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THE FIRST 100 HOURS:
A PREVIEW OF THE NEW CONGRESS AND ITS AGENDA

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P R O C E E D I N G S

MR. MANN: Good morning and Happy New Year.

I'm Tom Mann, a senior fellow in the Governance Studies Program here at Brookings. Along with my colleagues here, I'm pleased to welcome you to the new year, the first event of the year here at Brookings, and to the discussion of a new Congress and their agenda, the substance, the importance and the likely fate of that agenda and of the next two years more generally. That's what we're about.

I'm pleased to have my colleagues Lois Rice, Alice Rivlin and Bruce Riedel; Alice and Lois with the Economic Studies Program and in Lois' case, our Metropolitan Policy Program as well, and Bruce in the Foreign Policy Studies Program, to join me in ruminating about what lies ahead, beginning on Thursday with the swearing in of the new Congress.

The focus of much of the press already is on the substantive items in the so-called 100-hour agenda of the Democratic Party. It's needless to say Harry Reid didn't say anything about a 100-hour agenda. You can barely warm up at 100 hours in the Senate. But Speaker Designate Pelosi has early on committed to rapid action on a series of substantive and procedural changes.

The first 100 hours seem to be a way of one upping the Republican 100-day Contract with America actions of early 1995. But now I wonder if they might have come to regret it, since the storyline moving into the new Congress is, "Are Democrats already going back on their promises to restore regular order, to foster bipartisanship?" Moving so rapidly requires setting aside the normal committee processes of hearings and markups, the opportunities they've called for, for amendment and debate on the floor. That isn't the storyline they wanted but it was certainly predictable because we told them so many, many weeks ago.

The substantive agenda was carefully crafted to reflect strongly-held democratic values and positions but also items that drew virtually consensual support within the Democratic Party that attracted significant Republican support and that were broadly

popular in the country. So it's not surprising that we are going to be seeing actions to implement those items in the 911 commission that weren't acted upon, increasing the minimum wage, giving the government the power to negotiate with the pharmaceutical companies, prices for drugs under Medicare Part D, student loan interest rates, stem-cell research, energy subsidies and the like. These are, as I say, broadly popular in the country and consensual within the democratic caucus.

On the other hand, the devil is often times in the details. And in each case, there are particular problems associated with it. Sometimes, as Lois and Alice will discuss, there's a matter of cost. Democrats intend as part of their procedural reforms to reinstitute so-called Pay-Go rules. Republicans like Pay-Go rules, except if they include taxes. But in this case, Democrats will insist on a return to the old Pay-Go rules, but that then leads to problems when it comes to financing the additional subsidies for student loans, to say nothing of parts of the broader agenda Democrats hope to achieve.

Now, my own view — maybe it's a heresy – is that the least important items and actions that this new Congress will take are those that will be taken within the first hundred hours, legislative hours, of the Congress. In a sense, this is almost a remnant of politics of old, of symbolic politics. Not that the substantive items aren't important but that in each case, passing them out of the House is only the first step in a legislative process that will take much more time, that will in some cases lead to substantial changes in the Senate or defeats in the Senate that in other cases will lead to presidential vetoes.

In any case, if you look at the November election and try fairly and reasonably to discern a mandate from that election, you will I think not put at the top of that list many of the substantive items in the 100-hour agenda.

First and foremost would be the war in Iraq, the 800-pound gorilla of the election and certainly of politics and policymaking over the next days, weeks and months. We know the president will probably late next week announce some change of course in Iraq that will almost, certainly if reports are to be believed, include a surge in the number of troops there.

Now, you'd have a hard time reading the tea leaves of the November election to find a sort of mandate for that change of policy or any trace of support in the public among Democrats on Capitol Hill, except for Joe Lieberman, and, frankly, among many

Republicans. So it may well be the most important thing, overwhelmingly, that occupies this new Congress will not be occurring on the floors of the House and Senate but in the committee hearing rooms as this debate begins.

Second coming out of the election was a concern about corruption and ethics, more generally. And here I think the Democrats are on track to respond to the election mandate. Their first day will include changes in the rules of the House having to do with travel, with gifts. The second day will deal with earmarks.

The first or second day we will also see, I believe — and this is going to be the most important test of the seriousness of their package — a proposal that there must be an independent enforcement agency of some kind put together with the current ethics committees to lend credibility to the new rules that are passed and the old ones that need to be implemented.

I believe that the party leadership has committed to a role for an independent panel and that Pelosi and Boehner have reached agreement on that, in principle and in setting up a bipartisan task force, not to decide whether but rather to agree on precisely how that will be achieved, what form it will take. That's going to be very important. We will learn a lot in the first two days, on Thursday and Friday, as to whether Democrats commit to that.

The third message I see coming out of the election — and this is something I know Alice wants to talk about — is sort of in the partisan bickering, the tribalism, the utterly symbolic actions that are designed to simply put a party in a good position to campaign on.

I think we may have played out the string on that, that it really is time in which the public is looking for actions rather than symbolic steps. And therefore, what the new leadership in both the House and the Senate will be very important setting the tone.

Having a little tension over that. The words coming from both Nancy Pelosi and Harry Reid have been very encouraging. There have actually been discussions in the House between Democratic and Republican leaders which is shocking. This is something we haven't seen much of in recent years.

I expect Pelosi to be very open, to speak to the Republican Conference, to make commitments for how she will manage the House that will be reassuring to the

Republicans. But all of that, as I said earlier, comes up against the tension with an insistence on moving quickly in the early days of this new Congress.

On a substantive agenda, as I've suggested to you, because of the long legislative process, it's more symbolic: we've promise this; we're going to deliver this in the first hours. I think that's unfortunate. And I think it would be wise if Democrats set aside the committee process because these are fairly discrete items with preexisting legislation that they at least allow some meaningful amendment possibility on the floor as these items come up.

For example, they want a clean minimum wage. Republicans want a tax break for small business. If they've already passed Pay-Go, Alice, maybe in fact Republicans will be less thrilled about a tax break for small business if they have to pay for it with some other tax hike or reduction in mandatory spending.

In any case, I think if this is to be a serious effort, Democrats are going to have to be prepared to be surprised on occasion, to actually lose a vote. They have committed to 17-minute votes, not three-hour or two-hour or one-hour votes. That will be part of the rules. That's an important change. But it seems to me unless they are prepared to lose one, then they're not going to loosen the reins sufficient to encourage the kind of bipartisan cooperation they're going to need to get anything enacted into law over the long haul. So it will be very interesting to see how they manage this very difficult 100-hour period.

Well, enough from me. Our plan is to have our colleagues address parts of this initial agenda and then move immediately to the floor and to have you all pose whatever questions you would like.

You know my colleagues. Their bios have been provided to you. I'm not going to spend any time introducing them. Instead, I'm going to ask Alice to kick it off and to tell us something about, particularly, the minimum wage and other economic budgetary matters that are a key part of the initial agenda and what we should expect.

MS. RIVLIN: Okay. To begin with, I want to make a tactical point. I think the Democrats are making a tactical mistake. There is a lot to be said for this fast start. It projects energy. It projects we're going to get things done. And this modest agenda,

which they could move through the House, I think in a fairly short period, does project all of that kind of newness.

On the other hand, I think the tactical mistake is that they are passing up an opportunity to work with the Republicans, to practice working with the Republicans. They're going to need to do this. They can't do any big legislation, any expensive legislation without doing it jointly. And I read the election as partly about that. It wasn't so much that the Democrats won; it was a rejection of the politics of the last few years, which has been bickering, it's been blaming, it's been fingerpointing, it's been excessive partisanship. And I think there's a good deal of evidence that the country is simply fed up with that and wants a new deal.

The Democrats have now an opportunity, if they don't blow it, to say this is a new kind of Congress. We are going to work together to solve problems, not just play games and blame each other. And they need to practice that because they haven't done it for a very long time.

Now, the minimum wage I think was a golden opportunity. There's almost no opposition — there is some — to raising the minimum wage. It hasn't been raised since 1997. It has lost about 20 percent of its value in that period simply by inflation, and it has fallen behind average wages in the economy. It's time to raise it and most Republicans would vote for that.

Many states have already gone beyond the federal minimum, which is only $5.15. And the proposal to go to $7.25 an hour won't even catch up with some of the states. Six states passed minimum-wage referenda in the last election with quite large majorities in most cases.

Now, a few Republicans have said we don't want to vote for this without tax breaks for small business, but I think the Democrats could say, okay, let's talk about that. There isn't much evidence that small businesses hurt very much by increases in the minimum wage if it all goes up in the area at the same time. But tax breaks for small business are something Democrats have been for and general to.

So here was a chance to put in some not very costly — I don't even know what the Republicans are talking about. But you could design something that was favorable to small business that didn't cost very much and package it with the minimum-wage

increase, and move ahead with an overwhelming bipartisan vote and have the feeling that something serious had been done for low-wage earners, and small business was listened to, and the whole package had bipartisan support.

The other items in the 100-hours agenda are, as Tom has said, mostly symbolic but they're good symbolism. I think Lois will talk about the student loan interest reduction. What that does has certainly established that the Democrats are for higher education, that it's important to the economy. They'll be able to make that point—and that point is right—and then move ahead.

But the student loan is a good example of something that could be, if done right, fairly expensive, especially since meeting the needs of low-income students would imply raising the Pell grants as well as doing something about student loan interest. And that gets to the Democrats' serious agenda.

I think they are absolutely right to say we want to reestablish the budget rules that work well from 1990 to 2002. They were bipartisan rules. The so called Pay-Go rules, which said we won't pass tax cuts or benefit increases that make the deficit worse without an equal and opposite offset over time to keep the deficit from rising.

That was very effective and it was more effective than appeared because it really shot down a lot of tax cuts, certainly some that I know the Clinton administration would have liked to have made, or benefit increases. But those of us who sat at the Office of Management and Budget had to say, "I'm sorry, Mr. President, can't do that; can't pay for it."

So bringing back the Pay-Go rules is very important and bringing back caps on discretionary spending is also important. But then it puts the Democrats in a serious box. They are going to have to figure out how to pay for things, and that's not going to be easy.

The most serious problem on the tax front is this awful thing that nobody likes to deal with called the "alternative minimum tax," which the Congress has been kicking down the road one year at a time because fixing it is very expensive. This is a tax enacted years ago to apply only to very high-income people who were taking big deductions and exemptions of various sorts. But it's now beginning because it wasn't indexed, and for other reasons, to bite on the middle class, and rather unfairly. It bites on

people who live in high-tax states and on families with children. So everybody would like to fix it, but it is expensive to fix it. If the Democrats enact Pay-Go, they're going to have a problem with what to do about the alternative minimum tax.

I sort of depart from the conventional thinking here. I think it's not all that bad to kick it down the road for another year or two because the best way to fix it is to fix it in the context of a thorough tax reform, and that's not going to happen quickly.

Similarly, with things like tax breaks for big corporations, oil companies and so forth, that has symbolic value. But if one is going to fix the unfairness and the lack of progressivity of our income tax, it has to be fixed as a package, get together and say we're going to get rid of a lot of these tax breaks so we can broaden the base of the income tax and lower the rates or not have to raise them.

I think my main feeling is, a lot of these things are good — we can come back to the medical later perhaps — but they are missing this golden, tactical opportunity to join hands across the aisle and work on bipartisan solutions to big and large problems.

MR. MANN: Alice, I think one of the dilemmas that Democratic leaders feel is that on the one hand they need to show to their own supporters that they're not going to be rolled by a president who talks about bipartisanship but then reiterates all of his positions. And his idea of bipartisanship is for members of both parties to support his program.

And so the question is how do you move him into genuine negotiations and now weaken yourself at the outset? The odds are, on minimum way, say, is that the Senate will amend the House bill and there will be some kind of tax provision for small business. And that will be retained in a conference process that Democrats have committed to as being fair, and then get signed by the president.

The issue is — and I think you may be right here — have they paid a serious price by not anticipating that in advance, making at least an opportunity available to the Republicans to offer that, in the House as a way of setting a climate that is taking the first move toward encouraging sort of bipartisan discussions, even if they manage to vote it down.

MS. RIVLIN: Well, I think that's right. What happened in the last couple of days was that the new stories were about the partisan democratic agenda and then the president

sees the high ground as, well, he might have, and said, "I'm going to be bipartisan." Most people didn't listen to the end of the speech. So the message that came across was the Republicans are being statesman like and the Democrats aren't, and that's unfortunate.

I think the way to meet the president is to start talking about some of the issues on which compromise is possible. Immigration is a good example. Social security is a good example. There really are things that could get done if they did them together.

MR. MANN: All right.

Lois, tell us about the student loan provisions in the democratic agenda, what they're after, sort of what the problem is, what they can realistically do about the problem.

MS. RICE: Well, just as Alice has suggested, and you as well, that there needs to be a much more bipartisan approach to the issues that are on the agenda, I would say that there needs also to be a much more wider democratic approach to some of these answers.

If you just take the student loan issue, there's a tremendous difference, it seems to me, in the directions in which the House is going and the Senate is going at the moment.

Senator Kennedy, for example, who is the new chairman of the Education Committee — they keep changing these names all the time, and I'm old, and I can't quite keep up with some of them — would indeed like to move in the direction of providing more direct loans, where the federal government will be directly providing the funds to students and their families, and expanding income contingent loans.

In each case, from those proposals on the Senate side, I think that they would like very much consider, as the House would, decreasing some of the debt burdens, particularly on low-income students and finding ways to encourage low-income students and moderate-income students — who Mr. Miller, interestingly enough, is putting all in the category of middle income these days, including minimum wage, and it's sort of affecting the middle class — to try to ease the burdens for those particular students who are in the greatest need.

But I agree. I think that this is an interesting symbolic effort on the House side. As Alice has said, it does indeed address the issue of affordability of higher education, which has been a great concern not only to members of Congress but indeed to the families and students who are facing these higher costs.

I would like also just to try to put this modest or minor proposal in many ways in some kind of context for what this means in terms of the total federal effort and even some of the private efforts in aiding students and their families meet college costs.

Federal loans now constitute 51 percent of all of the expenditures from the federal government on student aid. Pell grants, which were originally designed to assist low and moderate-income students and to be the foundation on which all other forms of aid would be built, is only about 9 percent now of all those total expenditures.

The most dramatically increasing form of aid to students and their families has taken place since 1977-98 when we've had a whole series of new programs of tax credit deductions all through the income tax system. That is the most fast-growing part of the efforts of the federal government at the moment. And there's no clear rationale between the direct expenditures for like Pell grants and others, and work study, those direct subsidies and the various tax subsidy expenditures that we're now seeing growing at an amazing clip. And one of the things that some of us at the Urban Institute have been trying to do is to rationalize these two sets of programs.

The other most astonishing thing to me in sort of looking at what role federal loans are now playing was to discover in the last several days that private loans, not including credit card loans, are now 27 percent of all the lending that families and students are making. We don't even know who all the lenders are.

In the last five years, according to the Student Loan Program, our Shireman's (phonetic) Group, they've found that private loans have grown from 6 billion in 2001 to 17.3 billion in '06. Stafford loans, which are the target of the Miller proposal, are now 45 percent of all of the borrowing that the federal government provides at the moment.

Now, the current House proposal, Pelosi's proposal, would lower the interest rate for students from 6.8 percent, a rate that was set in July of '06, to 3.4 percent, with potential savings to new borrowers. Take a student with a $20,000 debt. This would reduce the monthly payments that that student would have to make during the repayment period by about $230 a month. No, that's not the reduction. He would now be paying $230 a month. It would be reduced to $197 a month. And over the life of the loan, there might be a saving of $4,000, not an insignificant amount of money but actually, in the context of what students may be earning in the repayment period, relatively modest.

Low and middle-income students, are the chief beneficiaries of the Stafford loan, constitute about 94 percent of all the families in the Stafford Loan program. There are still some borrowers who go to high-cost institutions with family incomes above $80,000 who receive subsidized loans. So this is the population that it would affect.

The proposal is clearly designed to try to ease the burden of paying for college, and that's laudable, but there could be some very severe and probably unintended consequences from our perspective.

Lowering the interest rates for students could in many ways encourage greater borrowing rather than less borrowing, and greater borrowing could be coming from that private sector with very high interest rates that I mentioned earlier, because this proposal doesn't do anything about raising the limit of the loans that students can take out each year under the Stafford program. And then also, without raising the loan limits, as I said earlier, students could turn to more costly private loans.

Also, would simply lowering the interest rates have any positive effects on the behavior of students? Would this do anything to encourage a student in high school — who was trying to figure out how to pay for college, who's going through all of the torturous efforts of trying to fill out a hundred and some odd items on a financial form that is currently required for Pell grants and for the subsidized loans — to consider, well, down the pike, after I finish college and I'm in a repayment period after maybe even some graduate school, how would these interest rates that have been lowered affect my behavior and my desire to go to college or where I go to college?

I think it has no effect particularly on the behavior of students. And one of the major federal goals over the years in higher education policy is to try to encourage more low and moderate-income students, who are facing great disparities in their enrollment patterns still, to enter college and have some choices among institutions.

I also feel that we should probably instead consider returning to a consideration of vastly expanding — as I mentioned earlier, I think it's a better policy — the Direct Loan program. It's far less costly, from all indications, than the current subsidized programs or the Stafford programs.

It was interesting to me that, actually, George Miller, who is the principle proponent of this interest rate reduction, had been originally a major sponsor of the

Direct Loan program, and it wasn't a bipartisan matter with Tom Petrie. I wish there were some mechanism or some hope that we could return to that particular proposal of direct loans, which is also the major proposal of the Kennedy and the Senate people.

I think another thing to be concerned about here is that lowering the cost, under the current law, to students increases the cost of the subsidies that the federal government must pay to the lenders under these programs. There are all sorts of special allowances, fees, issuance fees, origination fee, and special allowances that are built in, and that's where the major cost increases occur under this proposal. I think that certainly has to be considered.

I've not been able to get what I consider to be decent cost estimates on this program. Originally, they were hoping to provide these subsidies to not only the students who are under this program, but there is a part of the Stafford program which is geared to families and parents. I gather they will remove that. If I'm wrong, there's somebody in the audience from the Hill who can correct me on this.

But current estimates that I could get in the last several days, from anybody on Pelosi's staff or the committee, were that this proposal would currently cost between $5 billion and $9 billion over five years, even with some of the changes that they've made in it.

I think another very hopeful thing, as modest as this proposal is, that could come out of all this — and this is a little example. This proposal is like tinkering, as we've been doing in the last several years, with every reauthorization. That this modest proposal could potentially lead — particularly as it moves into the Senate and into the wider higher
education community — to a much better evaluation of where these programs that are supporting — and a myriad of programs — are headed.

We need substantive change. We need not just to say, let's increase Pell grants without going back and trying to target those programs on the neediest of students. We need to rationalize the relationship, as I said earlier, between the tax side and the direct expenditure side. And I would hope that over time, though I'm not sanguine that this will ever take place, that the various modest steps to the more meaningful and larger steps forward.

MR. MANN: Thank you, Lois.

What I take from this is that what we need is a deliberative process in the Congress, a return to Congress actually wrestling with these issues. It seems to me, the best that one can say is that a quick action in the House on this raises the issue and sets the agenda in the Senate, where the process will commence, not in the House.

And what one might view here, as in some other matters, is that the problem with Congress in recent years has not been its slowness but rather its utter lack of deliberation, of deciding in advance what to do, based on political and ideological views, and then kind of ramming it through the process in a way in which policy suffers. And the hope here is that a different dynamic will occur after it leaves the House, at least from the items on the 100-hour agenda.

Bruce, let's shift our focus to security matters, both homeland and national security. The Democrats have been promising for many months to implement those recommendations of the 911 Commission that haven't been acted upon. One element of that has to do with congressional reform. We've seen some at least preliminary agreement in the House about how that might be handled, nothing yet in the Senate.

Could you give us a sense of what hasn't been enacted? Is it a good or bad thing that they haven't been enacted; what's likely to be a part of a democratic package? Which I understand is to be H.R. 1 but not yet available. Please.

MR. RIEDEL: Thank you, Tom.

It's hard to discuss H.R. 1 since it's not available, but what I would like to do is talk about first the homeland security issues, and then spend a little bit of a time on Iraq.

By my rough count, we are now 1,942 days since 19 terrorists killed 3,000 people in Virginia, Pennsylvania and New York City. Yet, the three people most responsible for that event, Osama bin Laden, Iman Sowahiri (phonetic), Mullah Omar, are still at large, still active, and still planning further operations against United States' interest. In fact, two of them, Iman Sowahiri and Mullah Omar, have just issued end-of-the-year greetings to their supporters and included the usual promises that 2007 will witness even more acts of terrorism than 2006, particularly in Iraq and Afghanistan.

So as the new Congress convenes this week, this issue should be very much and is appropriately at the top of their agenda. The problem is, though, if you look at the 911

Commission report, the major structural changes that it recommended in how the American government deals with the issue of terrorism have largely already been enacted.

We have the director of National Intelligence. We have a National Counter-Terrorism Center. We have a national security bureaucracy within the FBI. In fact, all three of those things have grown so quickly that I understand you can't find parking anymore at the National Counter-Terrorism Center if you don't show up for work before 8:00 in the morning.

There are legitimate questions about how effective those institutions are so far. There are legitimate questions about whether they are training their new analysts effectively for the job, about language programs, about standing up the new clandestine service in the CIA, all of those questions that Congress should investigate and look into in hearings in the next year. But those institutions are largely in place.

As Tom suggested, the only major bureaucratic change that the 911 Commission report recommended that hasn't been implemented is changing congressional oversight. The commission recommended one of two options. Either setting up one joint committee of House and Senate, which nobody seems to like – and since the only joint committee that we've had in recent years, the Joint Atomic Energy Committee, has largely been regarded as a failure, there's good reason not to like it — or within each chamber to set up one committee that combines both the policy review and the funding issues. Our Congress has been very reluctant on both sides of the aisle to do that. Speaker Pelosi has suggested a kind of hybrid in the House which would bring together parts of each committee into a select subcommittee.

My own view on this is that the 911 Commission got this one dead wrong. We're actually better off with more oversight of the intelligence community, particularly now that it has become larger, more complex and with less oversight. I would like to have more senators and more representatives involved in looking into how the intelligence community is doing rather than less. And I think it's also appropriate that we bear in mind the logic of why you have a policy review and then an appropriations review. It makes sense for other issues. I think it continues to make sense in this case as well.

The good news is that I think we have an excellent chairman to run the two committees. Certainly, Senator Rockefeller in the Senate has demonstrated over the last several years as minority leader that he has the skills and the challenge to do this job well. Congressman Reyes is more of an unknown, but I think he also shows signs of promise in being able to deal with it on the House side.

I would recommend to the Democrats that a key question that they begin to ask, almost from the beginning in these committees, is who's in charge in the intelligence community? Who really is in charge of the critical issues? Like the one I alluded to at the beginning, the hunt for the perpetrators of September 11th.

Who in our government has the responsibility to find Osama bin Laden and either, as the president liked to say in the past, bring justice to him or bring him to justice? Is it John Negroponte? Is Admiral Scott Redd, the head of the National Counter-Terrorism Center? Is it the national security advisor? Is it the head of our forces in Afghanistan? Is it the head of NATO forces in Afghanistan?

I ask this question because as someone who's followed this issue for a long time, I don't know who has the responsibility for doing this and I don't know whether that person has a plan or a strategy for doing it, and I think the Senate and the House should bring some measure of accountability to this issue.

If structural reforms have largely been accomplished, there are many other policy issues and policy recommendations in the 911 report that the Congress can focus on. Let me just give you a couple of them to think about, one of which is all of the homeland security improvements.

For example, in American ports, surveying containers. The easiest way to bring a nuclear bomb into the United States would be to bring it in on a merchant ship, in a container which is never searched once it's left the people who put something in that container. We've struggled with this issue for some time. We still don't have a system to regularly scrutinize containers coming into America's harbors.

Similarly, we don't have a real system for dealing with the transportation of hazardous materials through major urban areas. A lot of individual cities have tried to do deal with this, but there is no real national program for doing this. And there are a bunch

of other issues like that that the Congress should focus on and, most importantly, should fund. And funding is where it's going to be very hard to do. Senator Lieberman's staff last year estimated that to properly fund all of the recommendations for increasing homeland security would be somewhere in the area of $8 billion a year.

Foreign policy issues also should be more heavily scrutinized. For example, the 911 Commission commanded that with regards to Pakistan, United States could "press President Musharraf to make hard choices about terrorism and support for extremism." And yet, by almost all accounts, the government of Pakistan and the Pakistani state is providing a safe haven for the Taliban organization to revive itself in Afghanistan and to carry out operations against U.S. and NATO forces.

Last August, British intelligence thwarted the plot by a group of British citizens of Pakistani origin to blow up ten 747s over the mid-Atlantic. And British intelligence has said publicly that those plotters had links back to the al-Qaeda organization in Pakistan.

So there's a legitimate issue of whether or not we have pressed Pakistan hard enough to make the tough choices on terrorism. This is a fundamental question for the Congress because the administration has proposed a $3 billion aid package for Pakistan over the next five years and has also raised the issue of resuming sales of F-16 fighter aircraft to Pakistan. I would think that those issues would now need far more scrutiny in the Senate Foreign Relations Committee and its House counterpart.

This issue is further complicated in Pakistan because we have tended to choose counter-terrorism success over support for democracy in Pakistan since September 11th, and yet in 2007, Pakistan is going to hold parliamentary elections.

Another issue I think the Democrats will want to look at is what's the right balance in our relationship with Pakistan on democracy versus counter-terrorism, particularly since the two largest opposition leaders, Benazir Bhutto and Anwar Sharif, are not allowed to return to the country in order to participate in those elections.

Those are just some of the issues that the 911 Commissioner report recommended, we've pursued, and which there is legitimate grounds for arguing more needs to be done. Let me just read to you two more.

It says, "United States should offer an example of moral leadership to the world by abiding by the rule of law." Well, there's another one I think that many people would say there's a lot of room to move.

And lastly, "United States should engage its friends to develop a common coalition approach to toward the detention and humane treatment of captured terrorists." There is no issue that attracts more outrage around the world than how we have handled captured terrorists since September 11th. And I would suggest there's a lot of room there for the Congress to move forward.

Let me briefly deal with the second issue, which Tom rightly described as the 800-pound gorilla in the room, and that's Iraq.

We passed another milestone over the holidays; 3,000 dead in Iraq. Counting the wounded, we are now past 25,000 dead and wounded in the campaign in Iraq so far. The issues of terrorism in Iraq are intimately connected.

As the 911 Commission report reported, there was no al-Qaeda relationship with Iraq before September 11th, but there certainly is one now.

Al-Qaeda in Iraq has got to be considered the booming business of al-Qaeda global. No place else in the world has al-Qaeda thrived as successfully as it has in Iraq since the U.S. invasion. It is now a major base of operations, the al-Qaeda organization, not just against coalition forces in Iraq but against targets throughout the Middle East, in Jordan and Turkey and Saudi Arabia and other places. It's even proclaimed the establishment of its own state in a little-known declaration at the end of last year.

Senator Biden has promised hearings to begin in the Senate Foreign Relations Committee on Iraq as early as the 9th of January. Now, the scheduling of these hearings and what they're going to do is actually complicated by the fact that we're all waiting to hear what President Bush is going to put out as his new strategy for dealing with the war on Iraq. And the president, at least as when we began today, has not yet said when he's going to do that.

The Baker-Hamilton report did lay out a bipartisan approach to dealing with the Iraq problem, while it may have had deficiencies that clearly laid out a program which sought to address the issues which I think the American people were getting at last November, which is how to de-escalate the American role in the conflict, how to bring

home most of the American combat forces, and how to disengage from the conflict in Iraq in a manner which left as little mess behind as possible.

Judging from all the press accounts, and Tom alluded to this as well, the president seems to be deciding to go in a different way. One of the major recommendations of the Iraq Study Group was the need for a major diplomatic offensive in order to build an environment in which Iraq could have a more soft landing. Particularly, set up a contact group in which Iraq's neighbors would deal with the principle world powers, the U.S., Russia, the European Union and the U.N., in order to try to manage the American departure from Iraq.

We haven't seen much sign that the secretary of State or the Department of State is particularly enthused by that idea. In fact, it's been pretty clear from Secretary Rice that she does not support the notion of engaging at least two of Iraq's neighbors — Iran and Syria — in such a contact group. Nor have we seen much enthusiasm for the report's suggestion that the United States may launch a major effort to try to revive an Arab-Israeli political process on both the Palestinian and Syrian tracks. Instead, by most accounts, the president seems to be moving towards a policy of increasing American forces in Iraq, somewhere in the area of 30,000 additional forces.

If this is indeed the case — and I stress it's still if because I don't think this is written in stone so far — I think we can see a major clash coming between a democratic Congress and the administration on this very, very fundamental issue. And I think you will see the Congress suggest that the president has ignored the Iraq Study Group and has chosen not to take a bipartisan approach but rather to take a very partisan approach.

Already Speaker Pelosi, Senator Kerry, former Senator Edwards and other heavy-weight Democrats have come out and said they would oppose such a surge. Of course, it is no surprise to anyone that all of this will be intimately connected with presidential maneuvering, as all of those people will be thinking about where does their position on a surge place them in regards to 2008. I think we can also say fairly confidently that if the president decides to move on a surge, then his new secretary of Defense, Bob Gate's honeymoon on the Hill, which he certainly enjoyed in December, will prove to be very short-lived.

This is a particularly risky strategy because virtually all analysts who follow Iraq agree that a surge is at best a high risk. Chances of success are by no means guaranteed. Chances of failure are quite high. We've had previous surges. We surged in Baghdad all of 2006. And at the end of the year, the situation is worse than it was at the beginning of the year.

To succeed, most military analysts would agree that a surge needs to be in the order of 30,000 troops and that it needs to last at least a year if not 18 months. Eighteen months would put us right in the middle of the 2008 campaign.

Increasingly, it appears that not only do most Democrats on the Hill oppose the surge or have serious doubts about it, but more and more Republicans have doubts about the wisdom of the surge. And if we are to believe yesterday's New York Times, even our commanders in Iraq don't think a surge makes a whole lot of sense.

But the bottom-line question for Congress is, aside from holding a lot of hearings and passing hortatory resolutions, what can it do in practice? Well, in fact, as we know from the Vietnam experience, what it can do is cut off funding. And the Congress did that in 1975 during the Ford administration to funding for the Vietnam war. But it took an awfully long time for the Congress to find the political will in order to do that. And I would suggest that it would be equally difficult for this Congress to find the political will to cut off funding, because cutting off funding immediately raises the issue of do you support the troops or don't your support the troops. And it also raises the other 800-pound issue that's lying out there in American politics, which is sure to start coming on our screen in 2007, if not 2008. And that's going to be the question, who lost Iraq?

MR. MANN: Well, that's a very sober analysis to close out our initial remarks but I think very apt.

A question I'd sort of put on the table — but then we're going to move immediately to your questions — is, is it really conceivable that we could have a two-track process that is war over the war in Iraq between Congress and the President and still expect some cooperation on domestic policy items where there is some natural overlap of interest and support? I think that's a good question.

Alice, would you like to weigh in on that?

MS. RIVLIN: Yes, I think it's possible because I think it's in the interest of the

Administration to get something done on the domestic front, and it's certainly in the interest of the Congress. It's a new *modus vivendi*, of course, that they have not been used to. But I can certainly see continuation of a lot of hostility over what to do about the war and some domestic cooperation, although, as Bruce has pointed out, it's not clear that anybody has a solution. We may argue about whether surge is good or bad but that's pretty peripheral. The real question is how are we going to get out?

MR. MANN: All right. We are open to your questions. We have mikes. Please hole your hand up and we will bring you the mike.

QUESTION: Thank you. I'm Vladimir (inaudible) with Russian Television.

Do any of you expect the question of impeachment to come up at all with Congressman Conyers as head of the Judiciary Committee in the House?

MR. MANN: Speaker Pelosi has already indicated that it will not come up. She's taken a lot of criticism from her constituents in Berkeley and San Francisco over that pronouncement. But you will continue to hear calls from some activists and others operating on the Internet for such action.

I think the point now is that Democrats believe the country's looking forward, not back; that it would be as unpopular to move ahead with impeachment of George Bush as it was for the Republicans who had moved as they did against Bill Clinton. It's pointless because it would go nowhere, even if it emerged from the House. I think, therefore, there will be talk but no action whatsoever.

Anyone dissent from that?

ALICE RIVLIN: Just a comment. I think Chairman Conyers himself has said that he does not plan to take that action.

MR. MANN: That's right. In fact, Conyers said that only with broad bipartisan support would there be any actions that even hint of preliminary to any such impeachment proceedings.

ALICE RIVLIN: I think everybody thinks it would be a disaster, and nobody wants to do it.

MR. MANN: Yes, please?

QUESTION: (Inaudible), OMB Watch. A question for Alice Rivlin.

I guess Speaker Pelosi has made restoration of Pay-Go in its original form a very high priority. And I just wonder how the Democrats think they're going to square that priority with Charlie Rangel, the incoming Ways and Means chairman's stated priority to try to address AMT, when just another patch may cost as much as $70 billion?

MS. RIVLIN: Well, I think that's the big question or is part of the big question. At what point do the Democrats have to face up to what seems to me the looming question for the next few years, not necessarily for the next few months.

If we are going to pay for promises that we've made to older people under social security and especially Medicare, if we are going to fix the alternative minimum tax in any sensible way, we are going to need more revenues, and at what point do the Democrats face up to that?

I don't know the answer to that, but it certainly is the looming question. And the place where it initially comes to the floor is on the alternative minimum tax. I think they can kick it down the road for another year, maybe for two years, and find the ways to pay for that, but a major fix should be folded into a new approach to tax policy.

I think actually the Democrats at some point — I don't know what the right point is – need to be quite bold about this, that they need to recognize the need for new revenues to pay for specific things that need to be done. One way into it may be through energy, that the country now really believes global warming is a problem I think. That bridge has been crossed, and it may be time to start talking about an energy tax.

MR. MANN: Yes, sir?

QUESTION: Dr. Kovelad (inaudible).

You four have been talking on Capitol Hill. Have any of you heard any suggestion that the Congress coming in now is going to move from a three-day work week to a five-day work week?

MR. MANN: Yes, we have. We haven't said anything about it but it's one of the most encouraging developments in the new Congress. Both Nancy Pelosi and Harry Reid have committed to a very different schedule. But you're being much too generous when you say three-day work week because it really is more like two.

What the Congress had settled into was a schedule in which no votes were taken before 6:30 p.m. on Tuesday and usually no votes after mid-day on Thursday. What they

do is extend the suspension calendar and collect a series of votes, and they vote on them in succession. That means members who are spending less and less time in Washington, that was fine with the leadership because they might get in trouble. They might absorb new information, talk to colleagues on the other side of the aisle, introduce uncertainty into a process that was designed to eliminate all uncertainty. They have everything wired.

A commitment has been made for Congress, for example, not to move off as they usually do to a recess between the swearing in and the State of the Union, but to begin working full weeks.

Now, it is true that the first five-day week has turned into a four-day week, that Congress will not be in session on Monday. But it you look at the commitments, I think you will see much more time in Washington, more floor time, more time for committee meetings. Just overall, the number of hours in session and the number of committee hearings and markups have all been on a steady decline over the last decade. The fact is Congress is not doing its work.

The schedule makes an enormous difference. And I think it will be very important for the public and their representatives in the press and everywhere else to hold the leadership to the commitments that they've made to return to full weeks and successive weeks in session. It would have ripple effects that would be very, very constructive.

QUESTION: Heather (inaudible) Thompson from the National Congress of American Indians, and my question is for Lois Rice.

We work obviously with the Native American community, and one of the areas that many students have expressed interest in is loan forgiveness, particularly for going back and working within your own community and in reservation communities. And I imagine there's a similar interest within other minority communities and low-income communities. I was wondering if there's any discussion about this as they go along with this Congress.

MS. RICE: I haven't heard any members so far making this a priority. Once again, one of the most successful programs that we ever had, just looking back historically, was when we had the first set of federal efforts in support of higher education right after

Sputnik, where we determined that we would give loans to students and we would forgive those students, their loans, if they went into teaching, health care and certain professions along the way.

There's a very, very modest program now that still continues that. It's so modest it's almost not even on the books or discernible. But I think that is indeed costly, but I think it would be a great social worth.

The reason I was stressing the income contingent loan proposition is that while that's not a form of forgiveness — if I'm not mistaken, the current forgiveness program is maybe attached to that contingency program as a very small nature now – I think that expanding that program would be cost effective as well and it would encourage people to move in a number of directions to fulfill some of their dreams, whether it's writing poetry or teaching school, or working on an Indian reservation.

MR. MANN: This has broader application, by the way. One of the real dilemmas facing the public service is the difficulty of recruiting able people to fill a service in which many of the top officials will be retiring. Students have such extraordinary loan burdens to service, it becomes very difficult to operate. Therefore, they're attracted to jobs as lobbyists, as lawyers in the private sector that higher pay and in some cases loan forgiveness. I think you're going to be hearing more and more about the need to do this to try to replenish the public service.

QUESTION: Yes. Kernan Chase (inaudible). I'm with Forecast International and the Journal of Electronic Defense.

That big gorilla in the corner is using emergency supplementals to really scoop all of the hors d'oeuvres off the table. There's been a legislation saying that the Iraq war has to be funded in the regular budget so Congress has a little more control over it. Yet, the president has a tendency through signing statements to say he can interpret the laws any way he wants.

Where do you see this process going for the emergency supplements?

MR. RIEDEL: Secretary Gates in his confirmation hearings indicated that he was of the opinion that the defense budget should now fund the wars in Iraq and Afghanistan through the normal process.

Now, incoming cabinet members are famous for saying one thing in their confirmation hearings, and then as soon as the vote is over, doing exactly the opposite. But at least in this case, Secretary Gates is on record as saying he wants to see the gorilla pay for its hors d'oeuvres, its entree and its dessert all at the same time in one place.

MR. MANN: But we're still going to have a supplemental that Congress wrestles with, a mega-supplemental, right?

MR. RIEDEL: Absolutely. The costs are not going down. And if you add 30,000 more men for 12 months, costs are only going to skyrocket. And I would also point out that by most experts, we need more men in Afghanistan as well. Senator Kerry has suggested 10,000 more U.S. combat troops be sent to Afghanistan. So there's even more funding if we proceed to go down that road as well.

MR. MANN: One of the reasons Democrats decided just to get through this fiscal year by passing a continuing resolution is that they wanted to have more time to devote to scrutinizing supplemental as well as the new budget. There is deep concern of really inadequate oversight by the appropriation committees as well as the authorization committees on these expenditures.

Jeff?

QUESTION: Jeff Biggs, the American Political Science Association.

This has been a fascinating review of the agenda, but when you're talking about 800-pound gorillas, what do you forecast for immigration reform down the road?

MR. MANN: The dilemma here is that if there in fact is a war raging between the President and the Congress on Iraq, the president's most stalwart supporters will be the very same people who oppose his position on immigration. And the question is – Alice is hopeful that they can sort of separate that out.

But I have a question of whether the president is willing to enter a serious negotiation on immigration in which he would go against the majority of his party members in the House and possibly even in the Senate. It would be an oversized democratic coalition that passes a bill that is consistent with the guidelines President Bush has put out. Since we know the president's highest priority is victory in Iraq, I don't know if he's prepared to take that on. It becomes very difficult trying to separate these items. I'm with Alice and wanting to be hopeful.

For example, we just had the Justice Department announce yesterday that they would not release certain information about the treatment of enemy combatants to the Senate Judiciary Committee. This renews a battle over information and secrecy and presidential prerogatives.

This administration is not likely to make many concessions on those issues of separation of powers, and that does not set the environment in which you're happy to break bread over immigration and energy and some other things. So I think it becomes all the more difficult. Not impossible but certainly difficult.

ALICE RIVLIN: Well, let me be more optimistic about that. I think immigration is a good case because the president put so much effort into it and staked out a position early on that, for my money, is roughly the right one. We do have to close the borders but we also have to do something sensible about the millions of people who are already here.

I think most people get that. The chances that the two sides could craft something that dealt with both problems in a sensible, long-term way seems to me non-trivial and very desirable from the point of view of the White House and from the point of view of the Democrats. Let's get this thing behind us because it's very divisive, and not go into another campaign in 2008 with this issue hanging out there.

MR. MANN: I agree with all of that. And I know from past history that divided-party government can set up incentives for just those kinds of agreements to be reached. And I do see potential on immigration and aspects of energy and education and other things as well. My worry really is just if the president seems to be going off on a course in Iraq that is so controversial in the country and in the Congress, it could poison efforts across the board. That's the worry.

MS. RIVLIN: I think that immigration is a bit like NAFTA, where President Clinton I believe made a courageous decision. He thought NAFTA was the right thing to do, and it could only pass with the majority of Republicans, and he went ahead and did it.

MR. MANN: But he was not fighting an unpopular war at the same time.

MS. RIVLIN: Well, that's true. That is true.

MR. MANN: And that's really the question I'm asking.

Yes?

QUESTION: I just wanted to ask about the security in our northern border. I never hear very much about that Is there a security problem with Canada or anyone coming in through the Canadian border?

MR. RIEDEL: We have very good cooperation between our security forces, our security apparatus and our Canadian counterparts. It goes back well before September 11th. But as every American knows, it's a huge, largely unregulated border.

We have seen in the past efforts by al-Qaeda to use the Canadian border. The famous millennium plot in 2000, we were saved from a potential disaster at Los Angeles International Airport by a very alert border security guard, who noticed that an individual crossing the border did not have the right papers and seemed to be acting very strangely when he came in. So, yes. It's a potential problem.

One of the things that we've seen in the operational activity of al-Qaeda in the last couple of years is a process which I call the Pakistanization of al-Qaeda operations. Because the leadership is located somewhere in the Pakistani-Afghan badlands, it is much easier for them to recruit new operatives out of Pakistan.

Well, what makes that particularly dangerous is there's a community of about a quarter million British citizens of Pakistani origin. Now, by far, the majority of those people are lawful, legal, abiding people, but there's clearly a small minority of these British citizens of Pakistani extraction who have become involved in al-Qaeda operations.

I alluded to the operation that was foiled in August before it could be carried out. An even better example is what the British refer to as 7-7, the attack on the London metro system on the 7th of July in 2005, in which three of the four perpetrators were British citizens of Pakistani origin.

Well, the best border security procedures in the world and the highest visa process is not going to protect you if you have a legitimate passport issued by Her Majesty's government. And these people have those passports, and they're not going to be stopped at customs lines and be asked the kind of questions that someone with a Yemene (phonetic) passport is going to be asked or someone with a Saudi passport is going to be asked. They don't need a visa.

It's a very easy way to get in and out of the United States and it's a very, very difficult problem for border security. And Canada, as well as any entrée point, is going to be a place where, if al-Qaeda proceeds to continue to use this kind of cadre, it will test our defenses very rigorously.

QUESTION: I am Bill Loveless, editor with Plats (phonetic) at McGraw Hill. I'm interested in energy security and environment. It's been touched upon a bit here, but your views and whether you think the Congress will act substantively on those issues in the coming Congress.

MS. RIVLIN: Well, the honest answer is I don't know. There's been a lot of talk and the rubric of energy independence has certainly been bandied about. Like most economists, I think the only thing you do on the energy front is make it expensive and let the market ration energy. That implies, I think, some kind of energy tax. There are more people talking about that than used to be, but I don't think it's a ground swell. It would make a lot more sense than all of these little subsidy things for different kinds of alternative fuels.

MR. MANN: Democrats are committed to moving on some of those little things in the 100-hour agenda, and I expect they will. It's partly removing some subsidies for oil and gas production now. There's also the possibility of excess profits tax with the receipts from both, directed toward alternative sources of energy.

But as Alice said, the critical things, whether you're prepared to tax energy, or, less efficiently but still significantly, to change the CAFÉ standards for automobile fuel efficiency, it's much more doubtful.

MS. RIVLIN: I think that's a mistake on the part of politicians if they go for the small stuff, because, as I said earlier, my perception is that the public now gets it on global warming and that we ought to do something bigger and bolder and start talking about it quickly.

MR. MANN: In fact, if you think about it, the other issues we're talking about with AMT and the difficulties there, this problem cries out for broader tax reform in which you didn't have an energy tax sitting out there alone, but it was part of a broader set of changes in which you could be reassuring to some segments of the population because of other changes being made.

MS. RIVLIN: Yes. And we need to de-clutter the tax code, not add a whole bunch of new little things like special taxes on profits in oil; why oil and not something else? That I think is the wrong way to go.

MR. MANN: Remember, it was during divided-party government that we had the last most constructive tax reform under Ronald Reagan in 1986.

MS. RIVLIN: Yes. And it was hard work, but it was bipartisan, and it did work, for a while anyway.

MR. MANN: Exactly. Bruce?

QUESTION: You passed over the Part D. And I wonder if you think there is real prospect for the Democrats to reintroduce sort of price controls on drugs, where the administration seems almost certain to veto that on the perfectly reasonable argument that the formulary prices included in the plans have been going down, and let's get a little time to settle down, and maybe we'll have low plan prices and, therefore, low formulary prices.

Do you think the Democrats really want to tackle control of drug prices again?

MS. RIVLIN: I don't know. I think it's quite possible that the proposal in the hundred hours plan that gives the government the plan to negotiate with the drug companies would pass at least the House because it doesn't say very much about what the government would do with this power.

I don't think that's a high priority item, even if you worry about drug price. It's not clear that a government, particularly this government, would get a better deal from the drug companies by direct negotiation than the drug plans can get on their own, and it might have some negative consequences of the drug companies keeping the prices up to give themselves some bargaining room in a bargain with the government. So I'm not very enthusiastic about that one, and it would likely, as you said, get vetoed anyway.

The bigger problem is what to do about the so-called doughnut hole in Part D. Fixing that would be expensive. It's another in that list of items that the Democrats say they want to do but don't have the resources, particularly under Pay-Go, to deliver. Nor is it necessarily the highest priority as you look across the healthcare options. I would not put fixing the doughnut hole above extending care to more low-income children for instance. That seems to me a higher priority.

MR. MANN: In the back, please?.

QUESTION: This is for anybody on the panel.

What do you think are the political and constitutional implications and consequences of a president ignoring the will of the people, as expressed in the election, and deciding to escalate the war, when clearly the election was a repudiation of his war policy, and a situation in which, evidently, the Democrats are seeking probably to evade the issue? At least it's not part of the 100-hour agenda.

What are the political and constitutional implications of that?

MR. RIEDEL: That's a very good question.

First of all, as you alluded, the Democrats are far from united in what they would suggest we do in practical terms. But I would posit that if the president goes forward with and escalatory strategy, as we're hearing, and particularly if that strategy doesn't show pretty quickly some tangible gains, then we'll see Democrats and a lot of Republicans, particularly senators who are facing reelection in 2008, move towards a pretty harsh posture. I think you already see it on the far left of the Democratic Party, where they want a much more harsh posture.

One manifestation of that could be the so far, relatively small-scale demonstrations in this country begin to take on a much larger character, and one could envision much larger mass demonstrations happening in Washington and other cities. That would fuel in turn political animosities and could very much make this look a lot like some of the worst periods of the Nixon administration, with the presidency literally under siege from very large demonstrations all around the city and beyond.

The constitutional issue is not a area of specialty of mine, but I would suggest to you this. The president's authorization for this war was weapons of mass destruction. One of the reasons why the president has been so reluctant to use the term "civil war" with regard to the situation in Iraq is that he had no authorization from the Congress to send forces to intervene on a civil war or to suppress a civil war. Some congressmen have already raised the question, if we are now in a civil war, there is no longer any legal authorization for American forces to be there.

Now, I think that's going to be a tough argument to get a majority in Congress behind, but I can see it resonating more and more on the democratic side of the aisle as time goes along.

MR. MANN: I think it's a very important question. My own view is that the constitutional issues have been engaged now, have been on the plate for some time, with court intervening in some areas and with really pretty serious differences in battles to ensue, quite apart from the new change in policy we expect to be announced.

I believe this will be driven by the political process. And the key figures to watch our actually Republicans on Capitol Hill because I think it is there that you will see registered the growing public skepticism, and there they will in turn embolden Democrats to take more forceful action. But it holds out the possibility, if the president's determined, to salvage victory in his terms of a very, very conflictual, disruptive, difficult period in our public life over the next couple of years.

What I want to do is use this question, an occasion to bring our session to a close, to tell you that Brookings will have an event the morning after the president announces his new policy, and then a series of events, asking questions about what is the new policy, what are its prospects for working, what metrics can we develop to measure its progress. But in addition to that, be plumbing the constitutional, procedural, political dimensions of this as well as to be looking at alternatives to how do we contain and manage the consequences of failure if that is what ultimately results or appears to be six months from now.

So stay tuned. We will have additional events on this and other matters before the 110th Congress. I want to thank my colleagues, Lois, Alice and Bruce, and thank you all for coming.