

Election winner gets ... a mess

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The next president will face a steady clip of fiscal deadlines that threaten the U.S. economy if Washington fails to act.

USA TODAY research

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On the White House welcome mat: The 'fiscal cliff,' trouble abroad, and a toxic political landscape.

1:04PM EDT November 1, 2012 - WASHINGTON -- Confrontations abroad. A divided Congress at home. A budget stalemate on the horizon that threatens another recession.

Come Nov. 7, President Obama or President-elect Mitt Romney might be forgiven if he pines for the good old days of campaign rallies and negative ads.

The world won't wait for either man to enjoy his victory celebration. The bad blood and battle lines between Democrats and Republicans are likely to spill over rather swiftly from politics to policy matters. And only 55 days will remain before a convergence of tax increases and spending cuts threatens to throw the slowly healing U.S. economy back into recession.

"If you watch cable news on any station the day after the election, all you're going to hear is 'countdown to the fiscal cliff,'" says Erskine Bowles, who co-chaired a fiscal commission that recommended nearly \$4 trillion in deficit reduction over 10 years.

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Without action, almost every tax cut enacted since 2001 is set to expire at the end of the year. The resulting \$500 billion tax hike would raise the average American household's tax burden by \$3,500, according to the non-partisan Tax Policy Center.

The first \$110 billion of a planned \$1.2 trillion in spending cuts over 10 years to reduce the deficit also would begin at the start of the new year. Defense Secretary Leon Panetta has warned that, left unchanged, those defense cuts would threaten the nation's security.

A new or re-elected president confronted by an immediate crisis isn't unprecedented, of course. Obama came into office four years ago facing an economic cataclysm that became the deepest recession in 70 years. Bill Clinton was welcomed with a budget mess. Ronald Reagan walked into the Iran hostage crisis. Richard Nixon was immediately immersed in the Vietnam War. The comparison extends deep into history: Franklin Roosevelt faced the Great Depression; Abraham Lincoln, the onset of the Civil War.

But the next president also is likely to face a deeply divided country and Congress. If today's polls are accurate, a narrow victory will not provide an electoral mandate. He will be forced to reach across the aisle for help in tackling these daunting issues.

"In terms of an environment for transition, this is pretty much the worst I've seen," says Paul Light, professor of public service at New York University. "It's going to be knock-down, drag-out from Nov. 7 on."

At the same time, the president or president-elect will have a slew of personnel moves to make, including Cabinet-level nominations that need Senate confirmation — in a Senate that will likely be nearly divided. Romney would have an administration to populate. Obama would need to replace key people, led by Secretary of State Hillary Rodham Clinton and Treasury Secretary Timothy Geithner, who plan to step down.

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And the world won't stop revolving while the next president gets his sea legs. Potential crises in the Middle East, Iran's slow march toward a nuclear bomb and the enduring global economic slowdown will demand attention even as the domestic budget impasse dominates the agenda.

Staring at a 'fiscal cliff'

The pre-eminent challenge is finding a path to reduce the nation's debt and deficits while stabilizing the economic recovery. A looming calendar of expirations and automatic triggers — the "fiscal cliff" — threatens economic and budgetary mayhem if Washington can't forge compromise in the wake of the election.

"You could see (the economy) slowed by 3% next year. You could see as many as 2 million people lose their jobs. You could see unemployment go to 9%," Bowles warns. "Sometimes a crisis propels action in the Congress."



The next president will face an array of challenges, including the looming "fiscal cliff." (Photo: Charlie Neibergall, AP)

The economy faces a twofold threat at the end of the year when tax cuts passed in the Bush administration are scheduled to expire, raising taxes on 90% of Americans. At the same time, across-the-board spending cuts would be triggered as a result of a congressional panel's failure last year to find a path to deficit reduction on its own.

Enacting tax hikes and spending cuts during a slow recovery are all but certain to throw the economy into a recession, given the current 2% growth rate — below the 3% rate most economists believe is needed for an economic rebound.

Also expiring at the end of the year are the tax breaks enacted as part of Obama's 2009 economic stimulus, including expansions of the child tax credit and earned income tax credit; a temporary payroll tax break; a "patch" on the Alternative Minimum Tax, exposing 26 million taxpayers to higher taxes; and a package of pet tax breaks, including one that encourages charitable giving.

More worrisome is the next vote to raise the government's borrowing authority, which the Treasury Department estimates will be reached in February, just weeks after the president's inauguration. A heated debt-ceiling battle in 2011 between the White House and Congress threatened the nation's credit rating and sent stocks tumbling.

And then there's the potential for another threatened government shutdown. The Obama administration and congressional Republicans clashed over spending limits last year but cut a last-minute deal to avert a shutdown after weeks of brinksmanship. The government's current funding extends only until March 27.

"What the next president is looking at in 2013 is a steady series of cliffhangers," says Stan Collender of Qorvis, a federal budget expert. "I'm not sure I see a way out of this unless everybody gets religion."

Yet as time grows short, there is growing consensus that Washington will not be able to solve all its fiscal problems between Election Day and Dec. 31. Congressional negotiators have yet to begin talks on the possibility of short-term fixes, which will be influenced by who wins on Nov. 6.

A world of uncertainty

To hear Romney describe the Middle East as a "rising tide of chaos" in the last debate, one could imagine international affairs intruding on the next president's time as well.

"We don't know what the world is going to throw at us down the road," Romney said. "We make decisions today in a military that will confront challenges we can't imagine."

The former Massachusetts governor made the point to illustrate his opposition to further cuts in the Pentagon's budget, threatened by the budget stalemate. But it just as easily could apply to a number of global hot spots that may confront the next president as early as Nov. 8, when China's Communist Party begins the process of selecting new leaders.

The most likely place is Syria, where violence that began in March 2011 during the Arab Spring has killed 30,000 Syrians and spilled over into Turkey and Lebanon. But the entire Middle East and Persian Gulf region remains volatile: Iran's nuclear program hasn't buckled under the weight of sanctions and negotiations. U.S. dealings with Egypt's new government have been tense. And the Israeli-Palestinian situation is always a simmering wild card.

"You've got to divide the region into two sorts of realities — the migraines and the root canals," says Aaron David Miller of the Woodrow Wilson International Center for Scholars.

Negotiations over Iran's nuclear program will likely resume in late November or December, regardless of who wins the election. Those talks involve five other countries, but Obama has opened the door to possible talks between just the U.S. and Iran.

"The clock is ticking," he said at last week's debate. "We're not going to allow Iran to perpetually engage in negotiations that lead nowhere."

Romney has said he would tighten existing economic sanctions and seek to have President Mahmoud Ahmadinejad indicted for genocide.

He also has threatened immediate actions against China. "On day one, I will label them a currency manipulator, which allows us to apply tariffs where they're taking jobs," Romney said during the debate.

Such a move could trigger a trade war, pushing China policy up on the presidential timetable, says Eswar Prasad, professor of international trade policy at Cornell University.

Job One: Make friends

After a relentlessly negative campaign that was the most expensive in history, the central challenge for Obama or Romney might be to repair relations with the other party. By all accounts, it won't be easy.

"It is the single most important roadblock" to a successful start, says Mickey Edwards, a former Republican congressman whose new book carries the subhead *How to Turn Republicans and Democrats into Americans*. "The challenge that they both have is how they reach out."

Easier said than done.

Obama has spoken to House Speaker John Boehner by phone just twice since July, to discuss the fiscal cliff and the situation in Libya, spokesman Kevin Smith says. Obama's extended hand also would be met by Senate Republican leader Mitch McConnell, who made defeating the president a prime objective.

Romney would face Senate Democratic leader Harry Reid, who has accused him of tax evasion, among other frequent attacks. A Democratic Senate would be a powerful barricade against Romney's agenda, which includes pledges to repeal Obama's health care law and permanently extend the Bush tax cuts for all.

Either president should "devise a strategy to reach out (to Congress) and almost do nothing else," says Dan Glickman, a former Democratic congressman now at the Bipartisan Policy Center. "There's just no way to get big legislation through without working them, massaging them, toasting them, dining with them."

For Romney, the task would be complicated by the need to fill out an entire administration. Even if Democrats don't retain control of the Senate, they could block his nominees.

"I wouldn't envy the Romney folks the day after the election," says William Galston, a former domestic policy adviser in the Clinton administration. "They have an enormous number of things they have to do simultaneously."



ave to contend with outside pressures from lobbyists, unions, corporate interests and ideological foes. Americans for Tax
Norquist, whose anti-tax oath has been signed by almost every Republican member of Congress, is girding for a fight if
ere's no compromise," Norquist says, adding his prediction for an Obama second term: "There's a stalemate."

Sen. Patty Murray, D-Wash., a Democratic leader who co-chaired the failed deficit-reduction panel, says a deal is possible
if Republicans give on taxes.

(Photo: Carolyn Kaster, AP)

"There is a balanced deal to be had," she says. "I think we're back to a starting point now for the president to bring people together."