

Perspectives on the US Midterm Elections

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Gideon Rachman

Good afternoon, welcome to Chatham House. I'm Gideon Rachman, I work for the *Financial Times*. I've got the easy job this afternoon: I'm just chairing and introducing the speakers. On my right, we've got Xenia Wickett from the home team. She's the project director of the US Programme here at Chatham House. On my left, we've got Craig Calhoun, director of the London School of Economics. In this age of title inflation, I should add that 'director' actually means what it sounds like: he runs the place.

So the format of this is really pretty simple. Both Craig and Xenia will speak for about 10 to 15 minutes, that's the first half of our programme this afternoon. Then the second half-hour is devoted to discussion and questions from the floor. So as they say: without further ado, Xenia, could I invite you to give us some remarks on the US midterms?

Xenia Wickett

Thanks, Gideon, very much. Thank you all for coming. I feel like it's ten days gone -- isn't there something else that's happened in the meantime? I guess we're all kind of keen to understand what actually happens next and how relevant is this.

So let me try and take less than 15 minutes and talk a little bit about both the myths and the realities that have been discussed around the midterms, and then some of the 'what does this actually mean', what happened? Let me give you two myths and two realities.

Myth number one is that this was a transformative election. No, this was not a transformative election. It's actually more of the same. The president's party, the Democrats, lost an average of 7.2 Senate seats and 37 House seats in second-term midterms in the last hundred years. In this case, it was 7 Senate, 13 House. So generally speaking, the party with the president loses in the second -- actually, loses both midterms but really loses in the second-term midterms. So again, we've seen this before. This could be anticipated.

We also have to remember that this was the lowest turnout in 72 years. So the last time you had lower turnout than this was in 1942. So was this a transformative election? No, it definitely was not a transformative election.

The other myth is that this is good news for the Republicans. Actually, I think the counterfactual: I think this is bad news for the Republicans, and I will go into it a little bit later on. But essentially these elections and the fact that the Republicans now hold the Senate and the House is going to emphasize the split in the Republican Party. As I describe it, there aren't two parties in the United States today: there are three parties in the United States today. It's going to emphasize that split within the Republican Party. Whether Mitch McConnell, who's going to be the new Senate leader, and John Boehner, who leads the Congress, can actually keep the party in the Senate and House together is a very big question. I would not want their job.

The other reason it's bad news for the Republicans is because there are now going to be expectations by Republican voters -- and actually by some Democratic voters -- that it's not business as usual in Washington. Things can get done. I hate to say it but I think it's highly unlikely that things are going to get done, for all sorts of reasons but not least, as you have to remember, that the president still is a Democrat and still holds the presidency and so can veto if necessary.

What is not a myth, what is reality: this was a repudiation of Obama, very much so. This was all about Obama on both sides. You have to remember the Republicans used Obama as a whipping boy again and again and again, throughout this campaign -- but the Democrats didn't even want to be seen with Obama. I think he actually got out there for one senatorial candidate and that was it. Everybody else asked him not to appear. So this really was all about Obama.

The other reality unfortunately is that this is going to lead to continued dysfunction in Washington. As some of you will have heard me say before, I don't believe the American system is broken but it is certainly dysfunctional today. It will continue to be dysfunctional.

But what happens next? What does this all mean? The first thing to say is: typically, the last two years of a second-term presidency are all about foreign policy. They're all about foreign policy because domestic policy can't be moved, because it's all about politics. We are already in the 2016 campaign for the presidency. That has already started now. So trying to get domestic policy through is extraordinarily hard. This is all going to be about foreign policy. I think that's a bit of an exaggeration but I think that that probably is true here.

Four likely policy initiatives coming out of Congress. The first one, sadly, is -- particularly if Hillary Clinton runs -- it's going to be all about Benghazi again. So anticipate seeing a lot more hearings on Benghazi. Now, some of the mainstream Republicans have said: no, we don't want to take that route. But Ted Cruz, amongst others, has said very clearly: yes, we've got to revisit that.

The other one that Ted Cruz has said very clearly that we have to revisit is Obamacare. So again, health care reform, there's going to be an awful lot of trying to revisit that. Again, there's a split there within the Republican Party about whether they should or should not, but there is a faction that very much thinks that's important.

Two other areas where we may see progress that might be a little bit more positive than those first two coming from Congress. The first is tax reform. It is possible that the Republicans will try to put forward tax reform. Whether they are actually able to put forward a bill that is balanced enough that Obama will sign it is a different question entirely, because you know that the Republicans are going to say: we need to use this now, we need to use the vote that we've just been given. So they are likely to put forward something very strong and Obama could well veto it. So whether we actually get a bill through the whole system or not is a different matter but we could see some progress on tax reform.

The other area where I think we could see some progress is in the energy space, particularly things like the Keystone pipeline. Again, we could actually see some movement led by Congress in the Keystone pipeline, in issues like export of shale gas, that will be led by the Republican Party on the Hill.

There are a few policy initiatives that the Obama administration -- that the administration more broadly and Obama will actually try and move forward, I believe. All in the quasi-domestic, quasi-foreign-policy space. The first is immigration. You could actually see immigration be moved by Congress as well but frankly I think it will be very hard for them to come to some immigration bill that actually both sides of the Republican Party can agree on. You're definitely going to see action from President Obama. You'll probably see it through executive order. If he does that, then it means nothing is going to happen through Congress, because it's going to antagonize like nothing else (I think 'a red rag to a bull' was the expression, or something similar, that John Boehner used).

The second area that you may see Obama try and move forward is in trade. Again, this is an area that really is an opportunity. You saw this in the final two years of the Clinton administration too. This is an area where both -- open trade is something that the Republicans tend to feel more dearly than do the Democrats and so it's an area where you can see Obama -- you can imagine a scenario where Obama comes together with the Republican-held Congress. So I think we could see progress there.

In that space, we could actually see progress in the coming months, because the first step in getting TTIP or TTP (which is the Asian trade deal) through is trade promotion authority (TPA), which Obama needs. You could see trade promotion authority go through in the next few months. If it does, that's a very good sign both for TTIP and for TPP.

The third area that I think you're going to see movement from President Obama is in the environment space. He's made it very clear he wants to make progress. Actually if you look at what's happened in the last couple of years, there has been a fair amount of progress made.

All of these, where possible, are going to be made through executive order. Obama, again, has made it very clear that if he can't get something through the Hill, he'll do it himself. The biggest thing to remember there is if he does it by executive order, that stands for two years, and when he steps down the next president -- particularly if they're Republican -- could reverse that. So that leaves an awful lot of uncertainty in the minds of corporates, in the minds of the international community.

Let me say one other thing about policies that will or will not go through. There is going to be a lot of trouble in getting domestic policies through, but do not assume that because there's continued dysfunction that means America's foreign policy -- particularly in the area of national security -- is not going to move at all. What we saw back in September with the vote in the Senate on arming and training Syrian rebels is that actually on national security issues, you can see the Republicans and the Democrats coming together. That was a bipartisan vote. You're likely to see the Democrats be slightly more hawkish than they have been historically in the run-up to a general election as well. So I think there are great opportunities for the two sides to work together on things that they believe threaten the American homeland or the American people. Again, with all the dysfunction in the back, which I'm sure we're going to focus on, do not assume that carries over into national security areas.

Let me briefly say something about 2016 and beyond. I mentioned earlier that I think one of the myths about this is that the Republican win is good for the Republicans; I actually think it's bad for the Republicans, because of these high expectations. The voters are going to expect them to get policy forward and they're going to have a lot of trouble doing that.

The other problem that the Republicans are going to have is the public generally doesn't like all the parts of government to be held by one party. So if the Republicans are holding the House, and they're very unlikely to lose that in 2016, and they're holding the Senate, which they could lose in 2016, then it makes it actually that much harder for the argument to be said: we also deserve to hold the presidency. Particularly if they haven't been able to move forward policy in the last two years.

But do not assume that Hillary Clinton is a shoo-in for 2016. I actually am a lot less confident that she is actually going to run. Most of the media talks about her being a shoo-in to run for the Democratic primary and probably a shoo-in for the presidency. I definitely do not think she has the presidency sewn up and I'm actually not convinced that she's going to run. We'll see that in the next coming months. She will leave it as long as she possibly can.

On the other side, the Republican candidates, I made myself a shortlist that came to about 10 or 11 likely candidates, ranging from those in the Senate and House (Rand Paul, Ted Cruz, Marco Rubio, Rob Portman, Paul Ryan) to governors and former governors (Scott Walker, Chris Christie, Rick Perry, Jeb Bush, Bobby Jindal, Mike Huckabee). If they're running from the Senate and the House, it will be all about positioning themselves for 2016. So again, that's going to make the Congress more dysfunctional. But there is a vast range of Republicans out there who are likely to run.

What does this mean internationally? This is where I'll close. Yes, more of the same political dysfunction, partisanship -- but yes, also some progress on international issues, whether it's in the national security space, in trade, in energy. But do anticipate this: you are going to see, as you always do at this time of year, a very distracted America for the next two years. So if we want to get things done, it's going to have to be led by us, not by the United States.

Gideon Rachman

Xenia, thank you very much indeed. Craig, it's your turn now.

Craig Calhoun

Thanks very much. I could make this lots more interesting if I would lie, but in fact I agree with almost everything that Xenia said, so this might be a tad boring. I'll not repeat most of the points of agreement.

This was a grumpy, mean-spirited, angry election. So one thing to take out of it is it showed a country in a collective bad mood and the actual campaigns made the bad mood worse. So although people won in the campaign, they didn't win in a great affirmation of what they stood for. As Xenia noted, the Republican Party ran against Obama, and it ran against Obama everywhere. One of the effective things they did, in organizational electoral terms, was achieve national unity in running against Obama. They just ran clearly against Obama. They didn't run anywhere near so clearly for anything as they ran against Obama, and that's one of the challenges going into legislating and going into 2016.

But the national mood question is not irrelevant. It's slightly puzzling -- at least, it puzzles people who think that with the economy recovering, and the US economy is one of the few bright spots in looking at global economic matters, that this ought to have translated into more sympathy for Obama. It didn't, at all. That might be a little bit how Obama has made the case but it is largely that the recovery is uneven and unequal, in ways which were characteristic of the boom years before 2008 and remain true. It means that a lot of people don't feel the recovery yet.

The low turnout is also relevant to this, which Xenia pointed to, because it shows that a lot of people were perfectly prepared to have the Republicans win but not so passionate that they were driven to the polls. There's not a sort of groundswell in this. There is a grumpy, resigned character to some of it and an anger to other parts of it.

One thing Xenia didn't mention that I will throw in, so that I can say I said something she didn't, is the issue of the cost of the campaign and the relatively dead issue of finance reform. The campaign cost nearly \$4 billion. That's an enormous amount of money to spend on a low turnout, largely negative campaign.

This is due partly to failed campaign finance reform over a period of time, partly to loosening of the rules on corporate donations four years ago. The result is something which Xenia did mention, which I think is that people are running for either re-election or their next higher office from the moment they win, even before they get sworn in. This is another reason not to expect very much strong action from the coming Congress. I think we've created a system where it costs so much to run that fundraising is the first job of every congressman. What people point to when they point to the campaign finance issue is that most people in office are well-off, and that's true, but I think that's not the really significant point. The really significant point is how they're spending their time, that they're spending so much of it on fundraising and that they're building a web of relationships in that which hamstringing them in terms of a variety of important issues -- which make them more dependent on lobbyists, because they're spending their time fundraising, not developing expertise on issues. So many bills start out as lobbyists' desiderata and get marked up and changed, but the ability to really play the critical role of legislators is undermined.

There's also the sheer polarization. It's not that this has never happened before, it has happened before, but it's pretty strong. The Republicans and the Democrats are pretty separate, not just on the issues but geographically. This is reinforced by gerrymandering that's gone on in the last few years -- the redistricting that has made districts more secure for (particularly Republican) incumbents that shaped this, but which has produced a clearer geography of this. It has the odd effect that there are all manner of Americans who never encounter people with really different views than theirs on this. So Republicans who live without running into many liberal Democrats -- liberal Democrats who live without running into many conservative Republicans. The polarization isn't just in Washington, it's actually a sort of layout in the country to some extent that makes it hard to figure out how a centre will get rebuilt.

In the Republican Party, exactly as Xenia has said, there are splits -- though I'd add that it's not just split in two. There are multiple, partially coinciding splits. So there's a mainstream and fringe split between people who are more clearly career politicians -- people like Mitch McConnell, like John Boehner; whatever their ideological positions, long-term politicians interested in making things work. This means that they're more interested in making deals, and they are leaders in a position to make deals. But there are a lot of people who have not been career politicians or, even if career politicians, come from fairly fringe positions and are more interested in their ideological stands. That's reinforced by the fact that in Congress especially, they're up for re-election almost immediately. So they are grandstanding rather than looking to make deals. This is a challenge for the Republicans.

The Republicans made it harder for themselves in one sense, by a move that has been effective in other ways when they were more in opposition. This is by deciding that they would not split their votes in Congress -- effectively, that any bill that was going to get the support of any Republicans had to be agreed by a majority of the caucus. This means that it's harder to get bipartisan support than it would be otherwise for movement going forward. So this is going to be a difficulty for the Republican leadership.

I think the Republican leadership actually would like to show itself effective, so that the McConnell-Boehner top end of Republican leadership in both House and Senate has a strong incentive to find a way to work with the administration and a way to get legislation passed and a way to confront some of these issues on the agenda. I just think they're going to find it extremely hard on their own side to do this.

We have further structural issues, like the way the veto works in the Senate now. The potential to filibuster remains relatively unimpeded and what it means is that it only takes 41 votes to essentially block action. It doesn't happen very often but it's threatened a lot. When people do the counting of votes and they see, oh, there are 41 votes there out of 100, that's enough to block anything. It's not enough to have 59 out of 100 in favour of it. You can't do something at that level.

It's worth recalling of the US constitutional structure that it's two senators per state, even tiny states. Larry Sabato, a political scientist at the University of Chicago, calculated that states home to just 11 per cent of the population hold the capacity to block any legislation. So you have an extra sticking factor there that will give legislative difficulties even to the seemingly strong Republican majority.

Then you add in the issues of the Tea Party, which has become a name for not an organization but a variety of people who are willing to stand in a way that -- or are willing to lose elections in order to take strong stands. That's not the position of Mitch McConnell or John Boehner and so forth. They have slightly different views. Then there are the libertarians, Rand Paul & Co. So the people who are going to be troublesome to the Republican leadership come from various different positions. Some of them are calling for legalization of marijuana and a variety of libertarian initiatives that are hardly the stuff of Republican conservatism. So the ability to get things through is challenged.

I'd add that's less true in most state legislatures, and lots of action is shifting. So one of the things that's happening is actually shifting from the federal arena to the state legislatures because it's more possible to get things through. It's more possible to be bipartisan in some places than others, and there are more Republican majorities now than there were. It's more possible for the Republicans to actually get their legislation through in state legislatures than it is on the national level. So a lot of what they're doing is working state by state on a range of things, and I expect that will continue.

On the Democratic side, I might place a slightly different bet, if Xenia and I were both forced to bet, but I think her analysis is about right. The different spin I'd give is I think that the Democrats are acting as though Hillary is anointed, the press is acting as though Hillary is anointed and that it's a done deal, and nobody else is getting ready to run. Some people are testing the waters: Joe Biden has tested the waters or something. There are no other credible candidates who have begun a process of gathering the financial capacity, building the network, building the organizational capacity at the grassroots -- and it takes a lot of organizational capacity to run -- and building the alliance structure (even a 'just in case' alliance structure).

So my impression here is that a big issue is: if Hillary doesn't run, nobody else in the Democratic side is really ready and has really established credibility, and that's dangerous. It's really hard to do that late in the day. My own guess is different in that, forced to bet, I'd guess Hillary will run. But I think Xenia points to a key issue: she won't want to run if she's sure she's going to lose in the main election, and if this looks really bleak she won't. But my best guess is she will run, that will happen.

I think it isn't entirely clear that she'll win in the general election; I think it's pretty promising she'd win in the primary. I think a reason for that is the old Democratic coalition, which she would bring out better than anyone else, is losing its capacity to be majoritarian. The Democratic side is -- there are two ways of looking at things. There is commanding the loyalty of this so-called coalition of a variety of different groups of workers and blacks and Hispanics and urban northeastern voters and so forth. The other way to look at it is what actually carried Obama in 2008: a sort of social movement style of campaigning. I think it's less clear that Hillary can mobilize the social movement style of campaigning, that she can bring out the young. I think she's going to look a lot like the past to a lot of people, and therefore it's not clear that she will be able to mobilize beyond the fairly core, fairly organized groups which I think she can carry, which would yield the nomination perhaps but not necessarily the general election.

Beyond that, there is a question that -- there are Democrats who are much loved by, if you will, the core of the Democratic Party of each kind. There are people like Elizabeth Warren who could run as something of a movement candidate, who has some of that on her side. I don't think she can probably get the

nomination but there are these people out there. So an interesting question to watch for is: do any of these people stick their heads up above the parapet, expose themselves to the potential attacks -- and the Clinton campaign is quite prepared to attack people who are threatening it, even if they haven't declared running yet. I think most people will stay cautious and so the Democrats, in a sense, won't be ready unless Hillary is the candidate. All the more reason perhaps that the Democrats should hope she is.

The other thing that will happen in the next couple of years is the administration will try to do things by executive order and other ways. I think there is no chance the Obama administration will just give up its agenda. It will change what it thinks it can do but it will try to be effective. Obama will try to build a legacy, try to get some good things done. But leaders will begin to drift away, people will start to drift away from the administration, either into getting ready for the next campaign or into other kinds of jobs or trying to make money because they haven't been saving while they were in office. I think that's going to be a challenge. We already see bits and pieces of this happening; Eric Holder, for example, recently.

Governing by executive order, which is very much on the table, isn't easy. Most stuff is hard to do by executive order, so it's not only time-limited in the way that Xenia said. It's not as easy to get a wide range of things. The Republicans do have some capacity to act counter to executive orders and could potentially muster strong enough majorities to do that in some cases. But also, this works best on fairly focused things, so if you have a really well focused issue that isn't terribly costly, so it doesn't need a budget allocation, then executive order can work. But if you need a budget allocation or if it's a fairly broad platform kind of issue -- as migration largely is -- it's harder.

So what is on the agenda and what can happen? There will be attacks on healthcare, on the Obama healthcare legislation. Whether they will succeed is unclear, either in the courts or in Congress. I think there's no way there won't be attacks. My best guess would be that the Republican leadership doesn't want to go there, doesn't want to invest itself heavily in that -- will give lip service to being unhappy with Obamacare but won't care, but Ted Cruz and a variety of others will care. So this will be an annoyance to the mainstream of the Republican Party because they won't be able to completely win the campaign and win votes out of it but they won't be able to not put it on the agenda either, because some people will feel strongly about it. There might be chipping away at it. It was already compromise legislation so chipping away at it makes it less and less viable.

Migration is on the agenda for both parties. If there is a surprise happy win, this is it. I would say if there's one single thing that, despite their differences, they might get together on, they might do something good, it's immigration reform. So if you want to leave this room hopeful rather than depressed, this is the thing. It would be a paradox in a certain way because this is one of the issues that they attack each other over, but I think there might be common ground there.

I think there's probably not, unfortunately, on larger budget issues and the overall federal budget. I won't try to go into why. Conceivably on tax reform -- I think this is the second one, though less likely, potential place where the compromises get found. On trade, I agree Obama will go there and he will do it. There might be a paradoxical win here because it's the Democrats that have stopped Obama from having fast-track authority in the previous period. So it isn't the case that he's been blocked by Republicans and it might be that the Republicans take a certain pleasure in giving him the fast-track authority that the Democrats previously denied him.

I think he'll try to do some things on the environment and indeed on energy. My guess is on the environment, it will be small things, so some things will get done. They won't measure up to the scale of environmental challenges, let alone climate change, and so they won't make happy the people who are

really worried about the environment. But there will be a little bit of stuff. The energy issue -- the pressure is a bit off so there might be action. I agree, Keystone might go through and so forth. But the pressure is off. The US is not facing dire energy problems, prices are down and so forth. So could happen, but maybe not.

The other thing that's on the agenda is war. I'd put it the same as Xenia's analysis but more strongly. The US is at war. It's not really in a sort of formal, declared way. We've just doubled the number of troops that are sent as trainers and advisers to Iraq. People are dying. The foreign engagements -- nobody has an appetite for this and yet this may be a bipartisan coalition. So in the desire to do something and attempt to prove that they are doing something, there may be in fact increased overseas military action. That should be worrying for the most part because it won't be part of an effective long-term strategy. Whatever you think of military strategies, it won't be that. The world is a really messy place now, with lots of potential places to involve the military that have at least plausible rationales. So I think there is a considerably heightened risk of intensified military action.

I'll close with something else I expect I don't disagree with Xenia on, but I'll put it a different way. I think if you want to look at some areas of inaction that are significant, I think that multilateral global action is not going to happen. So it's not only not going to be led by the United States, it's hard to know who else is going to lead it. Europe, in current circumstances? So global finance -- already the financial crisis has not seen any major improvements to the global financial architecture. There is not a multilateral will to do this and there's not going to be in the next couple of years. Multilateral organizations, the old Bretton Woods institutions, are in decline and decay. At a moment when we perhaps need them more than ever, they have less clout. The World Bank, the IMF -- the G20, which had its brief moment of glory, its kind of one and only moment of glory, in the financial crisis, isn't likely to become effective. So one of the results of the US election is going to be further drift in multilateral affairs globally, unfortunately. I'll stop there, thanks.

Gideon Rachman

Thank you very much indeed, Craig.