for retired public employees**  
Latest available fiscal year



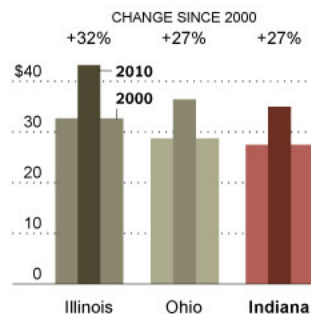
**State pension plan fund assets as a percentage of obligations**  
Public employees' retirement funds



Indiana's and Illinois' figures are through June 30, 2010, the end of the states' fiscal years. Ohio's numbers are end of calendar years.

Indiana's fiscal discipline has not necessarily helped the state's economy. Per capita income lags behind its neighbors, and its labor force has shrunk more.

**Per capita income**  
In thousands of dollars



**Labor-force participation rates**  
Excludes workers who have dropped out of the labor force



Sources: Bureau of Labor Statistics; Bureau of Economic Analysis; Ohio Public Employees' Retirement System; State Employees' Retirement System of Illinois; Indiana Public Employees' Retirement Fund



Hoosiers ranked fifth nationally in personal bankruptcies, at 7.1 people per 1,000 residents. (Illinois came in 11th.) Indiana's median family income is just 86 percent of that of the rest of the country.

Indiana, under Mr. Daniels, slashed the state's work force. After hitting nearly 40,000 workers in 1992, the number of people working full time for the state is now fewer than 29,000. One in three Hoosiers qualifies as low-income now, compared with one in four a decade earlier. And 58 percent of unemployed Indianans have burned through their benefits.

"The idea that we're an island of prosperity makes for a great image, but I would argue that this is the worst shape the state has been in since the Great Depression," said State Rep. B. Patrick Bauer, the Democratic leader in Indiana's House, which is now controlled, as is the Senate, by Republicans. "We've seen drastic cuts to education, to social services, to public employees. We face problems we're not admitting."

### What government did

Congressional Republicans are taking aim at 35 percent of the federal government beyond the military and entitlements. The New York Times' David Leonhardt notes that there "is a little problem with discretionary spending. It's already slated to shrink significantly. Military spending will fall by 25 percent as a share of the economy, over the next decade. Domestic programs will shrink even more, and by 2021 they will account for their smallest share of the economy since the 1950s. And the scale of the cuts could do real damage. They could jeopardize food safety, highway quality and FBI investigations. They could hurt the poor at a time when unemployment remains near a three-decade high. They could undermine education and scientific research, the best hopes for future prosperity."

Leonhardt adds, "The goal of deficit reduction can't simply be arithmetic. It has to be philosophical as well. In what ways is the private sector incapable of planting the seeds for economic growth - and what, therefore, must government do? What's the least amount of spending needed to ensure a decent life for even the most vulnerable citizens? Who is in the best position to pay that money? Discretionary spending let the Defense Department build

the Internet. It let the National Institute of Health finance lifesaving research. It has helped make possible the semi-conductor, the broadband network, the highway system, and airports."

Does Rokita worry how the financial markets will respond if the debt limit isn't raised? No, he said. "The world is sophisticated enough and those buying our debt are sophisticated enough to know about a technical default. Of course the payments will be made. Geithner is moving money around to pay the bills and the economy is not going over the cliff. The economy is where it's at because of Keynesian economics."

Perhaps.

Or, it could be that we don't make things any more. The things we do make require advanced technical training that many of our graduates lack.

A recent NBC/Wall Street Journal Poll put approval of Congress at 17 percent. President Obama's Real Clear Politics composite fav/unfavs stood at 47.3/47.8 percent.



Gov. Daniels and the Obama administration have tried to ignite the electric car sector in Indiana, but it hasn't done what the emerging auto industry did for Hoosiers a century ago.

Lack of job creation and income disparities are ticking time bombs politically, just as the derivatives were the economic booby trap that propelled Barack Obama to the White House.

In this, yet another summer of discontent, the critical question is who can spur job creation and a more palatable distribution of wealth, with an evolution into living within our means? And if it doesn't happen, who will feel the bitter backlash? ❖



## Lugar critical of Obama Afghan troop drawdown

By **BRIAN A. HOWEY**

INDIANAPOLIS - President Obama tried Wednesday night to present the beginning of the end in Afghanistan, a war costing more than \$1 billion a week at a time when Americans are growing increasingly concerned about the economy and deficits, saying, "America, it is time to focus on nation building here at home."

It came a day before the federal government announce jobs claims in excess of 400,000 for the week. And it came just days after U.S. mayors called for an end to foreign wars - the first time they've taken that stance since Vietnam.

Obama's speech brought an appeal from U.S. Sen. Richard Lugar to redefine the murky mission in America's longest war.

"In one of the most difficult decisions that I've made as President, I ordered an additional 30,000 American troops into Afghanistan," Obama said in a nationally televised address. "When I announced this surge at West Point, we set clear objectives: to refocus on al Qaeda, to reverse the Taliban's momentum, and train Afghan security forces to defend their own country. I also made it clear that our commitment would not be open-ended, and that we would begin to draw down our forces this July."

"Tonight," Obama continued, "I can tell you that we are fulfilling that commitment. As a result, starting next month, we will be able to remove 10,000 of our troops from Afghanistan by the end of this year, and we will bring home a total of 33,000 troops by next summer, fully recovering the surge I announced at West Point. After this initial reduction, our troops will continue coming home at a steady pace as Afghan security forces move into the lead. Our mission will change from combat to support. By 2014, this process of transition will be complete, and the Afghan people will be responsible for their own security."

Obama said the drawdown begins "from a position of strength" while Al Qaeda "is under more pressure than at any time since 9/11. The information that we recovered from bin Laden's compound shows al Qaeda under enormous strain. Al Qaeda remains dangerous, and we must be vigilant against attacks. But we have put al Qaeda on a

path to defeat, and we will not relent until the job is done."

"This is the beginning - but not the end - of our effort to wind down this war," Obama said.

**Obama then seemed** to echo what the mayors had called for. "Over the last decade, we have spent a trillion dollars on war, at a time of rising debt and hard economic times," he said. "Now, we must invest in America's greatest resource — our people. We must unleash innovation that creates new jobs and industries, while living within our means."

Lugar is expected to tell Secretary of State Hillary Clinton at a Foreign Relations Committee hearing today that the Obama Administration must re-orient its policies in Afghanistan and Pakistan to eliminate "nation building" in Afghanistan, focus on counter terrorism activities, and ensure the safety of Pakistan's nuclear arsenal. Such a strategy, Lugar says, does not require more than 130,000 troops.

"I believe troop withdrawals are warranted at this stage, but our policy in Afghanistan is in need of much more than troop reductions on a political timetable," Lugar said. "The President should put forward a plan that includes a more narrow definition of success in Afghanistan based on U.S. vital interests and a sober analysis of what is possible to achieve. It should eliminate

ambiguity about U.S. goals and make clear that we are not engaged in broad nation building. It should include an explanation of what metrics must be satisfied to achieve the original intent of the mission - to prevent Afghanistan territory from being used as a terrorist safe haven. Such a plan should designate and eliminate those activities that are not intrinsic to our core counter-terrorism objectives. It is essential that Afghanistan be viewed in the broader strategic context. If we set out to reapportion our worldwide military and diplomatic assets without reference to where they are now, no rational review would commit nearly 100,000 troops and \$100 billion a year to Afghanistan."

Lugar added that "the country does not hold that level of strategic value for us, especially at a time when our nation is confronting a debt crisis and our armed forces are being strained by repeated combat deployments."

**U.S. Sen. Dan Coats** was also critical, saying, "I do not agree with the President's decision to announce the number of troops and the timing of 2012 withdrawals. While goals should be set, I believe we need to assess the situation as it changes, allow for flexibility, and not presume to know what will be needed on the battlefield in next year's fighting season." ❖



**President Obama addresses the nation on the Afghan drawdown Wednesday night. (White House**





## Holcomb previews GOP issues against Gregg

By **BRIAN A. HOWEY**

INDIANAPOLIS - How are Indiana Republicans sizing up the potential gubernatorial candidacy of Democrat John Gregg?

By reviewing his legacy in the Indiana General Assembly.

Indiana Republican Chair Eric Holcomb ended the GOP Lincoln Day season at Franklin County on June 16. There he began to make the case against Gregg five days after U.S. Rep. Mike Pence officially declared his candidacy for the Republican nomination.

"Let me be clear, John Gregg is a friend," Holcomb said. "One of the best joke tellers I've ever met. He's jovial, a real charmer and I'm convinced he must have drawn the short straw when it came time for Democrats to decide who they would run for Governor. They've got just one big problem: Mr. Gregg has a record from when he was Speaker, and it's not good. We've spent the last 6 plus years cleaning up the mess they left us during their time when they thought it was enough to accept mediocre results."

Holcomb pointed out that Gregg told Washington Township Democrats in Indianapolis that he is a "uniter, an innovator and is focused on creating jobs."

"So let's look back at his past record versus his present rhetoric," Holcomb said as he dove into an analysis of voter stats.

"**Because believe me,** this race for Governor will be decided on the record as it should be, not on negative personal attacks. Indiana has never been more united than it is today under Mitch Daniels' leadership. Think about it, in 2008, Mitch received all the Republican vote, 57% of the independent vote, and 25% of the Democrat vote. In fact, he received the most votes of anyone who has ever run for office in state history.

"If that isn't compelling enough, then in 2010, House Republicans laid out their legislative agenda and

went from 48 seats in the minority to a 60 seat majority in districts that then Speaker Gregg blatantly gerrymandered, dividing, not uniting the state to his preference just a decade ago," Holcomb said.

"**The only thing John Gregg** will unite will be the major funders of his campaign like the uber-liberal DNC Chair Debbie Wasserman Shultz, the SEIU, UAW, ISTA, and AFSCME. Mark my words and follow the money. The very same groups who united to fund Pat Bauer's walk out on Hoosiers will fight like it's their Alamo to win the Governor's Office."



John Gregg (above) at his campaign exploratory announcement in Broad Ripple, while Holcomb (left) previewed issues against him in Brookville. (HPI Photos by Brian A. Howey)

Holcomb then pounded on Gregg's record as speaker. "When John Gregg and crew were last in charge they blew through a billion dollar rainy day fund, racked up hundreds of millions of dollars of debt, we didn't have a triple A credit rating, the old Build Indiana Fund was illegally exploited, they made a habit of passing unbalanced budgets, delayed payments to schools and local governments, and never found a way to build roads they promised for decades. This is not a good jobs record to run on."

"**And then I heard the whopper** of them all," Holcomb said. "Mr. Gregg said the Indiana Democrat Party was the Party of Innovation. Where do I start? When Republicans took over in 2005, we brought agencies into the 21st Century. Have you been to a BMV lately? Have you noticed how much quicker you get your state tax returns? If you're a small business owner have you noticed you get your permits faster? That's innovation.

"With all due respect, Mr. Gregg wasn't known as someone who created a good jobs climate or being a uniter, or even being innovative. In fact, his crowning 'achievement' was being known as one of the architects of the controversial lifetime health care for legislators before he left office," Holcomb said, concluding his remarks about his friend Gregg. ❖



## Welch, Locke eye 9th CD bids

By **BRIAN A. HOWEY**

NASHVILLE, Ind. - The new legislative and Congressional maps are prompting State Rep. Peggy Welch to consider a challenge to U.S. Rep. Todd Young in the new 9th CD. "I am exploring," Welch told Howey Politics Indiana on Monday. "Over the past couple of weeks I have consulted with people I trust and who have my best interests in mind. I'm going to be meeting with some people in Washington and after that I will make a decision."



Welch said it will take two weeks or so to determine whether she will run against Young, the Bloomington Republican who won a hard-fought

GOP primary against former congressman Mike Sodrel and Travis Hankins, then defeated U.S. Rep. Baron Hill by 14 percent last November. When the new maps came out, the conventional wisdom was that the new 9th CD would be very favorable for Young. And from a travel standpoint - with I-65 and SR 37 as its two main arterials - it is a vastly different district than the sprawling old 9th. It is also primarily served by the Indianapolis and Louisville media markets. But the new 9th includes some reliable Democratic strongholds such as Monroe, Orange, Scott, Floyd and Jackson counties.

"It's definitely doable," Welch said of the new 9th CD. "A big amount of money will have to be spent, but it's very doable. It will take a candidate who matches the district and I want to make sure I match the district as I've matched my District 60."

An analysis of the new 9th CD reveals that there are 139,000 voters identified as Democratic primary voters, 84,563 Republicans, 16,346 independents, and 46,279 swing voters. In the 2010 elections, there were 57,957 Democratic primary voters and 51,080 Republicans. In 2008, the numbers were 112,448 in the Democratic primary and 41,481 in the GOP primary.

And like U.S. Rep. Joe Donnelly, who has decided to move into the U.S. Senate race because his new 2nd CD is more Republican, Welch found her new HD 60 much more Republican than she had experienced over the past five election cycles under the 2001 maps.

The new HD 60 is about a 41 percent Democratic district, she said. "When I first ran it was about that," she said of her 1998 race that

found her running against Republican Jeff Ellington, who upset State Rep. Jerry Bales in the primary. Bales was one of the more liberal Republicans in the House and had been targeted by business groups. The seat has been Democratic under Welch ever since and she ran unopposed in the general election between 2004 and 2008. She defeated Bloomington Council Member Steve Hogan in 2010.

"The district I first won in was mostly Monroe County," she said. "The majority of the new 60 is in Morgan County. To be competitive there is going to take an investment and a lot of money and energy." Welch and State Rep. Matt Pierce were in each other's districts in the initial House maps. Welch and Pierce consulted Republican Speaker Brian Bosma and switched the two Democrats back into their current districts. Pierce was prepared to move into the new HD 61 prior to that swap.

Welch has a congressional background, having worked in constituent services for U.S. Rep. Thad Cochran of Mississippi, then moving to the Senate Finance Committee staff as a legislative assistant when Cochran was elected to the upper chamber.

She is the second Democrat to weigh a run in the new 9th. Sam Locke, the 2008 state auditor nominee, kicked off a listening tour this week. Locke, who formed the Stand with Sam Exploratory Committee earlier this year, will visit communities throughout the 13 counties making up the new 9th District over the next two weeks, holding both public and private events. "I continue to hear that Hoosiers are tired of professional politicians. We are tired of bureaucrats who jump from one position to another without taking the time to get in touch with what their constituents actually want. We are tired of being talked down to rather than listened to," said Locke. "It's a priority for me to listen to the diverse voices of the new 9th District. I want their input to make sure I'm the best person to represent their



State Rep. Peggy Welch talks with then Majority Leader Russ Stilwell.





interests in Washington before diving into a full-fledged campaign."

A graduate of Bloomington's Indiana University, Locke lives with his wife and daughter in Floyds Knobs. He was an officer in the Air Force and 2010's Democratic nominee for state auditor. He currently leads the direct-marketing efforts of the national headquarters of the Presbyterian Church in Louisville and is a successful small business owner. "This tour is designed to be a two-way conversation with the residents of Indiana's new 9th Congressional District," said Locke. "If I decide to run and am fortunate enough to be elected to serve, I will be doing a lot of listening - and that process starts now."



Sam Locke is conducting a 9th CD listening tour.

### **5th CD: McIntosh may challenge Burton**

Former congressman David McIntosh tells *Howey Politics Indiana* that he is weighing a 2012 return to the U.S. House and will not challenge Sen. Dick Lugar. The Capitol & Washington blog reported earlier this week that a poll included a question about a potential McIntosh Senate run. "That was news to me," McIntosh said when he read the piece in the HPI Daily Wire. "I'm not thinking about Dick Lugar. I am still seriously looking at the 5th and somewhat the 6th. People have asked me to look at the congressional seat."

When McIntosh resurfaced politically this year, his intent was to run in the 6th CD, telling HPI that he considered Muncie his home. When McIntosh served in Congress he lived near downtown Muncie. McIntosh has an apartment in Pendleton in Rep. Dan Burton's district. He also expressed an interest in the open 6th CD that Rep. Mike Pence is giving up to run for governor. McIntosh appears to be leaning toward the 6th, but a number of past McIntosh financial supporters - P.E. MacAllister, Jim Kittle, Jr., Fred Klipsch - are supporting Luke Messer in the 6th and are urging McIntosh to challenge Burton, who had only 29 percent of the vote while defeating Messer by about 2,000 votes in the 2010 5th CD primary.

The new maps have Messer in the 6th and he is running there along with Don Bates, Jr., and Travis Hankins. Former Marion County coroner John McGoff has already announced he is challenging Burton. HPI views Burton as the most vulnerable Indiana congressional member and one of the most vulnerable in Congress.

### **8th CD: Redistricting alters voter demographics**

After the new map was released, many politically inclined Hoosiers were left scratching their heads over the changes to the 8th District. Republican mapmakers in the state legislature made the district, which had been a competitive seat in recent cycles, slightly more Democratic. This is a district that has had so many competitive congressional races over the past decade that it earned the nickname "The Bloody 8th" (Roll Call). Despite the district's nickname, Larry Bucshon won his first term in Congress by 20 points last November when then-Rep. Brad Ellsworth (D) was running for Senate and it was an open-seat race. Bucshon might not have it so easy this time. The new map moved three solidly GOP counties out of the northeastern section of the district: Putnam, Warren and Fountain. Meanwhile, some of the more competitive counties in the southern part of the state were moved into the

8th District: Dubois, Perry, Spencer and part of Crawford. President Barack Obama carried both Perry and Spencer counties in 2008, although Republicans in the state insist those counties have been trending their way.

While the redistricting changes do not drastically alter the chances of a Democrat taking the seat in 2012, they are substantial enough that some question whether Bucshon, a political novice until he ran for the House last year, had lobbied state mapmakers for his new territory. In any case, it's because of these changes that Democrats believe the 8th represents their best pickup opportunity in Indiana.

Oddly, the new changes include the addition of Ellsworth's birthplace of Dubois County, which would make it the perfect district for the former congressman to try to mount a comeback. But Ellsworth has not expressed any interest, privately or publicly, in running for his old seat. He took only 40 percent of the vote in his Senate battle against now-Sen. Dan Coats (R). Two Democrats have announced bids for the 8th District seat so far: former state Rep. Dave Crooks and attorney Terry White, who is the Warrick County Democratic chair.

### **U.S. Senate: Mourdock signs contract**

The Contract From America Foundation announced that U.S. Senate candidate and Indiana State Treasurer Richard Mourdock (R) has joined more than 70 currently elected senators and congressmen nationwide by listening to the wishes of his constituents and signing the "Contract from America," a Main Street, Tea Party-driven legislative





blueprint for 2011 and beyond. It comes after Mourdock appeared to pull back from his Tea Party status when interviewed by a blogger at a Tea Party rally in Kokomo on June 11. Ryan Hecker, one of the organizers of the Contract From America, elaborated: "Treasurer Mourdock, by signing the Contract From America, has shown himself to be a true champion of Main Street and Tea Party values. He has illustrated that, if elected, he will listen to his constituents and be a true grassroots conservative leader in the Senate. We are especially glad that Treasurer Mourdock is the first candidate to sign the contract in the 2012 cycle. Senator Lugar has yet to show any interest in listening to the voters and signing this call for economic conservative reform." "In signing this bottom-up call for economic conservative and good governance reform," Mourdock said, "I signed the Contract From America because it embraces the conservative principles of individual and economic freedom and limited government. Senator Dan Coats, then U.S. Senate candidate, signed the contract last year, and I am glad as a candidate to be doing the same. The Contract From America is not a list handed down from on high by politicians, but one handed up from the true grassroots in this country."











Hecker continued: "After garnering nearly half a million votes in less than two months, the Contract From America is a blueprint that will serve notice to public officials about what the people want for their future. When

voting was completed, the top 10 planks in the contract were: (1) protect the Constitution; (2) reject Cap- and-Trade; (3) demand a balanced budget; (4) enact fundamental tax reform; (5) restore fiscal responsibility and constitutionally limited government in Washington; (6) end runaway government spending; (7) defund, repeal, and replace government-run health care; (8) pass an 'all-of-the-above' energy policy; (9) stop the pork; and (10) stop the tax hikes."

#### 4th candidate for Greenwood mayor

The Greenwood mayoral race has become almost crowded. A third candidate, Jeff Spoonamore, this month has announced his candidacy and filed to be on the Nov. 8 general election ballot (Indianapolis Star). He will face Republican Mark Myers, who defeated Mayor Charles Henderson in the May primary election, and independent candidate David Payne. Spoonamore, a 1982 graduate of Southport High School, was the only Libertarian running for office in Johnson County as of last week. Johnson County Libertarian Party Chairman Frank Rossa said potential candidates have until June 30 to notify the party they want to run in November.



GOP CONTENDERS		AMONG ALL REPUBLICANS		Pos. Intensity Score <sup>A</sup>	AMONG REPUBLICANS WHO RECOGNIZE			
		Ballot Support <sup>**</sup>	Recognize <sup>▼</sup>		Strongly Favorable	Favorable	Unfavorable	Strongly Unfavorable
	<b>Sarah Palin</b> Former Governor of Alaska	16	96	14	23	46	18	9
	<b>Newt Gingrich</b> Former Speaker of the House of Representatives	5	86	2	10	45	31	7
	<b>Mitt Romney</b> Former Governor of Massachusetts	24	85	18	21	53	15	3
	<b>Ron Paul</b> U.S. Representative from Texas	7	78	8	12	48	25	4
	<b>Michele Bachmann</b> U.S. Representative from Minnesota	5	65	22	24	46	14	2
	<b>Tim Pawlenty</b> Former Governor of Minnesota	6	55	9	11	56	13	2
	<b>Rick Santorum</b> Former Senator from Pennsylvania	6	51	10	12	50	17	2
	<b>Herman Cain</b> Businessman from Georgia	9	43	23	25	47	14	2
	<b>Jon Huntsman</b> Former Governor of Utah	1	34	5	7	44	24	2
	<b>Gary Johnson</b> Former Governor of New Mexico	2	19	-2	3	50	21	5



## Democrats and dying cities

By **WILLIAM MCGURN**  
**Wall Street Journal**

SOUTH BEND - Folks get a mite touchy when someone declares their hometown dead. So when Newsweek earlier this year ranked this Hoosier town in its top 10 list of dying American cities, the mayor huffed and puffed about the criteria and complained that the magazine relied on preliminary census estimates for its conclusion.



When the actual census figures came out a few weeks later, it turned out that the population drop was even more severe than the estimates.

Main Street Columnist William McGurn on the failures of liberal governance in American cities.

Now maybe Newsweek's criteria weren't exhaustive, and maybe "dying" was too strong. Still, despite real advantages including a downtown riverfront and a good location not far from Chicago, South Bend by almost any measure—crime-plagued neighborhoods, boarded-up homes, people fleeing—is a challenged city. In fact, it's not really even a college town, notwithstanding the presence of Notre Dame and the university's growing involvement in some development projects.

It is, however, an excellent case study. Especially when its dismal performance is set against the economic recovery that Gov. Mitch Daniels's reforms have brought to the rest of the state.

When Mr. Daniels was first elected governor in 2004, he inherited a state whose budget was in the red, whose citizens were losing hope, and whose businesses were being weighed down by taxes and regulation. Over the next few years, he pursued an agenda that he described this way in his latest state of the state address: "We live within our means, we put the private sector ahead of government, the taxpayer ahead of everyone, and we will stay in the black, whatever it takes."

**It seems to be working, too.** Even as the nation has faced hard economic times, Indiana has put its budget in order. It has done so, moreover, while cutting taxes, adding jobs at twice the national rate, and building roads and bridges at a record pace.

South Bend, alas, has been an exception. There's a reason for that too. Though it's popular here to blame all its woes on the loss of manufacturing giants such as Studebaker and Bendix, the truth is that the city's predicament owes more to the bad decisions taken over the years by its political class. After all, Studebaker shut its doors in 1963.

For example, when Gov. Daniels succeeded in getting a property tax cap through in 2008, South Bend

responded by pressing the county to raise local income taxes—threatening that otherwise it would have to cut police and crossing guards and the like. Today that same mayor says he has \$9.1 million in extra revenue he wants to spend on another round of capital projects. Even the South Bend Tribune found this too much, pleading in an editorial, "Taxpayers, speak up!"

**It's considered bad form** to notice, but one problem might be that South Bend, like at least one of its companions on the dying cities list, Detroit, hasn't had a Republican mayor for four decades. Yes, there are badly run Republican cities, and well-run Democratic ones. South Bend, however, is a classic Democratic city, with a classic Democratic approach to business. And it shows.

Joel Kotkin, a presidential fellow at Chapman University who writes on successful cities, says that places such as South Bend often overlook their homegrown businesses and their real competitive advantages, e.g., a low cost of living. "Often these advantages are very different from what the pundits tell them," he says. "For example, they are told to invest in 'clusters' in fashionable fields like green tech or nanotechnology or in the arts, when they should be trying to figure out how to be themselves but only better."

He could be describing South Bend. Instead of providing a low-tax, low-regulation, business-friendly environment for all comers, the city is chockablock with special zones and industrial parks whose tax revenues go to other government-directed investment projects.

Meanwhile, the locals whose businesses have been here for years (restaurants, cleaners, etc.) get none of the favorable treatment the city rolls out for the larger and sexier newcomers. When people complain, the city fathers point to things such as South Bend's recent designation as an "All American City," a designation bestowed by judges who haven't visited.

**The good news is that change** may be coming. Last month, outsider Peter Buttigieg—a 29-year-old former Rhodes Scholar—defeated the machine candidates in the Democratic primary. Notwithstanding his impressive academic credentials, Mr. Buttigieg's true test will be whether he has the smarts to recognize that the answer isn't a South Bend government that does a better job of picking winners. The answer is a government competent enough to provide the basics, and humble enough to let the market decide the winners and losers.

Come to think of it, that's the same challenge Republicans will be making to President Obama in 2012. If you want to see the legacy of the other approach, visit South Bend. ❖

**McGurn is a Wall Street Journal columnist and a Notre Dame graduate.**



## Political 'analysis' from New Hampshire

By JACK COLWELL

SOUTH BEND - Here is a political analysis never written by anyone covering that New Hampshire debate featuring Republican presidential prospects. You will know why immediately.



But would a story like this have been possible, similar in analysis if not with the same details, if a contender from Indiana had participated?

GOFFSTOWN, N.H. - Mitt Romney emerged mostly unscathed as the frontrunner for the 2012 Republican presidential nomination, but Indiana Gov. Mitch Daniels staked claim to being the top challenger to Romney, the former Massachusetts

governor, in the GOP presidential contenders' first significant debate Monday night.

"Among the seven Republican challengers chasing Romney, Daniels captured the most attention and separated himself from the field with bold debt-ceiling and budget proposals that won accolades from some of the party's major contributors and supporters in the business world, including the president of the United States Chamber of Commerce.

"Daniels appeared to throw other contenders off stride when he called on House Republicans to act immediately to raise the debt ceiling, with acceptance of spending cuts already offered by congressional Democrats and the Obama administration. Other contenders had called for hard bargaining right to the brink.

"Our debt crisis is as serious a threat as the attack on Pearl Harbor,' Daniels said. 'But we didn't respond to Pearl Harbor by sinking more of our own battleships. Nor should we respond to the debt crisis now by sinking more of our economy by playing chicken with the debt ceiling.'

"Daniels accompanied his call for a quick debt-ceiling agreement with proposals for future budget cuts in everything except education and defense.

"We must cut future spending, not waste time over whether to raise the debt ceiling to pay for what we already have approved. That past spending - and I deplore the extent of it - was approved by Congress, with Republicans as well as Democrats to blame, and was signed into law by Republican and Democrat presidents. We must pay our bills,' Daniels said.

"If we don't, if we default, if we bicker right up to the brink, we endanger our economy,' Daniels added.

"He questioned how 'those who say they are fiscally responsible can then say that we shouldn't pay our bills.'

"Politically, Daniels said, Republicans can win by campaigning against President Obama's 'mismanagement of the economy, terrible mismanagement.' But he said the GOP will lose that edge if Republicans are seen as hindering economic recovery in order to defeat Obama.

"Romney, in a brief exchange with Daniels, questioned whether the Indiana governor was serious about debt reduction.

"When I was budget director, my nickname was 'The Blade,'" Daniels responded. 'And that didn't refer to my ice skating ability,' he quipped. In a debate with little humor and most of the candidates speaking in grim terms, Daniels stood out with willingness to joke at times, even about himself and his indecision on whether to run.

"When Rep. Michele Bachmann of Minnesota, a Tea Party favorite, claimed that compromise on the debt ceiling was 'unthinkable,' Daniels quipped that it was 'no time to say thinking is unthinkable.'

"Daniels was seeking to be known as the 'adult' in a race in which contenders have been criticized for petty partisanship and simplistic suggestions.

"His call for a quick compromise on the debt ceiling in order to calm business concerns of economic default brought quick criticism on some Tea Party movement blogs.

"But conservative columnists who had urged Daniels to get in the race praised his stand as 'statesmanship.'

"Tom Donohue, United States Chamber of Commerce president, a powerful figure in the business world and among big contributors to Republican candidates, had high praise for Daniels.

"Business wants the debt ceiling raised and fear of default eliminated as expeditiously as possible," Donohue said. 'We don't want politics played with threats of default.' He also praised the sweeping budget cuts that Daniels proposed."

Would Daniels have made such a proposal? Or some other "adult" suggestion?

We don't know.

And if he had, would Daniels have moved into top contention or have been blasted into Republican primary election oblivion by talk radio and the blogs?

We don't know.

But maybe one of the contenders will give statesmanship a try in a future debate. ❖

**Colwell has covered Indiana politics over five decades for the South Bend Tribune.**





## The book on Romney is more than Mormon

By **DAVE KITCHELL**

LOGANSPORT - Back on a damp November afternoon in Ann Arbor, Mich., in 1978, I was heading from the University of Michigan press box to the locker rooms when I entered an elevator and saw a smiling older gentleman huddled all by himself at the back of a spacious car.



After I pushed the button to go down, I turned to ask what floor he wanted and did a doubletake. There, for the next few minutes with me, was the former governor of Michigan, George Romney, about to enjoy the warmest place in the "Big House" where 100,000 fans were watching the Wolverines defeat Purdue for the Big Ten championship.

As pleasant and alone as I found that Romney that day, many of us in the media are suddenly finding another Romney alone in a place that can

be as cold as Ann Arbor in November - the presidential campaign trail.

Romney's son, Mitt, may already have the Republican presidential nomination sewn up before the Iowa caucuses even start. That's somewhat ironic because Romney won't be participating in the Iowa straw polls. A dwindling field of GOP hopefuls and an incumbent Democratic president have a great deal to do with that.

Mitt Romney has some interesting distinctions his father didn't have when he briefly ran for president. The major difference is that the younger Romney successfully crafted his own proposal for a state health insurance program that became mandatory in Massachusetts. It ironically served as a model for President Obama's health care reform proposal. One of Romney's key rivals for the nomination, Minnesota Gov. Tim Pawlenty, has been quick to point that out. What Pawlenty and Romney critics have yet to point out is that Pawlenty comes from an incredibly health-conscious state, Minnesota. You'd think that a proposal like Romney's would have come in a state like Pawlenty's, which is home to The Mayo Clinic.

**The only clinic involved** in the early stages of the presidential race is how Romney can transition from a three-state winner in the 2008 presidential primaries to the presumptive nominee of his party in a matter of weeks. Has it happened? Could it happen? Will it happen?

Unless some unknown candidate enters the field, Romney's name will likely be atop the November 2012 ballot in Indiana, and it will be opposite Obama's.

Hoosiers may know that the musical "The Book of Mormon" recently ran away with the Tony Awards, and the book on Romney is that he's the only major Mormon candidate for president the country has ever had.

**But the book on Romney** is a bit different than those for other candidates. He's proven he can govern a state. He's proven he can pull off hosting an Olympic games. He's shown he's not going to back down from Obama.

But can he prove that Obama's presidency is "failed" as he described it last week, and can he resonate with Christian conservatives in Indiana who don't like what they call "Obamacare," but whose fears could be just as bad with a President Romney?

With a Republican gubernatorial candidate such as Mike Pence who makes a point to play to a conservative Christian base, it's unlikely Republicans and independents will uniformly choose both candidates. Even if they are both Republicans, they are contrasts. Where Obama is concerned in Indiana, it's fair to say that Obama's name recognition is greater than Pence's, and that could be a centrifugal factor at the top of the ballot where Democrat John Gregg will likely head the state ticket for Democrats. But Romney has one factor in his corner that could benefit him greatly in this race. If he's out in front this early, it's going to conserve fund-raising dollars for Republicans and allow him to spend more time campaigning and less time fund-raising. It's going to put his name out in front early and give him greater name recognition.

**Whether he proves that** Obama's presidency has failed and can offer a vision of a better presidency under his watch is another matter for another time.

For now, the elevator for this Romney is heading up just as the race is heating up. ❖

**Kitchell is an award winning columnist based in Logansport.**



## A tale of Colts, Packers & Longhorns

By **MORTON J. MARCUS**

INDIANAPOLIS - Last week, the mayor of Indianapolis and a former senator from Pennsylvania floated hot air balloons concerning the National Football League (NFL).

Unless you have been sleeping for an extended period of time, you know that the owners of the NFL franchises and their players are engaged in a dispute over who gets how much of the teams' revenues. Unlike drug wars in poor neighborhoods that are fought with guns, this battle is fought with proxies called attorneys. The "danger" to America is that we will not have an NFL season of spectacular performances and extraordinary injuries in 2011-12.



For Indiana the pending crisis is cancellation of the 2012 Super Bowl at Lucas Oil Stadium in Indianapolis. This annual mid-winter event will shower millions of dollars in spending on central Indiana. The

region has been anticipating this windfall with the eagerness of a dog eyeing a meaty bone.

Aside: Although we always want the Colts to go undefeated, from an economic point of view, it would be best for Indiana if the Colts do not participate in an Indianapolis Super Bowl. We want foreign money, funds from other states where fanatical fans will require hotel space, restaurant meals and other services that would not be used as much by local attendees.

Indianapolis Mayor Greg Ballard announced his intention to form an alliance of mayors from NFL cities to participate in discussions between players and team owners when the well-being of cities is at stake. Former Pennsylvania senator Arlen Specter wants Congress to intervene in the current dispute so that Americans will not be disappointed by the psychic and economic damage of no NFL football for a year.

**For several decades**, cities have been subsidizing professional sports with sweetheart deals. The city (or state) will assume part or all of the cost of building a stadium for football, baseball or basketball. Then the government agrees to provide the team with the revenues from some or all of the parking, concession and event revenues.

Why? Professional sports team are private ventures with minimal positive externalities. To what extent can a citizen of central Indiana point to material benefits from the presence of the Colts or Pacers? How much more is a

property worth because those teams play in Indianapolis? How many companies would decline relocating to Indiana if we had no major league sports franchises?

What we gain by having the Colts and Pacers is mainly a psychic benefit. We feel that we are big league because we have big league teams carrying our name. Yet Austin (Texas) has no big league professional teams, unless, cynically, you want to count the University of Texas.

Nonetheless, Austin is a big-time, prospering city. **We do gain materially** when a player donates substantial funds to a local cause. But how much does total spending increase because the Colts or Pacers call Indiana home? Puff-pieces issued by teams and their government sponsors notwithstanding, the evidence shows little benefit for stadium-building cities.

If cities and their citizens want to participate in big league sports, they should follow the Green Bay (Wisc.) example and acquire an equity interest in the team. When Indianapolis and the State of Indiana agreed to finance a stadium for the Colts, they should have insisted on owning a substantial piece of the team.

If this practice had been in effect earlier, Indianapolis could have bought the Colts from Baltimore instead of stealing them. ❖

**Mr. Marcus is an independent economist, speaker, and writer formerly with IU's Kelley School of Business.**

## Rep. Crouch fears Super sex trade

INDIANAPOLIS - The 2012 Super Bowl is expected to bring thousands of fans and millions of dollars to the state's capital city, but some state lawmakers fear it may also bring a bustling sex trade that exploits children (Hayden, CHNI).

Prompted by concerns of past Super Bowl host cities that reported an influx of underage prostitutes, some legislators are looking at how they could fast-track legislation next year that would add child trafficking to the state's sex offenses. "There needs to be a sense of urgency about this," said state Rep. Suzanne Crouch, a Republican from Evansville. Crouch authored the bill that directs a legislative study committee to look at whether current state law on child solicitation needs to be expanded.

Backing the push for a change in the law is Indiana Attorney General Greg Zoeller, who is part of a national effort by state attorneys general to combat what they see as a growing problem of human trafficking that forces vulnerable minors into the sex trade. Before the 2011 Super Bowl in Dallas, Texas Attorney General Greg Abbot, described the party-filled event as "one of the biggest human trafficking events in the United States." ❖



**Rich James, Post-Tribune:** I went to a high school graduation a couple weeks back. First one in years. I came away with a strange feeling — annoying and unsettling. The name of the school really isn't important. Let's just say that it was in Lake County, somewhere south of Ridge Road and that I suspect 99 percent of the graduates never have gone without. We heard from several adult speakers about how wonderful the school happened to be, largely because of an outstanding administration and faculty. Could well be. And because of that wonderful tutoring, you had a feeling that not one of those kids would fail in life. It seemed like I had stopped in at Lake Wobegon. But there was too much talk about the administration and faculty and not enough about the students. There was much emphasis that night about accomplishments and scholarships and scores and trophies. And none of it would have been possible without the administration and faculty, so they implied. I'm sure the lion's share of these kids will succeed in life, even though they have been led by the hand from kindergarten to commencement — sheltered from much of what they are about to encounter. Not only did they get a good education — which was, if you haven't already figured it out, the repetitive theme at commencement — but they all had wonderful parents, kind of like Ward and June Cleaver. And you got the feeling that there wasn't one Eddie Haskell in the whole graduating class. A lot of these kids will go to college because that's what's expected of them, although many of them actually want to go. There was a lot of talk about going out into the world to make your mark and follow your dreams. And a bunch of parents will take out a second mortgage to make sure their kids get to do just that. Others will enroll in trade schools and others will take some of that graduation-night optimism and knock on the door of Northwest Indiana industry, only to have no one answer. I'm sure the school did a wonderful job — just as the speakers said they did — of preparing these kids academically. But I suspect the real world is far different from what it was when those teachers and administrators left high school to follow their dreams of becoming, well, teachers and administrators. At least today, there are fewer opportunities for those entering the real world. ❖



**Lesley Stedman Weidenbener, Louisville Courier-Journal:** There's a fascinating issue facing U.S. District Judge Tanya Walton Pratt as she considers whether Indiana's new abortion law should be blocked from implementation. The obvious question is whether the state can ban Medicaid payments to Planned Parenthood and other abortion clinics for non-abortion services, despite a federal law allowing patients to choose their health care providers. But there's another question that may actually take precedence — or at least must be answered first: Should the

federal courts step in even before an administrative dispute about the issue is settled? Based on the new law — passed by a Republican-controlled General Assembly — Gov. Mitch Daniels' administration submitted an amendment to the state's Medicaid plan to the federal government. But the federal Centers for Medicare and Medicaid Services rejected the change. Essentially, federal officials said that Indiana would be putting all of its Medicaid funding — some \$4 billion — in jeopardy if it refuses to make payments to Planned Parenthood for things such as pap smears, STD tests and other services. If that opinion stands, Indiana officials have a choice to make: They can either repeal the law or drop Medicaid. But lawmakers and the governor are far from such a choice. They can appeal the federal decision and eventually take the Centers for Medicare and Medicaid Services to court. However, Planned Parenthood — who is not receiving payments now for the Medicaid patients it serves — has asked Pratt to step in sooner. The group wants the judge to issue a restraining order that would force the state to start paying Planned Parenthood again. That could lead to a ruling that is indeed meant to be only temporary — perhaps long enough to let the administrative case play out. But Pratt also could issue a longer-term ruling declaring the state law in violation of federal law, essentially usurping the administrative process. ❖

**Jerry Davich, Post-Tribune:** Destiny Mathis has no regrets with her recent "presidential" decision, but she's catching flak for it nonetheless, especially from her own black community. I'm talking about her controversial decision to sell a personalized handwritten letter from President Barack Obama that she received in February. The president wrote to Mathis, a single mother of three, in response to a letter she wrote to him last year explaining her hardships and struggles. She also expressed her concerns for the last two years of Obama's rocky presidency. "Thanks for the moving letter, and the support," Obama wrote in cursive in black ink on White House stationery. "You have such a positive spirit — please know that things will get better for you and your family." He signed the letter, "You inspire me and I'm rooting for you. God bless, Barack Obama." Mathis, who campaigned hard for Obama in 2008, has already been on multiple national media outlets with the news of her decision. All the attention has prompted an avalanche of criticism toward her, and her decision, especially those from the black community. "Barack Obama is the first black president of the United States and you are selling a letter he wrote to you personally?!" asked one black reader on a national media blog. "What's wrong with you?!" Mathis made the admittedly difficult decision to sell the letter to avoid eviction from her Hobart apartment. She also is doing it to help protect her family's future. ❖





## **Allen prosecutor rejects Charlie request to probe**

FORT WAYNE - Allen County Prosecutor Karen Richards found the only thing suspicious about embattled Secretary of State Charlie White's request for an investigation into a special prosecutor was the timing (Fort Wayne Journal Gazette). On Wednesday, Richards declined White's request to investigate allegations that

special prosecutor Daniel Sigler Sr. committed voter fraud. He asked that Richards appoint a special prosecutor to investigate. Sigler, a former Adams County prosecutor, is one of two special prosecutors handling the criminal case against White. In spite of pressure, White has refused to resign. Tuesday, the Indiana Recount Commission held a hearing on whether he was legally registered to vote when he ran for office. The separate criminal trial is scheduled for Aug. 8. In a brief statement issued Wednesday afternoon, Richards said, based on White's allegations, there is no reason to believe a criminal offense occurred in Allen County, and so there's no reason to appoint a special prosecutor. But White said he's had to answer questions about his personal life and feels Sigler should as well. "I've answered questions and took me and my family through the probe," White said in a telephone interview Wednesday. "He should have clean hands." When asked what his reasoning was for why he filed the complaint with Richards' office, White said that Sigler had gone after White and his family. "There is no evidence to suggest a criminal act took place," Richards said. "There needs to be some reason to believe a



crime occurred in order to request a special prosecutor. There was absolutely nothing in what he sent me.

## **Obama to release strategic oil**

WASHINGTON - Wary of a new surge in gas prices, the Obama administration has decided to release 30 million barrels of oil from the country's emergency reserve as part of a broader international response to lost oil supplies caused by turmoil in the Middle East and North Africa, particularly Libya (Associated Press). The release from the U.S. Strategic Petroleum Reserve will amount to half of a 60 million barrel international infusion of oil planned for the world market over the next month. "We are taking this action in response to the ongoing loss of crude oil due to supply disruptions in Libya and other countries and their impact on the global economic recovery," Energy Secretary Steven Chu said Thursday.

## **Allen County faces \$6M deficit**

FORT WAYNE - The recession is to blame for a projected \$6.3 million shortfall in the Allen County budget next year, and county officials are honing the sword to make cuts (Fort Wayne Journal Gazette). Allocations for the 2011 county budget exceed 2012 projected revenue by \$6.3 million, Allen County Auditor Tera Klutz told council members at a recent meeting. Shortfalls are due to reduced income tax revenue, low interest rates and declining property values, Klutz said. The statewide property tax caps also are to blame for lower property tax revenue, she said. Declining property values have a negative effect on property tax revenue – the major source of the county's revenue. "Right

now, in Allen County, property values continue to go down," Klutz said.

## **100 jobs leaving Frankfort**

FRANKFORT - Nearly 100 workers will be out of jobs with the closing of a central Indiana factory that makes timers for washing machines. Officials of Nidec Motor Corp. have told state officials that permanent layoffs from the factory in Frankfort are expected to start in August and be completed by the end of the year. The Japanese company acquired the factory last year when it bought Emerson Motor Co. The Journal & Courier reports that the electro-mechanical timers made at the factory are being phased out throughout the appliance industry. Frankfort Mayor Chris Pippenger says the plant closing is unfortunate but that the city has fortunately had few layoffs in recent years.

## **120 jobs coming to Evansville**

EVANSVILLE - Berry Plastics Corp. announced Wednesday that Evansville, home of the company's world headquarters, has been chosen as the site for 120 customer service, finance and general administration positions over the next three years (Evansville Courier & Press). The positions are a result of continuing company growth as well as the consolidation of office locations in Rolling Meadows, Ill., and Minneapolis. Berry Plastics, which employs more than 2,250 associates in Indiana and more than 15,000 worldwide, will invest \$600,000 to consolidate its Rolling Meadows customer service department as well as add finance and general and administrative positions from Minnesota at its southwestern Indiana headquarter-



ters.

## **Solar company to relocated to Portage**

PORTAGE - Gov. Mitch Daniels is expected to be part of a group Thursday announcing that an Austrian company will build a new solar inverter manufacturing facility in Portage (NWI Times). The U.S. Department of Energy approved the state of Indiana to provide Fronius USA \$9.5 million in American Recovery and Reinvestment Act funding to buy equipment for a new facility for the components in August, according to a document obtained by The Times. The manufacturing plant would be at the AmeriPlex at the Port business park. Officials and representatives from Fronius declined comment on the document Wednesday. The Indiana Economic Development Corp. said in a Wednesday media advisory that a company would be relocating its headquarters from a neighboring state and creating hundreds of jobs locally. Representatives from the Indiana Economic Development Corp., the city of Portage and Holladay Properties, which is the AmeriPlex business park developer, declined further comment Wednesday. City officials in Brighton, Mich., where Fronius opened its first U.S. sales and service office in 2002, could not be reached for comment Wednesday.

## **Pucalik rushed into surgery**

HAMMOND - Councilwoman Kathleen Pucalik suffered an aneurysm Tuesday and was recovering in a Chicago-area hospital Wednesday night (NWI Times). She was transported to a region hospital Tuesday and airlifted to Chicago, according to Hammond Judge Jeffrey Harkin, Pucalik's ex-husband. "We're just ask-

ing for the support of the community and prayers," he said. "The aneurysm has been dealt with and will no longer be an issue." Harkin said doctors told him the aneurysm "hemorrhaged" and it was treated Tuesday night. Harkin said she's awake and praised the Hammond Fire Department's response. "They're phenomenal," he said. "Total professionals." Pucalik, a former council president, has been on the Hammond council since 1999. The Democrat made two unsuccessful runs for state representative, the last in 2004 when she was defeated by incumbent Rep. Linda Lawson, D-Hammond, despite having the backing of Mayor Thomas McDermott Jr. The Democratic mayor weighed in on the hotly contested race because Lawson had supported Republican Duane Dedelow Jr. against him in the mayoral race a year earlier.

## **Coats presses NBC on Pledge**

WASHINGTON - U.S. Sen Dan Coats, R-Ind., ran for office in 2010 promising that once elected he would work to eliminate unnecessary government regulation of business (Carden, NWI Times). But when a business did something Sunday that Coats didn't like, the senator used his elected position to ask that company to explain its actions to the federal government. On Tuesday, Coats sent a letter to the president of the NBC television network requesting a detailed explanation for why the words "under God" and "indivisible" were not included in a reading of portions of the Pledge of Allegiance that aired while images of Washington, D.C., landmarks flashed on the screen at the start of NBC's broadcast of the U.S. Open golf tournament. "The Pledge of Allegiance is more than incomplete without the words 'under God' and 'indivisible.' It is also empty," Coats said in his letter. "I

would like to request that NBC provide me with a full written account of its decision-making process in this matter, including an explanation of why these specific words were omitted and what actions NBC intends to take to prevent such inappropriate edits from occurring in the future." Later in its broadcast NBC apologized for not including the words. A request for comment on whether the network plans to respond to Coats' message was not returned Wednesday. Coats' letter seems to run afoul of the "Plan for Economic Growth and Job Creation" he announced during his campaign. In that document, Coats chides Democrats by saying "Washington is famous for creating regulatory burdens on business," and he promises to free companies from compliance with excessive government demands. Coats spokeswoman Tara DiJulio said the senator's letter was not a call for additional regulation of the television network.

## **Frank, Paul call for legalized pot**

WASHINGTON - A group of House members led by Reps. Ron Paul (R-Texas) and Barney Frank (D-Mass.) plan to introduce legislation Thursday that would legalize the use of marijuana and allow states to develop their own rules on the drug's use within their borders. Modeled on the amendment to the U.S. Constitution that repealed the prohibition of alcohol, the legislation is being cast by the Marijuana Policy Project as the "the first bill ever introduced in Congress to end federal marijuana prohibition." The bill would let states legalize, regulate and tax marijuana. It would also "reprioritize federal resources" away from the enforcement of anti-marijuana laws, limiting the federal government's role in combating cross-border and interstate smuggling, as well as in fighting the growth, use and sale of the drug.