

Volume 29, Number 18

August 3, 2007

Dear Client:

**This presidential election is shaping up as one that breaks all the rules. And for the first time in a long time, Texas looks like it will not be a major player.**

An analysis by **George Friedman** of the Austin-based international strategic forecasting firm of Stratfor shows there to be three rules of American presidential politics since 1960.

**The first rule is that no Democrat from outside the old Confederacy has won the White House since John F. Kennedy. Lyndon Johnson, Jimmy Carter and Bill Clinton** were all from the Confederacy. **Walter Mondale, Michael Dukakis** and **John Kerry** were from way outside the Confederacy. **Al Gore** was from the Confederacy but lost, proving that this is necessary, but not a sufficient basis for a Democrat to win.

**The second rule is that no Republican has won the White House since Eisenhower who wasn't from one of the two huge Sunbelt States: California or Texas** (Ike, though born in Texas, was raised in Kansas). **Nixon** and **Reagan** were from California. Both **Bush** Presidents were from Texas. **Gerald Ford** was from Michigan, **Robert Dole** from Kansas – they both lost.

**The third rule is that no sitting Senator has won the presidency since Kennedy.** Johnson came the closest to being a sitting Senator but he had a gap of four years and an assassination before he ran. After him, Former Vice President Nixon, Gov. Carter, Gov. Reagan, Vice President Bush, Gov. Clinton and Gov. Bush all won the presidency. The path is strewn with fallen Senators.

This being the case, Friedman argues the Democrats appear poised to commit electoral suicide again, with two northern Senators (**Hillary Clinton** and **Barack Obama**) in the lead and the one Southern contender, **John Edwards**, well back in the race. The Republicans, however, are not able to play to their strength. There are no potential candidates in Texas or California to draw on. **Texas right now just doesn't have the players ready for a national scene**, says Friedman. California does, but **Arnold Schwarzenegger** is constitutionally ineligible by birth.

Texas and Texans may be further disenfranchised, especially since the Texas Legislature failed to move the state's party primaries earlier in 2008 for more say-so in the presidential race.

**If you have difficulty predicting who will be the next US president, think about world leaders where the fate of their countries (for better — or for worse) is linked to the election outcome.**

Let's take a country in President **George W. Bush's** crosshairs right now, Iran, as an example. An Austinite has built a world-renown business based on closely watching the world geopolitical scene on behalf of private clients. **George Freidman's** company is called Stratfor. Here's what he thinks Iranian leaders are seeing right now:

“First they are seeing Bush become increasingly weak. He is still maintaining his ability to act in Iraq, but only barely. Second, they see a Congress that is cautiously bombastic – making sweeping declarations, but backing off from voting on them. Third, they see a Republican Party splitting in Congress.

“Finally, they see a **presidential election shaping up in unprecedented ways with inherently unexpected outcomes.** More important, for example, a **Rudy Giuliani-Hillary Clinton** race would be so wildly unpredictable that it is unclear what would emerge on the other side. Any other pairing would be equally unpredictable.” (See the previous story.)

**This results in diplomatic paralysis across the board.** “As the complexity unfolds, no one – not only in the Iraq arena – is sure how to play the United States,” Friedman observes. “They don't know how any successor to Bush will behave. They don't know how to game out who the successor to Bush is likely to be. They don't know how the election will play out. **From Iraq and Iran to Russia and China, the United States is becoming an enigma and there won't be a hint of clarity for 18 months.**”

If this isn't intriguing enough, Friedman points out that **all this uncertainty is giving Bush a “strange strength.”** As he put it: “No president this low in the polls should be acting with the confidence he shows.” So how does Friedman explain it?

**“Part of it could be psychological, but part of it has to do with the appreciation that, given the strange dynamics, he is not your normal lame duck,”** Friedman concludes. “Everyone else is tied in knots in terms of policy and in terms of the election. Bush alone has room to maneuver, and the Iranians are likely calculating that **it would probably be safer to deal with the president now rather than expect the unexpected in 2008.**”

The underlying weirdness of the presidential political pattern this year is sure to have far-reaching implications, beyond those mentioned by Friedman. And, if it plays out with the party nominees already selected before Texans get to vote, **the only Texans with any power at all will be the big-money givers to the winning candidate.** Or, in the longest of long shots, a

**“Why do we need to spend money we need for transportation on things that aren’t transportation?” This question was asked by Austin State Senator Kirk Watson. Actually it was a complaint, more than a question.**

“With the exception of providing a good education, **I can’t think of an area where government has so much power to *improve* a region’s quality of life – or *worsen* it,**” Watson says. Long involved in transportation issues in the Central Texas area, especially when he served as Austin’s mayor and as chair of the Greater Austin Chamber of Commerce, Watson is especially critical of the Texas Legislature’s record on transportation during his first session as Senator. And the Legislature will not meet again in regular session until 2009.

On the transportation front, Watson claims **“the state hasn’t been living up to its responsibilities in the last few years.”** The Democrat said “this past legislative session was a particularly painful example.” In a communication to constituents, the Senator said “you all know the Legislature dodged its best chance to raise transportation money by refusing to raise the gas tax.”

But he went on to say that **“even worse, the state budget diverted even more of the gas tax money we *do* have – about 15% more – away from transportation.** Instead the state will spend nearly \$1.6 billion that should be going to transportation on everything from the Department of Public Safety to Medicaid to some mineral rights legislation in the Attorney General’s office to the Lufkin Tourist Information Center.”

But, there’s more. Watson, complaining about the diversion of transportation dollars, said “it’s even more puzzling when you consider **the Legislature put aside \$2.4 billion – that’s right, \$2.4 billion – in a fund that just sits in the bank and earns interest.** The leadership stashed away this money for fear that its 2006 tax shifting plan won’t do what they promised – provide enough state money to take the place of local taxes that Texas uses to provide a constitutionally mandated state service.”

“This \$2.4 billion pot of money doesn’t fund a single service we need right now, including transportation,” he continued. “Remember \$1.6 billion of what most folks think is transportation money was siphoned off the current budget. **That shouldn’t be necessary when the mattress is holding \$2.4 billion.**”

“So, here’s some real truth in taxation,” Watson said. **“Texas is starving itself,** starving itself in ways that will weaken the state significantly now and even more in the future. **Texas is doing it because its leaders know they’ve made promises that they may not be able to keep.**”

His advice when you’re stuck in Austin traffic: **“try to remember during your next bout of road rage that you’re not really mad about the traffic – you’re mad about the budget.”**

**Austin has been ranked as the #1 city in the nation for Hispanics to live and work. Is this ranking the “chicken or the egg” in that Hispanics are the fastest-growing demographic in the Austin metro area?**

From a pure statistical standpoint, Hispanics have been a fast growing demographic for years. This population increase was in place long before *Hispanic* magazine began its annual rankings (which have placed Austin among the top ten cities in the nation for the 6<sup>th</sup> consecutive year – ranking #1 for three of those years).

The national magazine cites **Austin’s cultural heritage, educational opportunities and political activism** as major reasons that it remains a popular destination for Hispanics. “Artists and art lovers flock to the Central Texas city, giving it a vibrant arts scene,” write the mag’s editors. “And as home to The University of Texas, Austin has bred a city that highly values education.”

Following Austin to round out the Top Ten this year are Denver, Dallas, Houston, Phoenix, San Antonio, Albuquerque, Tucson, Miami and Chicago. **Notice these cities all have large Hispanic populations.**

The Austin area’s Hispanic population numbers are also impressive. Information provided by the Texas State Data Center showed that, in 2005, **Hispanics numbered 430,163 in the metro.** The Black population was 112,511, “other” was 66,335 and whites tallied 849,632.

**The Hispanic population is also the Austin area’s fastest growing demographic** – increasing by 11.2% from 2003-2005, compared to 3.9% increase in the white population and 4.6% in Blacks. When more recent numbers become available, the trend will likely continue.

When Kansas City Royals outfielder accidentally shot a TV reporter in the face with a pellet gun in the baseball team’s locker room, **Dr. Louis Overholster** said, if convicted, Brown could receive up to eight years as Vice President!

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 4105 Bee Creek Rd, Spicewood, TX 78669. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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