

Teatro Series – Race to the White House and Beyond

The 2nd annual speakers series, held in Calgary at Teatro Restaurant, explores the key issues in the 2008 US election and an analysis post election

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McCain's missed opportunities

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The following is an edited transcript of Michael Barone's talk at the Teatro Series. Mr. Barone is a US election expert and political commentator for Fox News and U.S. News and World Report. He is also a Resident Fellow at the American Enterprise Institute.

We're just five days away from the U.S. presidential election in which there seems to be continual interest north of the border, or in the case of Windsor, south of the border, as there is around the world in various places. It's been a very exciting year and an unusual year. It's a very different kind of politics than we had in the presidential election year 2004, that we had really in the whole period that ran from about 1995 to 2005. That was a time that I call a period of trench warfare politics. The two parties, both the politicians and the voters, were lined up like two armies in a culture war. There were very few people deserting to the other side. They fought over very close, small pieces of territory that meant the difference between victory and defeat. During the '04 election in particular, there was a great struggle on the part of both campaigns to try and register and get out the vote, to get as many new voters as they could, to make the difference between victory and defeat. And Bush and the Republicans won that. It was a period of really static politics where things didn't change very month in political alignments.

Since then we've had a lot of change. It's what I call a period of open field politics, where the politicians are moving around, the voters are moving around, and we've had all sorts of changes. We had the Democrats winning control of the House of Representatives and winning a majority in the Senate in the 2006 elections. I advisedly don't use the word control of the Senate because usually nobody controls the Senate, where you have to have unanimous consent to have the rules obtained and the rules put in force.

Obviously, I think that the '06 verdict and the fact that the Democrats started off this year ahead in the polls and seem to be ahead in the polls as we approach the election, was a verdict not so much on ideology but on competence. A negative verdict on George Bush for incompetence in Hurricane Katrina, in Iraq, a negative verdict on congressional Republicans for incompetence on the Bridge to Nowhere, on the Mark Foley page scandal and so forth. I don't think voters in 2006 were so much voting affirmatively for the Democrats' policies as they were voting for giving the other side a chance to show that they could be more competent than the people that were in there at the time. And I think that was the frame of mind in which American voters started out the beginning of this year.

If you look at the beginning of this year, before the January 3rd Iowa caucuses held on the ninth day of Christmas -- they couldn't even wait for the 12th day to be over before they held the Iowa caucuses -- the fundamentals basically favoured the Democrats. President Bush's job rating was very low, as it has continued to be. Democrats had an advantage on party identification and on generic vote, which candidate's vote you would vote for in the House of Representatives, of about ten points or more. They clearly went into the field as the favourites and many people expected that Hillary Clinton would be elected, that we would have a succession of Bush Clinton Bush Clinton. That certainly seemed to be the likeliest possibility at the beginning of this year.

But a lot of things have happened during this year. And in this period of open field politics it seems to me a lot of unforeseen events have changed political preference, have changed the political playing field, have changed the balance back and forth. It's been a fascinating process to watch and there have been all kinds of surprises. Political pundits, none of them, even me, have been able to predict everything. In fact, many have been right to predict nothing.

A number of developments in the first eight months of the year actually benefitted the Republicans and put them in greater contention than the fundamentals that existed at the beginning of the year would have suggested. And it reminds me of the old joke about the guy who's on the roof of his house and there's a flood that's engulfing the neighbourhood. The waters are rising higher and he's a very religious man. He prays to God, "Lord, save me, save me, come down and save me from this terrible flood." And as he's praying some guy comes by in a boat and he says, here, I'll save you. And the guy on the roof says, "No, no, I don't need that, the Lord will save me." About 15 minutes later the waters are rising higher. Another guy comes by in a boat and the guy in the boat says I'll help you out of here. He says, "No, no, the Lord will save me, the Lord will save me." This goes on with a third boat, and the water's getting higher. It's just about at the tip of the roof. He's about to be swept out

with the flood. And he says, "Lord, I've been your faithful servant, prayed to you and everything, Lord why have you forsaken me? Why have you let me be drowned by these floodwaters?" And a voice comes down from the heavens that says, "Well I did send three boats."

The Republicans and John McCain were sent three boats during the first part of the year that really altered the political balance and put them in contention by the beginning of September.

The first boat was the fact that McCain clinched the Republican nomination early by very narrow plurality victories in important primaries. With the Republican winner-take-all allocation rules he was able to clinch the nomination by February 5. Meanwhile, there was a protracted battle on the Democratic side between Hillary Clinton and Barack Obama – a kind of tribal warfare within the Democratic party. Young versus old, upscale versus downscale, wine drinker versus beer drinker, as some people put it. Blacks versus Latinos. Academics versus Appalachians. Barack Obama getting huge percentages in university towns and Hillary Clinton getting huge percentages along the Appalachian chain that was settled by warlike Scots-Irish, not unlike some of the suburbs of Canada, going down from southwest Pennsylvania through to West Virginia, Kentucky, Tennessee, and into Texas. And that went on until June 3rd, with Barack Obama winning very narrowly. The Democrats have proportional delegate allocation rules which means that nobody could win by very much in any of these contests. Hillary Clinton actually won more votes in primaries and more delegates than Barack Obama. But astonishingly, her campaign failed to compete effectively in the caucuses, and that's where Obama got his majority. So that was one boat that helped the Republicans, at least marginally.

The second boat was the success of the surge in Iraq. While it was generally unpredicted and unreported by most mainstream media in the United States -- only grudgingly acknowledged -- the knowledge did ultimately penetrate through to voters, and that changed the balance on that issue. At the beginning of the year Iraq was a major issue in the campaign and opinion was overwhelmingly against the Republicans. Now the balance has changed. Obama can claim, as he did in the debates, that he opposed the military action in 2002-2003 and that he was right to do so. Majority opinion agrees with that retrospective judgment. But McCain can also claim, as he did in the debates, that he favoured the surge strategy long before Bush did. That it worked. That it produced victory. That Obama's judgment would have produced defeat. That's also a majority judgment. So an issue that threatened to be a very major negative for the Republicans has turned out to be kind of a wash, has declined in salience.

The third boat was the four dollar a gallon gasoline. I gather in Calgary four dollar a gallon gasoline – imperial or otherwise -- would not

raise an eyebrow. There was a fascinating study in the United States. When gasoline was \$2.00, \$2.50, \$3.00, \$3.50 a gallon, the majority of Americans opposed offshore oil drilling in the Arctic National Wildlife Refuge in Alaska. At four dollars a gallon, opinion switched. The majority went to the other side. They basically moved from saying, let's preserve the pristine environment, to, nuke the caribou. Basically the majority opinion in the U.S. became drill, baby, drill, in the eloquent language of the Republican national convention, and the Democrats were caught on the wrong side of what was, at least for a while, a very major public issue and a real gift to the Republicans.

And by adroit campaign management and coming out of a two-party convention, John McCain was actually ahead. If you look at the polling for the first two weeks of September he was leading probably by two to three points. He was behind a little bit in some of the States that George W. Bush won in '04 but he was also very competitive in states that John Kerry won in 2004. It was a very competitive and close election, with McCain appearing to have a slight advantage despite the huge disadvantages of the Republican party.

Then the flood came over the roof. The financial crisis, the collapse of Lehman Brothers on September 15, the coagulation of credit noted by Treasury Secretary Henry Paulson and Federal Reserve Board chairman Ben Bernanke on September 18. Their call on September 19 for their three-page financial rescue package or bailout, whichever you want to call it, and the ensuing congressional debate about that.

And that really changed the balance of the campaign very much. Barack Obama said, look, this is the result of deregulation in the Reagan and Bush years. We've got government out of here and we need to get government back in. I think intellectually those are quite weak arguments, because the particular deregulatory measures that he may have been referring to didn't really produce the crisis. McCain had an argument on the other side which he failed conspicuously to make, which was on an important and arguably central issue involving the proliferation of toxic mortgage securities, on Fannie Mae and Freddie Mac and government sponsored enterprises which between 2004 and 2007 injected one trillion dollars worth of toxic waste mortgages into financial institutions in the United States and in every part of the world except in the sensible Dominion of Canada. The Republicans, including John McCain, sought tighter regulation of Fannie Mae and Freddie Mac. It was the Democrats who opposed it, particularly in a Senate banking committee vote in 2005. It was absolutely a partisan split that prevented changes which might have vastly altered the behaviour of Fannie Mae and Freddie Mac and prevented a great deal of this.

That argument was available to McCain. He could have made it, replete with references to the greed of Democratic lobbyists and people

like Jim Johnson and Frank Raines, who headed Fannie Mae and respectively took out for their seven and six year services \$120 million and \$90 million, and were caught up in an accounting scandal. Nice government work if you can get it. But McCain unaccountably did not make that argument. Instead, he kind of flailed against Wall Street greed. Then he said he was suspending his campaign and coming to Washington. Then he said he was going to lobby for this bill, which then didn't pass the House of Representatives. Then he said he might not go to the first candidates' debate. Meanwhile Barack Obama maintained a calm demeanour. He did not make much in the way of substantive suggestions as to what ought to be done. Neither did McCain. And he ended up supporting the rescue package that ultimately passed the Senate and the House on October 1st and October 3rd, done with a little behind the scenes stuff.

But the contrast between the two was devastating for McCain. I think that, on the one hand, McCain seemed to voters to be impulsive and erratic and that Obama seemed to be calm and secure. And when I look at the polling data, when I look at the verbatims, when I look at the stuff you get out of focus groups and so forth, the evidence seems to be overwhelming that that really changed the balance of the campaign. You can certainly see it in the polling tracks. McCain was ahead coming out of the Republican convention in the first two weeks of September. If you look at the Real Clear Politics.com average of recent polls and tracking, you can look at September 18 and see the lines cross. At that point -- which reflected three days of polling from the September 15th collapse of Lehman Brothers -- Barack Obama overtook John McCain and basically has been ahead of him ever since.

That has mostly been the story of the campaign, at least from September 15 through October 12: On that day, Barack Obama met with the person who has emerged as the chief political philosopher of the 2008 campaign, Joe the Plumber -- Joe Werzelbacher -- in Sylvania Township, Ohio, outside Toledo. That was the day Barack Obama said that if you spread the wealth around it's better for everyone. And Joe the Plumber thought that higher taxes were not going to be so good. McCain used Joe the Plumber, having not used good lines which he had available and which were well known to his economic advisors. I ran into Douglas Holtz-Eakin, his chief economic adviser, the other day, and I said, "Doug, why didn't McCain use the Fannie Freddie argument?" And he said, "Yeah, why didn't he? We all knew those arguments were there. He just didn't do it."

So we're looking at a situation now where the polling data, if you look at the Real Clear Politics.com average, it's about 50 to 44 on national polling, Obama over McCain. If you look at a particular state, you're looking at Obama ahead, sometimes by significant margins, sometimes by very narrow margins. This may or may not prove meaningful in the actual

results in a lot of states that went for Bush '04, leading by a wide margin in Iowa, Colorado, New Mexico, Virginia, narrower margins in Ohio, Florida, North Carolina. North Carolina had been thought to be in play four years ago, even though we had a North Carolinian on the Democratic ticket as vice-president, the late and unlamented John Edwards. We've got states that during the September 1 through 15 period seemed well within McCain's reach -- Wisconsin, Minnesota, Michigan and Pennsylvania -- now seeming out of reach, though he has been campaigning effectively, or a lot, in Pennsylvania. How effectively remains to be seen. And there are some anomalies in the Pennsylvania polls which I'd be glad to discuss at greater length.

One of the interesting things that I found in determining the Pennsylvania polls is how the support works. Looking at the polls that break down Pennsylvania by region, what I see is that in the areas that are heavily blue collar -- like Metro Pittsburgh, southwest Pennsylvania, northeast Pennsylvania around the Anthracite centres of Scranton-Wilkes Barre, areas that historically have been Democratic, that when John Kennedy was running as the first Catholic candidate went very heavily for Kennedy -- in those areas McCain has been running about even. He's been running much better than ordinary Republicans have run. But in the Philadelphia suburbs -- the four counties, Bucks, Chester, Delaware and Montgomery, which are about thirty percent of the vote in a state which is historically Republican, which went Democratic under Clinton, went about 53% for John Kerry in 2004 -- those are showing two to one margins for Barack Obama in the polls. I think the McCain campaign just doesn't believe that and is trying to take a chance that they might be wrong and I think the Obama campaign is nervous on the grounds that might be right because Obama's also spending time in Pennsylvania.

If those numbers turn out to be the kind of numbers that we get on election day, the Obama coalition will be an interesting one. It will be a top and bottom coalition. Black Americans, by no means all of them, are in the bottom of the economic scale. Latinos, who have gone heavily for Obama, although they didn't in the primaries, also. Not so much white working class, but the affluent people, the people who have seen the biggest, or at least the most visible and conspicuous wealth destruction in the last couple of years, whose real estate values have gone down conspicuously, will also be part of the coalition. You know, they're in a \$450,000 house that's now \$290,000. If you live up in Scranton your house was never worth more than about \$112,000 anyway. And if it's worth \$104,000 well, you know, you never expected to live off the value of that house anyhow. How many people are going to want to open their Merrill Lynch account papers this month, and see what happened to their stock portfolio or their quarterly 401K reports? The hypothesis there is that affluent people usually punish the Republican party when there's wealth destruction under a Republican

president. We saw something like this in 1992, when George H. W. Bush's biggest losses in percentage of the vote between 1988 and 1992 came in southern California and in New Hampshire, which also happened to have the biggest decline in house price values between those two periods. That's a very visible sign of wealth, either wealth accumulation or wealth destruction, for most people. We'll see how much this is justified by the election data which is obviously a lot harder data than polling data.

Regarding the consequences of the election, I think it's one of the characteristics of American elections -- more than in elections where you have a parliamentary system -- that some very small differences in results can make very big differences in public policy. I think this is an election in which that can very much be the case. 2000 was also such a case, George W. Bush prevailing over Al Gore by the thinnest of margins in Florida had enormous policy repercussions. We don't know what an Al Gore administration would have done, but we can imagine that it would, in some important ways, have been different from George W. Bush's administration. Many strong Democrats and some independents and Republicans think that none of our problems would have appeared, everything would have been hunky-dory, if Gore had got in.

We're looking at a similar situation this year. Obviously the chances of Barack Obama winning this election are very high. If you want to buy a contract to win a hundred dollars on In Trade, it'll cost you \$86.00 today. You can get a John McCain contract for \$12.00 if you go home and click on it. So you can make a lot more money if McCain wins but on the other hand, you've got to say that everybody else who is putting their money on the line thinks their chances are not very great. I think they're right if you look at the polling results in states right now. Obama is at about 350 to 360 electoral votes with 270 needed to elect. McCain's at about 170 or so. McCain obviously needs not to just win over one more state like Pennsylvania, which went narrowly for Kerry in '04, he's got to change the general thrust of opinion.

I think you can look at the recent tracking polls which today were showing percentage margins for Obama between three and eight percent, and you can make the argument that McCain is moving up a little and closing the gap. You can also make the argument that any changes have just been statistical noise given the narrow margin that is inherent in political polls, which are, after all, an imperfect instrument in gauging public opinion. So it's possible it could be closer. Many Democrats I know think that the big majority of votes currently registering as undecided will go to John McCain. That's certainly possible. That's a pattern we did see in the primaries, where Obama tended to get what he polled. If he was polling 44, 45 percent in Pennsylvania he ended up with 45 percent of the vote in Pennsylvania, and Hillary Clinton got the rest. Hillary Clinton and a

few percentage points for Dennis Kucinich or somebody else that may have still been in the race or on the ballot.

That's certainly one possibility, but given the fact that the national polls show Obama at 50, you give McCain 80 percent of the undecided voter and Obama is still ahead, although not by obviously as wide a margin as in current polling. So it seems to me that the chances obviously favour Obama seriously, and favour the contrast of impulsive versus calm in the storm. The flood of the financial crisis seems to have benefitted him a lot. McCain is now making the argument that look, this guy's going to raise taxes. That's a real problem if you're entering into a recessionary economy. Joe the Plumber knows that and you the voter should understand that too. I think that argument has made a little headway. Some of the arguments against Obama's past associations, about which he has been considerably less than candid, may have gained McCain some votes. But you still have to say Obama is ahead.

If you're looking for the policy implications, then you have to move along to the Senate races, because under our current system of government, the majority party in the House of Representatives pretty much controls the way things go. Under the rules of the House, Speaker Nancy Pelosi can pretty much make whatever she wants happen or not happen. She can choose to insist that she get some Republicans to go along with some Democrats, as she did on the financial bailout/rescue package, because she foresaw that if it was passed solely by Democrats they would get demagogued by Republicans saying this is a bailout of Wall Street. They did get some Republicans to go along, so if you look out at the campaign trail there are now some Republicans demagoguing Democratic incumbents who voted for the rescue package, and there are some Democrats demagoguing incumbent Republicans who voted for the bailout package. They don't have any shame on either side about doing that.

The Senate is a different thing. To pass controversial legislation in the Senate you need 60 out of a hundred votes. Democrats currently have 51 votes including Joe Lieberman, who's not a totally happy member of the Democratic caucus. They're on the attack in 11 seats, all held by Republicans. There's only one plausible possibility for a Republican to win a Democratic seat -- that's against Mary Landrieu in Louisiana. And it looks like that's not going to happen from current polling.

So where does the battle stand? Right now you've got four Democratic, four Republican seats, two where Republicans are ahead in double digits, Virginia and New Mexico, those are gone. Colorado and New Hampshire are high single digits for the Democratic candidate. John Sununu might pull it out in New Hampshire but that looks like it's gone. In Alaska we have Ted Stevens, who has felony convictions on seven more counts this week than he had last week, up for re-election. The latest polls

show him behind 52 - 44. I think that seat is gone unless Stevens says to the voters, look, if my appeal is unsuccessful and my conviction is affirmed, I'll resign the seat and let you vote again. I don't think Ted Stevens is going to do that and so I think that that seat is gone. So we're looking at five seats, putting the Democrats at 56.

What else have we got? We've got one seat that the Democrats were threatening in Mississippi, where it now looks like the Republicans have a double digit lead. That's not something for the Republicans to worry about. But you've got five more seats that are within three points in current polling. And on the results of those will rest the possibility of the Democrats being in a position to pass bills over filibusters or not. You've got races in North Carolina and Oregon where Senators Elizabeth Dole and Gordon Smith, who were not thought to be in trouble at the beginning of this year, are now behind in the polls. You've got Minnesota with Norm Coleman who won four years ago against Walter Mondale after Paul Wellstone died, and was replaced on the ballot by Mondale in the only race that Mondale's ever lost in Minnesota. Norm Coleman is moving ahead but that's uncertain. You've got two races in the South, Saxby Chambliss in Georgia, not thought to be a close race, but now a two point race in the polls for him, and minority leader Mitch McConnell in Kentucky who, I think, will pull it out.

You'll be able to tell fairly early in the evening whether the Democrats will get sixty or not. The polls close in Kentucky and Georgia at 7:00 p.m. eastern, which means that sometime around 5:00 p.m. Calgary time, while you folks are still busy working, we at Fox News will be able to get some sense of how those races are going. If Chambliss and McConnell hold on then the Democrats probably won't get sixty. Actually, I'm saying this against personal interest because my interest is to keep you watching Fox News all night so the ratings will be higher. But nonetheless, I think if one or both of them loses, you could see a sixty seat Democratic Senate.

What are the possible policy consequences? Well I think the possible policy consequences are to substantially alter the relationship that we've had between government and the private sector in the United States. That's been altered at inflection points in the United States before, forty years or so apart. The last two times these changes represented a response, not just to momentary problems, but to long-lasting experiences, which sunk deep into the lives of ordinary people.

The great Depression of the 1930's, the breadlines that formed then, convinced Americans that markets didn't work and government did. And we had a whole series of public policies that followed. Some of them, I would argue, were not as popular or successful as generally supposed -- and if you want to read my column about this, it's at Real Clear Politics.com this Wednesday or Thursday. The stagflation of the 1970's, the gas lines, produced the opposite inflection. Americans decided that

government doesn't work and that markets do. And we changed a lot of public policy as a consequence of that, as well as political things.

That experience of the seventies has been dispositive for much of our politics in the years since, because people who remembered the 1970's were adverse to big government. Bill Clinton won in 1992 by saying hey, I'm not going to be a big government Democrat, I'm going to be a new Democrat. But when he seemed to be governing, or she seemed to be governing, contrary to that -- remember the Clinton health care plan -- the Republicans were swept into office. And Clinton with the Republican congress compiled a record which I think can reasonably be described as a new Democratic record respectful of markets, including things like the conclusion of the North American Free Trade Agreement in 1993. Then we were dealing with an electorate where almost everybody remembered the seventies.

This year it's different. The median age voter was born around 1963-65. The median age voter never sat for an hour in a gas line waiting to fill up on gas. The median age voter never paid family bills out of a cheque book with declining real income. The median age voter never paid inflationary bills, wondering how they would make it. They never had to try and get a mortgage at 18 or 21 percent mortgage rates of the sort we had in the late 1970's and eighties. They're more open-minded on whether we need bigger government or not. They're more open to Barack Obama. The reaction of some of the younger voters among whom Obama is doing terrifically well is, oh the government will provide me with health care, health insurance, cool, you know, neat. Hey, there's no problem about that. That's the sort of reaction you get, because people are formed by their experience.

Political scientists are always trying to make internal rules about political behaviour and I think it's a venture that's doomed to fail because human beings make decisions based on the things they know. And the things you know if you experienced the 1930's or the 1970's are different from the things people who did not have those experiences know. Not many people study history so intimately or so vividly that it affects them in the ways that people who actually lived through those times were affected. I still hear from my mother, who is 89-years-old, about going to bed hungry in the 1930's. I still from her about when her father used to buy a lot of houses and rent them out to people and lost all his houses because he couldn't pay the taxes and the mortgages. That's still a vivid experience for an 89-year old voter. The good news for the Republicans is that there aren't that many 89-year old voters and those numbers are not going to go up. The number of people born in 1919 is not going to go up in the electorate. The bad news for the Republicans is that the number of people who remember the 1970's is not going to go up in the electorate either, and they're facing a problem with that this year.

What does it mean in policy terms? We will almost definitely have higher taxes on high earners. That's one of the issues that McCain is going back on at the cue of Joe the Plumber. Joe is not a high earner at present, but thinks that he might be some day and doesn't think that his money should be spread around to make it better for everyone, as Barack Obama told him. That issue has some legs. The fact is, Keynesian economics would not tell you to raise taxes in a period where you're about 100 percent sure you're going into a recession. Keynesian economics would say the opposite. And I think Obama's economic advisers, if they were starting from scratch today rather than having written a program 18 months ago, would not have included higher taxes on high earners. But the fact is the Bush tax cuts expire in 2010.

The Democrats in the House and the Senate are made up of two kinds of people, both of whom want higher taxes. The left wing Democrats, like Obama, want to spread wealth around. Charlie Gibson of ABC News asked Obama if he would raise capital gains taxes even though it would reduce revenues as has happened in the past. Obama said yes, I want to take that money away from people. I mean that's the spirit of the old Massachusetts Puritan sumptuary laws. No one should wear silk. You have that much money, we want to take it away from you. That motivates a lot of Democrats. The other is the blue dog Democrats, who are more conservative and very concerned about budget deficits. They want the revenue that standing models project that the government would get out of higher taxes on high earners, so I think that's an unstoppable combination. They've actually got to re-enact these tax cuts if they're going to continue. I think the chances of them doing that are nil.

I think on trade we're going to see more movement in the direction of protectionism, which is already the trajectory we are on, with the apparent breakdown of the Doha talks on the multilateral front, and with the House of Representatives changing the rules to reject the Columbia Free Trade Agreement on bilateral agreements. I think that the United States is not going to be negotiating them. It is a matter perhaps of interest to some in the room whether we will re-negotiate the North American Free Trade agreement and prohibit the import of lumber, oil and other things from Canada into the United States. I don't know that Obama has that in mind. I've talked to his economic advisor, Austin Goldsby, who says we just want labour and environment protections to be stronger. Well, I think they're probably stronger in Canada than in the United States. Obviously Mexico is another matter. In any case, that's the Democrats' mantra. Whether and how far we'll go on that route I don't know but I would note that the trademark policies of Herbert Hoover in 1929 and '33 were higher taxes on high earners and protectionism and we saw how they converted the stock market crash into the great Depression. So it seems to me those are ill-advised.

What about national health insurance? Obama wants to propose as an option, a national government health insurance plan which I think will crowd out private insurance from the market, expand the share of people who get government provided insurance, set up government in a position where it can dictate the cost of goods and services to providers and suppliers and can then be in a position to ration care. Ultimately, this is where you go when you do that. Others in the room may have various opinions on this subject from your experience here in Canada. But I think that's going to be a harder project. It's going to be harder because it costs money and then you start worrying about the blue dog Democrats with their green eye shades worrying about the budget. I think it's also hard because as we saw during the Clinton era, changing American health care provision is difficult because in the United States you have many health care delivery and many health care finance systems. And when you make a one size fits all change it may suit people in one area but not in another. And those regional differences cut across party lines.

In early 1994 I went to see Governor Mario Cuomo as he then was in his office in the World Trade Centre, as it then was, and I talked to him about a variety of issues. And I asked him about the Clinton health care plan, which was then pending and which most people in Washington felt was inevitable. One of my colleagues at U.S. News said they've got it all figured out except the financing.

Governor Cuomo said, the Clinton health care plan is great, it's terrific. They've got to change a couple of little things for New York. And I investigated what those little things were and it turned out they weren't little things, they were big things. It turned out that no New York House Democrat was supporting the Clinton health care plan because it eviscerated the teaching hospitals and their over-generous Medicaid program and the particular health care delivery systems that they had, and hospital employees union 1133 was going to get zapped. There was no way New York Democrats were going to go along with that. So that was one of the reasons.

Obama is trying to avoid that by making his plan an option. I think that's still going to be a difficult task, difficult intellectually, difficult politically. It is not clear whether they're going to be able to make much forward motion on that, beyond expanding children's health care.

I think we're going to see a move toward much more unionization in the United States if we have 60 Democratic votes in the Senate. With 60 Democratic votes, they're going to pass the card check bill, which will basically require employers to recognize unions as bargaining agents if 50 percent of the employees sign a card. And if five big union guys in varsity jackets come to your door and say, you do want to sign this card for the union, don't you and we know where you live and where your kids are at school, by the way, what are you going to do? That would have the effect

of abolishing secret ballots in unions. Andy Stern, the very shrewd and politically active head of the SEIU, projects 1.5 million new union members a year. Currently unions represent only eight percent of private sector employees in the United States and 47 percent of public sector employees. They want that eight percent increased. I think the card check bill has the potential to do it.

As a native of Detroit and having seen what the UAW's health care plan and 5000 pages of work rules have done to the firms which used to be quaintly called the big three auto makers and are now the Detroit three --about to become the Detroit two -- I'm not sure that's a step forward for the United States or its economy. But that's something that can easily happen depending on a few ballots in Georgia and Minnesota and Kentucky and Oregon and North Carolina. So bigger things are at stake in the American election than of which I think most American voters are aware. They are open to argument on Democrats change although if you test the card check bill 85 percent are against abolishing the secret ballot in union elections. But a lot of this has not been open to discussion.

Mainstream media in the United States has been very much embarked on a project of electing Obama. If you think that's just a gripe of the Republicans ask Hillary Clinton supporters, who will tell you the same thing from their experiences in the primaries. The idea of electing a black American as president is an idea that has great appeal to a majority of Americans. It certainly does to me. And I think you know Barack Obama came to our favourable attention by making a speech in '04 talking about transcending racial divide and so forth. It turns out the biography published in 1995 is about becoming more authentically black and not like other Americans, but the media has not been interested in exploring that. They've been interested in extending Obama's line.

He is a person of very little experience but he has shown great skill in his campaign. He has clearly run the best campaign this year and has shown the skill to come up with a successful strategy, to adhere to it and not flinch from it. I think that's a skill that's important in a president, even if he's never really run anything before. That's something that counts in his favour. But I think the Senate races will determine exactly how far we go down the policy path, at least during the next two years, towards a different balance between government and the private sector.

Obama, in my judgment, is a man of the hard left who, in advancing his career, has been very prudential about not exceeding the limits of what is politically acceptable in a given context. He's done that in Chicago. He's done that as a presidential candidate. I expect that he will do something similar as the president.