U.S. Chamber of Commerce Association Committee of 100 June 23, 2014 The Greenbrier White Sulphur Springs, WV Remarks by: R. Bruce Josten Executive Vice President, Government Affairs U.S. Chamber of Commerce

Last fall, I suggested to this group that the government was simply not working and that doubts about the government's ability to function were growing.

In January the NYTs reported on an AP-NORC Center for Public Affairs Research poll that found Americans "with a profoundly negative view of their government with 70% lacking confidence in the government's ability "to make progress on the important problems and issues facing the country in 2014."

While that poll no doubt reflected the government shutdown, the same poll found Americans divided on how active they want government to be.

Half said "the less government the better." Yet, almost as many (48 percent) said "there are more things that government should be doing."

Pew released a poll that found for <u>the first time in polling</u>, a majority of the public (53%) believes their federal government <u>threatens</u> their personal rights and freedoms.

That finding was followed by a Gallup poll reporting a record-high 72% of Americans naming "big government" as the greatest threat to the country in the future.

A USA Today/Bipartisan Policy Center poll found no partisan divide with Americans saying it's more important for Congress to stop bad laws than to pass new laws with 54% of Republicans and 51% of Democrats agreeing.

Polls, however, continue to show that at the core of American's frustration and alienation is the belief today that the American Dream is no longer attainable.

People have concluded that the government is failing while the rules of the game are rigged against them.

At the same time, two dominant ideologies are dominating the two political parties.

And, the public is divided on nearly every major issue.

Two weeks ago, Pew released findings of its largest political survey ever (more than 10,000 people, 10 times their normal sample) based on questions they've been asking for two decades.

Pew found what the 2009 book, The Big Sort did, that political polarization is now deeply embedded in the U.S. <u>and</u>, it has intensified during the past decade.

The percentage of Americans who express consistently conservative and consistently liberal opinions has doubled over the past two decades.

Pew found the level of antipathy members of each Party have towards each other has surged in those two decades.

The "typical" Republican is now more conservative than 94% of Democrats and the "typical" Democrat is more liberal than 92 percent of Republicans.

Consistent liberals and consistent conservatives, (those who hold nearly uniform liberal or conservative beliefs), are even more alarmed:

"50 percent of consistent liberals and 66 percent of consistent conservatives see the other party as a threat to the nation."

That division with the public is reflected in Congress.

The message members of Congress take from that is their base considers political compromise genuinely dangerous.

A member of Congress reflecting the intensifying attitudes of their own constituents is what they're elected to do.

But, I think there's more at play here.

The rough parity between the parties fuels the next election for power - - specifically for control of Congress and the White House.

The stakes are high because the ideological differences are so large <u>and</u> because both parties believe they have a chance of gaining or maintaining control.

Increasingly we see fewer congressional districts that vote for Presidential and House candidates of different parties and fewer states with Senators representing both parties.

Voters are voting along party lines at the highest rate in half a century.

In 2012, of self-identified Democrats, 93% voted for President Obama; 93% of Republicans voted for Mitt Romney, and about nine in 10 voters supported members of the same party in the presidential, House and Senate elections.

Neither ideology nor electoral politics is the sole source of polarization or, its manifestations.

In the Senate, Democrats and Republicans have been engaged in constant political combat over procedural matters.

Majority Leader Reid has allowed less than a dozen amendments from Senate Republicans in the past year.

Reid's actions are turning the U.S. Senate into the world's least deliberative body.

Refusing to let members of the minority party in the Senate offer amendments erodes any possibility of compromise.

High-handed tactics are <u>not</u> advancing a legislative agenda any more than the President's decision to rule by executive fiat is building trust with Congress.

In his State of the Union address President Obama told members of Congress he would act alone whenever he could.

In that address, the President – in essence – asked Congress to "trust him."

But, at the very moment the President is asking the nation to have faith in him, he faces a credibility deficit.

In December 2008, more than three quarters of Americans said that Obama "can manage the government effectively;" by March 2014 — <u>before</u> the VA debacle — just 43 percent said the same.

A Washington Post/ABC poll last year found a similar result, with just 41 percent of respondents saying that Obama "is a good manager."

His second term has so far been a presidency built on finding ways around Congress.

While Washington set a <u>new record low</u> for laws enacted last year, it also set a <u>new record high</u> for issuing final rules – in fact, of the five highest Federal Register page counts, four have occurred on Obama's watch.

Last year, the Federal Register contained 3,659 "final" rules and another 2,594 proposed rules on their way to becoming final rules.

His recent actions in the case of Sgt. Bowe Bergdahl and in issuing new power plant emissions restrictions have deepened his trust deficit on both sides of the aisle - - and - - show a White House anything but resigned to the prospect of presidential decline.

Pollsters at Gallup wrote at the end of January that "Obama is on course to have the most politically polarized approval ratings of any president."

The politics of divide-and-conquer has accentuated the lack of trust.

The President has produced a nation of disunion.

President Obama's standard stump speech with Democratic donors include these lines; "We're on the right side on every single issue" - - and - - "the majority of the American people agree with us on every single issue."

His claims suggest he believes that the public has an unwavering belief in his liberal policy agenda.

However, a January Washington Post-ABC News poll found that 63 percent of the public has <u>no</u> <u>confidence</u> in Obama to make the right decisions for the country's future.

That poll showed that almost 70 percent of Americans believe the country is worse off than when Obama took office.

The country is now evenly divided over whether he is honest; a big drop from pre-2013 levels, while another 52 percent said he does not "understand the problems of people like them [you]."

But, perhaps the most remarkable polling number from Gallup was a December poll finding that 72% of Americans regard their own government as the greatest threat to the U.S.

The splits recorded between red Republican regions and blue Democratic regions - and their opposing views about the role of government - is an extension of the cultural divide between rural Americans and those living in cities and suburbs.

These differences have grown so deep that the difference is not simply red versus blue, but urban versus rural.

Divided party control of government with fragile majorities in both chambers has triggered historically high party unity votes with members of Congress becoming more partisan and more confrontational.

However, polarization is not a one-way street.

While Republicans have become more conservative, Democrats have grown more liberal.

Gallup recently reported that liberal self-identification has edged up to its highest level in more than 20 years.

In-depth Pew surveys find liberals give low priority to dealing with the budget deficit, are cynical about "personal" achievement with most disagreeing that "people can get ahead if they work hard," and few admire people who have become rich through hard work.

These new tensions are evident between the "establishment" Democratic base and the newly energized populist wing, led by NYC Mayor Bill de Blasio and the fiery rhetoric of Senator Elizabeth Warren.

A more liberal and populist voice is emerging within the Democratic Party already looking ahead to the next presidential election.

Social Security is one example of how Democrats are likely to face sustained pressure in coming months to move in a more populist direction on a host of issues.

Jim Dean, the head of progressive group Democracy for America called on Democrats to "push for ideas that are incredibly popular with the American people, like expanding Social Security benefits."

The arena where that populist push is most likely to play out is in the nascent 2016 presidential campaign.

The Democratic Party is just starting to be torn between two parts of its coalition.

The Warren wing believes in challenging the current state of who has power and who has influence.

She leads the "war on women" in the Senate, which Harry Reid joins in on from time to time in between conducting his war on the Koch brothers.

It is instructive how quickly liberals have flocked to Warren: Fifty-four percent of liberal Democrats have a favorable opinion of the Senator compared with just 35% of moderate and conservative Democrats.

Warren is the biggest draw for Senate Democrats.

She has raised more than \$2.5 million for Senate Democratic candidates and transferred \$100,000 from her campaign account to the Democratic Senatorial Campaign Committee (DSCC).

She is collecting political chits that will add to her influence in the Senate Democratic Caucus.

Warren's growing clout will shift the Caucus to the left.

Daily Kos founder Markos Mousitsas argues liberals are successfully "purged [ing] so-called squishy moderates from the Democratic Party's ranks."

The Daily Kos website channeling Elizabeth Warren's populism declares: "The future of the Democratic Party is a populist one, and all that's left is to whittle out the dead weight." Daily Kos labels DLC Founder, Al From, a "dinosaur" suggesting his book tries to coordinate counterattacks by Wall Street Democrats spooked by the party's embrace of Elizabeth Warren, Sherrod Brown, Tammy Baldwin and Jeff Merkley.

Said another progressive strategist preparing for the midterms; "This is a coming divide for the Democratic Party, not only about explaining 2014, but laying the groundwork for 2016."

Lawmakers will be back in their districts the entire month of August and half of September.

After the July 4th recess, there are 28 scheduled work days left in Washington before voters go to the polls to decide the makeup of the new Congress.

And in October, they will work just two days in Washington before heading into November's election.

Gallup's 2013 state approval-rating averages show, President Obama is very unpopular in the states Democrats have to defend in the 2014 elections.

So it's not surprising that Senate Democrats - - on issues ranging from trade to Iran sanctions, the Keystone XL pipeline, Obamacare, the NSA, energy policy or the VA scandal, that vulnerable Democrats are openly criticizing the president in their campaign for reelection.

Majority Leader Reid's refusal to call up legislation or allow amendments has prevented other schisms from becoming visible.

Gallup calculated Obama's average approval for 2013 at 46 percent.

The March NBC/WSJ poll found Obama's job approval at a record low was matched this month with an identical 41 percent approval of Obama's performance, while his handling of foreign policy hit a new low of 37%.

Even the share of Hispanics who view Obama favorably has dropped from 67% in January 2013 to 44% in the latest poll.

Obama's biggest slide in approval comes from Independents – in the 2012 election Obama won 45% of Independents; the WSJ/NBC poll last month showed just 29% of Independents approve of the President's performance.

Even more telling was a May poll finding by the Washington Post/ABC News which found that 53% of Americans believe it is more important to have Republicans in charge of Congress to check the President's policies, while only 39% said it is more important to have Democrats in charge to support Obama's policies.

Meanwhile, the problems at the Veterans Administration — problems candidate Obama vowed to fix back in 2008 — erupted into a scandal that 79% of Americans blame at least in part on Obama's management.

And a shocking poll finding in The Washington Post showed 48% of Americans now think that President Bush was better at "getting things done" than his replacement-compared with 42% who think the opposite.

Republicans believe they <u>can't trust</u> the President to abide by any deal he might sign since he has a record of picking and choosing which laws to enforce.

Sapping his trust further is his willingness to publicly express contempt for his ideological opposites, whom he has described as "terrorists," "extremists," and "enemies."

In the past decade, fewer than ten Senators of any President's party have won elections where Presidential approval slips below the national average.

As National Journal's Ronald Brownstein wrote: "For all of the focus on fundraising, advertising wars, and grassroots campaign organizations, no single factor may shape this year's battle for control of the Senate more than attitudes toward President Obama."

At the start of the year, Obama said that he thought 2014 could be "a breakthrough year."

If it isn't, Obama's approval numbers will likely continue to linger in the low 40s, which will jeopardize the Democratic control of the Senate.

The President would have to get his approval above 50 percent by Election Day to help his party in down-ballot elections.

Gallup's records since WWII suggest the President's poll numbers are unlikely to recover.

Eisenhower was the <u>only</u> President to see his job approval rise between the spring and fall of his second term.

Still, Eisenhower's fellow Republicans lost 48 House seats and 13 Senate seats in the election.

Barring some sort of change in the national environment -- Democrats are likely in for a very long night on Nov. 4.

With entitlement spending continuing its march forward strangling government's ability to respond to other national problems and priorities, I would be remiss to ignore it.

Over the next decade, ALL of the government's projected program growth stems from entitlements and health care, including the Affordable Care Act.

The welfare state is taking over government.

Social Security and Medicare benefits ARE the crux of the budget stalemate.

Both liberals and conservatives are complicit in this charade, but liberals are more so because of their unwillingness to discuss it.

As economic commentator, Robert Samuelson, said: "The pro-government party in rhetoric has become an anti-government party in practice."

CMS actuaries estimate that payroll taxes, Medicare premiums and other dedicated taxes and fees will total \$73.2 trillion over the next 75 years. Unfortunately, projected spending is more than 50 percent greater at \$112.8 trillion.

With the Social Security Disability Trust Fund heading towards insolvency in 2016, Congress <u>must</u> pass a bill to do something in 2016 <u>and</u> we should force a full-throated debate on entitlements in the 2016 election whether the candidates want it or not.

So, we are entering another high drama summer leading to the midterms.

Another part of that drama played out a couple weeks back when Eric Cantor became the first House Majority Leader to lose in a primary.

Cantor was elevated to the Majority Leader's suite in a Tea Party wave and was swept out, in part, by the same movement.

It's not that any organized Tea Party campaign materialized against Cantor -- but Cantor's loss is a victory for that group of frustrated House conservatives who have been plotting a leadership challenge.

Cantor's defeat presents new challenges for Republican leaders and, also for President Obama.

Holding the House Republican Conference together will now be even harder to accomplish as some of the Tea Party members see Cantor's loss as an opportunity to purify the Party and purge dealmakers - - and - - to be even more determined in their opposition to Obama.

It was the race to replace McCarthy that became the real fight despite the fact that the No. 3 slot is a thankless job, with little chance for a higher success rate than McCarthy had.

Steve Scalise, the head of the 176-member conservative Republican Study Committee, won the election to replace McCarthy as the Majority Whip position.

Scalise, promised to "bring a fresh new voice to the leadership table," and declined to say his victory should be seen as a win for the Tea Party.

He went then further saying: "This is a win for America, because we're going to be a more united team moving forward."

Given his RSC ties, Scalise <u>could</u> serve as a bridge between the far-right contingent of the conference and more mainstream factions, be a conservative sympathizer but also a team player with a respect for the establishment.

The new leadership hierarchy that emerged won't necessarily be the team the party keeps after the midterm elections.

Tea Party leaders want one of their own to replace Boehner after the midterms when the next leadership election will be held on Nov. 17.

Until then, conservatives will make Boehner's job difficult as they try to distinguish themselves from the current establishment and each other.

Immediately after the leadership elections Ted Cruz invited conservative House members to meet with him on June 24 for an "off-the-record" evening of discussion and fellowship.

The outcome of the November general election will help determine whether any or all of the leadership team survive.

The Cantor primary is a stark reminder of the instability within the conservative coalition.

The stakes are high in the Senate for both parties this election cycle and beyond.

Losing control of the Senate has colored everything the two parties have done this year.

President Obama has been openly telling financial backers that losing the Senate to Republicans would make his last two years in office unbearable.

I was however, surprised to read in the 6700 word Politico article, "The Obama Paradox" that in a meeting with Democratic Senators who questioned how committed the President was to fighting for the Senate majority, the President reportedly said; "I don't really care to be president without the Senate."

Ironically, it is the potentially power-shifting Democratic Senate contests in states where Obama is not welcome to campaign for Democrat incumbents.

Legislative debates in Congress have been tactical exercises based on poll-driven politics designed to motivate constituencies not to pass legislation addressing problems.

It is part of the power struggle that will play out between now and November.

This has not been an election where both parties battle over an issue.

Instead, the two parties are campaigning with divergent assumptions about sets of issues that voters care about and the intensity with which they care about them.

The parties have fundamentally different assumptions about what it will take to win.

If midterm elections are about mobilizing the base, then both parties can take heart in the Pew research, which showed their bands of hard-core supporters have grown bigger and more hard-core than ever before.

Pew also found the most partisan individuals are far more likely to <u>stay</u> engaged, after an election, contacting their legislators, which translates into favoring candidates who appeal to their Party's most active core constituency.

In 2016, there will be 24 Republican Senate seats up and only 10 Democratic seats.

Just as important, not a single Democratic seat up in 2016 is in a state that was carried by Mitt Romney in 2012.

By contrast, seven Republican Senators up in 2016 sit in states Obama carried in 2012 — Florida, Illinois, Iowa, New Hampshire, Ohio, Pennsylvania and Wisconsin — and an eighth sits in a state Obama carried in 2008, but narrowly lost in 2012 (North Carolina).

Both sides see 2014 as a bridge to the next main event in 2016, when both sense at least some chance of unified control of government.

The 2016 Presidential election will bring out more voters adding to the importance of that election.

The results of the 2016 elections will be particularly important for both parties because the class of 2018 is so unbalanced, with 25 Democrats and only eight Republicans up for reelect.

Obama knows the only way to make the last years of his Presidency productive is to hold the Senate in the midterm election this November.

Yet, there are concerns with Senate Democrats that President Obama's second-term focus is on <u>his</u> legacy and is coming into direct conflict with their pursuits in the midterm elections.

That sentiment also results in a lack of trust.

Obama is complicating the messaging for some Democratic Senators and candidates by exposing them to political risks he refused to take himself before his own reelection.

In the contest between presidential legacy and Democratic Senate control, Obama has chosen legacy.

Republicans believe that if they take back the Senate and control both chambers of Congress next year, the president will have no choice but to begin to deal with them differently.

That too, is at the heart of the power struggle that will play out between now and November.

The aim of both political parties and political movements within each Party is power, power for the purpose of implementing the movement's beliefs.

Politics is about disagreement and conflicts over policy solutions.

Political power is the means through which that struggle is conducted.

This election is about "power."

Politics is in essence power.

Politics is also about keeping one eye on today and another eye on tomorrow.

So, while the political parties are focused on 2014, they have another eye looking at 2016.