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STATE OF THE UNION 2008:
PRESIDENT BUSH'S FINAL YEAR

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P R O C E E D I N G S

MR. MANN: Good morning. Welcome to Brookings. I'm Tom Mann, a Senior Fellow in the Governance Studies Program, and I'm delighted to welcome you here.

This is a traditional Brookings event. We like to hold it after the State of the Union rather the day of or the day before, fully realizing that the first wave of reactions and analysis have appeared in the morning's newspapers, but it gives us a chance to step back a little bit and provide some observations and reflections that might not have been part of the first reactions to the speech itself.

I'm joined by my colleagues, starting on the far right, Bill Gale who is Vice President and Director of Economic Studies here, then Suzanne Maloney who is a Senior Fellow in Foreign Policy within the Saban Center for Middle East Policy and Benjamin Wittes on my left who is Fellow and Research Director in Public Law within our Governance Studies program.

We have a plan for the next 90 minutes or so. We are going to begin with some initial remarks. Bill on the economy and the stimulus package, Suzanne on the Middle East broadly, Ben on warrantless surveillance and the FISA bill, and I will end -- I couldn't resist -- with making some observations on the part of the speech that got more

attention than it deserved, namely the discussion of earmarks.

Now, first, three broader observations and then we will turn to Bill.

I believe the beginning of the speech speaks volumes about the ideological differences that now exist between the parties, which simply can't be settled by splitting the difference. The President began by saying let us show them, that is the people, that Republicans and Democrats can compete for votes and cooperate for results at the same time, which was immediately followed by we must be guided by the philosophy that has made our nation great, and this is a philosophy that says we believe in the power of individuals to determine their destiny and shape the course of history, and so, in all we do, we must trust in the ability of free peoples to make wise decisions and empower them to improve their lives for their futures.

It is a public philosophy, an ideology that certain has guided the President in his administration, but it is not a consensual public philosophy in this country and one disputed very substantially by most Democrats and certainly by the guiding public philosophy of the Clinton Administration that served for eight years before the George W. Bush Administration.

What I take away from that is that beyond the stimulus package, little of great moment or import will be done in this second session of

Congress, and the electorate is going to have to weigh in to adjudicate this dispute one way or another, to either continue to sort of divide the ends of Pennsylvania Avenue or, in some way, to provide the means for one political party to go forward in a way that provides some more substantial attention to the very items that President Bush has failed to get the Congress to move on. That's number one.

Number two, and I don't know if Bill will agree with this, I was struck by the relative absence of concern about the well-being of the economy. The language used was economic uncertainty. By my count, the discussion of the stimulus got less than a minute of time compared to the time discussing the importance of making permanent the tax cuts and acting on earmarks and balancing the budget.

The third observation really goes to the fact that the biggest part of the speech in my view was the argument that the surge in Iraq is working. The enemy, which he defined clearly as al-Qaida, will be vanquished. We will leave only when the job is finished.

On that score, Suzanne is going to have much to say, but my impression is that there's not much to be said outside of the political campaigns about Iraq over the last year of the President's time in office, that in fact the President, for a variety of reasons, has gotten the flexibility

to proceed as he believes we ought to proceed, and any decisions will be deferred to the next President.

So, with those initial observations, I turn to Bill Gale.

Bill, what should we think of the President's general posture toward the economy, short term and longer term, and where does the debate on the stimulus package stand as we speak?

MR. GALE: All right. Thanks, Tom.

In terms of the economy as a whole, we were just talking up here that it's our sense, it's my sense that we are "succeeding" in the economy the same way we are "succeeding" in Iraq. When I read the quotes about how we're succeeding in the economy, I say that just isn't right. When I read the quotes about how we're succeeding in Iraq, I turn to my fellow colleagues and experts to get an opinion about that.

But you're right; there was not a whole lot of Chicken Little-ing about the economy. Let me mention two quick issues that are sort of in the way of throwaways and then focus on stimulus which is a real issue.

The earmarks issue that Tom mentioned is chutzpah if nothing else. Earmarks are a very tiny fraction in the budget. They exploded under the Republican control of Congress earlier in the decade, and anything that the President said he would do to ignore the things in footnotes and

special earmarks can be overwritten in a single line of legislation. So it doesn't strike me as a very serious initiative, and it's kind of odd that it's coming out now.

Even less serious and more odd is the proposal to make the tax cuts permanent. Groundhog Day is at the end of this week. If you remember the movie, Groundhog Day, they kept replaying the same day over and over again. Well, we've been hearing this from him since 1999. This was a tax cut that was designed in December, 1999, with the purpose of fending off Steve Forbes in the Republican campaign and with the purpose of establishing his kudos as a right-wing candidate.

Well, think about how the economy has changed since 1999. I won't go through all the details. What's interesting is that every year the answer to whatever the issue is the same, which is make the tax cuts permanent. One of my colleagues suggests that he had to do that this year because of the writer's strike -- he couldn't get any new stuff into the text -- but I think it's more than that.

What's interesting is he has never once proposed a way to pay for making the tax cuts permanent. You either need to raise other taxes or you need to cut spending. There are going to be some feedback effects, yes, but they can go both ways especially if they are big budget deficits.

Never once has the issue even been address that there's a need to pay for the tax cuts, much less how you would do it.

Just to give you a sense of what a big issue that is, let's suppose you wanted to cut spending to pay for the tax cuts, to make them long-term, but you didn't want to cut social security because you're going to have to cut that anyway to fix social security, you didn't want to cut Medicare and Medicaid because you're going to have to cut them anyway to rein in entitlements, you can't cut net interest because that's called defaulting, and you don't want to cut defense and homeland security because, although the surge is working, if we pull back in Iraq it will stop working. So if you can't cut those things, you would have to cut the rest of the government by half to pay for the tax cuts, 50 percent.

So that's a sign of the magnitude of the change in taxes that he is proposing every year, never considering how to pay for it. I think at this point, let's just take that off the table. If you want to ask questions about it, fine, but there's just not a whole lot more to say after eight years.

So let me turn to the stimulus. Let me say three things about that. One is we are going to get a stimulus package; two, the cure is not really going to match the underlying sickness; and three, there are some risks involved here that need to be highlighted. So let me start at that.

We will get a stimulus package (a) because, well, the main reason is it's an election year and politicians really want to be seen as doing something. You should not underestimate the power of incumbents coming together under the name of bipartisanship to protect their own seats. I think that's a first-order issue in the motivation for this.

The other motivation, which I'll come back to, is last year we talked about pay-go rules. Well, pay-go rules are out the window if you're talking about stimulus. So, all of a sudden, all the various pent-up ideas that people have wanted to move but couldn't because it costs money, now they can get stuck into the stimulus package or the stimulus debate. I'll come back to that in a second.

What the package will look like is something like what the House and the White House have come up with. The Senate is a little annoyed that they weren't involved. They'll change some things. There might be a food stamp or an unemployment insurance thing. They might cut back on the business asset but, basically, the centerpiece is going to be a big rebate.

There's an issue about who gets it -- seniors, low income or just income tax payers or just payroll tax payers -- but basically there's going to be a big rebate. There's going to be some stuff around it. It's going to

be about 1 percent of GDP. So there is going to be a bill. That's point one.

Point two, the bill is not going to really address the underlying issue. What's the underlying issue? Well, it's sustained and systematic expediency in the economic system, and you see this in households bringing the household savings rate down to zero, the first time since the 1930s that that happened. You see this in lenders basically ignoring all standards of lending and just giving almost anybody whatever loan they want. You see this in the federal government which has raised spending and cut taxes like it's going out of style the last six or seven years, and you see this in the Fed which cut interest rates to historic lows in the mid part of the decade.

So everybody is pushing toward now, now, now. Finally, the housing market burst and everyone thought it wasn't a bubble, and so housing is coming down. People are spending less which means they're saving more. The policy response to all this is well, let's get housing back up and let's get saving back down.

It's sort of like you get drunk, you have a hangover, you go get another drink to solve the hangover.

And so, we're trying to get out of this by borrowing more. The

government is going to borrow more. People are going to spend more, and people are going to save less. You can't get there from here in the long-term sense.

You can boost the economy up, but it's a little bit like the Iraq situation. We're succeeding in Iraq, but if we pull people out, we won't be succeeding. Well the economy is succeeding by some measures because it's being stimulating so continually and so substantially. We pull that stimulus back, then it's not going to succeed as much. My concern is that the cure is not going to match the disease.

There's a good case for instilling confidence in the normal operation of financial markets. There's a good case for helping people in need which is food stamps, unemployment insurance for low income. The big rebate that's going to middle class households, I don't think is justified as well. No one yet has laid out how getting people, money so they can buy bicycles at Toys 'R' Us is going to unlock the restraint that's occurring in financial market. The real issue is financial markets and the lack of liquidity there, and I don't see much happening on that score.

Let me close just with some of the risks because some people say, all right, maybe it's not such a great idea, but why don't we just do it anyway? What's the harm?

Well, what's the harm is that if we systematically oversustain the economy, we're going to be right back in the situation that we started in. A lot of people think the current issues are the results of too much stimulation earlier in the decade.

The other harm is, as I said, pay-go is gone. There's no way in the rest of the year that members of Congress who didn't get what they want in the stimulus package are then going to agree to pay-go later in the year. They're going to say, no, you got your goodies in January. We were willing to postpone our goodies because we needed a simple fast bill, but now we want our goodies and we're sure as heck not going to subject our goodies to pay-go if your goodies weren't subjected to pay-go. So budget discipline is sort of out the door as well.

Lastly, as an economist, there is this notion that tax policy can solve anything and that whenever there's an issue, the right answer is for the federal government to jump in and jigger some with tax schedules. Every time we reaffirm that notion with a debate like this, I think we do lasting damage to the conduct of real reform.

MR. MANN: Bill, if you were in a position to decide what, if any, sort of fiscal response to the impending recession should be, what would it look like?

MR. GALE: I thought I was in a position.

I would focus on getting financial markets to function normally again, restoring confidence and, particularly, liquidity to financial markets. I would focus on helping out households that are particularly hurt by the situation, as I mentioned, food stamps, unemployment insurance, low income rebates. I would focus on trying to work out some mortgage solutions in situations where it would make a difference. I can talk more about that if you want, but I think those are the main elements.

MR. MANN: Okay, to the Middle East. Suzanne, I believe I heard a week or so ago, one of your colleagues say that in the first six State of the Union speeches or is it five -- I think six -- the President did not mention the Israeli-Palestinian peace process. Now he has not only mentioned it but promised to produce a solution by the end of this term. Is that Panglossian and does that reflect sort of a broader and unjustified optimism about the broader Middle East?

MS. MALONEY: Well, let me just say a few things generally about the President's discussion of foreign policy issues in the Middle East last night because I think, as you noted at the outset of this discussion, it was quite interesting that foreign policy comprised a fairly significant chunk of the speech last night.

MR. MANN: Right.

MS. MALONEY: In a sense, it seemed to be a bit of a disconnect with certainly the domestic political dynamics here in the States where there's been so much discussion, at least over the past few weeks, of the economy and internal issues. It also seems to be something of a disconnect from the international environment which is obviously quite challenging for American interests right now. But the President did spend quite a bit of time talking about the region, talking in particular about Iraq. I suggest he spent considerably little time focused on the peace process despite some of the indications in advance of the speech that he might highlight that issue during the speech itself.

While he spoke a lot about the region and about foreign policy, in this speech, I think in contrast to some of his previous speeches, either State of the Unions or some of the notable speeches that he gave on the region and in the region, I'd note that his rhetoric was relatively sober. There was still a lot of talk about the big ideas, the freedom agenda, democracy, liberty, tyranny, but ultimately it was a much more sober discussion, a much more -- one would argue -- realistic discussion of some of the challenges that America faces in a variety of arenas.

Let me just hit a couple of highlights on Iraq, Iran, the freedom

agenda and the peace process, and I'd be happy to get back to any greater depth on any of those parts during the discussion.

On Iraq, obviously, the President was taking the opportunity to take some credit for the change in the dynamics on the ground over the past year, understandably so, since I think no one can argue at this stage that, despite most of the predictions from the punditocracy or at least the punditocracy in certain elements of Washington, the surge has contributed to an arrest in what was a dangerously escalating cycle of violence in Iraq.

And so, the President, last night, focused the bulk of his foreign policy on Iraq and on what he would argue as success in Iraq in order to both, I think, take credit for that success but also try to make the case forcefully for the continuation of his approach. As you suggested in your opening remarks, I think that very much is left to the internal political debate and to the next President, and it does not appear likely that there is a lot of support, at least on a popular level, for the perpetuation of the current approach. But, obviously, the President is trying to take credit for that.

There, I would have some problems with attributing the surge to the real shift that we've seen in Iraq. There has been a shift, but I think we can recognize that the shift is as much a product of a change in decision-

making calculus by some of the key actors, particularly Sunni militias and Shi'a militias, which for various reasons -- including, I would argue, the debate here in this country about the need for an eventual American withdrawal from Iraq -- have in part begun to start cooperating with the U.S. on the part of Sunni militias and on the part of Shi'a militias and engage in something of a ceasefire in order to both combat Iraq and preserve their place in power.

So you're seeing some stabilization in Iraq, but I would argue we've also seen a real disconnect between the dynamics on the security sphere and the dynamics in the internal politics which is to say that we're not seeing any real carryover in terms of political progress. Most of the really hard issues for Iraq remain unresolved at this time and with very little likelihood, I would argue, over the next year that we're going to see any vast improvement in some of the political dynamics, the decision-making, the really tough issues that the Iraqi Government is going to have to come to terms with.

The President situated Iraq, as he has consistently, in this broader rubric of the freedom agenda. I think, there, you also have a kind of dangerous misconception that the problem in the Middle East is one of terror versus democracy and that, ultimately, the only obstacle or the

primary obstacle to the advance of a more representative order and more, hopefully, peaceful and prosperous order in the region is the presence and persistence of terror.

I think if you look across the region, one can certainly cite terror as a significant difficulty, but one has to also look at some of the main Arab States in particular and understand that it's the persistence of autocracy rather than the persistence of terror that is really the obstacle to freedom and to the President's freedom agenda. So I think, there, I would have to suggest that the President is continuing to engage in what I would say is somewhat hyperbolic rhetoric that poses very little prospect for making a difference in the region.

On Iran, there was some clear pushback and some clear effort to demonstrate that the administration has not changed tacks despite the assessment that came out from the intelligence community several months ago on the status of the Iranian weapons design program for its nuclear program. The President, in a way echoing another former President in the waning days of an administration, echoed the Carter Doctrine in his promise that the U.S. would confront any threat to American interests in the Persian Gulf. I think that that was language that was very carefully vetted and considered over quite a long time. It was an

endeavor to demonstrate to our allies in the region that we're going to continue to be there.

The difficulty, of course, is that our allies have already begun, I think, casting their bets in other directions. What we've seen certainly, despite the President's trip out to the region last month or earlier this month, is it's very clear that the key Arab States, Egypt and Saudi Arabia in particular, are looking to co-opt and appease Iran, to deal with Iran, negotiate as much as they are to confront. They want to contain without confrontation. Ultimately, I think that that's the way that Iran is going to play out for the termination of this administration.

The President also made some of his typical appeals to the Iranian people, fulsome praise for the glorious nation of Iran, which he has done on a somewhat consistent basis since the early part of his first administration to very little impact on the ground in Iran.

It's important to remember, of course, that Iran, despite a very difficult political environment and a very problematic government, Iran is on the verge of its 28th national election in 29 years which is a record that contrasts somewhat favorably to many of its neighbors in the region. These are not free and fair elections, obviously, but they are elections that enable the population to have some say in the shape of their government,

and that is not something that many of Iran's neighbors experience on a regular basis.

Finally, the peace process, it was almost an afterthought in the speech, it seemed to me. The President cited new cause for hope which I think is undercut by what we see and certainly what Middle Eastern audiences are viewing every day on their television sets as developments on the ground. It's very difficult to see what that new cause for hope would be.

I think the administration has relied on a somewhat problematic and poorly drawn out set of assumption as a formula for peace, which is that the threat of Iran would change the nature of the region, change the nature of decision-making in the region. I think, for better or for worse, what we have seen is that very much isn't the case, and we're likely to see very little, I would suggest, in terms of progress on the peace process.

Thanks.

MR. MANN: Thank you, Suzanne.

Ben, I waited and waited in the speech for the President to get to homeland security, to warrantless surveillance, to issues surrounding the FISA court, and I said, oh, my God, he may not mention it, but there it was at the end.

Of course, the comments came on the same day the legislation to extend the authority provided in a sort of temporary fix was on the floor on the Senate and unresolved with the failure of two cloture votes. The President threatened to veto any short-term extension of the bill, 30 days, and talked about the horrible damage that would be done if that authority lapsed.

What are we to make of the President's comments, of the nature of the dispute between antagonists on this issue and how serious a problem is it?

MR. WITTES: All right. Well, let me try to take those questions sort of in order. I'd like to make three broad points: one about the text of the President's speech itself and specifically his claim that there is a sort of impending crisis at the end of the week if the legislation that he wants is not passed; the second, about the sort of scope of the policy dispute itself that exists between the President and the Republicans on the one hand and Congressional Democrats on the other hand; and the third, somewhat in tension with the second, is actually about the sort of tone and partisanship that this issue has acquired, which is actually something rather new.

So let's start with the text of the President's speech in which he

said, speaking of this temporary fix that Congress passed in August: Unfortunately, Congress set the legislation to expire on February 1st. That means if you don't act by Friday, our ability to track terrorist threats would be weakened, and our citizens will be in greater danger.

I say this as somebody who is not at all unsympathetic to the policy objective that the administration is pursuing here. That is, I think, perilously close to simply untrue, and it's part of a bewildering, to my mind, effort on the part of the administration and Republicans to kind of create a crisis and force their preferred action, using a crisis.

Let's be very clear about what expires on Friday. The Protect America Act, which is this temporary fix, gives the Director of National Intelligence and the Attorney General the authority to enter orders for warrantless surveillance of targets reasonably believed to be overseas. That is to identify categories of surveillance targets as long as they're overseas or we reasonably think they are, that are kind of outside FISA, which normally requires going to the FISA court and getting a warrant.

Those orders are good for a year, and so what expires on Friday is the authority to issue new orders, which means that if on Thursday orders are entered, at least as I read the statute and I think the statute is quite clear, actually. If, on Thursday, they enter a series of orders, those orders

should cover them for the duration of the Bush Administration.

At the time that the Protect America Act was passed, I read this provision and sort of chuckled to myself and said, you know, they've called this a six-month fix, but this actually solves the problem for them.

I think the sense in which there is a crisis is actually extremely limited, which is that if some new situation arose that for some reason wasn't covered by any of the orders that they had entered, that situation would be governed by pre-Protect America Act FISA, which would in fact be potentially onerous.

I think the first point is that this idea that on Friday, we're going to revert back to -- by the way, the *New York Times* editorial page the other day had an editorial saying, great, let's revert back to FISA. I mean everybody is arguing on this basis, and it's not really true. So that's the first thing is a procedural point, that we actually have a lot more time to get this right with or without the 30-day patch that Senator Reid wants than I think the public debate about it and the sort of public posture of the administration is letting on.

On the substance of the issue, and this actually I think cuts in somewhat the opposite direction. There has been, rhetoric notwithstanding, an amazing harmonic convergence of the two sides on all

issues except one on this.

If you think about when this issue broke, which was at the time the *New York Times* broke the story of the NSA's warrantless surveillance, you had an administration that was saying, we can operate outside of FISA, period, full stop, almost taking a position that FISA is advisory. You had on the other hand a fairly wide chorus of people arguing that the FISA is (A) not merely binding but (B) completely adequate and under no circumstances should anybody be operating outside of it. Now, all the while maintaining that they have been right the whole time, both sides have moved very considerably.

The administration in January of last year, announced that they had brought the entire warrantless surveillance program under FISA, which is to say that they had figured out a way -- and since we know so little about, actually in very granular terms, what precisely it is, it's a little bit hard to fathom how they could have done this -- but they had gotten the FISA court itself to approve the orders under which they were operating. Now they are arguing for a statute to authorize what they are doing. In other words, while they preserve this idea that the President has the inherent authority to conduct this kind of surveillance, they're very actively operating now in a statutory framework. It's very important to them that

FISA permits what they want to do, not merely that they can sort of run roughshod over it.

On the other hand, if you look at what the Democrats have done, the Democrats started with this sort of outraged contention that everything needs to have a warrant. We need to be operating in a statutory framework. Put aside the rhetoric of the current debate and no one is really still arguing that.

Everybody has basically consensed around a broad outline of what this statute should look like, which is to say that for people in the United States and actually for U.S. citizens abroad, governments should go get a FISA warrant under normal 1978 FISA but for non-U.S. persons overseas, this stuff should be conducted, as it always has been by the way, without warrants, and that the role of the FISA court and can be done on a programmatic basis, that is, and the role of the FISA court should be limited to the approval of procedures, the procedures by which the NSA determines whether somebody is outside the country and therefore not subject to FISA or inside the country subject to FISA. So, there's really a broad agreement at this point that the answer to this question is going to involve a lot of warrantless surveillance, and I think that's a very

substantial part of this debate that is misunderstood -- is how much agreement there is at this point.

There is one big exception to that, and that's actually, notwithstanding the rhetoric about warrantless surveillance, what's hanging up an agreement I don't believe has really much to do with the programmatic nature of the surveillance. It has everything to do with the question of whether the telecommunications companies will get retroactive immunity in civil liability for having cooperated with the original warrantless surveillance program.

Now, this is a -- actually sort of a really interesting issue that has nothing to do with the prospective architecture of what surveillance is going to look like, so it's a kind of a -- it's an interesting issue to hang off an agreement of what should happen, you know, going forward in this area.

But on that issue there is a really intractable fight, and it's hard to actually see -- I can think of a few ways that you might bridge those gaps, but it's actually a little bit hard on those -- a little bit of a never-the-twain-shall meet quality.

Finally, I want to say -- conclude with a brief word about the tone of this thing, which is a little bewildering to me. When I started writing

about FISA, which was in the mid-'90s, there was no more non-partisan statute out there. It was a -- this was -- I don't believe that there had ever been a party-line vote about anything related to FISA, and that continued to be the case straight through the Patriot Act when, if you think about who the -- where the opposition to the Patriot Act came from, it was really sort of, you know, Russ Feingold and Bob Barr and Dick Armey to a point. There was no partisan dimension to that.

The idea that there was -- that there should be a law that both authorized and limited, you know, government surveillance domestically was bipartisan from the beginning that the sort of spiritual origins of it come from, you know, Attorney General Levy and Ford Administration and Mort Halperin. You know, and so you have a real -- a very deeply bipartisan tradition that has persisted with total consistency until 2001 and, in the years from 2001 to now, has evaporated so completely that now every vote is on party line.

There is -- we talk about, you know, FISA as one of the issues that separates the parties, and that's a very profound and very I think, in my opinion, very disturbing cultural change just in the way we talk about these issues and think about these issues, and I -- you know, it's an interesting question in my mind and not an entirely resolved one -- how

that developed and why that happened -- but it happened very fast and very completely, and I think the fact that the President in the State of the Union Address kind of sets up very overtly a crisis that depends on what he knows to be a party line vote is a very sort of depressing and telling indicator of the fact that's probably going to continue.

MR. MANN: Thank you, Ben. Given the size of the White House legal council office and that of the intelligence community, I presume they're fully aware of the statute, that part of the statute that you referred to. My assumption is that they are not availing themselves of that because they are trying to make permanent a position that they fear if not made permanent would not survive the next presidential transition. Is that a reasonable surmise?

MR. WITTES: Well, I try not to speculate on people's motives. I will say that I would be very surprised if on Thursday or Friday morning they don't avail themselves of whatever flexibility the statute gives them.

MR. MANN: Yes.

MR. WITTES: I think there's a -- you know, there's a temptation -- and the Administration is not alone in this. I mean, you know, the Democrats, particularly the Judiciary Committee Democrats

who have advanced a series of amendments, persistently overstate the amount that their bill would be -- the difference between their bill and the bill the Intelligence Committee reported out.

Both sides have an interest in sort of maximizing the stakes either for -- one side for liberty; for the other side for security. The truth is they agree on more than they -- than either side pretends to agree, which is part of the reason that the discussion is as frustrating as it is. But I assume that at the end of the day the Protect America Act sunset provision was written that way for a reason, and it was written specifically so that in this situation the surveillance authority, at least for al Qaeda and for the big targets that we know about, would persist.

MR. MANN: Yes.

All right. I'd like you to begin thinking about your questions. I'm going to turn to you in about 90 seconds.

I wanted to first underscore and extend a couple of points that Bill made about earmarks, because it's a particular bone of contention with me as a student of Congress.

I get very discouraged when I see the debate within Congress and Washington and now out in the Presidential campaign link earmarks to spending levels and fiscal policy more generally. Bill is right.

The total amount of earmarks, the amount of dollars, is a rounding error in the broader pattern of spending, but the situation is even, if you will, worse than that because in most cases the -- in almost all cases the -- no earmark adds to any spending level; it just is a way of allocating resources within agreed upon spending levels. So, it has no effect on overall levels of government spending and therefore certainly not on fiscal policy and therefore any politician, member of Congress, candidate for President who tells you the solution to dealing with the budget problems and the way to pay for making the tax cuts permanent is to reign in earmarks is being disingenuous.

Bill mentioned the fact that earmarks have been around a long time, but they really exploded after 1995 as initially Republican leaders in Congress and then Republican leaders in concert with the President found that these earmarks were a useful currency in generating support for other broader policy initiatives, and all of the control mechanisms that Congress had historically put in place to keep this from getting out of control -- and, by the way, it's a natural process for it to get out of control when you have geographically based representation in Congress and the power of the purse resides within the legislative body -- but those controls came off not just on appropriations earmarks but in the

Public Works arena, Transportation spending it in various authorization committees.

Ironically, Democrats came in. This is a big issue in the 2006 election. There were many, many news stories about the bridge to nowhere and other particular earmarks. Democrats first had to finish up the -- really pass the fiscal '07 budget, appropriations bills left undone by the previous Congresses, and they made a decision early on there'd be no new earmarks at all. Then when they moved into fiscal '08 spending bills, they set as their target the reduction in the cost of appropriations earmarks at 50 percent.

It's very difficult getting hard measures of these, but ironically the Appropriations Committee reports a 43 percent reduction. One of the conservative citizen watchdog groups -- Citizens Against Government Waste -- puts it at 51 percent. Others have come in slightly lower, but the -- so the bottom line in terms of dollar amounts they -- for the first time there has been a substantial reduction in cost, and at the same time there have been a substantial increase in the level of transparency applying to earmarks, and yet this is the time now we get sort of the present Republican party in particular focusing on earmarks.

Now, maybe that isn't surprising. You begin to make progress and then you say this is an outrage rather than when the outrage is developing. I mean, the fact is there are abuses. There certainly are in many cases much more effective ways of channeling resources. Transparency is the route to go. Don Edwards is in hot water now because of his effort to intervene in Florida transportation policy, and that's costing him something. There are financial conflicts of interest. There are other sorts of abuses, and I think Congress is on the path and beginning to do something about it.

In final point, as Bill said, Congress has the power of the purse, and to issue an Executive Order to tell the agencies not to pay any attention to committee language report is -- can be overcome instantaneously and will be.

Okay. The agenda is yours.

Questions, please. We'll bring a mike to you.

Please.

SPEAKER: Tom, if we can just stay with you for a moment, can I ask you to also comment on Kathleen Sibelius' counter-State of the Union speech by the Democratic response very shortly thereafter?

MR. MANN: It was a very interesting response. It showed the advantage of picking someone who was not a member of Congress, not caught up in the immediate battles there to take a tone of high road, of getting beyond the partisan battles. If anything fit well with Barack Obama's campaign themes, I can't -- would it fit better? I can't imagine it. And yet if you listen to the speech, at the same time she really had quite a harsh critique of the foreign policy of the Bush Administration and -- as well as the allocation of resources on the domestic side. So, I thought it was -- in purely political terms it was an effective framing of the response to talk about an American response rather than a Democratic response, but at the same time her -- the specific comments that she made underscored the reality that there is a Democratic critique of Republican governing ideas, and that is inevitable. It will emerge during the course of the general election campaign.

In the back there please.

MS. STATTICKER: Hi. My name is Kathy Statticker. I'm with the International fund for Agricultural Development. And in terms of allocation of funds and our foreign policy, is there -- what do you think the budget is going to look like in terms of the President's commitment to international development? Is outlook favorable that a significant amount

of the 2009 budget will be allocated to international aid? Maybe Ms. Mann could comment on that?

MR. MANN: Okay. Bill, Suzanne, would either of you like to weigh in on this?

MR. GALE: No. I have no idea what the answer to that question is.

MS. MALONEY: No, I think, again, you know, the President did not do a sort of wide-ranging foreign policy agenda in the speech. He was very narrowly focused -- very much focused on Iraq. He almost had, you know, very little mention -- I think no mention whatsoever -- Russia, almost off-hand reference to India and China in the context of the debate or the discussion on what to do about climate change. So, in a sense this was a very targeted State of the Union. It was very much intended to focus attention specifically on what the Administration would argue is, you know, the returns on American investment in Iraq.

MR. MANN: I'd pick up on a couple of things -- one, continuing commitment of the President to AIDS funding. This has been a signature feature of his Administration, and he's indicating he intends to pursue that. There really is a lot of support for the overall allocation but disputes over how those resources are spent.

The other thing he mentioned at some length was the millennium challenge, the effort to allocate foreign assistance in different ways, in ways that invest in countries that are making their own investments in responsive government and effective bureaucracy and the rest.

Because of the squeeze on dollars, the Congress hasn't been particularly generous that, and I don't see any turnaround on that. What you have now are priorities running up against one another, and with the high cost of the wars in Iraq and Afghanistan and the additional cost now of building up the military, getting more combat brigades, with the slowdown in the economy, therefore the increasing budget deficit, it seems to me it's going to be very difficult for the President to salvage any new funding out of the current budget battle.

Yes.

MS. KOPRAVICH: Thank you. Tetiana Kopravich with VOA. Sort of a follow-up to the previous question.

Also President briefly mentioned Georgia and Ukraine as positive examples of freedom agenda development. What can you say about this topic, taking into account the difficulties that both countries face right now with democracy development, politics, and so on. Do you think

the current Administration should or could take credit and (inaudible) positive examples. Thank you.

MR. MANN: We know who that's to.

MS. MALONEY: Well, Chris, this a little bit beyond my competency, because I'm very much a Middle East person, but let me just say again that, you know, I thought the discussion on the freedom agenda was very interesting, and we have a scholar here, actually, at the Saban Center, who is -- will have a book coming out very shortly looking at this whole issue and how the Bush Administration has implemented this democracy promotion strategy looking specifically at the Middle East. But I think it's important to note that the President, despite the reiteration of some of these expansive concepts like liberty and democracy, very much nonspecific concepts, that he also followed that up very quickly with a reiteration of what he saw as the challenges and the likelihood that this was not going to be an easy or quick process. And that, in a sense -- I think it was a much more sober reflection of what the challenges are but also I think a more realistic assertion of what American interests are and the American role to play in promoting democracy. So, you know, in this area, as in a lot of what he had to say, there was not a lot of new, there was not a lot of specific. There were references to a few of these

countries and some of the progress that we've seen, but also I thought very clearly reference to the fact that we've seen a rollback in some areas or in areas where we have seen some positive developments that we've seen that that can very quickly become mired in internal squabbling, and I think that's a challenge that the next Administration will have to face, because I think in a sense 9/11 has made permanent the discussion of democracy in American foreign policy. Obviously, as the President suggested last night and as many others have written, this is -- it is in many ways a concept and a notion that is intrinsic to the American ideal and that has been a recurring theme in American foreign policy throughout different Administrations over several centuries. But, in fact, 9/11 has made it impossible I think for any future President to simply disregard the concept of what the internal character of regimes that we have relationships with will be, and so it's the challenge for the next Administration to, I think, bring it down a level of granularity, to talk less about these very big concepts of liberty and tyranny, and talk more specifically about what role America can play in actually bringing out progress. Liberty, freedom are not (inaudible) concepts, and I think that that's the challenge for a new Administration.

MR. MANN: Yes? Please.

SPEAKER: A number of commentaries have said that the State of the Union speech was overshadowed by Kennedy's endorsement of Barack Obama. Is that very common? Has that happened very often in the past?

MR. MANN: Listen, it's inevitable that when you have a two-term Administration, as the political cycle for the selection of his successor is well underway, that attention will focus on the contest more and less on the President's parting words. It's especially pronounced this time because the race is so open on both sides. There is no incumbent vice president seeking the nomination, as was the case with Reagan and Clinton, and therefore they knew that what they said was going to have a bearing on the campaigns of their Vice President to succeed them. This time there's no such restraint, but what that means is it separates the President's comments from the immediate interest in the country, which is hey, who's next, this guy's about through. So, I think you're right. The attention given to that event, the anticipation of the Florida primary today, both overshadowed the President's State of the Union speech, and the President was well aware of that. He's well aware of facing a Democratic Congress. He -- there were no pretensions about expecting great success in working with this Congress. I mean, the one choice he had is a choice

that Ronald Reagan had, who was popular at the time. He had recovered from Iran Contra with the economy beginning to be very healthy.

He actually did business with a Democratic Congress. He saw areas where if he compromised, if we went with some of their initiatives, he could reap some legislative harvest, and he did it. Bill Clinton did that during the fourth year of his first term in anticipation of having a record of achievement for running for reelection. But this President, having low public approval ratings, figured he's get liberal in such negotiations, and for the most part his concern now is showing resolve, of sticking to his principles, and he has this extraordinary reassurance that in the long run historians and publics will see that he made principled decisions on the domestic and international front. They led to some instability disruptions, problems in the short term, but over the long term will prove themselves, and that reassurance leads him to sort of stick to his guns on the major pillars of his agenda basically defending it and not looking for any withdrawal or compromises with it, and that -- you combine that with the nature of a presidential contest and you understand why this is more a non-event than an event.

MR. GALE: I'd better jump in here. I think that's way too penglossian, if that's the word you use to -- in an answer. The fact is the

country faces all sorts of issues. We've got infrastructure problems. We've got energy/environmental issues. We've got immigration issues, which the President has talked about. We've got long-term entitlement issues.

You know, your last State of the Union, your last year in office, is a chance to actually say look, let's get this done, let's throw politics to the side, I'm not running for reelection, my VP is not running for reelection, let's actually do something. He chose to do none of that. Now, you call that standing on principle. I call that an enormous waste of an opportunity that replicates a waste that we've had the last seven years. All these issues have gotten worse since 2001, and they've just been ignored time and again by this Administration. Even something as simple as improving the retirement security system where there actually is bipartisan interest, and things like making saving more automatic, easier, more rewarding, he did not even talk about that. There is no impetus for moving forward here, and I think the reason the speech was a dud was something Tom said earlier, the stimulus package was the only thing that even resembled a new idea, and even that has issues with it. So I think this is an enormous wasted opportunity by the administration

and I think Tom is right that it bespeaks an effort to look toward history as opposed to actually solving the issues that the country faces.

MR. MANN: Just to be clear, I am not defending what the president is doing, I am trying to explain it. I am trying to understand what is in his mind, what he thinks is important. So the problem, Bill, with what you say, the president should just dispense with politics and proceed to get the job done assumes there is a nonpartisan or bipartisan solution to health care, to long-term fiscal imbalance, to a whole set of other problems. My belief is that there is such profoundly opposed views of how to deal with these problems that you cannot split the difference, that it awaits the public weighing in and providing a basis on which to try to reframe those issues in ways that would allow broader coalitions to support initiatives that actually deal with the problems.

MR. GALE: That is exactly my point. He should be laying the groundwork now. If nothing is going to happen legislatively, where is the administration's study task force to lay out options to deal with global warming and environmental degradation? Where is their task force to deal with the problems of the inner city? Where is their task force, their white paper, their proposal, to deal with any of the other issues? I think

your are doing what most of the media does which is practice the soft bigotry of low expectations and apply it to the Bush Administration.

(Laughter)

MR. GALE: Let's compare. There are enormous issues out here that are just being completely ignored. How can you look at the country and all the issues that we face and give a State of the Union address to Congress and the American people and the world and not say anything new? That is just an abdication of power.

MR. WITTES: But it does not sound terribly surprising. It would seem to me that a right-wing president who really became a right-wing president after 9/11 it seems to me particularly has a very strong and vested interest in keeping a movement alive and the movement basically is trench warfare. In that circumstance I see no incentive for him at all to be bipartisan, zero in fact. I am just asking a question. I guess what I am asking to Bill to some degree is I sense your concern if not almost outrage. Are you shocked that this man at this point in history would be behaving the way he is?

MR. GALE: There is an Elvis Costello one, one of my great social philosopher kings, "I used to be disgusted. Now I try to be amused."

(Laughter)

MR. GALE: It does not shock me that he is not addressing these issues, but I do not think we should lose sight of the fact that the President of the United States has the power and the elected authority to deal with these issues. And I am not saying he should be partisan or nonpartisan. He could choose to lay out the claims for global warming and environmental issues in a partisan way or a nonpartisan way. Either way it would provide something that might look like a legacy. Right now his legacy is tax cuts that are going to expire in 2010 and the situation in Iraq, and if were him, that is another question, but if I were his advisers I would advise him to try to get more of a legacy. And standing up in front of the world and saying nothing, I just do not see what the point of that is.

MR. MANN: Ben?

MR. WITTES: To brand myself publicly as naïve, I actually think it is surprising and I think the explanation of it probably has a lot to do with immigration which is at the beginning of the Democratic Congress the administration clearly looked around and said what is the issue where we and a Democratic Congress could most plausibly on the domestic front really have a breakthrough of some kind? I think a lot of people thought it was immigration and the administration clearly thought it was immigration

and they got clobbered. So I think part of the explanation for it is, as your question points out, they have a very ambivalent relationship with the idea of bipartisanship to begin with, and when they have tried it they are not very good at it and it has not worked very well for them.

But that said, I think it is surprising that on your last State of the Union address you articulate a long laundry list of relatively small-bore programs none of which you would want written on your gravestone, particularly for somebody who has been willing to think as ambitiously as George W. Bush. You can agree or disagree with things like the invasion of Iraq, these gigantic tax cuts, No Child Left Behind, but they were very ambitious policy proposals and I think for him to go out with a whimper like that, I was surprised by it.

MR. MANN: I think that you mentioning is a good point. Remember, the two major domestic policy initiatives for President Bush in his second term were Social Security reform and immigration. Immigration at least got to a vote or some votes. Social Security was never introduced. His own party ran away from him on that issue. These were tackling some of the mega issues that Bill is talking about. I would add to that health reform because in fact the president had a pretty ambitious tax proposal and has made clear his approach is to stimulate

markets to empower individuals and to use the tax code to increase the likelihood of disciplining the cost, extending the coverage, and improving the quality of insurance. You can disagree with it, but he has laid out markers. He has done it, and he got clobbered on Social Security and immigration and his health reform agenda went nowhere.

What is he to do? Well, I didn't really mean that on Social Security and health, I really had something else in mind that is closer to the Democrats and here is what I propose. Or alternatively taking another cut at immigration but sort of backing off what he said. I think the president realized that in his own way he tried with those and failed utterly. Rather than sort of change in this last year, because the odds of putting together anything on these issues over the next 6 to 7 months are so remote as to make it pointless.

So to answer Bill's call or even Ben's, it would have required him changing course on what he believes or simply as he did last night reiterating the fact that he has been here, he has had something to say about Social Security financing, and as he put it, the entitlement problem. By the way, once you use that language, you have shown your card already, entitlements are something that are nasty and disgusting that we have to do away with. The other way to say it is how are we going to

manage our social insurance programs, how are we going to deal with the mandatory spending part of the budget, how are we going to deal with the extraordinary increase in health care costs that are looming on the horizon that are not associated with just Medicare and Medicaid but with the health care system more broadly?

The president has an ideological take on this. He has been clear about it. Whatever he does, he is not going to get anything done this year and therefore he is simply going to reiterate what he said before. I think that is the overriding reality here and that is why he was bound to produce something that is more personal for him than it is instructive for the country and that is why the debate inevitably moves to the presidential election and away from what is transpiring at the State of the Union or in Congress the next 6 to 7 months.

MR. GALE: Again, Tom, I have to say I think that is wrong.

(Laughter)

MR. GALE: I will just give you an example. On the entitlement issue, he made the entitlement problem far worse. He passed the biggest entitlement in decades.

MR. MANN: Exactly. I agree.

MR. GALE: So having him standing up and saying I am trying to solve the entitlement issue is at best a joke.

Now let's talk about health care. He did have some ideas about health care that you mentioned, his proposals fell short of implementing that idea. It did not do anything for the tens of millions of households that do not currently pay income tax and it relied heavily on an individual insurance market that does not currently exist. So it is sort of faith-based health reform. You might still like the market-based reform ideology, but what most people would do in that case is say we like the ideology, you did not like some parts of the proposal, we are going to reform it and let's try to get this moved forward. That is a completely doable thing in the health care reform proposal. The health care proposal that came out in 2007 had the germ of a very interesting and constructing health care reform, but instead of compromising or developing it further or figuring out how to do the individual market or extending refundability to low-income households so they could buy insurance too, the administration just stood on its ideology. You can choose to do that, but you are not going to get anything done, and that is where the waste comes in.

With Social Security, the same thing too. There was a 2-week period in the spring of 2005 where all of a sudden it hit a large number of Republican senators that creating individual accounts did not do anything to solve the Social Security financing issue.

MR. MANN: Right.

MR. GALE: As soon as that happened, support evaporated immediately. So the administration had been talking about Social Security since 2002 and not making that distinction between the financing issue and personal accounts evident even to its closest colleagues. That is not leadership. That is just ideology. Social Security actually is not a big issue. You could sit down and solve that in a week if you had people of charitable nature and who are willing to work together to solve it. It is not that big a deal. They stood on ideology to stop it.

So from my view, yes, maybe he is burnishing his long-term reputation as the upholder of the ideas, but I just do not quite get what ideas they are, increases in entitlements, Social Security plans that do not work, health care plans that depend on markets that do not exist, and so on. That is just not an attractive legacy. And more than that, for all of us, it is a waste of an opportunity of the world's greatest country to solve a lot of its biggest policy issue. To defend this is saying he did not want to

change course in midstream and he wanted to land on a high note I think is just missing the point entirely. It is the ultimate inside --

MR. MANN: Bill is trying to create some distance between us, but it is tough because I agree entirely with him on the substance of this and when I am addressing that mode I make the exactly the arguments he is making. I am trying to explain George Bush and I think his reassurance that history will vindicate his actions is Panglossian, but the only comforting take is that he believes this will happen after he dies and therefore he will never actually confront it. But my view is that is what the Bush presidency has been about, nothing is more important than tax cuts, and anything that looks like a tax increase is off the table. Once you make that then it limits your ability to deal with all of the other things you have talked about. That is why we have elections. That is why we hope we get alternatives posed and issues framed in ways that allow us to do something different.

MR. GALE: I have a question.

(Laughter)

MS. MALONEY: Very quickly let me just interject foreign policy here and Tom will be glad that he gave me the floor because I really want to underscore what he said. I think you saw that sense of confidence

that the president has always exuded, that he will be vindicated in history, that history will vindicate his decision to invade Iraq in particular. In a sense it was almost a rebound from some of the rhetoric you heard a year ago in his speech announcing a new way forward and the surge of American troops in which he sort of scaled American ambitions in Iraq to something that might be an Iraq that could sustain itself and defend itself and contain itself within its borders.

Last night he talked as he had several years ago in almost sort of surreal terms about an Iraq that would show millions across the Middle East that a future with liberty is possible, an Iraq that is a friend of America, a partner in fighting terror, and a source of stability in a dangerous part of the world. This is obviously fantastical rhetoric. I think nobody, certainly nobody who follows the region, expects that kind of an outcome not only in the near future, but really in our lifetimes. Everyone in the region understands that Iraq is a burning dispute that is likely to get worse before it gets better yet again and ultimately is going to be a significant source of difficulty for American interests in the Middle East for generations to come. Yet the president returned to that rhetoric last night which suggests that he has either fully checked out from reality or that he

really genuinely believes that his decisions originally were correct and that history is going to prove it so.

MR. MANN: Bill has a question, apparently.

MR. GALE: Now that you have explained George Bush to us, evaluate the substantive policy agenda of the Bush Administration from here going forward.

MR. MANN: I have a lecture on this and the president rates conceivably on a range of matters, given what he inherited, and all presidents inherit something, what new challenges were presented, how he responded to them, how he is likely to lead the country, the condition of the country internally, its standing around the world, the nature of our democratic institutions and how they are functioning in their legitimacy, I think he has done more harm than any other president has done in office.

MR. CHEN: Zhou Chen, freelance correspondent. Did any of you get some hint from his speech as to how determined he is to get bin Laden dead or alive before he leaves office? Then how does he proceed to it? Thank you.

MS. MALONEY: I found it somewhat ironic that the president actually quoted bin Laden. Of course, we recall that for a number of years the administration tried to avoid even referencing him by

name or speaking with any specificity, but last night he referenced bin Laden as a source on the success for the surge in Iraq and the fact that bin Laden's recent video communication was testimony to the success of the surge in Iraq. Obviously there is an irony there because the persistence of bin Laden and his ability to communicate obviously makes it clear that ultimately in dealing with the central figure in the 9/11 attacks, in dealing with the organization and the capabilities that have apparently been able to reconstitute themselves in a variety of different scenarios, the administration described no real policy. And you can look to the kind of contrast between the lengthy discussion that the president engaged in on Iraq with the very limited discussion on Afghanistan and a very limited additional commitment of American troops, about 3,500, suggests that the president and the administration does not really have any agenda going forward for dealing with the area that has demonstrated its ability to provide a sort of safe haven and proving ground for al-Qaeda and the proliferation of these ideas and these capabilities throughout the region. So it is surprising that the president would reference him, but I think obviously it was quite disappointing that he recognizes that he is going to go out of office with very little progress there as well,

MR. : I wanted to get the panel's feedback on the internal structure of the Bush Administration. Is it holding together? Last year there was a lot of news about losing people and so forth. I was curious about during this year, is it going to hold together in order to accomplish even limited goals or are you going to see some dissent? I am starting to see some things at the EPA involving California. Is there any take on what is going to be happening with agencies and the White House?

MR. WITTES: The answer to that I am sure with this as with all administrations in their eighth year is that it will not hold together and you will have a steady trickle of people which has already happened leaving and that actually does over time particularly if you do not have a good relationship with the Senate for their replacement, and the administration has a particularly dreadful relationship with the Senate, not all of it its fault, over appointments right now that has gotten bad enough that when the Senate goes out of town now they leave somebody here to prevent the president from making recess appointments.

That will leave in a lot of agencies and particularly those in which the highest-priority decisions are not being made a lot of people in acting capacities who will feel disabled from making certain decisions and

a lot of stuff as in this and as with all administrations will end up getting deferred into the next administration. The component that probably exacerbates that in this administration is that there are a lot of people who have a lot of incentive not to be bitter-enders because of the president's low approval ratings and the sense that a lot of agencies have not necessarily shrouded themselves in glory. So as job prospects arise, people's loyalties are probably a little bit lower, and this is a very broad generalization, than they might be in an administration that was going out with a 70-percent approval rating, and that anticipated a win for their party in the next election which in turn creates internal opportunities within the Executive Branch.

MR. MANN: I think Ben is right, the hollowing out of government will almost certainly proceed apace, but this again tells us some is inevitable, but the president has four people who are going to stick around until the end and those are the four people who are working on matters of interest to him, Condoleezza Rice, Gates at Defense, Mukasey at the Justice Department, and Josh Bolten as his White House Chief of Staff. As far as the departments and agencies of government, my guess is State, Defense, and Justice are the only ones that end up, other than OMB, relevant to what will transpire ahead. And while he does not

have the deputies and assistants in place in many cases, he has the top person that he is going to rely on.

MR. WITTES: I think it is important though in the case of Justice to emphasize there was an incredible vacancy crisis at the Justice Department at the time that Mukasey was appointed and there has been only limited success in resolving that, and Mukasey may be the only one at the Justice Department on January 20.

MR. MANN: Bill?

MR. GALE: I was thinking of that comment in terms of economic policy. What I was going to say was that it seems like Treasury under Secretary Paulson has really stepped it up both internally and outside the administration and really has done a better job of exerting the Treasury Department as the leader of the economic team which is where it is traditionally supposed to be. Then it just occurred to me that one of the dogs that did not back in the State of the Union address last night was corporate tax reform. Treasury has made this a big emphasis, I participated in a session this summer over there, where there is a lot of consensus across the board on ways to make the corporate tax system work better and make business tax systems work better, and it just vanished. I just realized it now and that is kind of a mystery to me.

MR. MANN: I am so glad Bill pointed that out because that was the department and the secretary that I left out that is a critical part of the team going on, but it is sobering that that is a big part of Hank Paulson's interest and agenda and it was not mentioned. The final question right here.

MS. : Thank you -- I wanted to ask you what does this give Congress to work with, this State of the Union or of the nation, because Congress is up for election again also this fall and those races are not so much talked about. What possibilities did this give to both the Democrats and the Republicans to reassure their seats and what does it mean to them?

MR. MANN: It is no surprise that Speaker Pelosi took the initiative to try to forge a bipartisan package to negotiate with the administration on a stimulus package. She is chastened by the reputation for partisanship that developed during the first year. She did not have that in mind, but in the end, facing implacable opposition to many things they wanted they decided to run the institution in a very partisan fashion to produce some legislative harvest. She is trying to later that but she is well aware of the fact that it will be hard to do beyond the stimulus package. When you are writing checks for people it is easier to find agreement than

when there are substantial costs with actions as well as benefits. I think you will see some low-level efforts, and there are many items still hanging from the previous Congress where you could still get some authorizations passed. She will look to avoid deep conflict in the budget process. On Iraq she will avoid the series of continuing votes linked to funds, realizing that the president is going to have his way unless Petraeus testifies that he needs to reverse the withdrawal of troops and to gear up again.

What I think they will do is increasingly connect their actions with the agenda of their presidential nominee, not in expectation of passing legislation, but in framing choices for the election. Bill?

MR. GALE: That was a really good question. Just to two comments. One is, and I think this is Tip O'Neill's, all politics is local. It is not a coincidence that a Republican holder of the White House is trying to restrict earmarks in an election year with a Democratic Congress. Now I'm falling into Tom's mode, I am explaining George Bush.

(Laughter)

MR. GALE: The other thing I want to add though is if you look around at what can they do that, A, does not cost much, B, is not only something they can compromise on but something that is consistent with their party's beliefs, and C, could actually get done, the thing that keeps

coming back in my mind is retirement savings. The Pension Act in 2006 pushed automatic 401(k)s and made them much easier to enact. That has been a huge success. There has been a lot of take-up on that. That is continuing to expand, but it does not cover the half of the workforce that is not covered by 401(k). There is a proposal in Congress bicameral and bipartisan sponsorship to create automatic IRAs that would essentially deal with the half of the workforce that does not have access to defined contribution options and would create payroll deduction IRAs that would let people automatically save via IRAs. Democrats like it because it helps low-income households, Republicans like it because it is savings, and there is some momentum and I think when they look around and think we really need to do something, what can we do, that that would jump to the top of the list.

MR. WITTES: I also think though that it is just worth mentioning at the very high-altitude level that presidential election years in periods of divided government are not typically productive legislatively and there is a reason for that which is that neither side knows who will get the credit for any particular piece of legislation and it is more important for the other side not to get credit than it is for you to get credit whoever you happen to be, except in situations like the economic stimulus environment

in which everybody perceives the need to do something right away because otherwise you get a sort of pox on all their houses reaction among voters in which case you can have action that is very speedy. Those are really the exceptional cases. The much more common thing is that after a certain date, and I think Tom will probably back me up on this, that that date keeps getting earlier and earlier the longer the election season expands, but after a certain date you just end up starting to defer major legislative decisions until the next administration. There are exceptions to that. The welfare reform package in the first term of the Clinton Administration is an example of that, but these are not typically productive legislative harvests.

MR. MANN: I think on the uncharacteristically upbeat comment from Bill and then the qualification of overlying political realities, we have found the point of conclusion and adjournment. Thank you all.

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