# Was President George W. Bush Prophetic?

This week, various political luminaries gathered in Dallas, Texas, to celebrate the presidency of George W. Bush, who presided over one of the most tumultuous periods in modern American history. Among liberals, Bush is considered a uniquely awful president, having led the United States into the ill-fated invasion and occupation of Iraq and having passed into law deep tax cuts that contributed to America's present-day fiscal crunch.

Conservatives are more conflicted. Some dismiss him as a big-government conservative who failed to heed the wisdom of Goldwater and Reagan. Others, including many who served in the Bush administration, believe that as time passes, he will be lauded for his achievements. The complicated truth is that for all his flaws, George W. Bush had a better understanding of the challenges facing Republicans than most Obama-era conservatives. His rocky tenure is best understood as a testament to how difficult it will be to modernize the GOP.

Many hero-worshipped Bush during the early days of the war on terror, seeing him as a humble Christian leader who was always willing to take the hard road rather than the easy one. But as the public turned against the Iraq War, and as his efforts on behalf of Social Security reform and immigration reform engendered a fierce political backlash, a growing number of conservatives came to see Bush as an apostate who expanded Medicare and the federal role in education while failing to roll back the growth of government. The Bush administration's response to the 2008 financial crisis alienated conservatives even further, as the ominously named Troubled Asset Relief Program (TARP), engineered by Treasury Secretary Hank Paulson, struck many as a hardly-any-strings-attached Wall Street bailout. The Tea Party movement arose in no small part as a repudiation of Bush and his fitful efforts to transform the GOP.

Bush administration veterans, meanwhile, remain convinced that their president has gotten a bum rap. Keith Hennessey, who served as director of the National Economic Council during Bush’s second term, recently described Bush’s keen intelligence, and in doing so worked the former president’s liberal detractors into a frenzy. Among my friends and acquaintances who served in the Bush White House, the general view is that while Bush had solidly conservative instincts on domestic policy matters, he was hemmed in by the demands of the war on terror and the recalcitrance of Republican lawmakers. When the administration pressed for reform of Medicaid and, later on, changes in the way employer-sponsored health insurance would be treated in the tax code, congressional Republicans hardly ever gave him in inch. President Bush had little leverage, as he needed congressional Republicans to approve military spending and to defend his administration in the endless controversies over enemy combatants and surveillance that sapped its strength.

One of the ironies of the Bush presidency is that for all its failures, it was rooted in a clear-eyed diagnosis of the challenges facing Republicans. The end of the Cold War and the success of the Clinton-era Democrats’ centrism had badly undermined the GOP, which by the late 1990s risked irrelevance. Newt Gingrich’s efforts to shrink government were successfully countered by President Bill Clinton’s protean progressive centrism, and so George W. Bush, as governor of Texas, identified an alternative way forward.

During his first presidential run, Bush famously lambasted congressional Republicans for “balancing their budget on the backs of the poor,” and he touted his various efforts to raise literacy and math scores for black and Latino students in Texas. Bush recognized that Republicans needed to be seen not as opponents of government but rather as its reformers, and his moderation was essential to his razor-thin, hotly contested 2000 victory.

This is not to suggest that Bush had the right policy prescriptions all or even most of the time. There is a strong case that the Bush administration should have done much more to address the larger challenges facing less skilled workers.

Bush’s vision of an “ownership society,” which centered on increasing homeownership among low-income Americans, building on the work of his Democratic predecessor, seems in hindsight to have been ill-advised, particularly in the wake of the housing bust. Bush’s faith-based initiative, which aimed to empower religious organizations to take a bigger role in providing them, was always very limited in scope. The Bush-era tax cuts, arguably the centerpiece of the Bush domestic policy, were at best a mixed bag. The cuts in top marginal tax rates and capital gains may well have improved the incentives to work and invest at the top end, and the increase in the child tax credit benefited large numbers of middle-income families. But in the absence of a more ambitious overhaul of the tax code, it’s not clear that these gains were worth the loss of revenue.

Republicans would be wise to heed some of the political lessons of George W. Bush, positive and negative. The most obvious lesson is that the GOP won’t flourish unless it is seen as the defender of the economic interests of middle-income Americans. In 2000, Bush’s emphasis on K-12 education and tax relief was in tune with the voting public. By 2005, however, the Bush administration’s domestic policy was adrift, as it championed misbegotten, ill-explained Social Security reform just as defined benefit pensions were vanishing and middle-class squeeze became a national obsession.

And as James Capretta argues in “Recasting Conservative Economics” in the new issue of National Affairs, the right-of-center policy journal (where I am a contributing editor), Republicans need to tell a more compelling story about the Bush years and the 2008 financial crisis with which they will forever be associated. In 2012, it often seemed as though Mitt Romney had forgotten that Bush had ever been in office, and he struggled to articulate how and why his views differed from those of the former president.

The outlines of a compelling counternarrative of what went wrong during the crisis are emerging. One view, which has gained in popularity among right-of-center intellectuals but remains profoundly unpopular among the conservative rank-and-file, is that Senator John McCain was actually right to say that "the fundamentals of our economy are strong" in 2008 — the only problem was that the Federal Reserve failed to do enough to keep aggregate demand stable as the financial crisis took its toll. This has been dubbed a "market monetarist" interpretation of the Great Recession.

The conservative intelligentsia has also rallied around the position that the stability of the financial system can be attributed in part to the overreliance of America's major financial institutions on debt rather than equity. Wall Street Republicans resist this interpretation, as more stringent equity requirements would reduce profits. Yet at least one prominent Republican lawmaker, Senator David Vitter of Louisiana, has joined forces with the populist Democratic Senator Sherrod Brown of Ohio to push for much higher equity requirements for banks with assets of more than $400 billion, a measure that will tend to curb the size of the largest banks. The idea is that higher equity requirements will help cushion banks against losses, thus forestalling future taxpayer bailouts.

One can imagine a Republican party that embraces tough equity requirements and market monetarism in the name of preventing future financial crises and catastrophic economic downturns. One can also imagine a GOP that takes George W. Bush's lead by at least trying to craft a compelling message for middle-income voters. But in 2013, over four years after Bush left office, the GOP still doesn’t know what to make of his legacy, and the result is a party and a movement that is very much adrift.

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