

THE BROOKINGS INSTITUTION

GOVERNING FROM THE MIDDLE:
A COMMON-SENSE APPROACH TO MAKING THE GOVERNMENT
WORK FOR THE AMERICAN PEOPLE

A DISCUSSION WITH SENATOR JOE MANCHIN (D-WV)

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Featured Speaker:

THE HONORABLE JOE MANCHIN, III (D-WV)
U.S. Senate

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P R O C E E D I N G S

MR. HUDAK: Good afternoon, everyone. My name is John Hudak. I'm a Fellow in the Center for Effective Public Management and managing editor of FixGov Blog. I'd like to welcome all of you to the Brookings Institution today and to today's event, "Governing from the middle: A common-sense approach to making government work for the American people. I'd like to thank C-SPAN for being here, and I'd like to invite everyone watching on our Webcast to follow along on social media using #SenManchin.

It's no secret that the American government is in a period of serious dysfunction. Gridlock and polarization have crippled our elected institutions; trust in government has plummeted; and the public wants solutions but all it seems to get is more and more problems.

What's worse, it seems that too often our elected officials adapt to a dysfunctional system rather than trying to work in a way to reform it. And that's a serious problem. The result is a system that perpetuates ills rather than tries to find cures.

Here at Brookings, through our Political Realism project we are engaging a lot of scholars, both in-house and out of house, to try to look at the types of reforms that will help rejuvenate the system; get it back to work; get public policy moving in the right direction. It's a robust debate here at Brookings. Sometimes it's a divisive debate here at Brookings in-house. But it's one that we feel is vital to American democracy and to what the public expects from their government.

Today we're joined by a member of the United States Senate, who's often engaged in similar types of debates with his own colleagues in his own institution, and we're pleased to welcome an additional voice in this discussion. Joe Manchin serves in the United States Senate and comes to Congress with a unique perspective. He's one of only ten sitting United States Senators who have formerly served as governor.

These ten members bring a critical perspective. They're problem solvers. They were charged by their state to govern. Their residents expected action. They oversaw state agencies. They oversaw crises. They oversaw a public that demanded a lot out of them, and the expectation was for them to deliver.

Together these ten members have formed the Former Governor's Caucus, a group committed to bringing their governing experience to bear in ways that reform not only public policy but this new institution that they serve in, the United States Congress.

Before I turn the podium over to the senator, I'd like to offer a bit of a brief introduction. Joe Manchin is now the senior senator from West Virginia, having been a senator since 2010. Previously, as I said, he served as governor from 2005 to 2010. And over the course of a more than 30-year career in public service, Senator Manchin served in the West Virginia House of Delegates, the State Senate, and as West Virginia's Secretary of state.

It's my pleasure to welcome Senator Manchin to Brookings. (Applause)

SENATOR MANCHIN: First of all, I want to thank Brookings for hosting this event today but, more importantly, for helping to tackle this important issue about how we can make government work better.

And I want to thank you, John, for the introduction and for your hard work on this effort -- and all of the people here at Brookings.

I know it's not sexy, and I know that it certainly doesn't grab headlines like some of the divisive issues do, and when you operate from the fringes and the right and the left, it kind of gets people all fired up. But making government work more efficiently and effectively for the American people is so critical -- it truly is -- to getting our country back on track.

In 2010 when Senator Byrd passed away in June that summer, I had to make one of the most difficult decisions of my political career. I had to decide should I try to go to Washington and leave the office that I love, being governor of the great state of West Virginia. I was two years into my second term. In West Virginia you're termed out - - two four-years and you're termed out and then you have to sit out. And you can come back, maybe, if the people want you, but two consecutive terms.

So, I made the decision, and it was the toughest decision I made, but I made it on this premise. I felt like we had contributed so much. We brought people together. We had a super majority of Democrats in the State Senate and in the legislature, and I never would let the Democrats beat up on the Republicans. I said, guys, you know, by the grace of God it could be us, and we're going to need everybody working together. So, we would work together. We would identify problems that we had for the state of West Virginia. We didn't make them political. It wasn't a political victory. If we did something, we did our job. And we took that premise and did everything in state that needed to be done. It was very critical.

When I made the decision, I said if I can take the experience I've had and the successes that we've been able to enjoy in West Virginia and bring that experience level to Washington, maybe I could be of some help, I could contribute something. So, I made the decision.

Now, I felt good about what I left in the state and job that we had done. So, I kept remembering Senator Byrd all the time to tell me about the way the Senate used to work. And of course he was a master of the Senate, and he wrote the book, and he truly loved this place. And he had the utmost respect for the U.S. Constitution and the tradition and procedure of the Senate, and we still abide by a lot of that. We have broken a few of his rules, which I'm sure would not favor too well with him.

Senator Byrd served in the Senate at a time when it actually worked, when policy trumped politics and relationships were built to forge bonds of trust -- not for political payback, when members sat down for a meal together and knew each other's families and their children's and what they liked and disliked. Unfortunately today in Washington, we live by the concept that you are no longer guilty by association; you're guilty by conversation today. If someone sees you talking to the opposite side or somebody that might not have your same thought process or philosophical belief, it's almost like you've gone to the dark side. And I said, my goodness, how can we learn what our differences are if we can't talk to each other and communicate and try to find a commonality?

Gone are the days that senators of different parties break bread in the Senate dining room. I used to hear about that. We had that one dining room on -- the main dining room for the Senate and we had the dining room on the left. Senators would go in there and have their meetings. When I first came here I said, my goodness, I don't know why they're not doing that anymore. It's something that we should do. They'll go tomorrow, Tuesday. Every Tuesday we have our caucus lunch. Tomorrow both the Democrats and the Republicans will go their separate ways for lunches in two different parts of the Capitol. Very seldom do we ever get together for a bipartisan meal.

So, when you see us on C-SPAN on the floor, that's about the most time we spend with each other -- when you see us during a vote on the floor working back and forth and talking or going back and forth to committees -- because sometimes, you know, you might only serve with one member on one committee or another and you don't have all of them at one time.

I've tried to break that and we started a bipartisan -- Senator Mark Kirk and myself when we first got here started a bipartisan lunch, and it has worked, and

we've been fairly successful at it. You can understand that most of the former governors are the ones that show up quite a bit, because they understand that basically we have the same problems no matter what your state. If you have an education problem, highway problem, Medicaid problem, we want to find out who had done something that worked and how could we do the same. And it was something we exchanged back and forth. I would call -- I had no problem calling Mitt Romney when he was in Massachusetts or calling Rick Perry in Texas. No problem whatsoever. And we had great relationships.

We are fortunate to have ten former governors. We have five Democrats, one independent, and four Republicans. We have Senator Warner, Senator Kaine, Senator Carper, Senator Alexander, Senator Hovien, Senator Shaheen, Senator Round, Senator Rich, and the independent is Senator King. The caucus is with the Democrats. We bring a more common sense approach to governing and why we don't get to meet as a group as much as we would like. We naturally gravitate towards each other to make deals and work on common sense legislation.

When we ran our states, basically what we had to work -- most of us had -- 46 states, I believe, have budget balance budget amendments. That means the first thing you want to know as governor -- when you get elected and you get sworn in that day, they take you immediately and tell you and show you the revenue of the state and what you have to work with. And you have to start working on your budget and you work on the budget for the coming year and put things together, and basically I would always say, what's the revenue? And every Tuesday afternoon I would have the budget analysis, and all my budget people would come and meet with the governor, meet with me, and they would tell me what our forecasts were, how our collections were going, and how much we had to work with or a reason we had to change and make adjustments.

So, that was something always cognizant on our mind: Can we pay for what we promised or what we would like to do.

So, you start picking your priorities based on your values. What's the value of the people -- my constituents in West Virginia? I knew exactly where we were. It was about our children getting a good start in life. It was about education and being able to attain an educational degree that gave you the skillsets to compete; taking care of our veterans; and taking care of our seniors.

There were so many other things that I couldn't do and people said, how did you always balance the budget? I said, I said no more than I said yes. I said I just couldn't do. I had to pick things. And when they would come to me, everybody wanted all these things to be done. And I said, fine, here's what I've got to work with. Tell me which group of people you want to go tell that we can't do that anymore. If I've picked one that's helpful, then show it to me, and we'll pick one that's more resourceful.

So, we had to make these decisions on revenue and balancing budgets. We are now trying to bring that same approach to the Senate and find common sense ways to accomplish a goal of making government work. And it's a challenge here, because -- I'll share this with you -- the first day -- about the first day I came to the Senate, I said, what's our revenue? Well, I was told immediately, we're going to spend about 3.5 to 3.7 trillion, and I said, okay, how much money will we have? Well, we've looked at every way possible. We don't think we can cut much out of the 3.5 to 3.7. I says, I got it. You want to spend \$3.7 trillion. I got that. How much do you think we have to pay? Oh, we have about 2.2 in revenue. I said, you know, we're not high in mathematicians back home, but we can add and subtract. We figure you're about 1.5 short -- 1.5 trillion short. Oh, it doesn't work that way in Washington. I haven't figured out this new math in Washington. I'm trying. I know that everyone's confused about this new

math. I'm having a hard time myself.

You know, we also had efficiencies of using taxpayer dollars -- and I'll share as another example of, as a governor, what we did. This can be done through properly funding revenue-positive offices. What's a revenue-positive office? A revenue-positive office is one that we would have that basically would do a budget review, general accounting offices, things of this sort this sort that say if you do this, this, and this you can save a hundred billion dollars. You can do this, you can save this. You have a redundancy in government that these things have happened.

Every President, like every governor that comes in, has a platform. And every legislature wants to -- the first honeymoon session wants to give that new President or that new governor basically a honeymoon, if you will, and advise. So, what we had is layer on top of layer adding up over the years, and every now and then you have to have a correction, and you have to change and you have consolidate, get rid of some that aren't working. No one's looking at that. It truly makes governing harder and actually hurts our country and our government when we don't do this. Most people don't realize that many offices in federal government, particularly Offices of Inspectors General, can identify waste, fraud, and abuse inside and outside agencies.

A perfect example from mine: When we used to have to cut back and they would tell me what revenue is going to be short in the state of West Virginia, I said, fine -- show me where I'm making money. And they said, what? I said, show me where I have an agency that's returning more than we're investing into that agency.

Perfect example: Department of Revenue. For all of my outside auditors -- I had outside and inside, inside the state and outside the state -- for every dollar I spend on an outside audit I get a hundred dollar return if I would just go an audit the company, because a lot of companies say, well, this is kind of a gray line, we'll stop it

right there and if they say something then we'll say it was an honest mistake because we read it and interpreted it differently. So, you have to have auditors watching continuously.

When we used to cut back budgets or had to flat line them, I would increase the outside auditors' budget, because I knew they could help me get out of a hole quicker. It's common sense. It's no different than how you'd run your household or how you'd run your business. So, spending in these offices is often positive investments. Unfortunately, when we try to cut funding, we do it at a net loss to our government, which we do every day here.

When these offices experience funding cuts, the federal government actually loses money since we lose out on their ability to save money from other programs. That's why I'll be introducing legislation to require the General Accounting Office to designate those federal offices that have saved more money than they have spent. I think that will be an wide eye-opener for all of us if we knew that. And that's, again, just common sense.

As governors, we also looked at the bottom line. We needed to know if the taxes we imposed actually helped or hurt. We needed to know if we reduced taxes and accelerated the reduction if the revenue would catch up to it. So, we would watch it. We put triggers in. And we would put triggers to stop and take a pause and see where we were.

I always said there are certain things that people would do. First of all, if you're running out of money, the first thing that will happen: They'll rob the piggy bank. They'll sweep all the accounts in all the different agencies and basically so it's not noticeable to the average public. Then when that runs out, they'll make some cuts within government. They'll cut back and lay people off.

And the last thing they'd want to do -- oh, my God, they don't want to do

this -- is raise taxes, because then somebody is messed up. That's what they believe.

So, basically what you have to do is look at the holistic approach to how you run the place. And then you say, well, this we can afford, this we can't afford, this we'll eliminate, this we won't. This we will increase, and basically -- or this -- everybody's afraid to talk about taxes.

We can't even agree on the definition of "revenue." That's hard to believe. If your revenue top rate is 39.6 and we reduced it to 33, you would think we cut the taxes, right? But if we got rid of all the junk in the box, all the giveaway, all the programs and basically -- that every lobbyist in this town has been able to get a tax provision put in, an offset -- every one of them -- for any of the special interest groups.

So, with all that being said, that's a tremendous draw on the revenue. But no one basically ever says, "Okay, how much did that cost? When you introduce something, how much is it going to cost me?" And that's what we need to know, and that's what we're going to be working on.

I focus to tackle comprehensive tax reform. There's no question I've been a big Bowles-Simpson supporter. I thought the President missed a golden opportunity to take that as his own in a bipartisan effort, tweak it the way he wanted to, but basically had a three-pronged approach to how we fix this. You fix your revenue, you can take care of anything in your household, in your own daily life, in your businesses. If you get your revenue under control, you're in great shape. When you don't, you're behind the eight ball, and my grandfather used to say, "Indebtedness that's unmanageable makes (inaudible) out of the decisions you make." And they sure do.

One area that we can immediately focus on is adding to transparency to our tax code. In many ways, tax expenditures have the same budgetary effect as spending increases. And while we all know about the mortgage interest tax deductions,

the charitable tax deductions, corporate tax deductions, we don't always appreciate the cost of these tax expenditures. With full knowledge of the cost, we can start the process of overhauling our tax system but do it in a calculated way so that we are not harming businesses or our own constituents. I will be introducing legislation to require Congress, OMB -- that's the Office of Management and Budget, and CBO - Congressional Budget Office to include tax expenditures and budget materials the same way the discretionary spending and mandatory spending are line items in the budget proposals and reviews today. They're going to have to take those the same as we do in our appropriations.

As a former governor I always wanted to know whether the actions we took were working and if we needed to amend or improve them. In Washington, it feels like everything that -- I guess when we do something we think that it's exactly what needed to be done. We never acknowledge we made a mistake -- it didn't work. If that's the case, then why do you need us to come back every year? If we're that good at doing our job, then, heck, we fixed everything. But if we didn't, then the reason I think our founding fathers had us coming back is to make adjustments. To make adjustments you have to make admissions: I made a mistake. It didn't work out. The information I got was wrong. We're going to fix this. And that's all we're trying to say. In Washington, you know, it's no different than back home in West Virginia. And I've always told people if I've got something wrong, I made a mistake, I can fix it. I sure didn't do it intentionally. I was only trying to make things better, but it didn't work out that way so let's go back and correct it.

One way to address this is to reform our regulatory system. I will be introducing legislation also to reestablish the Office of Technology Assessment. Up until 1995, this office provided nonpartisan information to Congress on cost benefit analysis of regulations and regulatory changes. Currently, the only source for this information is the

White House's Office of Information and Regulatory Affairs. This is not whether you're a Democrat or Republican, but it shouldn't come from the White House's offices when it comes for us to make decisions in Congress. That's why we have three branches of government. Congress needs their own system for retrospective review of its existing rules and ways to identify available alternatives for various regulations. And there are already common sense bills out there that help us identify ways that our government can work more efficiently.

Last Congress I introduced a bipartisan, (inaudible) legislation called Duplication Elimination Act. Just saved billions of taxpayer dollars by making it easier for Congress to eliminate duplication and overlap across the federal government. The bill would require the President to submit a proposed joint resolution to Congress each year on how to carry out recommendations outlined in the Government's Accountability Office -- or the GAO.

I'll give an example. Some years it could be as much as 3 to \$400 billion they recommend in savings and cuts and no duplication. We do nothing with this. Within 90 days of the GAO's report released, the President must provide Congress with a draft proposal and a report that explains which GAO recommendations are excluded and why they are not included. More importantly, why Mr. President, did you pick some you didn't take the recommendation to consolidate or to eliminate. And give us your reasoning for doing that. Make it transparent so we understand. We think that would work very well.

Both chambers of Congress must vote on proposals within ten days and any savings achieved -- any dollars achieved through the Duplication Elimination Act must be used for deficit reduction. We're making no attempt at all, and no one seems to be worried about an \$18 trillion deficit. So, we've got to start earmarking dollars for that. This is a win-win bill. It only gets rid of government waste, but it also holds our

government accountable for unnecessary and unacceptable redundancies.

Now, I know these fixes won't change all the dysfunction, but it's a start. We're starting to see a glimmer of hope, and it is the one reason I've decided to stay in the Senate and not return back home to West Virginia. If it was about personal politics and not public politics, I'd be out of here. I would be the first to tell you that. There's no place like home.

Now, with that being said, public office and public service is truly what it refers to. It's public. And I looked at it from the standpoint that I don't have the same feeling. If I would leave today and go back and try to be governor again, I don't have the same feeling I left when I left governor to come here. I feel like I accomplished something back home. I left the state in better shape than I received it. I don't feel that I've accomplished enough here. I see the changes, but I don't feel good enough that I've actually done something, so I think there's more to be done. I feel like we can make a difference, and we are making more of a difference. We are having more bipartisan talks. We've debating legislation and working on amendments, and I feel like there's more work to do. I know the campaign season is ramping up, and we will likely see negative ads coming from all over and the political knives coming out sharper than ever.

I'm hopeful that some of my colleagues will join in a pledge that I have taken. This is the pledge I took -- me personally. I'd love to see a pledge, everybody sign it. I took a pledge when I first -- they said, Joe, why does the place not work? And I said, well, let me give you the scenario here. Human nature is this. It's hard to say no to your friends. It's truly hard. Now, with that we have no relationships, so you don't have many friendships from the standpoint that's my friend, I'll work with you.

So, I said, on top of that, every day I come to work they expect me to go make phone calls and raise money so that money can be spent against my colleague.

I'm a Democrat. They expect every penny I raise to be used against the Republican. They expect me to even go on the trail and campaign against the Republican. They expect all my Republican colleagues and friends to do the same against me. Now, how in the world on Monday can you come to me and say, hey, Joe, let's sit down and work on this, I really have a good idea here -- when I know last week you raised money, you spent money on ads against me, and you went to my home state and told people they shouldn't vote for me. What makes you think I'm going to want to sit down with you on Monday and work something out? Doesn't make sense.

So, I took a pledge: I will not raise a dollar, and I will not campaign any colleague. I will not, no matter whether we agree or disagree. I think it makes a horrible atmosphere and a horrible situation we live with up there, and if you want to know why we're so dysfunctional, why we don't get along, it's because everybody's afraid to talk. Guilt by conversation. They're afraid to talk and tell them exactly what you're working on, because it could be used against them in an ad. They could see whatever they talk about come up in an ad against them. That's one pledge I'd like to see this whole town engage in. We cannot campaign -- it used to be an unwritten pledge. I heard that nobody campaigned against each other before, but, boy, it's not the case anymore.

So, that's what I'm doing, that's what I'm trying to do. There's not one colleague of mine, even the ones I disagree with, who I can't work with, and there's not one colleague who can look at me and say, Joe Manchin tried to defeat me and take my job away. Not one. So, it makes it pretty easy for me to cross over the aisle and work with them, and I always tell them I'm the bellwether person there, they bring it to me. And I tell them, I say, well, let me talk to some of my colleagues and see if it's something they can agree on, and then we start moving from there, but we try to find that commonality. And the Governor's Caucus is one that we work very closely with.

I don't believe this place is working. Senator Byrd used to tell me it did, but I've got to commit to you, I'm not going to stop fighting. I think it's well worth the fight that we have in us to make this place work. We've had a lot of other challenges that have been greater than this for our country, and we've overcome them all, and I think we can overcome this one to.

So, I want to thank you all, and I appreciate it, and I guess we're going to have some questions now. Thank you. (Applause)

MS. KAMARCK: -- listen to me, Senator Manchin, and Senator Byrd was on my mind because you are so much --

SENATOR MANCHIN: He's from all over, too.

MS. KAMARCK: Yes, right.

We've been talking to Senator Manchin's staff for some months now about the interesting and valuable perspective that former governors bring to the work of the United States Senate. One of our Brookings advisors here is former Governor Voinovich from Ohio. We were just on the phone with him the other day. He was thrilled to hear that you're doing this. He was a former governor, a former mayor, and a senator, and when he left the Senate we lost a champion for sensible government reform in the Senate.

So, I'm very proud to see Senator Manchin stepping into that role today with his other former governors -- both Democrats and Republicans -- and I must say I'm very impressed with the reform agenda he has outlined here from process agendas -- like returning to bipartisan lunches and the Governor's Caucus itself -- to substantive reforms like including tax expenditures in the budget process, something that we have talked about in the think-tank world for a long time, and it needs to be something people are grappling with politically -- to the return of the Office of Technology Assessment, one of

the few truly valuable, small -- I think the whole thing had 90 people in it or something -- small pieces of government that was well worth its weight and somehow has gotten chopped.

And so I'd like to open, Senator, by asking you a sort of general question. Why is it so hard to get the United States Congress interested in these common sense, nonpartisan reform issues?

SENATOR MANCHIN: Well, as I said in the speech, they're not sexy. It's not something that makes you want to go out and vote or makes you want to write a check to help somebody. And right now they're chasing the almighty dollar in the vote wherever it may be. And there's a never-ending cycle. I mean, everyone's in a cycle all the time. Whether it's a six-year cycle that we're in as far as in the Senate, a two-year cycle for Congress, a four-year cycle for President, everyone seems to be in an election cycle. So, if you notice, when people say outrageous things, and people of responsibility that you would think -- that doesn't make any sense at all, why would you say that?

The country is so divided. With the 24/7 news cycle, we're on overload, and people don't know what to believe. Paranoia is just running rampant, and, man, they get all fired up and they -- I hear people talking about stuff, you know. The last thing I heard about was the Special Forces were going to take over Texas. (Laughter) Remember that one?

MS. KAMARCK: Yes.

SENATOR MANCHIN: And I couldn't believe when I heard that, and I says, what? And they said, well, we've got to have the National Guard in Texas watching the United States government Special Forces come in and do training, which they've been doing for quite some time. And I just kind of nonchalantly said, well, you know what, if you're that worried in Texas about the federal government and the Special

Forces, we'll take them all in West Virginia, because we still trust them. (Laughter) But this is what it's gotten to.

So, how do you get out of that? I don't know. I mean, I can honestly tell you I don't think Citizens United did us any favor for our country, that we're individuals now. When they talk about a very wealthy individual, he might be having his own primary. They're all catering to this one individual to see if that's where his super pack money is going to go. That's not how we do it. It's not how we do back home in West Virginia, but we don't have anybody that wealthy to go after. (Laughter) And if we did, it wouldn't be the right thing. We still have limits of a thousand dollars. No corporations. One thousand dollars is the maximum you can give to any candidate. I think it works pretty well.

MS. KAMARCK: Good. Let's go to tax reform for a minute. I mean, this whole notion of tax expenditures for -- you know, many of you in this room I'm sure know that over the last several decades as the discretionary part of the budget has kind of shrunk as a proportion of the whole, what we've done is we've legislated via tax expenditures. And the tax expenditures have gone way up, obviously because then somebody can go home and they can say, well, we gave you this -- but we didn't increase government spending. So, tax expenditures are obviously very seductive to politicians. Do you think we can break that habit? It was such a -- it sort of snuck in there almost with no one -- you know, they've snuck almost with no one knowing what was happening.

SENATOR MANCHIN: Oh, they -- the people knew what was happening. (Laughter) Just not the general public.

Let me just tell you. When I said we can't even agree on the definition of revenue, let me tell you what I was meaning by that. I talk to my friends all the time, and

as a governor the first thing you look at as individual -- you do a budget; you know how much money you've got coming in and how much you can spend; you know what your fixed costs are; you know what your variables are; and you know what you have to play with and you try to stay within that balance. So, we do the same here.

So, we got to the point. Erskine Bowles in 1997 basically was the author of working with the Republican Congress at that time under President Clinton and put a budget together and a tax reform that basically put us on the path, I think, of solvency. I mean, if we would have stayed under the Clinton tax rates, we'd have been totally debt free, as a nation, by 2012. By 2012.

We had two tax cuts that came. We had two wars unfunded. And it just started pummeling from there. I tell Democrats, if you want to blame Republicans, go right ahead. They're at fault. I tell Republicans, you want to blame the Democrats? Go ahead. We're at fault. We've all added to this. Now, how do you fix it, because we can't.

So, when you can't agree on revenue, that means if you get a tax code -- and this is where Bowles-Simpson took the balanced approach, three-pronged approach: revenue, expenditure, and reform -- you have to look at everything, and everybody has to take a little bit of a haircut to get this thing back in place. But no one's willing to sacrifice a vote for that or a bad ad on TV against you. And I think what we ought to do is get a bunch of senators who are thinking about retiring who could care less about getting reelected say, listen, we'll be sacrificed. We'll sacrifice ourselves, and we'll be the ones who fix this thing for the next generation. Because we've done tax reform about every 17 years. We haven't done major tax reforms since 1986.

So, I tell my Republican friends who have taken a no-new-tax pledge -- I says, I understand, it's going to be hard for you anything we do. How are we going to pay down 18 trillion if we don't have revenue? You've got to spin off revenue. So, if I

reduce the tax 39 to 33, corporate from 35 to 25, 26, 27, I get rid of a lot of junk in the box, a lot of the credits, a lot of the offsets, a lot of the goodies that you all had written in over the years. Those go away, and at the end of the day we spin off a trillion dollars. You're going to have dynamic growth. Dynamic growth is going to happen. You know when it happens? When you have confidence it's a fair system. When you know the system's fair and you know you're treated fair, the sky's the limit, because then you have confidence and you'll do things. So with that being said, how do you spend the trillion?

So, I talked to my Republican friends. I said, why don't you take this position? We have a global competitive rate and personal and corporations. Okay? They can't hide money, can't go offshore. Got to pay here. So we do that. And now we've got money coming in, even though we reduced the rate. And you're going to have a few friends saying, hey, you know, my rate was at 39.6 but I had a lot of offsets. I'm paying more now at 33 than I was 39.6.

That could be true to some. But with that being said, let me tell you how I made the Democrats spend it if you're a Republican. Sixty cents of every new dollar that came in went to debt reduction. That will continue until we get the 65 percent of debt to GDP, which is manageable, which is what all of the economists tell you is manageable. The other 40 cents of every dollar goes to an infrastructure bank. Only can be used for infrastructure in the United States of America. Nowhere else. That's it. So, you rebuild America, you've got a cash flow into a bank, and it's an 80/20 match coming off of that, and the 60 cents of every new dollar goes into debt reduction. So, the Republicans have held the Democrats' feet to the fire. You can expand basically the (inaudible) programs, and we were able to, as Democrats, put a fair system in, and we were able to dedicate towards getting rid of our debt. And you can have a balanced budget in 10, 15 years. That's why -- I mean, that's -- I talked to them. I said, if you go home and defend yourself

-- oh, I think I can. I said, well, let's try it then. Let's do something. Let's step that far over the line

MS. KAMARCK: That's great. When you talk about retiring senators, it reminds me of the famous move of Abe Lincoln was just out a couple of years ago where when he was counting up votes to pass the 13th Amendment, what was the first thing he did? He found everybody who was getting ready to retire and --

SENATOR MANCHIN: A lot more courage then.

MS. KAMARCK: That's right, a lot more courage then.

We've got a great audience here. A couple of questions? We have time before the senator leaves. Let's see, right there? Right here. Say who you are please.

MR. VYSE: My name is Graham Vyse. I'm with the policy news website, *Inside Sources*.

Senator, last week Mayor Bill de Blasio came to Washington and outlined a very different policy agenda than the one you just outlined. He called for a \$15 minimum wage, paid sick leave, closing the carried interest loophole. Why are he and senators like Elizabeth Warren wrong to advocate a more progressive or liberal agenda, and what do you think is the future of the Democratic Party if it goes down that path?

SENATOR MANCHIN: They're not wrong. First of all, carried interest loophole is the biggest loophole we have. There's not even a hedge fund person who benefits from it, even today, who will defend it. So, it should be done away with. So, we agree on that. And the \$15, you know, this minimum wage, I -- you know, I'm for raising minimum wage. I think it should be indexed. I think a lot of things should be indexed once we get them back to where they should be. But minimum wage from this standpoint is not going to raise the middle class. You know, we're not going to be able to.

We're ready to pass one of the largest trade deals -- one of the largest trade deals in the history of this country. If we do that without looking at what we're doing and understanding what's happened to us -- and hindsight is 20/20 -- go back to 1992 when NAFTA came in. My little state of West Virginia has lost 31,000 jobs since NAFTA. It's hard for me to go home and say, guess what, this is going to be different; it's so much better for you. You know -- and if you look at where a lot of our jobs were lost, it was in the inner cities where a lot of it was textiles. We had a lot of things going on. We lost all that. Now, it's become rampant with with crime, high unemployment. So, how are we better off? So, we need to look at that.

Now, minimum wage is what they think -- is there any way we can raise, you know, any type of quality life we're in trouble.

The other thing is that no one -- you haven't heard anybody on the campaign trail talk about drug abuse, have you. It's not sexy. You know why it's almost - there's not one of us sitting in this room who doesn't know someone in our immediate family or extended family who hasn't had a prescription drug problem. It is rampant. It is in epidemic proportion. We can't find people that are clean enough to work. Our education is not pushing them to get skill sets where they can compete vocally. There's a lot going on there.

So, I know these -- I'm fine. I can look at a progressive and I can look a very conservative. If it's somewhere in between, you've got to -- I said this: I'm not right on every issue, but I'm not wrong on every issue. I've got something to contribute. And when Mayor de Blasio came, God bless him. We want to hear all your ideas, you know? And Elizabeth Warren's a good friend of mine, and we've teamed up on a lot of amendments together, you know, in trying to put some balance to this thing.

But, on the other hand, you can't chastise everybody that's out investing

out and out there trying to get a return on investment that's out there willing to take a risk. And we've just got to make sure that we can continue for this system of ours -- this unbelievable system of ours.

The economy we have is \$18 trillion. The closest one to it is China -- 10 trillion. Everything falls off from there. Everything falls off from there. Nobody rises above 5 trillion after that. So, it tells you. So, we are the big people. We are the super power. We have a super economy. People won in this marketplace. But we should protect some of the jobs we have here and grow some jobs. That's the problem. So, I don't -- you know. A lot of things I will agree with and a lot of things I might disagree with, but I'm always trying to find the balance, because I've been able to talk to the people from the far left and the far right and tell them -- I said it sounds good but doesn't make sense, I can't sell it back home.

MS. KAMARCK: Let's see, right here? Yes. Right here. Oh.

SENATOR MANCHIN: That's okay.

MS. KAMARCK: That's okay. Well, we'll get everybody.

SENATOR MANCHIN: Okay, be right back.

JOHN: How are you? I'm John. I'm just here by myself, so.

I was wondering kind of how you see the trend of your state over the long term. I've noticed in previous election cycles, it's gone very hard to the right, and I know lots of that is probably is in reaction to Obama, and I was wondering, do you see things improving, maybe, after Obama -- and then also I would like to hear your thoughts on Mr. Justice, who's going to run for -- yeah.

MS. KAMARCK: Senator.

SENATOR MANCHIN: First of all, my state has -- since Bill Clinton was the presidential candidate to win as a Democrat to win in West Virginia, we've gone -- the

state's kept going progressively Republican since then e though we still have about 62 percent of all citizens registered Democrats. You would think with that many registered -- you know, I'd tell them we're a little different Democrats in West Virginia. You know, it's a mix of -- I try to describe myself. I tell people -- I says, I'm physically responsible and socially compassionate. But I think that's most people. Whether you're Democrat or Republican, that kind of gathers a lot of people in that arena.

With that being said, our social agenda basically is much more conservative than the national Democrat agenda. And with that, we have to be able to articulate that a little bit clearer, as that -- Jim Justice is a -- he was a Republican just turn Democrat to run for governor. But Jim's been Republican -- Jim is one of those guys that crosses over. He's a great person. He's created a lot of jobs, and he'll be a job creator. He thinks outside the box. So, that would be good. The Democratic voters need to be looking more to (inaudible).

Now, President Obama brought in a climate agenda that we differ with, and it's not because we don't want a clean -- we want a clean environment. We want a clean climate. We want clean air and clean water and all that. But there's a balance between the environment and the economy. And the only thing I've said is if it's not attainable, it's not reasonable. He's put some things in play here that we don't have technology in place. If the federal government wants to invest and find the technology that does a certain thing and then you decide you're not going to do it because it costs too much, I'm sorry, you're out of business. If the technology hasn't been developed and you're doing everything you can to the best of what's available, then we shouldn't push you out because we just don't like what you're doing. And that's what's happening.

So, when a coalminer and a family lose an \$80,000 job and all they've got looking in the face is a service job for 20, 25,000, this is personal, and it's got deep-

seated -- it's got -- there's just deep animosity towards the President and his policies. And all the Democrats are suffering from it.

MS. KAMARCK: Let me ask the Senator something I've been thinking about, since you brought up this revenue-positive jobs or offices, because it's very interesting.

I wonder how your Republican colleagues will feel about this. If you do in fact go identify these, the argument then is made that for every, say, Medicaid or Medicare fraud investigator, we ought to hire more. It actually would be an argument for increasing the federal work force, which of course the Republicans seem to, you know, be completely allergic to. So, do you think that if in fact you could prove that there were in fact revenue-positive offices you would get some momentum for helping them bring in more money?

SENATOR MANCHIN: I would like to think they would look at it that way. I would sure try, and I sure would think that they would accept it. But, you know, it makes sense that if we can show you that rather than changing the whole makeup of Social Security and Medicare and Medicaid, reform it. President Clinton reformed Medicaid reform, which helped send a positive message. But, you know, five years and you're out. You have to find a job. We're not rehabilitating anybody.

The culture of America is we don't seem to want to hold you responsible or accountable. You know, we give you something; it doesn't work, we'll give you twice as much. It's not like, why didn't it work? What did you not do? Why didn't you go to doctor's visits?

When I was governor, I asked for a waiver, a Medicaid waiver, because I just couldn't keep up with the cost of Medicaid, and I had a lot of people that needed help. And I went and told the federal government, you should not make me take care of

a healthy poor person the way I think I have a moral responsibility to take care of a sick poor person. That sick poor person has very little options. The healthy person, if I can get them back in the work stream and mainstream, they can get back on their feet and go back and do something.

So, I said, what we call mountain choices -- rewards -- I rewarded you, because, you know, pain and suffering for dental and for eye care, and I said, if you went to your doctor's visit and not go to the emergency room, if you join a healthy life style, eat properly and you exercise and you did things you were -- I'd have you ready to go back into the workforce. Federal government fought me tooth and nail against that type of responsible, reasonable approach -- and it just makes sense.

So, if we can't hold people accountable and responsible, I would tell my Republican friends, let us try. I'd say, before you want to prioritize this or that, you can't prioritize, you know, Social Security and Medicare, and I'm 65, 70 years old and now you want me to go out and make my best deal. My negotiating days are probably over by then. I'm not as good a negotiator as maybe I was a little while ago. So, don't put me in that position, because I'm going to get hurt. And that's just the humanistic approach to some of these things. It doesn't even ring true.

So, we keep looking for fraud. Social Security -- we've got more people signing up for total disability than ever before, and there are people that know -- I can go anywhere in the country: You know somebody who's receiving a government check that you don't think should be? Oh, everybody raises their hand: Yeah, I know somebody. I know somebody. How come we're not -- why aren't we rechecking? Why not make them come back to reevaluate if they're still totally disabled? You know, you're giving a lifetime award, lifetime check. That's the jackpot. You done hit the lottery. And those types of things. You know, we need to look at that. And, you know, tell me why, on Social

Security, that we've capped at 110 -- is it 112 now? We've capped about 112?

MS. KAMARCK: 112, yes.

SENATOR MANCHIN: All we have to get that up to where, you know, the average of 2 or 250,000 and index it from there, and then we have cash flow that will keep us going for quite some time. That's not offensive.

You know, as a senator and congressman, we make 174. So, at 174,000, we're -- you can see our pay changes about seven or eight months into it. Seven or eight months -- I've already learned how to live off what I was getting for the six or seven months. So, it wouldn't hurt me to keep taking that out. I mean, that makes sense. And we talk about these things, and people just have a hard time understanding it.

And I've talked about, not through this (inaudible), Social Security. They talk about COLAs -- cost-of-living increases. Let me tell you, there are some people that have to have a cost-of-living increase, because it's all they've got. And there are other people that might not.

My parents didn't need a cost-of-living increase. My parents would have been fine with no COLA. My aunt wouldn't have been fine without a COLA. She needed that COLA.

So, you start thinking, okay, in the real world how do you make this work? Do you say anybody that has income of greater than 250 or even 300 percent of the poverty guidelines -- might be 60, 70,000 -- so should they be exempt from getting the COLA? No one's going to get exempt from getting their Social Security. You're going to get your Social Security check. But if you're below a certain level you get the COLA; if you're above, you might, because we've gotten all this other stuff, you know, all the fights and arguments going on with the COLAs, and no one's having the real hard

discussions on this stuff.

MS. KAMARCK: Yes.

SENATOR MANCHIN: I think we owe her, right here.

MS. KAMARCK: Yes, right there.

SENATOR MANCHIN: Yes, ma'am.

SHARON: Hi, I'm Sharon, (inaudible) the voice of a moderate.

Last Wednesday, Ross Rowland had a coincidental with me. He's the train legend that did the American Freedom Train and Bicentennial. He was Reagan's appointment. And he basically said that our coincidental meeting was God's way of acting anonymously, because there are Republicans that want to fund Amtrak infrastructure. And they're scared. I mean, they're actually nervous.

So, there are people that are experts that are both parties that want to help provide information to the Senate and the Congress. But what avenue would they go to? Is there, like, a list of politicians that will be open to hearing from a bipartisan coalition that would like to --

SENATOR MANCHIN: Well, what we'll do on that, anytime you have somebody that wants to get a point across and really has something, look at the committee that it basically would adhere to. So, if it's Commerce -- that's probably a Commerce committee, get a senator -- myself, I'm on Commerce -- ask him if they can present at a public hearing. They can come to a public hearing or come to a subcommittee hearing. They can get their point across much better that way, and see if it's worthwhile than trying to run the halls and find a couple of people sympathetic toward them. So, I would recommend them coming to any committee member and ask to be on a subcommittee panel to present their views. That would be the best way.

MS. KAMARCK: Great. Senator, thank you so much. You have laid out

a pretty amazing reform agenda here today. I'm hoping that the former Governor's Caucus is going to become a real force in the United States Senate, and remember that it is a bipartisan caucus, because there are some Republican former governors as well as Democrats, and therefore those of us at Brookings are at your disposal to help you make government as good as it can possibly be.

SENATOR MANCHIN: Let me just say, Brookings, we have used you quite extensively, and I think that all of us -- Democrats and Republicans -- look good to find that common sense in that middle of the road, if you will. It's going to have to be people speaking out, I mean, before we hit the proverbial wall, and the financial wall is the one I'm concerned about.

You know, Wall Street can't be doing this tremendous when everyone else is not feeling -- getting the bump that they should be getting out of it. And before long, people will lose confidence. When they lose confidence, you'll see a big switch. And when that switch happens, you will see a lot of people that are very reluctant and very scared. And when that happens, then you have serious problems on your hands as we did in 2007. So, we're watching it very closely, and we're going to be involved, and I encourage all of you to keep in involved with our offices, follow us -- all of us have Web pages, and your comments -- that's another way. Web pages are another way to get to us. Our staff monitors that and gets right to any of the concerns that you might have and some great ideas that we get from you all. It's still government of the people by the people and for the people. And the last time I checked it wasn't just us on Congress; it was all of you all. So, stay involved.

Thank you.

MS. KAMARCK: Thank you, Senator. (Applause)

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