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POST-ELECTION DAY ANALYSIS –
WHAT HAPPENED AND WHAT COMES NEXT?

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P R O C E E D I N G S

MR. WITTES: Thank you, all, for coming out. It's over. (Laughter)
(Applause) I feel we've all been in touch with our inner four-year-old on YouTube over the last few weeks.

It's over and the question I think the one that I really want to orient our conversation around today is whether it's over in sort of a game-changing moment or in a kind of status quo reinforcing moment.

I'm Benjamin Wittes. This is the last of the Brookings Campaign 2012 events. It's lovely to see many faces that have been at so many of the others and I thank you all for coming out for this one.

You can kind of argue this point either way, and I think in the media this morning and late last night, there has been a certain amount of argument of it both ways. One version of it goes that Obama won I think more convincingly in the Electoral College than people expected him to, the democrats should have taken a beating in the Senate and have gained seats in the Senate with the help of a lot of unforced errors by their opponents. And, consequently, that the president's hand should be and will be significantly strengthened.

The other version of it goes that if this were a parliamentary democracy, John Boehner would be forming the government today and the republicans actually did not appreciably lose any ground in the House, notwithstanding the president's and the democrats' performance in the other House. And, so, you can argue and I think people are that either this is a sort of moment that will change the equation significantly and break gridlock or change the nature of gridlock or that we'll simply reinforce where we were, have been for the last two years. And, so, I want to I think orient the conversation today around that sort of basic question with respect to the major issues we're going to

confront over the next six months domestically and internationally and I can't think of a better group of people. It's like four of my absolute favorite Brookings colleagues to help me do that. They need no introduction, so, I'm going to do nothing more than say their names and then we can actually start. Tom Mann, Belle Sawhill, Bob Kagan, John Rauch. We will talk for a while and then I will take questions with about half an hour to go from the audience. If you are following this on the Webcast and want to send questions in by Twitter, you can use the hashtag #BI2012.

Tom, let's start with the results. I mean, is this a status quo or is this a result that really changes the conversation?

MR. MANN: The answer is yes and yes. And I'll try to explain that in a few minutes, but the big winner in this election, big winners are Nate Silver, Pollster.com, anyone who believes in real data of evidence. It's really very encouraging and it's sobering to realize that the election came out yesterday roughly where 538 and Pollster.com had it last May. Remarkably stable. Think of all that punditing about the daily events of the campaign. What it reminds us is that fundamentals just have an awful lot to do with elections. In this case, the deep polarization between the parties and the relatively modest room for attracting those who weren't committed going in.

And, secondly, an economy with mixed messages and purely objective stable terms, a painful, difficult, disappointing recovery, but one's whose trajectory is up, whose signs have been positive in the last couple of months and with an electorate more inclined to blame the last administration and to some extent the republicans in Congress. You take that into account and you're pretty much see what was going on, but speaking of data and evidence and calling things straight, I think we should look at the forecast of Michael Barone and Dick Morris and they're the pair that ought to be sent off to a desert island to think through their analytic frameworks for the next time around. (Laughter)

It's been said, we have a decisive Electoral College victory which will be either 303 or 332, depending on Florida, and right now, Obama is up by about 60,000 votes last time I looked in Florida. The odds are it will be 332, which is the absolute max that he could have hoped for in this situation and you might have said North Carolina, but that would have been unrealistic given how close it was last time around. He appears to have won over 50 percent of the total vote with a margin of somewhere now looking over 2.5 million votes. So, it's not a dead heat, it's not a mismatch between the popular and the Electoral vote, it's a real victory. And in the Senate, it's just astounding, republicans lost 3 of their 10 seats and thus far, democrats have really only lost 1, Nebraska, with the 2 others uncalled, still at risk, but with the democratic candidates' (inaudible) high cap and leading in both, so, you could end up with a pickup of 255 democrats in the Senate. That's really quite an extraordinary outcome.

As has been suggested, many individual idiosyncratic factors went into it, but it also tells you something about the nature of the Senate and Senate races versus House races where in the House, we don't know what the total vote is, but I have a feeling it could end up being a democratic majority in the total vote, but the total vote means nothing in the House. Republicans have a natural advantage in the distribution of their voters over districts. They have fewer overwhelmingly safe seats because of the geographical cluster of loyal democratic voters in urban areas that waste a lot of votes. And as a consequence, even without any kind of gerrymandering, they would have an advantage; in this case, their control over redistricting probably put them in a position to net out an additional 12 to 15 seats and right now, it looks as if any pickup by the democrats will be in the low single digits if they do as well as that.

Okay, why do I say it's both a status quo election and a potential changer? Status quo because we ended where we began in the 112th Congress, which

has been the least constructive and most destructive Congress in memory. We have a democratic president with a democratic majority in the Senate, short of cloture and we have a republican House. Many analysts are saying well, it's the old gridlock back. Let me say another element behind the status quo is, if anything, there's been a further exacerbation of partisan polarization both looking at the individual members of the respective coalitions of the parties and the intensity of the level of partisan voting. So, we see no new coalitions emerging, no glimpse of anything on which you would try to build a consensus in Washington based on the behavior of the electorate.

In my view, the whole notion of mandate is silly. If a mandate didn't mean anything in 2008, it certainly couldn't mean anything in 2012. Our elections are such intensively competitive and deeply polarized and with very strategic behavior by the party and opposition to the White House when in Congress, to lead boldly, Tom Friedman style, lay it out and the center will come and we will build the mandate to get the job done is not possible in this environment. For a president to do that in the campaign is to probably -- if he manages to be elected, which is questionable given the closeness of the race doing that, any proposals he gets out in front of would almost certainly line up and harden the republican opposition to it.

So, our governing is forced to operate in this environment and we ought to just set aside the notion of mandates. I think they're absolutely silly. It seems to me the most important lesson coming out of this election, which from Mitch McConnell's statement he hasn't fully absorbed yet, is that the republicans gambled and lost, they played an all-out opposition party where again everything, we'll stop it where we can, we'll delay it otherwise, and if it manages to pass, we'll discredit it. If Obama proposes a policy we used to be for, we're now against it, and even if that was only a year or two before.

So, it's ideological, but it's also deeply strategic. That was the strategy they openly identified at the time of Obama's inauguration as their root back into power. It was a scorched earth war that was waged and they figured if it slows the economy a little bit more, that'll help us win and if it makes the public more cynical and angry about Washington politics, that'll help us, too, because it'll be taken out on the party of Barack Obama and they lost. And that's a lesson that wise republicans will not miss and the conversations are beginning already.

Those conversations are more likely to be occurring in the Senate than in the House, however. In the House, it's only in John Boehner's mind with no troops behind him or other people to engage in conversation, but in the Senate it's serious, where discussions have already begun, where at least a dozen republicans I think will be unwilling to be whipped by Mitch McConnell and to a filibuster opposition strategy to the president. And it seems to me there will be openings for the president as a consequence.

Secondly, those same senators understand what's happening demographically, they see the Hispanic vote grew and it's the proportion supporting Obama increased. We're now probably over 70 percent. It'll take us some while to get this on. And the so-called youth vote that was going to fall off was actually according to initial estimates a higher percentage of the electorate than in 2008 and Africa-Americans stayed where they were at 13 percent. It's a long-term losing strategy, so, conversations are going to be taking place.

I'm sure we'll get into this, but the obstacle to progress is that republican House and what has to be changed is, that it to say killed is Grover Norquist's no new tax pledge if anything is to get done. And now you're going to see a fascinating dynamic develop, including engagement by people outside Congress, no longer pretend like you

got to tolerate the crazy aunt in the attic to make a deal and somehow pretend you aren't raising taxes, but we're going to have to face it directly and I think the fiscal cliff and the lessons from the republicans create both new negotiating leverage and new incentives for things to get done.

Final note, a real loser in this campaign is Karl Rove's Crossroads GPS, a lot of money, did nothing for the presidency and the Senate and there's going to be some buyers' or contributors' remorse. Thanks.

MR. WITTES: Thanks. Huge amount on the table. Jonathan, jump in. Which parts of that do you agree with and disagree with?

MR. RAUCH: I agree with pretty much all of that, Tom, and I'd amplify part of it, if I could.

MR. WITTES: Please.

MR. RAUCH: By focusing for a minute on the social issues which I think make a nice example of the box that republicans now find themselves in. So, I'm gay. I'm a supporter of gay marriage and have been for quite some time. As all of you probably know, until last night, anti-gay marriage initiatives and referenda won I think 31 times out of 31 times. My side accumulated the single most perfect record of failure in the entire history of American politics. There's an asterisk for Arizona. We don't need to go there. They change their mind. And we woke up this morning to discover that apparently -- we don't know for sure in Washington -- but it looks like four out of four gay marriage referenda have approved gay marriage and in three of them, three American states, the voters have now positively said not just that they don't want to ban it, but that they actually want to have it. There are two areas where 2012 has been a game-changer, a breakthrough, a break in the dam, whatever you want to call them. One is

gay marriage and more broadly gay people's relationship to the country. We're now mainstream.

The other is marijuana, the other M. I don't know if any of you were following this, and but --

SPEAKER: We're following it eagerly.

MR. RAUCH: Following it eagerly. (Laughter)

SPEAKER: Avidly. I know this crowd. (Laughter)

MR. RAUCH: We at Brookings, our drug of choice is Microsoft Excel. (Laughter) We get really high on that, but this is no joke. Last year, for the first time, Americans were 50-50 on legalization of marijuana. That is brand-new and it is the cutting edge of a quick movement toward libertarianism on social issues and the result of that is that out of three initiatives at the state level which would legalize marijuana use, regulate but legalize, not just decriminalize, two of those three have passed and the one that didn't pass wasn't expected to pass because the people behind it weren't very credible, and this, too, is astonishing. This puts the federal government in a very uncomfortable position. It'll be interesting what Barack Obama does because marijuana is very illegal under federal law, but two states are now saying we're not going to enforce the state laws. That's going to be really interesting.

For gay people, this is something of a miracle. For republicans, this is not a miracle and this is going back to you, Tom, why I'd like to spend a moment on the politics of the thing.

So, 2004 was the last year when the Karl Rove strategy really worked and that's you consolidate the base, you get all of your core voters out, and then you pick off enough people in the middle to just eke out a victory. It worked in 2004, failed in 2008; it's now failed again in 2012. In 2012, it's now clear that 2008 was not a fluke

because young people are really excited and came to the polls. The Obama coalition basically held and you saw that coalition come out and you saw Hispanics increase their share and you saw women really come out for Obama; the social issues did not help the republicans there.

I think it's now going to be clear to a lot of intelligent republicans like Lindsey Graham, who's already said this, that 2012 has to be the last year when republicans run as the party of "angry white" men. That's just not enough votes anymore, but where do they go from here? Well, they need to get to the center.

I think Romney was done in by the fact that he couldn't get far enough to the center credibly enough. He had to go too far right in the primaries and the reason for that is you have some fierce constituencies in the Republican Party that do not want the party to change. A lot of them are House republicans who are going to be in a difficulty, for Speaker Boehner and Barack Obama and Mitch McConnell and gay marriage is a microcosm of this.

The country now, a narrow majority supports gay marriage but a large majority of democrats support it and a substantial majority of independents support it, opposition is concentrated in the republican party and within the republican party it's concentrated among evangelicals and their fears and their strategy is going to be to wage a long-term one-issue campaign to shoot down republicans in primaries who give any ground on gay marriage and that puts republicans in a very unpleasant place because they know long-term the way the country is moving, but they're hostage potentially to a constituency that won't let them get there and I would argue that is a small version of exactly what they face on the budget in the House, for example, right now.

MR. WITTES: Yes, which brings us to the budget and the House.

Belle, there's a series of issues, immediate fiscal issues that have to be dealt with really at least in some sense by the end of the year or at least declined to be dealt with if not actually dealt with.

What does this do to those and what should we reasonably expect with respect to the expiration of the tax cuts, the fiscal cliff issues more generally, and the sequester in particular? I mean, does this -- Boehner yesterday and last night seemed to say the results of this election shows that the president has to come my way on this stuff. I assume there's a certain amount of posturing in that, but what do you expect the actual politics of it to look like?

MS. SAWHILL: Well, let me come to the fiscal cliff, but let me say a couple of other things first. First of all, I think that this was by and large a status quo election. We still have divided government, as everyone recognizes and has said. I think I also want to reinforce the fact that, as both Tom and John have suggested, the demographics in this country are inexorably changing in a way that will give the Democratic Party an advantage, unless Republicans make some major reforms in their own positions.

So, I think for the long-term, there is going to have to be a debate within the Republican Party about how to handle that.

I think the second thing to keep in mind in terms of who this election helps longer term is remember that the economy is now in a recovery, and barring some new crisis related to either Europe or the fiscal cliff -- and I'll come back to the fiscal cliff -- the economy is likely to continue to improve.

You know, Romney used to say, "If I'm elected, there will be 12 million new jobs." Well, all that figure represented was what would happen if the economy grew at its normal rate over his period in office.

So, Obama, having been reelected, is going to be the natural beneficiary of any economic growth that we have going forward.

The public has a tendency to ascribe to a president whatever's happening to the economy -- to either blame or praise the president on those grounds. I think the public is usually wrong. The economy isn't affected very much by whatever the president can and can't do, but they think it is, and so this will further vindicate Democrats, and, I think, force Republicans over time to reconsider some of their positions.

So, that's sort of introductory thoughts on this status quo, plus election.

Now coming to the immediate economic problems that you asked me about -- we do face this fiscal cliff, and all of these tax cuts expire the end of this year, as I think everybody knows now. The automatic spending cuts that were part of the sequester, agreed to as part of the negotiations over the debt ceiling in the summer of 2011, are going to go into effect.

The tax cuts are going to raise revenues about \$400 billion over a decade, and the spending cuts are going to -- no, that's a single year; I'm sorry. \$400 billion -- and the sequester is about another \$100 billion.

Anyway, you've got about a \$500 billion hit on the economy if we go off the cliff, and that's huge. You know, bear in mind that that's much larger than anything that was in the original stimulus package, for example, except it's going in the wrong direction. It's slowing the economy, instead of boosting it.

All the economic forecasters, the Congressional Budget Office, and others believe that if we go off the fiscal cliff, it will put us in a recession again. I in no way dismiss the bad economic news that could come out of that. I would point out that if there's some way to go off the fiscal cliff for just a short period of time, for just a few

months, and then use the higher base of revenues and the lower base of spending to do some things that politicians all love to do -- I don't care if you're a Democrat or a Republican; you like to have an opportunity to cut taxes and raise spending, and that's what they could do if we reset the fiscal clock by going off the cliff, starting with higher revenues and lower spending, and making some adjustments from there, in the interest of keeping the economy from going further off the cliff, and leading to a new recession.

So, this gets to what will we do? Well, I think the key issue is, is there going to be any willingness to compromise, and what would that compromise look like? First thing to be said is, don't expect a lot to happen during the lame duck session of Congress. It's too short. It's called "lame duck" for a reason. It's not the final makeup of the Congress. So, it's not going to bind the Congress that takes office next year to some major changes.

So, many people expect there will be some small changes. Maybe we'll fix the so-called AMT, for example, because that's going to affect people's taxes right away if it isn't fixed. In other words, it's already not been fixed, so it's going to hit everybody's taxes for 2012, unless it's fixed and made retrospective to January 2012, not 2013.

And then there's this issue of physician's fees, and the payroll tax, and other things that I think really have to be dealt with. But there will probably also be some kind of kicking of the can down the road, somewhat short term.

Now what's the political problem here? The political problem is that the Republicans still have a huge club in their hands. It's called the debt ceiling, and do you remember what happened last time when we hit up against the debt ceiling? We don't know exactly when we're going to hit it again, but it could be as early as January or as late as March.

If Republicans continue to use that as a club, to say, "My way or the highway," and puts the President and the Democrats in the position of an absolute, you know, disaster related to not being able to borrow money, and therefore, not being able to spend, remembering that right now, we're borrowing about 1/3 of everything we spend, that puts them in a terrible position.

Knowing that, they would be loathe to give up the one club they have, which is the fiscal cliff. They can say to Republicans, "Look, come to the table, make some more reasonable compromises with us, and we will not force the country to go off the cliff."

Whether the President would have the steel backbone to do that, I think, remains to be seen. I think it's certainly going to be threatened. I think it's certainly going to be used as a bargaining tool.

Now that brings us to -- and I'll shut up in a moment here -- that brings us to, where are these House Republicans?

As someone already noted, Boehner didn't sound in a terribly compromising mood when he spoke last night. He's giving a press conference at 3:30 this afternoon. I went online to try to find something about it this morning; I didn't succeed. It may be that some of my colleagues or others of you know more.

I think that will be an important press conference. I think, you know, there's two possibilities right now. One is that Republicans will change their stripes a bit. They will be more willing to compromise. And the other is that they won't.

Bear in mind that what the President has talked about incessantly is the need for a balanced solution to deficits and debt, and that means some reasonable mixture between taxes and spending. And in this off-the-record interview that he gave with the newspaper in Iowa, he said it would be similar -- that he would come forward

with an initial proposal that would look very similar to Simpson-Bowles, which is about \$2.50 of spending cuts for every dollar in revenue increases.

Second point to know here that I think is quite important -- it's a little bit wonky, but it has a lot of significance -- is that we need to remember that as part of the Budget Control Act that was passed over the debt ceiling negotiation, we have already cut spending by around a trillion dollars. And if you make some adjustments for interest and getting the budget window right on that, it's more like \$1.5 trillion.

So, if we've already cut spending by \$1.5 trillion -- in other words, we've already done everything on the spending side of the equation to get the long-term or the next 10-year budget under control, then the remainder that needs to be done, even if you agreed with the Simpson-Bowles ratio of 2.50:1, then that means that the revenue piece, as a ratio, has to be a little higher now, because we've already done so much on the spending front.

And Democrats will, I think, know that, and will press for something closer to 50/50 spending and revenues, at least over the next 10 years.

Now I am hopeful that there is the makings of a very sensible compromise here. It would be: Raise some revenues over the next decade; do it through tax reform, do it through limiting deductions, putting a cap on them -- which Romney talked about, and which Obama is in favor of as well. You can get a lot of revenues that way, and you can then also have a compromise on reforming entitlements for the longer term. That part wouldn't begin until 10 years from now, because even Romney and Ryan, in their proposals, never wanted entitlement reform to affect anyone over the age of 55.

So, I'll be quiet after that.

MR. WITTES: Thanks, Belle. Bob, do you have stuff to add to that -- on

the sequester, in particular?

MR. KAGAN: Well, I hope that some deal like that is possible, and I would say from a national -- if we're going to talk about foreign policy and national security a little bit -- so you can go check your stashes, or call your dealers, or whatever else you guys are going to do -- they're too old to even get that joke. Never mind -- you're cute, really.

But from a national security perspective -- and that's my perspective -- it's very obvious that we have to, A, show the world that we're capable of getting our house in order, if we are going to inspire confidence in America's continued role in the world. And I think that's very important.

And, B, we actually have to get our house in order. That's also important -- because I think what we cannot afford to do is either say that we don't need to pay attention to foreign policy anymore while we fix our problems -- which is a tendency that we may succumb to, and which I think President Obama leaned too far in the direction of during the campaign. I hope he walks that back a little bit -- or continue with this gridlock, which makes us look like we are paralyzed and going out of business, effectively.

And the reason I say that is, the next four years are likely to be a time of tremendous challenge in foreign policy. They are not, in fact, a four-year period where the United States can absent itself or look like it is locked in gridlock and unable to deal with its problems. The number of issues that can come up -- and probably will come up -- and those are only the ones we know about -- are enormous. And President Obama has a very challenging second term coming up in foreign policy.

Now you asked specifically about sequestration. I don't think there's any doubt in anybody's mind that the defense budget cuts that are called for under this deal are well beyond what any sensible American defense strategist would ask for. And you

only have to go back and hear what Bob Gates said about the catastrophic effect of those defense cuts, and what the current Secretary of Defense, Panetta, has also said.

I mean, that's not even a subject of debate. And when you talk about what President Obama has said he wants to do, whether it's the pivot to Asia -- which actually requires certain capabilities; otherwise, it's meaningless -- if you're talking about dealing with Iran -- and he has said specifically that he will not allow Iran to get a nuclear weapon. I don't know what that'll come to, but certainly, there is a military component in terms of deterrence and persuasion. The signal that will be sent in addition to the actual consequences of sequestration could have a very jarring effect on the international situation as we look forward.

And I mean, there's going to have to be -- those of us in the national security business are going to have to really speak to Republicans, and make them understand that there's more going on here than either justice, political battle, or their attitude towards taxes. There is, in fact, the wellbeing of American security and this global war the United States has been supporting all these years.

MR. WITTES: So, let's zoom out from that a little bit. You say that Obama is going to have a very challenging four-year term in foreign policy. By and large, foreign policy was not the centerpiece of the campaign. As the Benghazi episode shows, it does have a way of intruding when you least want it, as a sort of domestic policy-oriented president.

What do you see as the sort of central things that, you know, that the Obama administration's going to confront in its second terms? And obviously, you can't ask about what the unknown unknowns are, but what are some of the variables that you'd be worried about on their behalf, if you were them?

MR. KAGAN: Well, and you know that they are worried about them, and

the fact that you don't run on foreign policy doesn't mean you're not worried about foreign policy.

MR. WITTES: Right.

MR. KAGAN: And I'm sure there's plenty for them to worry about. The most obvious, of course, is that at some point in the next four years, Iran is going to get nuclear weapons capability, unless something is done to prevent them from doing that.

And as I say, I mean, President Obama has been unequivocal in his declared policy toward this. He has said explicitly that containment is not acceptable, and is not a course that the United States is going to pursue or that he supports, and he has said specifically that he will not allow Iran to have a nuclear weapon. Now yeah, he's capable of backing off of that; people back off of these kinds of things, but it won't be easy to do, I think.

And there's a certain general sense out there that once a president is reelected, then they don't worry about the political pressures that they were under in the first term. I don't know what Tom would say. I don't believe that. I find it extraordinary, the degree to which second-term presidents are still playing politics. They're thinking about their legacy. They're thinking about whether their successor will win the election. They have to deal with a Congress that is consumed with politics.

So, the notion that -- this is kind of a Republican trope is that -- the real Obama doesn't care whether Iran gets a weapon, and now that he's been reelected, that's it; it's over.

I don't think, whether he cares or not, that's an easy thing for him to do. So, that's obviously one thing.

He has set us off on a trajectory in Afghanistan, in terms of withdrawing most troops in 2014. By the way, that was one of the great unspoken -- somehow the

debate didn't elucidate that both Romney and Obama planned to keep troops after Afghanistan after 2014; we're just going to rename them.

But suffice to say, whatever happens in 2014, it could be a total disaster. It could be that -- you know, 2014 is far enough away from 2016 that you could have -- if things are going badly -- a real collapse in Afghanistan. I mean, you know, with Taliban taking over large swaths of the country -- and maybe helicopters off the roof of the embassy in Kabul, just like we saw in South Vietnam during the war -- nothing -- something that no president wants to have to go through.

So, I would say that's going to be a big challenge -- whether he, despite everything he says, is forced to revisit, depending on how things are going, his decisions with regard to 2014.

We're clearly in a very -- kind of a building tension with China, with regard to all these islands out there. We've got a very tense confrontation between China and Japan over their disputed islands. There's continuing tensions with regard to the islands in the South China Sea, disputed with Vietnam, and the Philippines, and other countries, and we're also having a China that's going through a succession right now.

And I would say if our Brookings China experts were up here, they would say the first phase of a new leader's term is not one where they intend to want to compromise a lot and back off when confronted with the United States' pressure. So, that's a potential problem that I think the administration is acutely aware of.

Then there's the Arab Spring -- or whatever people are calling it these days. And this is one thing I worry about with regard to the Republicans and opposition. Romney held pretty firm against an increasingly strong tendency in the Republican Party to want to say that Obama lost the Arab world to the Islamic fundamentalists and terrorists.

But that dam could break open now. There are some important leaders in the Republican Party, in the Senate, who will probably try to hold off that, but it's a very easy talking point in Republican circles to just say, "This is gone," which will have implications for whether we provide aid to Egypt, et cetera -- what we do about Tunisia, what we do about Libya. This is going to be a real headache for the administration, as it tries to address Egypt.

I mean, I could keep going on. But Syria is still out there, and, you know, these efforts that the State Department is engaged in to try to strengthen and pull together a new Syrian opposition organization, to me, is not what you do if you are about to say, "We don't care what happens in Syria." It's a continuing U.S. involvement.

And those who think that these things -- you know, there's a history to these things dragging on, beyond the moment when you think that something has to happen, and then people say, "Well, that means we're not going to do anything." I give you the Balkans in the 1990s. We could drag on, and not do anything about Syria, and then ultimately feel compelled to do something about Syria if it widens, et cetera.

So, all of these things are out there while we're dealing with the fiscal crisis, while we have pressure on the defense budget, while we have potential gridlock in Washington. And sometimes history deals you these kinds of hands.

MR. WITTES: So, okay, we've got an at-once status quo and game-changing election, in the context of very substantial and fateful fiscal challenges immediately and in the medium/long term, in the context of very rapidly changing social policy, environment, and a very dangerous international environment, with lots of challenges over the next four years.

And we have it in the context of a particularly divided country that continues to return divided government, a fairly bitter campaign, and a lot of nastiness. I

don't think anybody feels, like, really good about the sort of state of our politics right now.

Seems to me, it all raises the question of, you know, both Obama four years ago and Romney this year -- and actually, George W. Bush in 2000, you know, talked about himself as a united, not a divider. Clinton talked about himself as a new kind of Democrat, right?

I mean, there's been this urge for more unifying politics across party, across administration that has just not been reflected in the governance that we'd had. And I'm interested in whether that now gets worse, or whether the clarifying moments that all of you, in different ways, have described for the Republican party as well as the need by the President to get things done and reach some agreements changes something and forces some degree of change in the degree of polarization and the environment, and I would love to just go down the row and get each of your thoughts on sort of the problem of governance in a country this divided as reflected by yesterday's results, and then we'll open it up to the floor.

MR. MANN: Well, you've summarized, beautifully, the dilemma we're in, the situation we face. You get that kind of talk in campaigns because that's music to the ears of pure independents who don't follow politics very much or have a lot of information but who like -- why won't those people just come together and get the work done -- while 90 percent of the electorate is digging in and mobilized, and it's the 90 percent that, you know, really are key in electing the Congress and that's where the primary elections are held, especially on the Republican side.

Now, there's much more investment of outside groups and imposing fealty there, so I find any talk of grand compromise between the parties and getting beyond this to be naïve.

I don't think it's in the cards at all and I think governing will be -- although let me say, Obama appealed to that again last night. That's what Presidents have to do.

But then when they go to work, they have to face the reality and that means not ordering cases of bourbon to sip with members of Congress who will then be seduced, but thinking really hard about incentives, about pressures that can be brought to bear, about when the bully pulpit is useful and when it's not.

So, I'm looking -- my view is if we get beyond the immediate sort of fiscal problem, and I think we have a shot at doing it next year because of the changes in the nature of the immediacy -- increasing immediacy of the need to take action, and the changing external environment, I think we can actually get something done. But it won't be a grand compromise between the parties. It will be a substantial number of Republicans reading the tealeaves of the election and the future and thinking about their work as Senators beginning to come off.

And we see it happening in the Senate already. I don't think Mitch McConnell's comments about last night, "Well, it's about time Obama gets the job done and puts on the table something a Republican House and Senate Republicans will accept", it was very confrontational, but I don't think that can be sustained, and so I'm looking for messy, ugly, hardball politics, not make nice, and my plea is for external, nonpartisan, bipartisan groups to face up to the reality of the asymmetry between the parties and the overwhelming importance of the tax pledge and the willingness to take the debt ceiling hostage and begin to build, sort of, public constraints on those that would at least provide cover for some minority of Republicans to come forward and get some jobs done.

MS. SAWHILL: Well, I kind of agree with Tom that there is some asymmetry here, that Republicans have been less willing to compromise than Democrats so far, especially on these fiscal issues.

I think we have to allow for a period in which it's going to be messy and

in which there is going to be an attempt for the Republican Party to find its soul. I mean, it's a divided party, it seems to me right now.

I think it might be a little bit more optimistic than perhaps you are, Tom, on the fact that there still are moderate Republicans, if not so much in the House, out there in the country.

There are business leaders, there are other kinds of leaders who really are not totally happy with where the Republican Party is right now and many Republican strategists, who I think would understand these demographic trends we've all talked about and the fact that the public is very disenchanted with the way Washington is working, and they have to work a little harder to make sure that there is a better -- there's more compromise in the future.

I mean, I take as a kind of case in point, there is a campaign going on right now called "Fix the Debt" and it's led by a group of corporate leaders, so, you know, there are other voices that can help to rein in or begin to nudge the Republican Party in some new directions.

I think before you get there, though, there's going to be, you know, the blame game amongst Republicans. Well, we ran the wrong guy. You know, Romney wasn't a true conservative. Secondly, it was Sandy, it was the hurricane. If he -- and it was Governor Christie, oh, my gosh, how could he have done that? And then there will be the usual charge about, it's the media, the media is too liberal and didn't really report this well. And, you know, there will be a number of other arguments of this sort and we have to go through that.

The Republican Party has to go through that, but I really do believe the country -- and this is where you and I might disagree a little bit, Tom -- benefits from having a two-party system in which both parties are strong and both parties have good

ideas and are putting them on the table in a constructive way.

MR. MANN: No difference at all. Absolutely.

MS. SAWHILL: Okay. So, we'll see.

MR. WITTES: Bob, what do you think? I mean, I would -- one of the oddities of the campaign in the foreign policy arena is that the more they talked, the less difference it was -- you know, the less sharp the differences between them became, and I would like to think that implies that you could imagine some sort of restoration of the idea that politics stops at the water's edge.

But it doesn't seem plausible to me. Even saying it sounds, as Tom would say, naïve, and I'm curious how you read -- how divided are we likely to be over the core issues that you identified before as the major challenges we're going to face?

MR. KAGAN: No, I don't think -- I actually think foreign policy is the one area where you can have bipartisan cooperation. If you look at the leading foreign policy lights in the Senate, just for instance, whether it's John McCain or Lindsey -- I'm talking Republicans -- John McCain or Lindsey Graham or Kelly Ayotte or Marco Rubio, they've all shown not only a willingness, but an active willingness to reach across the aisle and work.

And there is such a -- I do believe there is a broad consensus about American foreign policy. The differences are 10 degrees in one direction, and the biggest split, really, is between the broad consensus for an international role that exists in both parties and a desire to come home and not be involved, which also exists in both parties, but there is a coalition that can be built.

I don't -- by the way, politics has never stopped at the water's edge. It's impossible to remove any subject in American life from politics. That's the way we are. And the one thing, just to get out of my lane a little bit, I mean, when Tom says that, you

know, they ought to come together because they decide that's their -- any compromise would be based on an assessment of political advantage, not on love, it's always like that. I mean, that's how all grand compromises have been reached ever since the founding of the Republic. It's not because anybody thinks, yeah, maybe we ought to just make a deal, it's because they have no choice but to make a deal and they get forced into it.

So, I think, therefore, I'm kind of where Belle is, that I think political reality can impose itself even on the most recalcitrant party with the only odd situation being that House members don't have to worry about what's going on in the country, they only have to worry about what's going on in their district. So, that's the one thing.

But I think that -- and the one -- and in addition to -- when you talk about outside groups, Tom, one of the things that, again, I would like to see are, there are a lot of Republicans who do care about national security and foreign policy, which is an issue that now feeds into issues of tax and fiscal cliff and fiscal wellbeing, and that is a bridge that I think can be worked on if you want to get people to say, look, America is not going to be strong unless we figure out how to do this.

MR. WITTES: Jonathan, are we fated to fratricidal warfare over social issues, or is this a sufficient turning point that it's going to be sobering?

MR. RAUCH: Here on the podium we're certainly fated to fratricidal warfare, because you're all wrong.

No, a couple things. The people in the country have been complaining for four years, or more than four years, that politics is broken and they hate it and it's terrible and won't you all come together, and then in 2012, they run an election which changes nothing. You couldn't have an election with less objective change. So, that is not a vote for less polarization, because it's not going to change it.

Secondly, the polarization problem is structural, it's baked in the political cake, and the point that Bob made in passing just now is the point that ought to be -- that's the headline. Tom, question for you, is it fair to say --

MR. WITTES: Wait, which question that Bob made?

MR. KAGAN: Make sure what I know what it is.

MR. RAUCH: Congressmen, especially in the House, are accountable to their districts, not the country, so they're worried about losing a primary campaign, not a general election.

MR. KAGAN: Right.

MR. RAUCH: And that means that the incentives are not to depolarize and compromise -- no one gets punished for standing their ground, you know, for partisan truth in American political primaries, they get punished for compromise, which means they won't do it, and they don't really care, in many cases, if the debt doesn't get paid because they're focused on reelection.

Question for Tom, is it fair to say one result of this election is that the House Republican Caucus is at least as conservative as it was before the election?

MR. MANN: Yes.

MR. RAUCH: is it fair to say that the Senate Republican Caucus is at least as conservative as it was before the election? Or squishy, right?

MR. MANN: That's tricky. We have Senator Cruz and Senator Fischer. There are some tea party inspired Senators coming in. Less change, but there I'd say what's -- a counter movement is that the natural problem solvers, legislators, serious people in the Republican Party in the Senate are increasingly ready to step up.

MR. RAUCH: Though if you have some play in the Senate and you can get a deal in the Senate and Obama likes it, you go to John Boehner in the House

caucus and you say, here's the deal, we're going to do a compromise, it's going to do tax increases, some of you are going to lose your seats, what happens?

MR. MANN: They'll vote against it.

MR. RAUCH: They'll vote against it. So, that's where we are.

I think at the end of the day we've got to start talking about changing the primary election process because without moderate candidates, there can be no moderate voters, and right now the primaries are simply filtering out moderates on both sides, but especially the Republican side.

MR. KAGAN: Is that a less naïve view of how we should solve this? We're going to change the primary process now?

MR. RAUCH: California has --

MR. KAGAN: Let's solve the deficit first, then we'll change the primary process.

MR. RAUCH: There's actually some interesting grassroots movement on this. People are starting to focus on it. California has changed it. I'd be curious to know, when the political scientists work through that, the results, but they went on a state level to a big single primary, essentially a nonpartisan system that's supposed to allow more moderates to get through.

And I think a couple other states are doing that as well, and I think that's an important place to look for reform that might start restructuring this problem.

MR. KAGAN: Well, the parties change. You look at parties over history, they have gone through evolutions. There was a time -- we could have been sitting here in the 1890s and said, the Republicans are never going to accept lower tariffs, ever.

MR. MANN: Right.

MR. KAGAN: And for all the same reasons -- the tariff system was a big

payoff to everybody, it was all -- that's how they financed their electoral campaigns. It was never going to change. Well, ultimately, it did change.

MR. RAUCH: Those forces work over 20 years and we're talking now of forces that work over 2 years. Gay marriage will look very different to Republicans 20 years from now, but in the near term, you've got a lump of people who are going to continue to reject it and shoot at anybody who --

MR. KAGAN: I tend to agree with you more on the social issues than on the fiscal issues where I think -- by the way, the fact that Boehner starts by saying, "no new taxes" --

MR. MANN: He's got to get reelected.

MR. KAGAN: No, it's not just the getting reelected, it's also if I were beginning an opening position in a negotiation with a guy who just won the election, I wouldn't say, so what do I need to do for you? So, let's just see what happens, okay?

MR. WITTES: Let's open it up to the floor. The microphones will come around. Please wait for them. Please identify yourself and keep your comments short and in the form of a question or I will brutally shorten them for you.

Also, if you identify the person who you would like to address it in the first instance, that would be terrific.

Let's start with Gary.

SPEAKER: Did you give the Twitter hash tag, by the way?

MR. WITTES: Yes, the Twitter hash tag for those who do not -- are not in the room but who want to ask questions as well is #BI2012.

MR. MITCHELL: Thanks very much. I'm Garrett Mitchell and I write the Mitchell Report. I think the question is for Tom and it's got two components that I think are both arguably in the dog that didn't bark realm.

The first is, we have -- there has not been one mention today of the role of Super PACs, billionaires, on a spree, et cetera, so the first question is, were we hyperventilating about the impact that that might have on these elections or is it too soon to tell?

And the second is, suppose Sandy had struck this week, not last week, leading to a significant degree of disenfranchisement. What structures, procedures, would have been in place for a delay of the election or something that provides a remedy so that a significant number of voters weren't disenfranchised?

MR. MANN: On the latter, we have avoided doing anything to improve the administration of our elections. Instead, we engage in partisan warfare to suppress or increase the vote. It's not a pretty picture and many of the problems that existed in the past that we saw with Florida 2000 continue today.

The fact is, we're very vulnerable to such an event, as you discussed it, and there's a time table set up that's inexorable for moving ahead to the appointment of electors and the casting of their ballots, and you could imagine substantial disruptions and delays. And right now all of the authority on that is to be found within the states, and they -- these, like many other matters, are decided by calculations of partisan self-interest, one way or another, all of which is to say, we're not ready for it at all and I hope this leads us to do more thinking.

I briefly mentioned the role of money when I said Karl Rove ought to be in trouble and there ought to be some buyer's remorse. I mean, it really is telling how much money was spent for so little outcome.

We may decide in the end that the money that flowed to the House was more important, that remains to be seen, but it sort of tells you at a Presidential level, in particular, with the candidates raising the levels of money that they do, with the free press

media opportunities that exist, with the power of party and the reality of the economy, there is limited room for these inundation of ads making a difference.

I think the problematics are much more in the Congress, anticipating the intervention of huge sums of big money in their campaigns leading them to be fearful, to anticipate who might do it and how they might ward it off through actions in Congress. That's the problematics, its impact on policymaking.

MR. RAUCH: A slightly different take on that question, one Tom won't like quite as much, is that another group that ought to be doing some thinking is people who hyperventilate about money in politics. This money did remarkably little. I wouldn't say it's a nonissue, but I think it's very clear after this election that Super PACs and big money did not determine it, probably weren't all that important, and we ought to be worrying, for the most part, about more important things.

There's another dog that didn't bark in this election, by the way. I'm one of the few who will say foreign policy was a very important issue in the election by not being there. If the Republicans could have gotten to the right on Obama and hurt him on security, they would have. He took those issues off the table for himself and possibly for Democrats, and that's a big deal if that sticks.

MS. SAWHILL: Yeah, the other dog that didn't bark was climate change, in this election. Very ironical to me that right before people voted, they saw the consequences of its absence.

MR. WITTES: Yes, in the very back.

MS. POPLIN: Hi. I'm Dr. Caroline Poplin. I was a volunteer for Obama and for Elizabeth Warren. My question is about Obama. You mentioned that the Republicans are saying, we don't have to change a thing, Obama has to come to us.

After this election, will Obama use the leverage that he has better than

he did in the first term and understand that he's not going to get anything from the Republicans unless and until he says no?

MR. MANN: I don't believe there was any unused leverage. Certainly in the 112th Congress, he had very little and he tried to finesse it, he got a little more stimulus out in the lame duck before it began, and a bit more after that, and tried to control it, but now he has leverage because of the expiration of the tax cuts and the sequestrations in place. And it's an entirely a different negotiating position.

I think it's a bum rap on failing to use resources. I mean, if you look at the first two years, the achievements are extraordinary relative to any presidency in modern times in the face of an absolutely unified Republican opposition.

MS. SAWHILL: You know, I would answer that question just a little differently. I think for those of us, like Tom, who understood what the President was proposing, it seemed like he did everything he should have and he just hit this wall with Republicans.

But I think that, as many people have said, the President didn't communicate his policies as effectively as he should have. He didn't lobby for them effectively. He was a little bit isolated. He did not really have an active enough effort on the Hill to bring people his way. He stood back too much. And I believe he has learned some lessons, and I believe he will operate a little differently going forward. I mean he's had four years of training now, and he knows the territory a lot better.

MR. WITTES: Yes, sir?

SPEAKER: Hello, I'm (inaudible), a Member of Parliament from Finland and actually we are a group of parliamentarians who have followed the campaign, both Obama and Romney sides. And one remark from our side or my side that the environment climate change was really not touched in the campaign. I think the only

connection I heard environment was the business environment and not really on the climate. So what are your expectations? What will happen actually during the four years? This is an issue that's also dividing quite a lot of European debate and U.S. debate, that Europe is quite -- much more concerned on some public level on what's going on with the environment. Thank you.

MR. WITTES: I don't think there's any chance we touch it until the economy is much stronger than it is right now.

MS. SAWHILL: This is probably a little bit naïve and reflects more my hope than reality, but as part of a grand compromise on the deficit, a tax on carbon or some other kind of an energy tax would make all kinds of sense. Now that is a bipartisan issue in the sense that neither party likes it. But because it's bipartisan, maybe there is room for people to break through there in some way.

MR. WITTES: May I just add to that, jumping out of my moderator role for a minute, that there are a series of sort of -- carbon taxes is one example, but it's not the only one -- a series of sort of low-hanging fruit on climate change issues that if you simply don't describe them as climate change issues, but you justify them in terms of some other interest that they may serve like a move to a consumption tax or --

MS. SAWHILL: Energy independence.

MR. WITTES: Energy independence, actually command a much broader constituency in this country than -- and one of them is not really a policy issue at all, but it's just a movement toward natural gas from more carbon-intensive forms of energy. And that's happening for reasons of abundance of natural gas in places like Pennsylvania quite independently of policy.

MR. KAGAN: This is also one of the cases where the continuity in the White House will see a further utilization of the regulatory process, which led to agreed-

upon fuel efficiency standards that make a big difference in the beginning of a transformation of the auto fleet. You're going to see the next step really going to electric power sources. So there's a lot we can do. What Obama ran up against is the House passed something. It was a struggle. And coal Democrats would not participate in the Senate. And Senate Republicans were against anything being advanced so there was no hope of moving in the first term.

MR. RAUCH: I'd summarize our answer as it is possible to do things about the climate change issue as long as the American public and European parliamentarians don't understand that that's we're doing.

MR. WITTES: We have a Twitter question and then the lady in the middle.

SPEAKER: Is it working? Okay. Thanks, Ben. One question we've got -- this would be a good one for Bob -- thoughts about Israel-U.S. relations after the election and what the relationship might be between Obama and Netanyahu.

And then also we've got another question from another viewer about various scenarios with the European debt crisis and how that might impact our bilateral relations with Europe.

MR. KAGAN: That is -- the Israel question is very interesting and I don't know what exactly the answer is because obviously now in a way this is going to affect Netanyahu's calculations. But I'm not sure that in the fundamental issue of Iran that this administration and the Israel government didn't wind up seeing pretty eye to eye, at least that's what this administration claims and I haven't actually heard Israelis objecting to that. I mean the irony is that willy-nilly we could well wind up in the same conflict on the same side with Iran regardless of what these two guys think about each other. And I just

think -- at this point it's very hard to predict because I can't predict Israeli politics either. So it's a difficult question to answer.

What was the other -- was I supposed to answer the second question, too?

MS. SAWHILL: I'll take a crack at it.

MR. KAGAN: Yeah, why don't you do that -- yeah, thanks.

MS. SAWHILL: Or at least I'll begin and you can chime in. I think that the debate has been about what's the right mix, to the extent people even understand this, between short-term measures that support the recovery and longer term measures that bring debt and deficits under control. And in Europe all of the emphasis has been on fiscal consolidation, on the need for restraint. And I think what the Europeans are beginning to understand -- you've certainly see this in the U.K. and you saw this in the G-20 meeting recently -- that they're beginning to understand that too much restraint is not a good thing, and you can simply just end up putting your economy in a deep hole if you start too early on the fiscal restraint piece. It's a matter of timing.

And so I think Europe is not in good shape and I'm worried still about the long-term impact on us as well as them from that. But I do think there are some lessons that are beginning to be learned that relate to this issue of balancing the short versus the fun. Bob, I'm happy to hear your thoughts as well.

MR. KAGAN: No, I just want to add that we have been such a non-player in the European discussion and that's partly because when we were perceived to be the cause of the crisis, we didn't exactly have a lot of why didn't you listen to what we -

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MS. SAWHILL: No creds.

MR. KAGAN: Our little -- how about our wisdom on this subject. But I also feel that as that began to pass and we started looking like we were doing better than Europe was, the administration has just not engaged enough in my opinion. And it hasn't engaged enough in Europe in general in my opinion, and I really hope that in a second term that there's more emphasis placed -- the U.S. policy in the first term was very Russia centric. They looked at Europe through the lens of Russia. I think it's time to start looking at Europe through the lens of Europe and maybe trying to cooperate more. I don't think we have a lot we can do for them, but I think we need to start engaging more.

MS. CHOCKLEY: Hi. I'm Nancy Chockley. First I share your complete joy with the victories for marriage equality through the election.

MR. KAGAN: Thank you.

MS. CHOCKLEY: But my question is really about health care reform and the budget. And a lot of people are talking about that it's much easier to cut entitlements that have never really benefitted people yet versus cutting Medicare and Medicaid let's say. And I was wondering what your take was on how you think the health care reform's going to play out over the next year.

MS. SAWHILL: I'm not optimistic. I think the implementation is going to be enormously difficult, and you have to remember we have a lot of Republican governors out there who aren't exactly enthusiastic about making this work. It would be hard enough to do this if everybody was enthusiastic. Doing it without full support I think is almost -- it's going to take a miracle for it to work.

I'm all in favor of the principle of what was accomplished through health care reform, covering more people, et cetera, but I don't think that it -- I think it needs a second look. And I think that as I said before, one element of a grand compromise could be to take a second look. When you look at where the public is on this, a bare half

roughly supports health care reform, and so it doesn't have overwhelming public support. Some of the people who don't support it don't support it because it wasn't liberal and progressive enough. I can imagine a long-term scenario in which overtime more and more people move onto the exchanges and we end up having a system which looks more like some of the single-payer systems in Europe. But in the short term, I'm very pessimistic, and I don't think there was enough done to control long-term costs and it's going to need a second look for those and other reasons. Tom, you might have --

MR. MANN: Yeah, I'm a little more optimistic. I take seriously what Belle has said, but it is amazing what's happening now in the health care community and world. The level of innovation now taking place within states, inside major health providers, within Medicaid and Medicare, I think the ACA helped set in motion through the last 500 pages of the bill all of the experiments and incentives for really fundamentally changing the way in which health care is delivered and reimbursed. And I think a crucial part of all of that is getting more people under insurance because without that, you have serious problems. So I think headway's been made. And I think once you cross the threshold and suddenly people are insured and protected for a period of time, if you try to take that away you're in deep trouble. I mean the one thing we've learned is the power of path dependence and sort of courses taken if sustained for a necessary period of time come to redefine the new status quo. I have no doubt we'll be restructuring this again and again overtime, but I predict this will -- historically this will be seen as the single achievement of the Obama Administration and will ultimately lead to both improvements in quality and delivery, but control of costs in a way that goes to the cost drivers and not involved in a series of shifting and prayers about what new competition can do in this arena. I think it's very significant and promising if difficult.

MS. SAWHILL: If I could say one more thing --

MR. KAGAN: Tom, may I just add -- Tom, I'm going to say it's neck and neck on the single greatest legacy of Obama whether it's going to be health care or gay equality on which he has been gay people's equivalent of Lyndon Baines Johnson, a tremendously important president, historic.

On health care, one of the ways in which this election potentially is a landmark is that Republicans now have to give up the idea that they're going to repeal this thing. They're going to have to work with it. The air of massive resistance is either over and they work with it, but they continue and beat their heads against the wall over it. And I don't think they're going to do that, so the landscape has changed. And there's an interesting exit poll result. It was early and tentative so I'm not sure right now, but not the most number of people but a substantial number of people actually listed health care as most important issue and 70 percent of them voted for Obama. So although the electorate as a whole may be divided, this is a passion issue it turns out for a lot of people who vote on this issue and may have helped the Democrats. And if that's the case, Democrats aren't going to forget that.

MS. SAWHILL: I'd like to say one more think if I could about health care and that is I wrote an op-ed for the *Christian Science Monitor*. They chose the title for the piece and they called it "A Health Care Plan That Romney, Ryan, and Obama Could All Agree On." And what did I suggest? This is obviously not something that would happen overnight, but something we might evolve towards. And that is a system for the working-age population, the core of which as now is private insurance through your employer, but with more and more people having access to exchanges and thus to at least a public option. And for the elderly an evolution in which you still have an option to have traditional Medicare, but you also have an option that is now being called Premium Support. Eventually you get the two systems to be one integrated system which is not

divided by whether you're over or under age 65 in which there are still private insurance companies providing plans that people can select, but for both the working age and the elderly an option to have a public plan as well. And we let the two sides, the public and the private, duke it out on who can do it better.

MR. WITTES: We have time for one more question. Yes?

MS. O'CONNELL: Thank you very much. June O'Connell, a voter I guess. I would like to question anyone of you on the premise being that this is a close election. And that's because in 2000 as you'll recall, Mr. Gore had a million, half a million votes, majority won. And Mr. Gore by that majority felt that he actually had the majority, a winning number for the Electoral College. And there was a majority is a majority in this country that felt that President Bush won by one vote of a political appointee. And yet, the Cheney-Bush-Rove triumvirate ran their government from day one as a win a majority. They didn't want to hear that they'd only won by one vote. They didn't want to hear that that was a close election. So here we are with significant numbers that Obama has and pundits on TV and people in the think tanks are still calling this a close election. So my question is by Republican Karl Rove, Dick Cheney standards, why isn't this a big win?

MR. MANN: As the person who threw out there the idea not that this was a close election, though I think it was, but the idea that it was a status quo election. With all due respect, I think you're conflating two distinct issues. One is whether it conveys all the power of the presidency, which it certainly does, and how you want to envision those powers of the presidency which the first term of the Bush Administration had a position on that question. But the second question is how close was the election, and this election was less close than people expected it to be I think. On the other hand look, Obama won the decided majority of the supposed swing states, but he didn't do it

very decisively in many of them. Ohio was very close. Florida is still open. Virginia was very close. You move a relatively small number of votes in a relatively small number of states and that 330 electoral votes disappear pretty quickly. And so I think when people say it's a close election, what they mean -- and I'd be curious whether anybody here disagrees with that -- what they mean is that you don't have to change very many variables before the outcome is different.

MR. KAGAN: I disagree. I think that this is obviously close in the sense that the nominee votes change it, but I think we're in an age now when that's how virtually all elections are going to be at least at the presidential level. Within the context of the variables in this election, it really couldn't have gone much more favorably to the Democrats. They pretty much swept the board in most of what was at issue. And even if it was something close, even if you think it was close, close in this case means the Democrats win very significantly for the following reasons: President Obama is running with almost 8 percent unemployment; a recovery that does not feel like a recovery to most people; median wages are down 4 percent, the same amount two years after the recovery supposedly started. Isn't it two years before it started? They're not noticing a difference. And the President for most of his campaign couldn't be bothered to come up with a story of how he was going to make things better in his next four years. Republicans somehow found their way to the most moderate guy, put a billion dollars behind him, and couldn't win. In fact, they lost clearly and fairly decisively in a climate when people like me were saying we're not even going to know the result until weeks or months afterwards. From where I sit, that looks like a very, very big night for the Democrats.

MS. SAWHILL: Oh, I'm struck by the same thing that with the economy in so much trouble and such a high level of unemployment, even though it's moving in the right direction, that Obama could win. Do we have a historical counterpart to this?

MR. MANN: Actually, Belle, yeah. The fundamentals as --

MS. SAWHILL: Kind of an FDR --

MR. MANN: Yeah. The fundamentals as economists and political scientists study this say tips slightly to Obama's re-election just because of the trajectory, of the direction of the recovery. I could imagine a situation if we had just utter stalled in the middle of this year where the outcome possibly would have been different. But it didn't. We had a reality, and what Jon described is for real. Now it's -- but again, as I said, I don't believe in mandates. I believe in sort of hard-nosed politics, thinking seriously about incentives, and getting the job done.

MR. KAGAN: I want to make a completely unrelated and ultimately naïve point, which is can we stop with the demonization? Is that possible? No is the correct answer obviously. I wonder when we can get over the 2000 election, when we can get over Monica Lewinsky, when we can get over Obama doesn't really come from this country, et cetera, et cetera. I don't think it's very helpful and both sides are guilty of it. I think both sides don't realize that both sides are guilty of it. And I'm sorry to make such a goo-goo point at the end of the day here, but I think it would be constructive if we could just put a moratorium on all the demonization of both sides.

MR. WITTES: I love that point so much that I'm going to close with it.
Thank you all for coming.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012