

A Brookings Briefing

**MIDTERM ELECTIONS: WHO WON AND WHY?
IMPACT ON THE NEXT TWO YEARS AND BEYOND**

**The Brookings Institution
Stein Room
November 8, 2002**

Moderator:

E.J. DIONNE, JR.

Senior Fellow, Governance Studies, The Brookings Institution; Columnist, *The Washington Post*

Participants:

THOMAS E. MANN

Senior Fellow, Governance Studies, and The W. Averell Harriman Chair, The Brookings Institution

BRUCE KATZ

Senior Fellow, Economic Studies, Director, Center on Urban and Metropolitan Policy, and The Adeline M. and Alfred I. Johnson Chair, The Brookings Institution

PETER R. ORSZAG

Joseph A. Pechman Senior Fellow, Economic Studies, The Brookings Institution

JAMES M. LINDSAY

Senior Fellow, Foreign Policy Studies, The Brookings Institution



MR. E.J. DIONNE, JR.: First, great thanks to the Carnegie Endowment

for letting us use this space. There was no more room at the Inn back at Brookings, and it was very generous of Carnegie to let us meet here. The Republican victory on Tuesday may well prove to be more consequential this year than the 1994 Republican sweep. Even though the margins were very narrow this year, the results this time could be much greater, and there is an a lot to say about this election's effects.

We have a very distinguished group of scholars from Brookings here to discuss it. I'll just introduce them very briefly and turn to them.

The format today will be as follows. I'm going to ask a few questions of our scholars. Even though there are technically no opening statements, the first question will amount to provide everybody a chance to make an opening statement. It looks informal if you do it this way. [Laughter]

I'm going to try to get to the audience as quickly as possible, and we'll go back and forth. I also want to urge my friends and colleagues to feel free to interrupt each other, to jump into the conversation, to come back without any question from either me or you.

Many of you know all the folks up here. Tom Mann is The W. Averell Harriman Senior Fellow in Governance Studies at The Brookings Institution. Tom is going to give us an overview of the election.

Bruce Katz is a Senior Fellow in Economic Studies and the Director of the Center on Urban and Metropolitan Policy, and he will talk about the election at the state level, particularly the Governors races and the effect of the election on, shall we say, urban and metropolitan policy.

Peter Orszag is a Senior Fellow in Economic Studies and he is going to talk about the effect of the election on economic policy and the budget.

Finally, Jim Lindsay is a Senior Fellow in Foreign Policy Studies and he will talk about the effect of the election on National League baseball -- [Laughter] -- No, on foreign policy of the United States. Actually he's an American League fan anyway.

I want to say I apologize for this cold. I want to assure everybody it is not my personal response to the outcome of this election. It predated the results of the election.

Tom, I'd like you to start. What happened? What did the Democrats do wrong? What did the Republicans do right? What are the effects of this going to be?

MR. THOMAS E. MANN: Is that all? [Laughter]

MR. DIONNE: And please go on for no more than about five minutes. [Laughter]



MR. MANN: Listen, there are ample grounds for modesty on my part and

anyone else who's purporting to glean the meaning of this election. Most of us are making more assertions than we are marshaling evidence. We are limited by the absence of really useful exit polling information. We're limited by the fact that we haven't yet had time to do the precinct level analysis that would give us some handle on whether the working hypothesis that this election was decided by mobilization, successful mobilization by the Republican party, and a lack of mobilization among core Democratic supporters.

There's bits of evidence suggesting that that may well have proven to be the case. We don't see any persuasive signs that this was a case more of persuasion, that there was any kind of a sea change in public attitudes toward public officials, toward parties, toward the domestic agenda. But let's be modest about it. We don't know for sure yet, and it will take us some time to see.

Secondly, we had a very minor electoral change in terms of seats changing hands. It is breathtaking to see how few House incumbents not facing challengers as opposed to other incumbents lost. Four. Two for each political party. And if you look in the Senate, we have a very small number of incumbents losing. It isn't fair to count Walter Mondale as an incumbent. That became an open seat.

So we had Jean Carnahan, who was appointed two years earlier, who lost by one percentage point in Missouri; and Max Cleland, as well as Tim Hutchinson, who again had been there for one term and encountered some personal problems.

There was much more turnover, not in terms of incumbent defeat, as Bruce will talk about, much more party switching in the states. But the net of it is that we're talking about a very, very modest political electoral change.

Now, the one way I want to qualify this is that it did move largely in one direction in terms of the net effects, and if one looks at the votes cast, say, for the House, it appears that the Republicans may have gained three or four percentage points over their 2000 House vote, and as many as five or six over the last midterm, 1998. So that something was happening here that brought more Republicans out to the polls or persuaded more people to vote Republican.

And it was across the board because Republicans picked up over 200 state legislators as well. So this is not limited to Washington. So something was going on. One shouldn't minimize it, but nor should one overstate what's going on. All of the talk of mandates and now it's time for the Democrats to step aside and let the President have his domestic program are parts of efforts to spin to advance ones' preexisting policy preferences.

What happened? Listen, we always anticipated the possibility that in the swirling winds of national forces, which seem to be having a countervailing effect with, on the one hand a sluggish economy, corporate scandals, economic insecurity favoring the out-party, the Democrats, but on the other hand, of course, the post-9/11 popularity of the President and his very skillful ability to control the agenda of public debate at various points in the months leading up to the campaign.

The question was how would those forces net out? All of the analysts before the election kept looking for signs that it was moving in one direction or the other. They couldn't find any, so they gambled there would be none, or that it would tip in a Democratic direction. In the end it tipped in the Republican direction, yet ironically we ended up in the Congress with results that were not wildly off-base from what a simple bottom-up count would produce. That is the pick-up in the House of four or five seats is about what people said, looking at the individual races.

The Senate, of course, was a little out of the range. A two-seat pick-up for the Republicans was more than most analysts thought. They said they have a chance at winning back the Senate, probably with one seat pick-up, but there was a greater sense that the upside potential for the Democrats outweighed that of the Republicans.

Why did the net effect end up working to the Republican advantage? The operating assumption is that it was mobilization. Democrats', core voters did not have anything to get excited about in this election. It's partly blamed on the failure of Democrats to come up with a competing agenda. I attribute that to the skill of the President.

The 2001 tax legislation may, in my view, have been bad policy but it ended up being good politics because it brought along Democratic support in the Senate, and that then became a constraint on the leadership to try to challenge directly that centerpiece of the Bush economic policy and basically kept Democratic voices quiet.

Similarly on Iraq, there were real divisions within the Democratic party. There were substantial numbers of Democrats who believed we should aggressively go after Saddam Hussein. There were some planning to run for President who felt they had to take that position.

As a consequence, again, there was no real ability for Democrats to frame that issue.

So I attribute much of this to the opportunity presented by 9/11 and to the President's success in exploiting the opportunities, and that was largely a matter of agenda control.

How much did his aggressive campaigning, in the end, matter? We'll be analyzing and debating that for a long time to come.

All I'll say is this. By taking the gamble of doing it and in effect winning the election, he reaps the political rewards whether it made a difference or not. When you gamble like this and win, then you get the rewards. It's not the first time in history when a President got credit, even if he may not have deserved it, but he played it skillfully in this case. Bush may well have deserved it.

E.J., I come out of this feeling that the President is in many senses underestimated. That there are certain qualities about his leadership that we ought to recognize, and that while there was very little in the way of real change in the public occurring in this election, that the potential now exists for the President once again to try to seize this opportunity and use it to move us off 50/50 and build a more

substantial majority coalition.

I actually think he has an opportunity to do that. I think he squandered that opportunity after 9/11, but now the opportunity presents itself again.

Let me just reel off very quickly, and then I'll finish, the qualities of the President that are relevant here.

One, he is as willing to play a weak hand as he is a strong hand. That is, he's a remarkably risk-tolerant, not risk-averse, political leader.

Secondly, he adapts very well to events and opportunities. We certainly saw that in the move from 9/10 of last year to 9/11 and 9/12.

Thirdly, he has mastered the use of political rhetoric to camouflage a program that's quite different, and now he has passed that on to his party colleagues. That is, the rhetoric is "we need to change the tone in Washington. We need to operate on a bipartisan basis, to bring us all together."

What's unsaid is, that means "you Democrats better get on board our Republican plan." The President has a thinly veiled contempt for Congress. He's very executive-centered, and he believes what bipartisanship is, is the Democrats joining the Republicans to pass his program.

The fact is the last two years have seen a poisonous atmosphere in Washington. It's been really ugly. And if the President sort of over-reads his stunning political victory we're going to return to that poisonous atmosphere. There's no reason for Democrats to back down. In fact, if anything they are liberated now by being in the majority. The President will realize substantial media immediate policy victories, especially on the courts and some aspects of taxes, but in the end, his success is going to depend not so much on his sort of political adeptness now, it's going to depend on how this economy does, how the war and its aftermath in Iraq go, how the campaign against terrorism goes, and finally, how the Democrats manage to come up with a basis on which to offer an alternative. That's a basis that won't be decided in debates between liberals and moderates. One of the most fruitless and banal of debates, but rather a question about what kinds of sort of broader approaches to real problems that Americans see -- domestic and international -- might provide a genuine alternative to the Bush regime.

MR. DIONNE: Thank you very much. I'm sure every Democrat in the room now feels relieved that they are liberated by the election results. [Laughter]

When Tom was talking about Bush being willing to play a weak or a strong hand I almost wanted to go back to him and say are Democrats willing to play any hand at all? But we can get to that.

Bruce Katz, you have a very interesting set of results to discuss. The Democrats expected to be able to crow about these results, and they have indeed picked up Governorships in Illinois, Pennsylvania, Michigan and Wisconsin among other places. On the other hand they lost in such states as

Maryland and Massachusetts, two of the most Democratic states in the union. There was also a guy called Bush who did very well in the Florida Governor's race.

I am struck by, the ultimate in all politics is local -- Maryland and Massachusetts go Republican and Kansas and Wyoming go Democratic. I'm tempted to just ask you to explain that. But why don't you give us a broader look at the election and what it means.



MR. BRUCE KATZ: I think the major take-away from the state race is at the Governor level, not the state legislature. The major take-away is how many of these folks are new? Almost half of the Governors are new compared to 10 percent of the Senate and 12 percent of the House.

I think it is surprising that the Democrats were not able to hold the majority of the governorships. They started with 21, they've ended up with 24. Maybe Alabama will go their direction. The Republicans started with 27, they've ended up with 25. Two independents, Ventura and King, decided not to run again.

A lot of this is local, and a lot of the changes you see in Illinois on the one hand with Blagojevich taking the reins and Erlich in Maryland is really time for a change kind of rhetoric and kind of campaign positioning.

It's very critical, these Governor races are very critical for a number of reasons. Number one, this is the farm team for the presidency. It's also the farm team for the Cabinet. Look at Whitman, look at Thompson, look at Ridge. The people who won, people like Rendell and Granholm are stars. These people are very charismatic, very smart, very engaged. We're going to hear a lot about them at the national stage.

Number two, what these folks do in the next couple of years is fundamentally going to shape the domestic agenda, not just in the near term but I think for the next decade. If you look back to the early '90s and you think about what Clinton did in '93 and '94 and what he didn't do, I suppose -- welfare reform, health care reform -- a lot of this started with Republican Governors in the early part of the last decade -- Engler, Thompson, Ridge and others. So what the Democratic Governors and the Republican Governors do in the next couple of years is fundamentally going to shape the domestic agenda.

Number three, and this is from someone who works principally on city suburban issues. The states in many respects are more important to a whole range of issues than the federal government. That's in part because they've always had control over key issues like governance, like land use, like taxation, like infrastructure. But really what has happened in the past two decades on a bipartisan level with Clinton, Reagan, and the elder Bush, is we have pushed down a lot more responsibility on transportation, on welfare, on workforce, on housing to these Governors. They now administer large federal programs for all intents and purposes.

So when it comes to the issues that we deal with, whether it's schools, whether it's congestion, whether it's economic competitiveness, it's the Governors really that basically set the tone for a lot of these urban and metropolitan issues, less and less the federal level.

In terms of the next two years, the immediate term, these are the folks who have the hard work to do actually. We have almost a major disconnect between the federal discussion right now, are we going to make a tax cut permanent, and what is about to occur at the state level? These folks are about to face a fiscal crisis that we've not seen in some period of time and the decisions they make, they innovations they pursue I think are ultimately going to shape the national discussion going forward.

MR. DIONNE: Can I ask you one quick question? Do you think there will be any new pressure for Washington to come to the aid of the states through revenue-sharing or something like it? I've been surprised at how that proposal keeps falling flat.

MR. KATZ: Absolutely, and I think this is really the critical issue because all the easy stuff has been done at the state level. They've raided their rainy day funds, they've basically used the tobacco settlement funds to do some of the budget cutting. Now they've got to get to the tough stuff. Now they've got to decide do we roll back Medicaid eligibility? Do we cut child care? Do we cut preschool? Do we cut after-school programs? What do we do with infrastructure? There are going to be a lot of harsh and brutal decisions made at the state level in the next year. The question is, is the federal government going to participate in any of this stuff? Either with block grants or counter-cyclical kinds of revenue sharing, or by dealing with Medicaid match and some of these other technical issues?

I think there is going to be a demand for the federal government to engage because the cuts are going to be harsh and they're going to be brutal. And ultimately six months from now that may be what we're talking about here, is this fundamental disconnect between the federal discussion which is all about what happens in 2010 and 2011 and right now on the ground cuts to programs and services that people believe are absolutely critical. I'm not sure the feds are going to act but there's going to be a lot more calls for them to do so.

MR. DIONNE: Thank you very much.

Now Peter Orszag will explain why there won't be any money left in the federal treasury to do any of this. [Laughter]

Peter, I'd like to ask you two things. One is to talk about the Administration's tax reform proposals and how those might come out, but before we do that, this is a question that you don't expect. A lot of people, I suppose I'm one of them, thought the Democrats needed to be much more clear and aggressive in laying out an alternative to Bush's program. What could they have said in your view in this election and what should they have said in your view? I'm not asking you to judge by the polls, this is not a poll-driven question, this is a policy-driven question. If you could take that and then go into what we are likely to see.



MR. PETER R. ORSZAG: The fundamental problem with the Democrats on economic policy has been that they are very clearly against the Bush tax cut but many of them are not willing to say what we should do about that.

I think substantively what would have made sense is a sort of revenue-neutral tax shift. So you say we don't like that tax cut, let's freeze that tax cut and use the funds for retirement savings accounts, for other kinds of tax incentives that are better for the economy, and perhaps not use all of it, use some of it for debt reduction and fiscal discipline. But a sort of tax shift. We don't like that kind of tax cut, not give away the issue -- I guess I'm partially going into polls now, but not give away the issue saying you just want to raise taxes. Say no, we want a different kind of tax cut, one that is better for the economy over the long run and that is fairer across income distribution. There are lots of ways that one could have designed such a package, but no one wanted to talk about the first part, freezing the things that are scheduled to come, and then using the revenue for that purpose.

On that note, there are two critical issues that the election brings to the forefront. The first is obviously taxes. We have now entered unambiguously their tax reform or fiscal irresponsibility, depending on your perspective, and there are questions for both sides.

I think on the Republican side and for the Administration the crucial question is whether they come forward with an overarching ambitious tax reform plan, moving to a flat tax or a value-added tax, or whether they continue a pattern that has occurred over the past couple of years in which that sort of more fundamental tax reform is achieved in marginal steps. There was a very interesting article in the Washington Times a couple of weeks ago in which a conservative economist described an effort among conservative economists to achieve fundamental tax reform in so-called five easy steps. And when you look at what's been happening you can see that these five easy steps have started to come into play.

Reductions in marginal tax rates; increases in retirement contribution limits; expensing of business investment for corporations; addressing the so-called double taxation of dividends. The dividends are taxed at both the corporate level and the individual level. Then moving towards the so-called territorial system of taxation for corporations, that is not taxing income that corporations earn outside of the United States. And when you look at those five pieces the argument is that gets you a lot of the way towards a flat tax type of approach without anyone actually realizing that that's what you're doing.

So one of the crucial questions I think will be does the Administration find it more beneficial to come out with an ambitious plan with the pros and cons that that would entail, or do they continue down this road of trying to do it in a piecemeal approach, perhaps without anyone really realizing what's going on.

For the Democrats, the obvious question is there more backbone against new tax cuts, making tax cuts permanent, accelerating tax cuts? How do the Democrats respond to the electoral shift, however modest or not it may have been? The fact of the matter is the control of the budgetary

apparatus in the Senate, and that's crucial which I'll come to in a second, has shifted and that does change the agenda.

Two factors to keep in mind in thinking about this. The first is the question of the Senate rules are very important. It's often argued that you need 60 votes to pass tax cuts in the Senate because of various budgetary rules and because of the filibuster. It's possible, of course, that the Administration will pick up enough Democrats to have those 60 votes. But actually, you don't really need them. In fact once you take over control of the Budget Committee, as the Republicans now will, you can use the budget rules that were intended to produce fiscal discipline and actually distort that purpose and use them to pass tax cuts. What the budget rules do is they protect the budget resolution and any bills that are brought up consistent with that budget resolution from being filibustered and sort of put them on a fast track in the Senate. They only require 50 votes.

It is entirely conceivable that with Republican control of the Budget Committee new tax cuts could be passed with only 50 votes. So it may be a moot question because they may pick up enough Democrats to have 60 anyway, but they don't need them. They may need them, by the way, to make the tax cuts permanent as opposed to passing new tax cuts. But even there, there are questions.

The second issue to keep in mind, and one thing that I don't think has been remarked upon very much is the Director of the Congressional Budget Office has announced that he is departing, Dan Crippen, and actually the CBO is now in the hands of an Acting Director. The appointment of a new CBO Director if the Democrats had control of the Senate would have been a very controversial and perhaps drawn-out affair. I now expect there will be the appointment of a new CBO Director very quickly and the big issue underlying that appointment has been dynamic scoring. That is how you evaluate the cost of a tax cut. With the Republicans in control of both Budget Committees now, it's entirely possible that the Congressional Budget Office will adopt a somewhat different view with regard to dynamic scoring than it has traditionally, which could actually lead to a mass departure of qualified CBO staff from the institution and really pose a danger to the integrity of that institution.

The bottom line is the fight is going to be over the coming months over new tax cuts, accelerating tax cuts, making tax cuts permanent. For the Democrats a crucial question will be can they make the case that fiscal discipline matters? If we don't really care about deficits you can have very large tax cuts, obviously, but if you want to argue that deficits matter, whether for interest rates or for long term growth or what have you, that argument has to be made. The Administration is now making the argument basically that deficits don't really matter, and you can see where that leads.

Quickly on one other issue, Social Security Reform.

In North Carolina, New Hampshire and other places -- I think it would be hard to argue that the stance towards personal accounts or privatization was the critical factor leading to Republican victories in those states, it certainly was not the case that Social Security led to defeats for Republicans in those states where the Republican candidates clearly embraced the types of reforms that the President has been talking about.

There are others on the Hill who think that this issue is still the third rail and have explicitly moved away from some of the types of proposals that the President has put forward.

An interesting question will be, and I sense that because the President is willing to take political risks, I think it's entirely possible that the President will and the Administration will engage on this issue, do something like call for a plan to be delivered to his desk by some date. And there will then be a very heated debate over that issue.

Of course that's not a certain outcome, but I think it's entirely possible. That again will demonstrate the debate over whether fiscal discipline matters. Because in reality you can't, we don't have enough money either to do tax reform or Social Security reform because we had last year's tax cut. But given that you would at least think that you'd have to choose between one or the other. Both of them are expensive.

If you throw fiscal discipline completely out the window and you don't care about it at all, then you can try both. What difference does it make if the deficits are \$2 trillion or \$3 trillion? So that will be one factor affecting how this all plays out.

MR. DIONNE: Thank you very much.

When I was talking to my colleagues here I asked them to send me a note about what they wanted to talk about; I just have to share with you Jim Lindsay's note to me because it will tell you what he's going to talk about.

What does the election mean for foreign policy? Not much. Does this make war with Iraq more likely? Nope. Did Iraq cost the Democrats the election? Not really. Will the Democrats become more assertive or more of an echo on foreign policy? Echo. [Laughter]

I asked Jim about this and he said that he was trying to imitate our President's obviously effective straightforward, regular guy style. [Laughter] And I don't want you to abandon that, Jim, because it clearly is effective, but could you elaborate slightly on your excellent answers here?



MR. JAMES M. LINDSAY: E.J., thank you for previewing what I'm going to say. [Laughter] But I also want to say thank you very much for opening the talk today by referencing major league baseball, because actually the big news of the week is that the Baseball Writers of America unfairly denied Pedro Martinez of the Boston Red Sox his fourth Cy Young Award, and I am hoping that President Bush will use his stunning mandate to rectify this situation. [Laughter]

Let's talk about foreign policy, orphan child in issues of the American political debate.

If you look at domestic policy I think it's fair to say that Democrats offered the American public a choice between real beer and non-alcoholic beer and discovered that most people like real beer. In foreign policy they didn't offer the American public a choice at all. If you look at the campaigns in the various Senate races, foreign policy very seldom came up -- specific foreign policy issues very seldom came up, even though we are facing some very immediate, dramatic foreign policy challenges.

The reason is simple. It's September 11th, and President Bush's very skillful use of the issue to put Democrats on the defensive. You can either argue that he's being unfair and mean or you can chalk it up to strong leadership and that's what politicians are supposed to do in time of crisis. But clearly what happened after September 11th is that Democrats have abandoned the field on foreign policy.

Let's go back to September 10th. On September 10th 2001 it looked like the Democrats were going to put together a pretty coherent, comprehensive argument against national missile defense in favor of the ABM Treaty. That evaporated immediately after September 11th. This year the President proposed a very sizeable increase in the defense budget, an increase larger than the total defense spending of all but three countries in the world. It passed with nary a peep on Capitol Hill. The crowning example of the unwillingness of Democrats to engage the President on foreign policy came with the decision to authorize the President to wage war against Iraq in a decision that would probably pain most of the Founding Fathers who would have thought it inexplicable that Congress could have essentially delegated its decision over whether to go to war to the President.

In abandoning the field of play, obviously for many Democrats it was a matter of principle. They believe that in time of crisis it makes sense to defer to the President. But clearly there was an awful lot of politics at play. I think if you were a Democrat it is very difficult to face the reality that the American public is not convinced that Democrats take foreign policy and national security issues seriously. There are a whole lot of polls out there I can point to. I will take one of the most recent done by New York Times/CBS. It came out about ten days ago. It discovered when you ask people which party you trust more on domestic issues, the Democrats have a modest advantage. But when it comes to national security, Americans said by a margin of three to one they have more confidence in the Republican Party to handle national security issues than the Democrats, and that's a very serious problem for the Democrats.

We effectively haven't had a robust debate on foreign policy. If you go up on Capitol Hill lots of Democratic Senators and Democratic Members of Congress and not a few Republicans will air some real reservations about the direction the President is going or the haste with which he's trying to get there.

But it's not merely a matter of context that sort of reduces the importance of this particular election. I think it's also a matter of the distribution of power.

In foreign policy, there is nothing really analogous to the question in domestic policy with let's say judicial nominations where shifting of the chairmanship from the Democrats to the Republicans has sizeable consequences. Obviously the Judiciary

Committee, now that Orrin Hatch is going to chair it, Democrats will no longer be able to bottle up nominees, be objective in committee. There's nothing like that in foreign policy. I guess the only thing close to it would be the issue of treaties but on the question of treaties, number one, you need to have 67 votes to pass them. And Republicans don't have that. And number two, Republicans tend not to be particularly enthusiastic about treaties anyway.

A third reason is that even though we are seeing a number of the chairmanships switch -- all of the chairmanships switch in the Senate, it's not clear how much difference it's going to make. In this case I think the difference between this election and let's say the 1980 election which brought a whole slew of very conservative, hard-line Republicans, it's really sort of changed the center of ideological balance on Capitol Hill. It's quite different today. There's certainly no wide swing of the chairs. You sort of go down and you're going to go in Armed Services from Carl Levin to John Warner. John Warner's more conservative, but Armed Services over the years has had a very bipartisan approach to these issues, and it's not clear that Carl Levin when he was in as Chairman of the Armed Services Committee, really used his powers in any way to frustrate what the Administration wanted to do in defense policy.

Foreign Policy is going to go from Joe Biden to Senator Richard Lugar. I think intellectually on foreign affairs they're actually within the same area code. This is not like when Senator Helms took over the committee earlier in the decade.

And finally,

I think on Intelligence, it's one of the more interesting cases. You're going to go from Senator Bob Graham to Senator Pat Roberts who I think is a bit of an unknown on these issues. And clearly the Intelligence Committee is going to face some very interesting questions about what kind of intelligence reform if any should you undertake to try to avoid a repeat of September 11th? That question still hasn't been fully vetted and it's not clear where Senator Roberts intends to take things.

I said the election didn't matter for foreign policy from the whole but it might matter in some places. Let me quickly tick off a couple.

One I think where it might actually matter the most is on post-Saddam reconstruction of Iraq. If we go to war, and that's a very very big if, there's a real question of what American strategy and policy will be to win the peace. There is a division within the Administration on what our objectives are there. Whether it's simply sufficient to remove Saddam or whether we need to stick around for the long term and build a democratic Iraq.

The interesting thing is that if Democrats were still in control of the Senate I think they would be much more inclined to hold the President to his at times very lofty rhetoric about nation building, we haven't used that term in Iraq, because Democrats are clearly much more comfortable with the prospect of trying to build a democratic Iraq. I think many Republicans aren't. And indeed many Republicans come from what I'll call the school of asserted nationalism which is what you do is you whack bad guys and then move on. You don't have as much interest in sticking around. And it's clearly a debate in the

Administration over just that point.

On the issue of missile defense I think what we're going to find now is we're going to get committee reports that are much more enthusiastic about what is happening with the development of missile defenses. My guess is that the Armed Services Committees and Defense Appropriations Subcommittees will not be as inclined to examine these programs for possible problems of waste or mismanagement. They will be much more inclined to defer to Secretary Rumsfeld who wants to fast-track these programs and take them out of the normal DoD development and acquisition process.

At the end of the day, though, it's not clear how much that is going to matter because missile defense proponents, the problem for missile defense isn't a lack of enthusiasm, it is a lack of demonstrable results. Most notably, recently, with the PAC-3 which was supposed to go into production this year and is now mired in a number of what are said to be minor problems, but sufficient that they prevent it from actually knocking much down out of the air, and so much so that the PAC-3 is not likely to figure prominently if there is a Gulf War.

A third issue is trade. Clearly, if you have Republicans in control of the Senate, Republicans are less likely to be sympathetic to demands for environmental and labor standards that Democrats tend to propound, but again at the end of the day it's not clear how much difference that is going to make. It's not at all clear that trade policy is going to be one of the major issues for the Administration in the next two years. In part because trade policy has the potential to make as many enemies as it does friends. This is a President who has made it very clear that he wants to avoid repeating the mistakes of his father. He's spent a lot of time trying to attend to the interest needs and concerns of swing states like Pennsylvania, West Virginia, Michigan, all states for whom free trade is a policy loser, not a policy winner.

MR. DIONNE: I suppose in keeping with Jim's earlier memo, I just want to respond to that by saying yep. [Laughter] And thank you very much.

MR. DIONNE: We're going to have a lot of time for the audience. I want to put a few questions on the table that I hope people can pick up on, but first Tom, at some point I would like you to talk about the role of money in this election. In the last 24 hours I talked to both a Republican and a Democratic consultant, both of whom said that in the final days of the campaign the money from the outside groups, not the parties, was overwhelmingly Republican—that the Democratic interest groups at that point were short of cash and that the Republican interest groups spent an enormous amount on final commercials which may have helped produce this bump. As I said, this is from both sides.

The second thing I'd like us to discuss, and this goes to Jim Lindsay's point about the Democrats evading a debate on foreign policy. Democrats were saying if we engage Bush we'll turn out the Republican base in all these states and they will turn against us, and it appears that the Republican base in all these states turned out anyway and turned against them. So how much worse could it have been if the Democrats had decided actually to run on something or to engage other things? It was often said: 'well, if we push too hard Zel Miller switch parties.' Now Senator Miller could go either way and it wouldn't make any difference.

So was that whole approach way too cautious or is there still, as Mr. Gephardt said, that the Democrats would have done worse if they had pursued the alternative strategy?

First I'd like somebody to talk about, maybe Bruce, there's this whole question of African-American turnout where in some parts of the country it did seem down. This goes to the mobilization question. And as a follow-on to that, to Peter, a lot of African-American leaders and voters were saying there was very little the Democrats were saying in terms of jobs. So to make the question pointed, are the Democrats so upset with arguing about fiscal discipline that they fail to come up with any kind of program that might promote economic growth and answer the concerns of these but not only these constituencies in the party?

Tom, why don't you start off on both money and this question of timidity.

MR. MANN: I think you're right. I think the Republicans ended up with a substantial money advantage. They certainly had it through their political party organizations and their soft and hard money operations and their expenditures through the parties on issue ads and targeted races. And it looks now as if, but this will take awhile to pin down because there's no disclosure required, that the outside groups advertising -- which by the way pales in significance to what the parties themselves are doing -- nonetheless, provided an advantage to the Republican party.

The question you might ask then is, well, then why did they pick up so few seats? They had a much larger, five to three advantage in funding through the parties and yet we're talking about four to five seats in the House and two in the Senate. That tells you a couple of things.

One, it tells you the limited field of genuine competition in the House. The parties basically

abandoned close to 400 races and steered their resources into two or three dozen. That means that Democrats had enough money to boost their candidates, including vulnerable incumbents, in those races to the point of diminishing returns of television expenditures. I think that helps us understand it.

By the way, it points out a larger problem with the lack of competition and the disincentives to parties to increase the size of the playing field because of the possibility of steering unlimited resources into a relative handful of races.

It's worth noting in the state legislatures where chambers changed hands, namely six, they were all under either commission or court-ordered redistricting plans. The other reason you got something like 27 percent turnover in state legislators was that you had term limits coming into effect for a number of these. We had a turnover of about 12 percent in the House of Representatives.

So I think in the House I would argue that even though Democrats were outspent and even though you can point to individual races like in Florida where Karen Thurmond was up against an alliance between Tom Davis' Republican Committee and outside groups that bombarded that district with ads, Democrats actually had enough money to stay in that game. They were outspent, it was a very close election, it was a tough district to begin with, and she only lost by a sliver.

In the Senate, Democrats moved money around. Carnahan raised as much or more money herself than Jim Talent, and both sides pumped huge bucks into that race. I believe that was not decided by money, but there are some signs that New Hampshire could well have been decided by money. Shaheen ran a very good campaign, surprising a lot of people by moving into the lead -- or at least we're told by the polls, and we don't know whether to believe those or not. Republicans then came in hard in the last days and seemed to turn that situation around.

MR. DIONNE: But it wasn't just Republicans, the groups were really, as far as I could tell, even more important than --

MR. MANN: It was a concerted effort. By the way, it shows you the sort of transparent disingenuousness of people talking about the campaign finance law as it existed before and now exists after the election.

This isn't about elections, this is about issues. We don't coordinate." It's really quite amazing what people say and what the experience actually was. If the court decides the constitutionality of the new campaign finance law on the record and uses the 2000 election, it will be an easy decision to uphold the law, but I don't have full confidence that the record alone will be the basis of their decision.

A final point. There's a lot of talk about how Democrats will be in worse shape without soft money and issue advocacy because they raise a higher percentage of their party funds from soft money. I think that's a myopic view of the future. It assumes that Democrats completely out of power can retain strength and soft-money raising. The ability to keep up with this game of unlimited party expenditures for issue ads and targeted races is foolish. I think they're better off in a world of hard money. I think they

can change their strategies of fundraising and take advantage of strengths they have in getting out the vote. I don't see the new law as working to their long term disadvantage at all.

A final point, your second question, was the Democratic approach too cautious? In hindsight, it's easy to say it was. E.J., you and I seldom disagree. I think in this case I believe the credit goes to 9/11 and to George Bush's framing the agenda in ways that divided the Democratic coalition and in a close election almost prevented the party leaders from presenting as clear a message as you would have liked to have seen.

Had Bill Clinton not gone out in disgrace with the pardons, he would have been in a position to offer such a message. Had Al Gore reentered politics and had more national standing, he could have done it. But a party leader can't do it when his caucus is divided in such a fundamental way because he runs the risk of working against the immediate interest of some of his members whose election is absolutely critical to gaining or retaining control.

I think Democrats are now in a position to begin to do that, but their voices won't be heard fully until they have a presidential nominee in view.

MR. DIONNE: Thank you, Tom.

Very quickly on turnout and the issue of economic growth, and then I want to turn to the audience.

MR. KATZ: We still need to learn more about turnout from the exit polls. But I would say that in terms of the Governor races, what you saw across the board were people on both sides of the aisle running to the center. Rendell, Granholm, Blagojevich on the Democratic side, Romney, Erlich in particular in Maryland. These folks were running for the center. They're running as pragmatists, they're running as managers, they're running as centrists. In part that's because on the Democratic side they've seen what has happened to Warner and McGreevey -- Democrats who were elected in a past election and come in and basically inherit a fiscal disaster. So whatever you put out there in terms of your major themes around job growth or around child care or around education, there is no money at the state level to basically do these things unless you want to basically go to gambling or lotteries or something else on the side.

I would just say on the Republican side also, the sitting Governors like Pataki, like Roland, even like Taft have managed to the center and therefore they've basically coopted some major Democratic constituencies including the unions of New York State as they began to make some inroads on health care.

So both the sitting Governors and the folks who have run, on both sides of the aisle, have run as managers and pragmatists and that is not the way to energize the best.

MR. DIONNE: Thank you. I think Pataki has run as the most left-wing Republican since Vito

Marcantonio for those who remember-- Maybe that's a little exaggeration.

Peter on growth.

MR. ORSZAG: Basically in a sense we're back to where we were in the early 1990s. If you think back to what the Clinton Administration came in with, they came in with a short term stimulus package linked with long term fiscal discipline. The short term stimulus package got tossed aside. But that sort of approach is I think where the Democrats need to go. They need to couple short term stimulus with long term fiscal discipline, and they need to get a lot better at talking about why we care about fiscal discipline. It's not because it's a moral issue or we like imposing pain or we feel good about it. It's not a moral issue. It raises national saving and it raises long term growth.

The Republicans always talk about tax cuts as providing better incentives in raising growth. The Democrats talk about fiscal discipline as if it were just sort of a moral imperative that's good for you.

The reason you want fiscal discipline is because it contributes to national saving and that adds to the investment that the nation undertakes and that raises growth in the long term. But it's not discussed that way. That's not the way it's framed.

I would point out on the short term stimulus side of things, it's entirely conceivable to me that coupled with some tax incentives will be some state fiscal relief. The Senate voted something like 75-24 a couple of months ago for some state fiscal relief. I could see a package of regressive tax cuts for high income investors being coupled with state fiscal relief as a way of bringing some Democrats along as part of a stimulus package.

But I would point out also, the levels that we're talking about are insufficient to deal with the underlying problem. The Senate bill was something like \$9 billion. The states are facing an aggregate budget deficit of \$57 billion. The fundamental problem here is the trend in state budgets, especially in Medicaid and prison costs and others, coupled with, especially coupled with the balanced budget rules that apply in all states except Vermont that in the middle of a downturn force states to do totally counterproductive steps like raising taxes and cutting spending.

I don't know how we get out of that box given that those restrictions are in many cases built into state constitutions. But there is a fundamental problem here that I know our colleague Alice Rivlin and others have been thinking about that won't fully be addressed by a short term injection of funds from the federal government.

MR. DIONNE: Thank you. While the folks with the mikes get positioned I wanted to give Jim Lindsay a last shot. We do have somebody going around with a microphone.

But Jim, I wanted to give you a shot at the end, on the following question. If Democrats had called you up and said all right, how should we argue about the war? First of all, should we argue about the war? How should we argue about the war? What was, in your view, as somebody who is essentially

a kind of moderate on foreign policy, hardly a hard-core peacenik to put it gently. [Laughter]

MR. LINDSAY: My feelings are hurt.

MR. DIONNE: What?

MR. LINDSAY: I feel like I've been insulted. [Laughter]

MR. DIONNE: No, but I guess the reason I put it that way is precisely because I'm asking was there a way for Democrats to challenge Bush on the war without necessarily going all the way over to opposing action entirely? How could they have done that? Or did they do the right thing by punting?

MR. LINDSAY: Wow. A couple of points. One, I wouldn't urge anybody to oppose the war if they didn't believe in principle it should be opposed. I think for many Democrats, not just Zel Miller, believe in their heart of hearts this is the right thing to do and fully supported the President. I think that clearly for many Senators who had a great deal of reservations about it were unwilling to vote their conscience. But from a matter of pure political self-interest it would be very difficult for the Democrats to oppose the President on the issue simply because, again, if you look at all the polls they lack credibility on these issues.

I think it's interesting, go to the Gallup Poll in September which went out and asked Americans, President Bush is calling for a congressional vote authorizing us to go to war in Iraq. Do you think the President's doing this because it's best for the country or because it is going to help Republicans in the election? And 68 percent of respondents said he's doing the right thing for the country.

The next question. A lot of Democrats want to put this vote off until after the November elections. Are they doing it because it's best for the country or to help themselves in the November elections? Sixty percent said they're doing it for political reasons. I think that is insurmountable.

I would point out, one interesting issue was a great portion of what Paul Wellstone was going through faced with a very tough reelection race. We'll never know truly the outcome, but I think a lot of people were surprised when he finally decided to oppose the war, the tracking polls in Minnesota actually showed him pulling ahead of Coleman. I think there's a very important reason why that happened. Who was Wellstone as a politician? He had cultivated a particular set of ideological beliefs. He very strongly liberal on not just domestic policy but foreign policy, and I think for him to have done anything other than what he did would have been political suicide. Not just because it would have contradicted his whole political persona, but I think getting back to the issue of the debate, energizing the debate, would have alienated some of his closest supporters.

But more broadly, I'll go back to something Tom said. I think the President was dealt a very strong hand and played it very well. I don't think the Democrats have yet to find a way to play this. I would have if anything suggested they not make the issue they made out of the Homeland Security Department. If you are going to concede the issue of Homeland Security Department on the merits --

and I think there are actually some very real substantive problems with the proposed organization. But if you were going to concede on those merits I don't think it was particularly wise to fight on what they did. Particularly if you had no rejoinder when they come up.

I was actually struck that they were willing to push the issue about unions and their affecting civil service rules, but they were never actually able to go out and call the Republicans to accuse them of implicitly being unpatriotic by saying excuse me, are you saying that all those brave men and women who rushed into the building in New York City on September 11th are somehow unpatriotic? How dare you? But they didn't. I would say to Senator Cleland, his efforts to respond to Chambliss were unimpressive to say the least.



MR. DIONNE: Thank you. And thanks for reminding us of those Gallup numbers which I think are very important. I think that's an issue, I want to go to Finley and to the audience but that homeland security issue is a fascinating one.

Finley Lewis?

QUESTION: Thanks, E.J.

I just want to bring up one issue that wasn't much mentioned, just ask one or two of you to spin it forward, and that's health care which seems to me in a way sort of as the dog that didn't bark in this election. There was this sort of phony debate about prescription drugs and that was sort of the proxy issue which kind of we understood to represent the whole debate about health care. We all know what the trends in health care are. We remember the '94 Pennsylvania Senate election which turned on that issue. Is this a case, again, of Bush coopting that issue successfully? Is this going to be something that may explode in the next two years and really become kind of a mega, sort of macro-economic issue upon which future elections should turn?

MR. ORSZAG: ?? I think part of the answer there again is the trends themselves. That health care costs had been growing at relatively modest rates until relatively recently, and the public perception of what needs to be done sort of lagged behind reality. This is certainly entering the public sphere, but the full impact of the recent increases that we've seen have not yet sort of entered the public consciousness fully in terms of a political debate.

I would expect, especially if we continue to see double digit increases in health care costs, this to become again a major issue. In fact that's another reason why it's like back to the future where we're turning to the early 1990s with debates over a sluggish economy, health care costs, and the budget outlook. I guess the only difference would be that Social Security reform may actually be on the table, but there are a lot of similarities there.

MR. LEWIS: Medicaid is 20 percent of state budgets and it's been growing at double digits. When these Governors try to figure out how they're going to cut spending there's really only one place

to go if there's no relief from the federal government, large or small. So I think we're going to hear a lot of stories, we've already begun to hear stories, about states cutting back eligibility, about states cutting procedures, and that's going to put this issue back on the national debate in ways where it hasn't been for some time.

MR. MANN: I agree, but I just want to say it's another illustration of the political skill of the Bush Administration and the Republican party.

On popular Democratic issues, the strategy is to blur differences between the parties by having our alternative – “let's get the job done, let's do something and move forward instead of just sticking with gridlock and ideological debates,” they say, “let's get something done on prescription drugs,” and I think it worked. And I think they disarmed the Social Security issue in similar ways. Listen, we want to save this system and it's notable that there's some indication that seniors voted quite decisively for Republican candidates in the election, as best we can tell from the polling information just before and just after the election.

MR. DIONNE: Bob Borosage a Democratic activist coined the term “Republican Cross-Dressing” in this election and it was very effective. [Laughter]

Here's what I'd like to do just so we can get lots of folks in. The lady over there, and then when she's done if you can bring the mike to the gentleman over here in the red shirt.

QUESTION: It sounds like the panel was about to move to this topic anyway, but I just wanted to ask about the impact of the election on homeland security, especially in light of the President's remarks yesterday with the determination to move ahead, especially before the end of the calendar year.

MR. MANN: My impression is that the Democrats see how much they were hurt by this. The Bush Administration, again this is a perfect example of using an issue very skillfully for the campaign. There was little interest in homeland security reorganization early. They picked up Lieberman's bill, they then had a dispute over civil service rules. The broader issue is a reasonable one about civil service reform, but to put it in that bill and to claim that the Democrats were taking away power other Presidents have had was just patently wrong.

My guess is Democrats won't want to fight this one out but will want to get it out of the way, so I suspect it's going to happen.

The President may have to give a little bit in negotiations to get it through quickly, but I have a feeling he'll get virtually everything he wants, and then he's going to have to live with that big, messy, costly reorganization and we can all wonder who's going to be looking out for homeland security while everyone is moving their desk?

MR. ORSZAG: ?? I want to pick up on that final point just quickly because I think the debate over the department obscures more important issues like what are we doing on seaports, what are we

doing on chemical facilities, the underlying reality of homeland security? And there the Administration has shown a remarkable reluctance to move aggressively in any area that involves the private sector -- chemical facilities being a very tangible example of a threat that is widely recognized by homeland security experts in which thus far all we have seen is a voluntary effort by the Chemical Facility Association and no movement from the Administration at all in terms of better protection.

MR. LINDSAY: I just want to say that generally speaking the debate about homeland security, the Department of Homeland Security organization has been political from day one. It is remarkable given the size and complexity of the reorganization we're talking about that people spent so little time actually exploring the substantive ramifications.

They both play politics. The President wanted to neutralize what seemed to be a legislative train that was leaving under the guise of Senator Lieberman that would have made him look like he wasn't doing enough, and he said to Joe Lieberman I'll see your homeland reorganization bill and raise you ten agencies. [Laughter] And the Democrats said, what was the reaction of Dick Gephardt when this came out? It was Mr. President, you say you want it by the end of the year? We can get it to you by September 11th. We're going to sort of outbid you on this. Very little attention spent to the organizational mechanics. And let me simply tell you, reorganizing the federal bureaucracy is extraordinarily complex. It is a very difficult job to do, particularly since most of the problems that led to September 11th won't be fixed, addressed, resolved or solved by this reorganization because this reorganization involves entirely different agencies. And indeed, I'll say at the end of the day what we're really going to do is have full reorganization in which everybody will get new stationary, they will have to learn the names of the new department head, but business is pretty much going to go on the way it has in part because changing it is extraordinarily difficult to do and no one has a clear idea of how they want this organization to look once it is created. I think that is going to be a big problem.

At the end of the day whether it passes next week, two weeks from now or is the first act of the new Republican Congress in January is irrelevant.

MR. DIONNE: Tom, just a quick question. Do you think that the Administration stuck this provision in for the purposes of picking a fight because they saw the political benefits it would have in the election?

MR. MANN: Having spoken with people working on this in the White House and OMB, the Executive Branch, I believe the answer to that is no. That is, they saw this as an opportunity to achieve a larger agenda regarding civil service reform that they actually care about, but once that issue was there and framed and Democrats engaged, the political operatives quickly saw what they could do with it. They knew that Democrats wouldn't cave before the election because of the resistance of their core supporters in the labor movement, and they knew enough about this reorganization that it wasn't going to make much of a difference anyway.

So I think it began with a sincere effort and then became a marvelous political opportunity for them.

MR. DIONNE: And should the Democrats have seen this coming?

MR. MANN: Yes. The question is, again, what they could have done, because as you see, part of their problem in this election was insufficient motivation in their base. So to have given in on this issue would have cost them in other ways.

MR. LINDSAY: ?? Can I just speak to that for a second? This is not the first time Democrats have miscalculated how issues were going to play. I remember only going back a little ways and they were very convinced they could take the Comprehensive Test Ban Treaty and that would be a winning issue for them, and they keep demanding a vote and they got a vote and horror of horrors they didn't have enough votes to prevail. I recall that they were running against withdrawing from the ABM Treaty because it was the cornerstone of arms control, and all international peace and security would come tumbling down. The President left the ABM Treaty and it didn't fall in.

It actually gets back to an observation that Tom made earlier about President Bush being risk-prone or risk-tolerant. Risk-tolerant.

I would actually characterize it differently. I would say that this is an Administration with people who take very great pride about being unsentimental, very hard-nosed in assessing risk and benefits out there. That they don't get caught up in a lot of the flatulence that passes for analysis in this town.
[Laughter]

MR. DIONNE: Take that one down everybody. [Laughter]

MR. LINDSAY: ?? Present company excluded.

But the point is on a number of issues at the end of the day simply their political judgment has been much better than their opponents because they see the world as it is rather than as they wish it might be, and I think that is part of George Bush's great success.

MR. DIONNE: Thank you.

QUESTION: The --

MR. DIONNE: Not a long speech, please.

QUESTION: No, no. Is very short Russian proverb. If there was not misfortune then -- If there was not fortune, the misfortune [tells]. Is exactly what happened there. Democrats had misfortune. That stands for them to suffice for [inaudible].

My question is from the past, and why [inaudible] this result of this election? Maybe is the reason because we cannot national [inaudible] investigate what happened September 11th. Because if it

was then it will be different story that will follow the Administration. Then it will be some [inaudible] toward the Homeland Security Department. Is the main issue, and the main issue, nation [inaudible]. No one thought about the problem.

My question is, is, maybe I am wrong, is main reason of the result?

MR. DIONNE: This is a very interesting question actually because the Administration has been very careful and lucky in terms of things coming out after September 11th and what happened. They did delay the Commission. Then the Administration switched, said they would have a commission. Now it looks like they'll get whatever kind of commission they want. Does somebody want to deal with that issue? I think it is a good issue.

MR. LINDSAY: The Administration has, this is an example of them having very good political judgment and not being afraid to reverse course, and being shameless about changing their mind.

Again, homeland security. As late as March of this year, Ari Fleischer was saying that we didn't need another new Cabinet department, and then lo and behold a couple of weeks later we unveil the largest reorganization since 1947. On the issue of the independent inquiry, they were opposed to it. They gave in. Then they sort of pulled the rug back, and now they're going to likely get the kind of commission they want.

What is interesting is that was one of the issues the Democrats might have wanted to have run on. In essence, why was the Administration so afraid to sit down and have a thorough scrub of this? But Tim Roemer who is retiring now from Congress, had led this fight almost by himself on Capitol Hill, and by all accounts very difficult to get senior Democrats to take this issue seriously or want to work on it. It was one of those things that just sort of -- I don't think it would have won the election for Democrats. I don't think there was an issue that could have won. But if you want to talk about this in political terms and through strategy and tactics, it would seem to be in a way to sort of taking a little bit of the edge off of the very clear we're patriotic, we're for America Republicans against the we're not too sure about them Democrats.

MR. DIONNE: I keep returning to this theme. Why were they so afraid? This does not seem in any way like an issue that would cut against you for being too liberal. It's sort of an open government issue. You've got John McCain as your ally, it was McCain and Lieberman pushing this. Why do you think they --

MR. MANN: Remember they had an agreement. It was a bipartisan agreement. They were signing off on it, and Porter Goss who had supported it got a call from the White House and they cut his legs out from under him. Democrats at that late point cried foul, but it was way too late.

Jim's right about the hardnosed political judgments and actions, but let's not underestimate the post-9/11 halo. Most of us still feel that. We feel a sense of patriotism and unity. We don't like the idea of getting involved in a blame game right now. We all think there ought to be an investigation ultimately,

but frankly we don't, most Americans don't expect that they will find that George W. Bush was asleep at the switch and that's why we suffered this terrible --

MR. LINDSAY: ?? But that isn't the nature of the argument. The argument isn't that they were asleep at the switch. The question is why is the Administration unwilling to address this forthrightly? The problem for Democrats was they didn't really push this issue early enough and prominently enough so that when the White House reneged on what appeared to be a deal they could make political hay out of it. It meant absolutely nothing to I would say most of the 79 million people who went to the polls.

But again, I think it gets back to Democrats were very concerned, very frightened of picking up foreign policy. They had largely dismissed foreign policy as an issue. It was a loser for them and they backed away from it. What that does is it tends to confirm in the minds of the American public that Democrats don't take these issues seriously.

When you have someone such as John Kerry get up on the Floor of the United States Senate, a man who for all intents and purposes is running unopposed in the State of Massachusetts, my home state -- Commonwealth of Massachusetts, excuse me. Which is as liberal as they can get, even though they did elect Mitt Romney, the carpetbagger from Utah.

What is remarkable is he got up and in essence gave a wonderful speech about why authorizing the use of force at this point in time was a bad idea, then said but I'm going to vote for it. [Laughter]

MR. DIONNE: Just to correct my memory, Tom or Jim, as I recall the Administration came out with their new homeland security position around the time that there was testimony on the Hill from that FBI agent, is that --

MR. LINDSAY: Yes, the same day.

MR. DIONNE: So they in a sense used the department to push this other issue aside.

MR. MANN: Absolutely.

MR. DIONNE: Over here we've got a couple -- Could you take the mike and then pass it to that gentleman, just so we can get a few more voices and questions in? Thank you.

QUESTION: I've got a question about voter mobilization. The business community, besides putting in a lot of money in campaign contributions and running a lot of independent issue ads also stepped up their get out the vote effort. Did that play a significant role at all as far as the outcome of the election?

MR. DIONNE: Could you hang onto that for a second? That gentleman could add one because I think that's a very good question and I think you're right about the extra stuff that was done this year that was never done before.

QUESTION: What do you think the politics are going to be on this mixture of tax reform and the tax reduction that various interests want? Intellectually, I've been covering tax [inaudible] for 40 years. The only elected person who ever had a real intellectual grasp was Bill Bradley. Other than that it's totally staff driven, the decisions on Capitol Hill.

What do you see as the way this comprehensive tax reform that will go heavily in favor of a value-added tax? How do you see it sorting out between that and the specific tax reductions that various interest groups want?

MR. DIONNE: Tom, why don't you take the voter mobilization question, and Peter can take the --

MR. MANN: The honest answer to your question is "I don't know" because I haven't seen any evidence. You're absolutely correct that the business community starting immediately after the 2000 election decided to take a lesson from the labor movement and to begin to channel more resources into internal communications and voter identification, get out the vote efforts. That began in this cycle. But it was a modest effort. It will grow in significance over time. I think it was a pale shadow of what labor had on the ground.

I think mobilization was determined not by the relative strength of the get out the vote efforts, but by the differential intensity felt by the two parties' core supporters.

MR. ORSZAG: On tax reform, if I had to bet, and this is not a certainty, but if I had to bet I would be betting against the dramatic overall move to a flat tax or a VAT and more towards the sort of five easy step type of approach.

When you look at what corporations want, those are more easily fit into the five easy steps as they're being called. For example expensing increases for small businesses, loosening up the minimum distribution rules on pensions, all these things sort of fit into those categories. When you start to move towards comprehensive reform the costs of what you're doing become more transparent and the losers become more salient. When you're doing it, you're loosening the minimum distribution rules, it looks like there are no losers.

So if I had to bet I would be betting against the overall tax reform, but I don't think the Administration has made a decision on that. The Treasury staff are busy working away on a variety of options including the more aggressive ambitious ones, and that prediction may well turn out to be wrong like others have in the recent past.

MR. KATZ: A quick comment on business mobilization. I just think on the referenda, we haven't talked about referenda, but the defeat of the transportation referendum here and the defeat of the referendum in Washington State was remarkable, because so much money were poured into those referendum. And essentially there was a backlash by the citizenry against developers, against business

interests, and against state and local politicians.

Every one of us in this room who lives in this region gets up every morning and then goes to the parking lot we call the Beltway, and yet essentially after millions of dollars spent it was resoundingly defeated. With no sense of what else is going to come. We're still going to get up and be stuck in traffic.

So in that case I think the business participation actually boomeranged in some respect.

MR. DIONNE: The untold story is that on the night of the election perhaps thousands of Virginia voters couldn't get to vote because they were stuck in an unbelievably awful traffic jam on the Beltway. [Laughter]

QUESTION: For the Democrats how is the election likely to impact 2004, especially under the potential leadership of a very liberal Congresswoman from San Francisco? And will they muster enough courage to challenge the President on foreign policy?

And finally, is it really so much about the skill of [inaudible] versus really the Democrats running like Republicans, by and large?

MR. DIONNE: I was going to say for a second you sounded like a Frost supporter there. [Laughter]

MR. MANN: I wouldn't read too much into the 2004 elections from the 2002 elections. There's little evidence that the one gives us any real handle on the advantage, the shape, the dynamic.

2004 will be determined by the course of the economy, the war against Iraq, and the post-war developments in the Middle East, the campaign against terrorism, and the like.

I think what we can say for the Democrats is that they cannot afford to cede foreign policy to the Republican party. This will be with us, these concerns, for a long time, and anyone who aspires to win the Democratic nomination and run successfully will have to have credibility on foreign policy.

Finally, I would not make much of, as I suggested earlier, about ideological interpretation between Pelosi and Frost and now Harold Ford. Remember, Nancy Pelosi's campaign manager is Jack Murtha, one of the true hardnosed realists in the Democratic Caucus. When she ran before she had tremendous support from the Blue Dogs. Democrats can only win by attracting liberals and moderates. Republicans can only win by attracting conservatives and moderates. Pelosi in many respects is not a bad face for the Democratic party in the years ahead. If she wins she will be teamed with Steny Hoyer who is one of the real pros in the Democratic party in the House and who will I think work hard with her to keep the party together and to begin to frame issues as Clinton did so successfully, that managed to tie the disparate strains of the party together.

MR. LINDSAY: ?? I just want to say that anyone who thinks that the 2002 elections are

going to tell you something important about the 2004 elections, remember eight years ago we had the 1994 election in which there were a lot of hardnosed political analysts in Washington, D.C. telling you that meant the end of Bill Clinton's career. And it was not borne out in the 1996 election.

I think obviously for the President this election more than anything else was a ratification of his personal popularity. But what's interesting to note is that that popularity, public rating, has been slowly eroding over time. It's still very high by historical standards but he may be a dominant politician but he is not an invulnerable or infallible politician, and there are a whole lot of landmines, Tom pointed them out, that could occur between now and 2004 that could dramatically change all of our calculations. I think that having Nancy Pelosi as the Minority Leader in the House won't necessarily hurt a Democratic candidate. It always opens the opportunity for a Democratic presidential candidate to position him or herself by running against a congressional Democrat and saying I'm not like them, which I believe George Bush in some ways did against congressional Republicans. That he wasn't like them. He was the compassionate conservative. I don't know if you're going to be the harsh progressive. I don't know -- [Laughter]

MR. DIONNE: Another phrase you've coined today. [Laughter]

MR. LINDSAY: ?? But I think at the end of the day what really matters are what are the lessons that Democrats draw from this election? I think what we're seeing right now and what we'll see for the next couple of months is a struggle over how to frame and define what happened on Tuesday. There are competing stories, competing narratives, and we're going to battle it out.

MR. DIONNE: Thank you very much.

We are close to the end. There are three people who have been very patient here. Probably a lot of people, but the three I've noticed, this lady over here, then this gentleman in the front, and then the gentleman way in the back there. If we could bring all three of you in, that would give each of our panelists a chance to close.

QUESTION: In listening to the conversation about what we learned more and more about this President in this election, I go back to that wonderful comment made on the night of the first debate by historical Richard Norton Smith on the News Hour where he gave a kind of Jim Lindsay terse response to the question, "What did we learn in this debate?"

His fellow panelists opined at some length. Richard North Smith said, "We learned that Gore knew a lot and Bush knew enough." [Laughter]

The question is, is that still an accurate characterization of this President? Or are we learning new things and is he learning new things?

MR. DIONNE: Hold off -- I want to get -- By the way, what's your name?

QUESTION: Danya.

MR. DIONNE: Let's give a round of applause to Danya who had to run all over the place to get people's questions in. Thank you very much. [Applause]

QUESTION: Domestically, where is the most daylight between the President and the congressional Republicans? On what issues are they bound to differ?

MR. DIONNE: This is very good. And then if anyone wants to opine on anything else in answering these two questions, feel free. And if you want to elaborate on the theory of harsh progressivism, this could contribute a lot to the common weal.

Why don't we start with Bruce and work down?

MR. KATZ: That last one is a tough one. I think one thing we didn't talk about here is what is, and this election is just going to exacerbate this, sort of struggle over what devolution is. Because this President as a former Governor basically has come down on the side of fewer choices and more accountability for the states consistently -- on welfare, on schools. And maybe as we go forward in the next year or so, and we talk about transportation and workforce and whole bunch of other issues, maybe that's where there might be some daylight between the President and the congressional Republicans.

But I keep coming back to, this is sort of the eternal optimism of a Democratic professional here. I think in terms of what this election means it goes to your question. It's not about 2004, it's about 2008 and 2012, from my perspective. The four states that really shaped domestic politics and policies in the 1990s were Wisconsin and Illinois and Michigan and Pennsylvania and they are now all back in control of Democratic Governors. So after we get through this two-year period of bloodletting on state fiscal crises, I think that's who we look to.

We're not seeing it from the congressional Democrats. That's who we look to help shape and define sort of a newer paradigm, a newer domestic agenda, for the country.

MR. MANN: I too remembered that line of Richard Norton Smith and thought he got it right. I thought yesterday or the day before he may have gotten carried away. I think he already put George W. Bush on Mt. Rushmore and was drawing parallels between him and FDR and Harry Truman.

The jury's out, I think it's fair to say. The President has demonstrated substantial political skills, and he's demonstrated a decisiveness and the capacity to know what he's about and stick to it. That's an important part of being an effective President.

The other important part is, are the policies he works hard to achieve wise ones? And are they successful ones? In the end, that will come to weigh in as much as his political skills, and there is much to be learned in the months and years ahead on the question of the wisdom and the effectiveness of the

policies.

It seems to me the largest gap between President Bush and the congressional Republicans is overspending appropriations. Ted Stevens will give Mitch Daniels more trouble than Bob Byrd did. They are far apart on belief about discretionary domestic spending. There's a similar problem in the House where the appropriators say we can't pass bills like this, and then if they spend too much there's a group of Republicans that will defect.

The President again used the appropriations fight skillfully. He argued at the margin to demonstrate a fiscal responsibility when he presided over a decline in about one year of \$300 billion in the federal balance sheet. But now it's not enough to frame an issue. You've got to pass appropriations bills, and I see that as the area of the greatest dispute.

MR. ORSZAG: Two comments on the areas of disagreement. One is, I do think at least with respect to the House leadership, Social Security is one in which there are different perspectives with many Members of Congress not seeing this as something that they particularly want to be out front on and nervous about and at least members of the White House staff and perhaps to some degree the President himself thinking that this is the time to seize the initiative and push this issue forward. So there may be some, and actually even in the newspapers you can actually pick up some tension on that issue.

I also do agree that appropriations are another source of, another area of disagreement. Although it's important to remember the magnitudes here. The levels of disagreement are blown up way out of proportion to the numbers of dollars involved with big disagreements over \$7 or \$8 or \$9 billion out of a \$750 or \$800 billion discretionary budget. It's often been symbolic more than real, but nonetheless the symbolism is there and there is an underlying disagreement.

MR. LINDSAY: To go to Gary's question I think what we've learned in two years is the fact that George Bush doesn't speak well doesn't mean he doesn't think well, and I think you have to give his political judgment some fairly high marks.

I think the gentleman's question back there, what are the dangers for the Bush Administration, I think there are two of them. One Tom alluded to which is that he will come under a tremendous amount of pressure from Republicans, particularly in the part of the party who are going to want things done and want them done now and they're going to want to push the envelope.

I think however, some of the fears about mandate madness are a bit overblown for the simple reason that for those who are cooler heads in the White House can always point back to Newt Gingrich in 1994. Sometimes you don't want to overdo it.

Which actually leads to the second great danger which is the danger that affects all successful Presidents and that's hubris. After awhile when you've been successful challenging conventional wisdom and you've gotten victories because your analytical skills have been pretty good, you tend to get a little bit lazy and to think that all conventional wisdom is always wrong and that can lead you down some

roads you may not want to go and clearly for the Administration one great danger would be Iraq.

If you did go into Iraq and there is a war, U.S. troops are going to have to be there. It's a not insurmountable problem but it could be a very difficult one. I think the people who think that because Afghanistan worked well Iraq will work well, I think there is a real problem with that analysis just given that quite honestly Afghanistan is not working that well. [Laughter] As a certain uniformed member of the United States military pointed out at Brookings on Monday night and is reported in today's Washington Post. I think that is their problem. You push the envelope, sometimes you break it.

MR. DIONNE: I want to thank our panelists who have been hardnosed, realistic, policy-oriented, and sophisticated. I think we end up here with two views that we can meet again in two years to settle. Either the conclusion is that taking calculated risks is the way to prevail, or beware of what you want, you may get it.

I want to sound like one of those phony issue ads in asking you to honor our panelists: Call this panel, tell them they've done a great job.

Thank you very much. [Applause]

###