

Female: A debate now on the economic outlook between House Democrats and Republicans. Speakers include a Democratic caucus chairman, Rahm Emanuel and Republican conference chairman Adam Putnam hosted by the National Journal. This is an hour and a half.

Richard Sawaya: Good evening. I'm Richard Sawaya. I'm the vice president of government relations here at the George Washington University and on behalf of President Stephen Knapp and Chairman of the Board Russell Ramsey, the faculty, the staff, most of all the students here at the university, it's my pleasure to welcome you all, participants and audience, to what I understand is the first of a series of bipartisan Congressional debates.

Tonight's debate will be dedicated to the issue How American Can Promote Economic Growth and Opportunity. We at the university have been very pleased to work with the Democratic Leadership Council, the Congressional Institute, the House Republican Conference and the House Democratic Caucus to bring tonight's debate here on campus.

I must say it's my particular pleasure to welcome two of the participants back to this campus, both of whom are alums -- Representative Eric Cantor of Virginia who took his undergraduate degree in 1985 and Representative Steve Israel of New York who took his in 1981.

I must say that your careers in public service really speak well to the history and the mission of the George Washington University in the heart of the nation's capital.

Now tonight's debate will be moderated by Ron Brownstein. He may be known to many of you for his years of column work with the Los Angeles Times. He is now a columnist with the National Journal. Ron, the gavel is yours.

Ron Brownstein: Thank you everybody for coming. Good evening. Welcome to the first installment. The pilot episode of Congress debates, a series of debates between Republican and Democratic members of Congress, as Richard said, sponsored by the House Democratic Caucus, the House Republican Conference in cooperation with the Democratic Leadership Council and the Congressional Institute.

I am Ron Brownstein, a political director for Atlantic Media, columnist for National Journal and for the next 90 minutes I will be your moderator.

To start I have the good fortune to be able to report that this is in fact the first in what will be a series of four debates that the two sides have agreed to. The next debate will be on health care in early April in a location outside of Washington, D.C.

The question we will debate tonight though could not be more relevant or urgent for millions of Americans. How can America foster economic growth and opportunity?

In a larger sense, what we are examining here tonight is whether it is possible for the two parties to reach beyond the reflects of hyper-partisanship that too often now defines political life in Washington.

For much of the past two decades with only a few periods of exception, Washington has oscillated between two equally dysfunctional polls; immobilization where the two parties fight to stalemate and polarization where one party tries to impose its vision on the other, usually on a narrow party line basis.

I think most Americans would agree that neither option has produced solutions commensurate with the size of the challenges we face on issues from health care and energy to better balancing the costs and burdens of economic globalization.

This debate series represents an important effort to assess whether all of us in the national political community can do better. Our goal tonight is to produce a conversation that is spirited, but also substantive and civil and to examine incidentally whether the two sides might find more common ground than they usually do in their daily jousting on the House floor.

To consider these questions we are fortunate to have an outstanding group of members from each party. I'm tempted to say that not since Henry Clay dined alone has so much Congressional talent and acumen been collected in one place at one time.

For the Democrats we have Rahm Emanuel who is in his third term from Illinois and serves as the chair of the House Democratic Caucus. Next we have Artur Davis in his third term from Alabama, Steve Israel in his fourth term from New York and Rob Andrews, I believe our senior member, in his ninth term from New Jersey.

For the Republicans we have Adam Putnam of Florida who contrary to appearances is serving in his fourth term and is the

chair of the House Republican Conference. Next, Cathy McMorris Rodgers in her second term from Washington State, Paul Ryan in his fifth term from Washington and Eric Cantor in his fourth term from Virginia – Wisconsin I'm sorry. From Wisconsin.

Eric Cantor: That was my first civil _____ --

Ron Brownstein: Yes. Welcome all on both sides. Yeah; they moved them around. Kind of messed me up there. Let me quickly explain a few ground rules and then we'll get started.

We will begin with five minute statements from one member on each side. Then a second member from each side will also deliver a five minute statement.

All of you in the audience should have been provided an index card when you arrived. During these first presentations if you have a question please write it down adding your name and the member or at least the side, the party to which you would like your question addressed. Ushers will collect the questions at 8:30 [Static]

_____.

While the questions are being collected, a third member from each party will ask a question to the other side. Then I will ask a representative sample of the audience questions mixing in a few of my own

Finally at 9:20 the last member from each side will deliver a closing statement and at 9:30 we will wrap it up.

A few final ground rules. To ensure that we maximize our time for discussion, the sponsors have asked that you hold your applause until the end of the debate. Back stage we had a coin flip to determine who would go first. The Republicans won and elected to kick off. So we will begin with the Democrats and Rahm Emanuel.

Rahm Emanuel: I want to thank the DLC, the Congressional Institute, my colleagues and Ron Brownstein for agreeing to moderate. As Ron noted, we're here to kick off a series of debates. Tonight is about the economy and our ideas for how to strengthen it.

This conversation comes at a critical time. The economy is under great stress. The Federal Reserve is predicting even slower economic growth, higher unemployment and higher inflation.

Prominent economics are predicting that the housing crisis and the credit crunch may be pushing the economy into a recession.

In the long-term the cost of getting those things that our parents' generation saw as a backbone to a middle class life, housing, health care, retirement security, have grown tremendously and at the same time incomes have stagnated.

Since we are at a university, let's just take a look at one of those costs: a college education. The average college student will owe \$20,000 in debt upon graduation. One in four students don't even make it to graduation. They'll drop out because of costs. This fact alone has horrible repercussions for America. It hasn't always been like this.

Since World War II the United States economy has been the dominant economy in the world. For decades our position as a global economic super power was unchallenged and that is no longer true.

The global playing field has fundamentally changed. Today our leadership is being tested. Serious and new competition from China, India and the European Union just to name a few countries and areas. So what must we do to stay ahead of the pack?

The 21st Century can be another American century only if we rise to the challenges we face and prepare our nation for the stiff global economy.

Let's take stock of our assets. First, America's entrepreneurial spirit is unmatched by any other country. Second, we have the most dynamic economic system and most productive work force in the world. Third, over the last 60 years the United States has made major investments that paid good, incredible dividends for future generations.

From the GI Bill, the interstate highway system, from the Apollo project to the invention of the internet, America has invested in its future and because of that we have led the world. Each of those investments was a game changer.

Competition in regard to skills, costs and size, we must determine how we can continue to stay on top. I believe we need to make smart, high impact investments.

Here are three ideas: a universal one-year post-high school education so in an era where you earn what you learn, a high school education no longer *[Audio breaks up]*.

Second, a national infrastructure bank to rebuild our roads, bridges and water systems. You cannot have a 21st Century economy run on a 20th Century grid.

Third, a national institute for science and energy to do for energy independence and new technology what the NIH has done for medicine.

Let's be clear. Both parties are here tonight because they share the common goal of maintaining America's economic strength. What we disagree on is how we do that and how we go about it.

The good news is that this does not have to be a philosophical debate. There's a reality though no rhetoric can hide. We have tried approaches to the economy under both parties. Democrats had stewardship in the 90's and the Republicans for the last six years. Let's measure the results.

Fact: under Democratic leadership we produced record budget surplus. In the last seven years, Republicans produced \$3.8 trillion in new debt and made China our national banker.

Fact: under Democrats, 23 million new jobs were produced while Republicans have created 5.6 million. Democrats produced an economy that boosted median household income by 6,000. Under Republicans median household income dropped by 1,100.

Fact: under Democrats we created the Children's Health Insurance Program covering six million children of working parents. In the last seven years under Republicans, nine million more Americans were uninsured.

That is the record of the two parties. Democrats have carried out a strategy that works by investing in our education, health care and the creativity of our workers. Republicans have a strategy that has created more debt and made China our banker.

Simply put our records speak for themselves. Now as we face the challenges of the 21st Century, we have to determine whether we will stay on the present course *[Audio cuts off for 7 seconds]* the importance of tax cuts *[Audio cuts off for 3 seconds]* _____.

But as President Bush himself once said, haven't we done enough for the rich? A tax cut never funded a GI Bill *[Audio cuts off for 5 seconds]* takes more than a tax cut to keep America in the front and in the lead. A tax cut is a single tool, but it takes a whole toolbox to rebuild America to uphold *[Static]* _____ friends and colleagues, Republicans and Democrats can discuss our real differences over the economy without being disagreeable. *[Static]*

Ron Brownstein: _____ example of stopping when the light turned red.
Congressman Putnam

Adam Putnam: Good evening and thank you for hosting this, George Washington University. Sometimes being one of the younger members you don't always get a lot of respect *[Audio cuts off for 4 seconds]* Coke bottles so we've got to do something about the respect level in the green room.

It's ironic that we have to leave the U.S. Capitol to give you the kind of debate that the American people deserve, but I think that we are setting a tone and setting an example that I hope is contagious. To talk about the pressing issues that face this nation and face your generation.

Frankly, many of the issues that we are going to debate tonight are generational in nature. Not a Republican problem. Not a Democratic problem, but a generational problem. It's frankly what compelled me to run for office and how Congress deals with these issues or fails to deal with these issues will impact your generation, your classmates, your colleagues for a longer period of time.

You live in interesting times, to borrow from the Chinese proverb. You face a difficult work force environment, for those of you who are counting the days until graduation. And as a nation we face global threats to our very existence. We are in a post-9/11 world and we cannot dispute that. We cannot forget that and we cannot fail to learn from its lessons.

All of us approach our jobs I think from the same perspective. Every day on the House floor is a new reminder of just how diverse this nation really is. We all see the same problems, but we approach those problems with a very different toolbox of solutions.

Tonight we want to spend a little bit of time talking about how we believe that empowering individuals, empowering small businesses, turning loose communities, turning loose mayors,

turning loose state legislators, turning loose the ingenuity that is the American ideal is the appropriate way to solve those generational challenges.

We don't believe that government should get involved between a patient and their doctor. We don't believe that Washington has a revenue problem. We believe that Washington has a spending problem, which translates into a priority problem.

We believe that we have to keep this debate and the Congressional debates back at the Capitol focused on the future. The future that all of us have such a stake in and all of us believe in in a common way as the American people.

We believe that we should approach the energy problem in a more creative way than it was approach in the mid-1970s when I was born. That situation, that approach that Congress took in the 1970s was to forget about the energy problem as soon as gas prices fell back below a certain level.

So here we are in the early years of the 21st Century and Congress has the same policy options and the same policy choices that it had 30 years ago because Congress failed to act back then.

We believe that we have to unleash that creative spirit. We believe that we can rely on the private sector with help from the government to do those things which individuals cannot do for themselves.

We understand the generational challenge that comes from the crushing cost of entitlement programs and frankly, while we were in the majority we made great efforts to deal with the entitlement costs that are exploding and will impact everyone in this room when you are ready to retire.

Without Congress taking bold action, either your taxes will go up many times over or the government will not be able to keep the promises that it has made to you.

We believe that individuals can be empowered to make their better health security decisions, retirement security decisions just as we empowered you to make the right choice about where you intended to pursue your higher education degree.

We can't do any of these things unless we fix Washington. The generational challenges that we face require a leap of faith and a

belief by the American people in the institution of Congress. At 87 percent disapproval rating we can't possibly hope to solve these generational challenges.

Fixing Washington has to be a precursor to fixing health care, to solving our energy crisis, to fixing entitlements and to bringing the budget back into balance.

Fixing Washington begins here at home and frankly fixing Washington I think begins here tonight with a bipartisan group of committed members from around this great country who are dedicated every day to doing what's best for their constituents and what's best for this nation.

Thank you for hosting us and thank you to our sponsors.

Ron Brownstein:

Now we have a second round of statements. Representative Davis will kick off for the Democrats.

Artur Davis:

Brownstein thank you. Ladies and gentlemen. Let me begin by thanking you for giving us an audience a little bit bigger than we are accustomed to in the House on Monday nights. We're accustomed to empty chairs and nobody listening. So we'll try to handle this good fortune that we have.

Let me thank all of you for being here tonight and let me start the very simple premise that I think binds together all eight members around this stage.

None of us would have chosen a life in politics if we did not believe the policies and the choices that governments can make can make a difference to this country.

I remember the very first time I sat at a State of the Union Address. A friend and my chairman, Mr. Emanuel, was with me on the floor that night. We were both new members of the Congress.

I remember President Bush coming before us that night and something that he said stuck in my mind. He said, 'This Congress should not put off for other Congresses choices that we can make today.' He said that this is a time for choosing and ladies and gentlemen, to their credit the folks who ran this Congress, the Republican leadership, they took the President at his admonition and they made choices.

Let me spell out just a few of them. When it comes to tax policy, Republican president aided by a Republican Congress enacted tax cuts that averaged \$60 a month for taxpayers of the median income brackets, but that averaged \$133,000 a year for the top one percent. Republican president, a Republican Congress shifted the tax burden away from the wealthiest sectors of our economy into our middle income wage earners.

When it came to fiscal discipline they made choices. Republican president, a Republican Congress reversed four years of bipartisan balanced budgets with a ballooning deficit and debt and over 14,000 earmarks at their peak. That's part of why they don't have their majority today.

When it comes to energy policy they made choices. Republican president, Republican Congress opted for \$14 billion worth of tax breaks for an oil industry that is already reaping extravagant profits.

When it came to meeting the challenges of a modern economy, they made choices. Republican president, Republican Congress chose to limit our investment in research and development and in the training of a skilled work force.

And most dramatically when it came to choosing the one big thing that we would do as a country in this decade, when it came to choosing our dominant priority, they chose a war in Iraq that has cost over \$700 billion and we Harvard people don't do math well, but that's \$10 billion a month. It's a strategic miscalculation that to this day prevents us from making the commitment that we need to our infrastructure and until this year prevented us from making the commitment to secure our borders or our ports.

These are the wages of the choices that I just described, ladies and gentlemen.

We're losing jobs again. And even during the years in this decade when we've gained jobs our paces is one-fifth the pace of which we created jobs in the 90's. More Americans and more American children live in poverty. Nine million more of our people live without health insurance than when we started this decade.

Incomes are stagnant at best for the work that most people do. While consumer debt is exploding and the costs of gas and as you all know, the costs of college are more burdensome than we've ever known.

Finally our trade deficit is doubled and we are substantially more dependent on foreign oil to power our cars than we were a decade ago.

Two explanations: one is that there could be a grand Republican strategy to see just how deep we can dig or the other explanation could be, ladies and gentlemen, is their choices have simply not worked.

Some of us also happen to think that the way the Republican Party chose to govern when they had their majority did not reflect our best values as a country and I'll give you one classic example.

I remember when we had a bipartisan agreement to raise the child tax credit for families in this country; a good thing. A good example of tax fairness. The Republican majority led by a man named DeLay decided that that expanded tax credit shouldn't apply to service men and women. They left them out of the equation. Ladies and gentlemen, not just the wrong choice. The wrong values.

When you line us up together we do represent different philosophies. We do represent a different set of values and in conclusion when you choose between the two of us you make a decision I believe what kind of America we can be. Thank you all.

Ron Brownstein: Representative McMorris Rodgers will speak for the Republicans. I should just remind the audience that after she speaks we will be collecting the questions. So if you have your thoughts, put them on paper now.

Cathy Rodgers: Good evening everyone. Earlier you heard from my colleague lay out a variety of issues that are facing your family, my families and families all across the country.

We all want to be a part of the American dream, an American dream that includes home ownership, a good job, quality health care, excellent education. In essence we want to leave for our children a better America than our parents left for us. I can tell you as a new mom that's my goals for my son.

If you listen closely you'll find that we overall agree on the goals, but we disagree on the solutions and the approach that we should be taking to meet those goals.

Our colleagues on the other side of the aisle often offer solutions that are based in Washington, D.C. Either a greater role for the federal government or more spending at the federal level and I couldn't disagree more.

I and my Republican colleagues believe that the answers are found all across this country. We believe in unleashing the ingenuity, the creativity and the hard work of the American people found in the entrepreneurs, our small business owners, our research and development labs.

Let's just take a look at health care for a moment. Nothing is probably more personal to you than your own health care. Every American should have health care coverage and every American should have the confidence of knowing that health care decisions will be made between the individual and their doctor.

No matter where I go I hear concerns about the rising cost of health care. I hear concerns from individuals, from families, from cities, from counties, from small business, from corporations. Everyone is concerned about the rising cost of health care and we need to take action.

In addition, some Americans are afraid to lose their job or start a small business because they may lose their health coverage. Some fear becoming seriously ill and not having adequate health insurance. And many seniors live in fear of being turned away from a doctor's office who has decided no longer to accept Medicare.

In a time when America faced tremendous health care work force shortages, we need more doctors, nurses, pharmacists, lab techs, our doctors are retiring early or closing their offices and moving overseas out of fear and expense of law suits.

But let's not allow these fears and concerns to lead us to believe that a government run, a one-size fits all solution is the answer. We've seen this option next door, our neighbor to the north, Canada and the result – it's long waiting lists, it's less options, less innovation and it's increased costs.

We don't want Washington, D.C. bureaucrats making decisions over our health care. Instead we need a modernized health care system. Health care is personal. It begins with the individual and we need to be promoting health care that is centered around and is driven by the individual.

I'd also like to briefly address education. I think you all will be shocked to learn that a third of our kids will not graduate from high school. That is one out of three kids currently in our high schools across this country will not graduate. And yet the future of our country really does rest with our children and it's our responsibility to ensure that our children are ready to receive the mantle when it's passed on to them.

We can't take for granted that America will continue to be this great land of innovation and prosperity. The very foundation of our democracy is based on an educated citizenry that weighs the choices that a democracy presents.

For us to continue to be innovative and prosperous we must have an education system that maximizes the development of every individual.

Over the course of the evening you will hear us disagree on how to approach a variety of issues, but you will hear us agree on the need to solve the problems that face our country. As Americans we're very good at solving problems. By working together Republicans and Democrats, we can keep America healthy, safe and prosperous.

Ron Brownstein: Thank you. Wow – we're ahead of schedule. I'm very impressed. I'd like to ask the ushers to collect the questions from the audience and while we do that, each team will have the opportunity to ask a question of the other side and to begin that process we turn to Representative Israel.

Steve Israel: Thank you, Ron. The vice president of the university noted that Eric Cantor and I both attended GW. I want to state for the record that neither Eric nor I got here on a full tuition scholarship playing basketball for the Colonials. Although the tuition was much cheaper then than it is now.

The central question in this debate is very clear. If you are in the middle class, if you're a student at GW, if you're a worker in the cafeteria, if you're a member of the faculty are you better off now than you were before Republicans took over the management of the United States government?

If we share the same values, as I do believe we share, of job creation, of expanded and affordable health care, of lower college

costs, why after six years in charge of the government haven't we reached those goals.

Has the strategy of the Republicans, which was essentially to spend enormous amounts of money on industry subsidies and tax cuts for the richest as their key economic strategy, has it worked for you in the middle class or did it work only for several people.

Think about what's happening at this college. The Republican approach was to cut funding for student aid and to continue excessive subsidies for college lenders. The results: tuition at George Washington University went from \$26,460 in 2001 to \$39,210 now. We saw a 64 percent increase in public college costs.

Energy: the Republican strategy was to spend \$14 billion to subsidize the oil industry to reduce our dependence on foreign oil and to cut prices. The result: gas prices doubled, home heating costs tripled, the average American now pays \$1,500 more than they did to drive their cars and we're actually importing 1.6 million barrels of oil a day more than we were importing before the Republican energy plan –

Ron Brownstein: _____ think we need to find the question.

Steve Israel: The question is this – I think you know the question. The question is this. To my Republican friends, all of the empirical evidence states that the middle class is not doing as well as they were. How have the Bush administration's policies which you supported made the middle class better off than they were in 2001 and do you continue to agree with President Bush's policies? If not, why did you support them?

Paul Ryan: All of his policies?

Steve Israel: Yeah.

Paul Ryan: Okay. That was the question, right? Let me see if I can give a crack at it and then I'm going to split time with Cathy on education 'cause I'd like to get to a specific issue and I think education's an important one for this audience.

First off, look at what happened in the beginning of this administration. We inherited a recession. The dot com bubble burst; 9/11 hit. These are things we didn't project. We were losing 90,000 jobs a month for two years prior to 2003.

So we put together an economic package to try and reverse us, to get us out of a recession, to create jobs. We reduced taxes on small businesses, taxes on families. We increased the child tax credit. We got rid of the marriage penalty, lowered tax rates. We lowered tax rates on businesses.

What happened – 8.3 million new jobs, 120,000 jobs a month. So we were able to dig out of one of the biggest hits to our economy we've had in our history. A recession, a stock market crash and the terrorist attack on 9/11.

So we showed the American economy is a resilient economy. The question really is where do we go from here. How do we improve on this and how do we make sure that people, the young people in this room can have not just jobs, but careers of tomorrow. How do not just survive globalization, but win globalization. That's something we're going to have to get into in this debate, but I'd like to turn to Cathy on something specific about education.

Cathy Rodgers:

Well I think we all recognize that America has had the best higher education system in the world. When you look at our private and public universities and colleges they are the places where people from all around the world come. As we've seen universities and colleges raising tuition and in recent years we've seen some pretty dramatic increases in tuition by our universities and our colleges.

Where the federal government really plays a role is in helping create access to our students that want to seek higher education. That's where we need to be focusing is increasing access, whether it's grants and loans to freshmen and sophomores, taking advantage of non-traditional courses and other technology, the online courses. There's so many more opportunities available today.

Ron Brownstein:

We have one minute for rebuttal from the Democrats.

Steve Israel:

Well thank you. Paul, you said that you inherited a recession. You inherited 20 million new jobs and turned it into 5.6 million jobs. Democratic record far better than the Republican record.

You said you inherited 9/11 attacks. We all inherited 9/11 attacks. What you did with those 9/11 attacks is you cut tax rates for the richest at a time of one war and then brought us into another war now costing over \$10 billion a month with \$10 billion in unaccounted for costs.

The result: a \$3.8 trillion debt which is increasing people's taxes and no act at all on the alternative minimum tax which is further increasing taxes for the middle class and putting them behind.

Ron Brownstein: Congressman Ryan, who as everyone knows is from Wisconsin.

Paul Ryan: I'll stick with economic policies since that's the topic of this debate. We Republicans believe that the more money a worker has in their paycheck, the more freedom they have for themselves and their family. That's good for the economy.

Last year the Democratic budget passed the largest tax increase in American history and we have by all accounts believe the same budgets coming. It proposes to reimpose the marriage penalty, cut the child tax credit in half, increase income tax rates for all taxpayers, increase capital gains and dividend tax rates, which affects pensions and 401(k)'s, imposes the death penalty back to the year 2000 levels.

And now the leader of the Ways and Means Committee is proposing an additional massive tax increase that will impose as high as a 45 percent tax rate on small businesses.

When 70 percent of our jobs in this country come from small businesses, taxing small businesses at 45 percent tax rate when we're taxing large corporations, like Exxon and Microsoft at 35, how is this proposed in your budget the largest tax increase in American history, \$3.5 trillion over ten years going to help create jobs and grow the economy?

Rob Andrews?: Well, Paul, as you ought to know, the budget we adopted last year and the budget we will propose this year does not have the largest tax increase in American history.

Here's what it says: it says that there would be no tax increase on anyone in the present fiscal year and I would invite the viewers to just not listen to either one of us, but sit down and fill out your 1040 this year and see if you're paying a higher tax rate than last year. You're not.

We heard this rhetoric all of last year. Here's what we said: we're going to put ourselves on a path to a balanced budget by 2012. If we reach a point at the end of 2009 or 2010 when the tax cuts expire that we're not on that path to a balanced budget, then we're going to do something that the erstwhile majority did not do.

And that's make a decision and look at the economic circumstances of the country, look at the risks, look at the costs, look at the benefits, make the best decision we can make for the American people.

But the reality is the budget that was adopted by the Congress last year doesn't raise anybody's taxes. All that was raised was a lot of rhetoric about this issue.

The erstwhile majority had a borrow and spend philosophy. They borrowed \$1.2 trillion from foreign creditors. They never really stopped to think about the consequences of that for the future of the country.

What we've said is if we're on a path to getting a balanced budget and the revenues aren't there to get us there we're going to stop and make a wise and prudent decision about where to go.

Something I wish that the erstwhile majority had done because had they done so we would not have increased our debt to record proportions, we would not have borrowed \$1.2 trillion from our foreign competition, we'd not have handcuffed our situation dealing with energy, health care, education, these other issues. We'll actually make decisions that you would not.

Ron Brownstein: Well, let me start with we have a bunch of quest – sorry. One minute; yeah, one minute response.

Paul Ryan: Thank you.

?: I hardly think that's necessary.

?: You only get one minute from Washington State. Wisconsin doesn't get a minute.

Paul Ryan: Hey, the Packers did alright this year.

?: You're still sore about that, aren't ya'?

Paul Ryan: Yeah; I am a little bit sore about that. The Bears beat us. The only team that beat us _____.

Numbers don't lie. The Democratic Party's budget requires, assumes, plans on, banks on, calls for the largest tax increase in American history. It requires the child tax credit to get cut in half.

It requires the reimposition of the marriage penalty. It requires all income taxes to go up across the board, capital gains, dividends that go on and on.

The reason we think this is important is because how are we going to prevent us from going into a recession. How are we going to get more jobs in this country if all taxpayers are facing this enormous tax increase?

The budget that Republicans brought to the floor said we're not going to raise taxes. We're going to keep these taxes low and we're going to control spending and that's how we're going to balance the budget.

We do not have a revenue problem in Washington. We have a spending problem in Washington. Our party is also guilty of not doing as good a job on spending as we should have, but now we see the majority calling for all of these new taxes and not a single ounce of spending discipline what so ever.

There will be no spending cut in this budget I swear in three weeks that we will see from the Democratic majority.

Rahm Emanuel:

Ron, before we go forward let me ask since it's someone – Paul, picking up on what you just said and that you talk about spending and priorities. You and I have discussed this before.

In the Medicare bill, which was \$800 billion, largest expansion of an entitlement and the only expansion of entitlement without a revenue source. That's not true about Medicare A, B, C, Social Security of children's health care.

We have a subsidy to the HMO industry. Comes to about \$50 billion over five year, 150 over ten years. Would you be willing to –as you want to say about spending and you were honest about your party's fault.

We have, if we're all honest, we have certain things – we're not pure here as driven snow. Would you be willing to look at the subsidies to the HMO industry as a source of revenue for controlling cost and bring them to parity with fee for service –

Paul Ryan:

This is reminiscent of the Ways and Means discussions we have. We can go off –

?:

But we're the only ones there at two in the morning –

Ron Brownstein: Let's do a quick answer and –

?: We're the only ones at two in the morning, pal, so don't worry –

Paul Ryan: I'm interested in finding savings in Medicare. Not to plow into more spending though. I'm interested in finding savings to save Medicare and that's what we should be talking about –

Rahm Emanuel: But as a savings idea, as a place to look at just for savings.

Paul Ryan: I agree.

Ron Brownstein: Let's now turn to the audience. We have a bunch of good questions and what I will try to do is pick some that are representative since they fall into several broad categories.

Karen Meyers, I believe. Is she here?

Karen Meyers: Yes.

Ron Brownstein: I'm going to read your question. This was directed to both parties and it reflects of several – we'll ask it of the Democrats and allow the Republicans to respond. In this period the party to whom the question is directed will get two minutes. The other party will get a minute to respond.

Karen asks, 'We live in a global economy, but much of the potential political dialogue here in the U.S. is protectionist. What can Congress do to help U.S. citizens and companies compete in a global economy?'

Artur Davis: Ron, I'll take the two minutes on it. I think there are two challenges. I think your question's exactly right that the debate that we have in Washington is sometimes the wrong debate about trade.

Here's what we ought to be talking about. How do we have a system of clear, enforceable rules. Shouldn't be that one set of rules applies to the United States; another set applies to the rest of the world.

It shouldn't be that our manufacturers and our employees are bound to one standard and other governments around the world can violate the rules and norms of the World Trade Organization when they wish.

And second and frankly much more important if I can say so, we've got to figure out how we become more competitive as a country. That's why I'm amazed. This is my sixth year in the Congress. The first four years I was here when Mr. Hastert and Mr. Delay and company ran the show and the President would send up these budgets and the Republicans would pass budget resolutions.

Every time you looked at the line item that dealt with work force development, every time you looked at the line items that dealt with training workers you would see cuts.

For that matter, if you looked at No Child Left Behind and the new mandates put on our schools you would see reductions in the commitment we're making.

If we are serious about closing the skills gap, if we're serious about competing with the rest of the world, we've got to put education first and put the priorities around work force development.

Rahm Emanuel:

Karen, to your point, look, I think what we need is a new deal for the new economy and open markets with about two billion new middle class consumers coming online all over the world.

We can compete for that market, but we need as we open markets, we need to make sure that the global economy is not seen by the Americans as a cost to their economic opportunities. That's why you have to invest in education, health care and technology so we succeed every individual as well as a nation in that competition.

Ron Brownstein:

A response?

Eric Cantor:

I think certainly one of the most destabilizing issues and threats to our economy is the fact that we in this country and particularly my friends on the other side of the aisle continue to want to hide from world competition by closing our markets, by protecting the jobs of today at the expense of jobs tomorrow.

I mean, let's face it, 95 percent of the world's consumer live outside of the United States. We've got to open up markets. We cannot be concerned about our inability to compete. We can compete.

What we've got to do in order to compete though is make sure we don't beat ourselves at home. If you look at the litigation

environment in this country, if you look at the overly burdensome regulations in this country, if you look at the tax structure, we are tying the hands of our companies behind their backs.

We had the second most non-competitive tax structure in the industrialized world. These are the things that we ought to be addressing 'cause frankly we can beat China and India, we just can't beat them if we beat ourselves at home.

Ron Brownstein: Thank you. Next question unfortunately doesn't have the questioner attached to it, but we will direct it to the Republican team. To deal with the housing crisis there has been much talk about bailing out consumers that are having problems paying their mortgage as the rates were set. How far can we go in that direction without rewarding poor consumer decisions?

Adam Putnam: Well being from one of the real estate bubble states of Florida I'll take that one. There's an old story about old man Joe Kennedy that he was getting his shoe shined right before the '29 stock market crash and he was getting stock tips from the shoe shine guy and he decided that that was the time to pull his money out.

Well if any of you were getting a mud wrap in some fancy hotel on South Beach, somebody was giving you a hot tip on the latest condo project.

So we have to discern between helping people who recognize that home ownership is the cornerstone of the American dream and those speculators who got caught up in the frenzy of condo flipping and got burned.

From Congress' perspective we want to identify those folks who are making all the necessary sacrifices to hold onto their home. We have achieved a record level of home ownership because of a lot of these new mortgages that were out there, but then we saw this abuse creep in where people who had no skin in the game, people were accepting any kind of a signature loan and not verifying income, they spun this out of control.

What Congress should not do is tell those homeowners who are struggling to make their payments that \$2,000 in tax relief per family, which is what the Bush tax cuts averaged is insignificant because that just might be the difference between foreclosure and not.

What Congress should not do is allow every bankruptcy judge in the country to undo and rewrite contract law in the mortgage covenants.

What Congress can do is send a signal of certainty to homeowners and potential investors that we are not going to greatly ratchet up the governmental cost of owning a home and the governmental cost of selling the home that you may be trying to get out from under by raising all of the tax rates including capital gains that impact those homeowners.

We have to affirm the concept of homeownership as the cornerstone of the American dream and help those people who are doing their best and making the right decisions to hang onto it.

Rob Andrews: Well I first want the record to show that we have never had a hot mud wrap on South Beach under any circumstances on this side.

Adam Putnam: I don't know. You're looking mighty clean over there. Good complexion.

Rob Andrews: With one exception evidently.

Steve Israel?: Nothing wrong with a hot wrap. Maybe not in South Beach, but that's okay.

Rob Andrews: I heard a lot from my friend Adam about what Congress shouldn't do. Let me say what Congress didn't do during the six years of Republican rule. That's called oversight.

As this crisis began and metastasized in the mortgage industry, as they did with so many other areas, the Congress just sat there. Didn't hold the executive branch accountable, didn't watch what was going on that led to this crisis.

Here's what we should do. We should put more money into Jenny Mae and Fannie Mae, make more FHA loans available and license and regulate the people that are out there selling these mortgages so they are good and valid transactions and not the junk bonds that we've seen the last couple of years. Oversight is what the failure was here.

Ron Brownstein: Alright. Next question and one very pertinent I think to many here in the audience. It is for Congressman Emanuel. What will you do to curb the increasing cost of college education? It is becoming unaffordable for American families.

Rahm Emanuel: Well, I don't know who the question was from –

Ron Brownstein: Unfortunately we don't have the name of the questioner on this one.

Rahm Emanuel: Well, both sides have talked about education –

Ron Brownstein: Unless they want to volunteer and stand up.

Rahm Emanuel: It's okay.

Ron Brownstein: Oh, there it is. Alright.

Rahm Emanuel: Thank you. Well first of all, both sides have talked about college education, the access and affordable. I know it's not just a trumpet, the success, but I think it was very important that in our first 12 months in the majority we passed the largest increase in college assistance since the GI Bill of Rights.

Second, I think and I worked on this in the past and all of us – the HOPE credit and the lifetime deduction on the tax code basically makes a community college and the ability to go back to school at any point in your life, something that we put on the books in the '97 balanced budget agreement were the right things to do.

Third, I think you've got to bring transparency and what I call truth in tuition which we just passed in the House on the higher education. So when a parent has a child going to college in their freshman year, you can basically project the costs over the next four years so parents can prepare like anything else.

But I want to go back to something I said originally; going to leave time for my colleagues, which is you cannot have a successful economy going forward and all of us talked about education. Not one of us would be here without it, let alone the love from our parents, but you cannot have a successful economy with one-third of the folks dropping out in high school.

That's why I think we have to raise the standards and say you're going for one more year of education. I don't care if it's IBW electrical school, I don't care if it's community college, I don't care if it's a four-year institution.

You have to make sure that the funding mechanisms, either Pell Grants, HOPE or Lifetime are there and funded so people can get

and afford the education and make community college almost cost-free from the basis of a tax cost.

Artur Davis: Two quick points. Two things I don't understand. Several years ago the administration decided to tighten the eligibility standards for Pell Grants to make it harder for lower, middle income families to get them. That doesn't make sense.

And amazingly several years ago to help pay for the costs of Katrina, the Republican majority decided to go to recent college graduates, make them renegotiate their student loans and make them start paying higher interest rates. Wrong set of values.

Ron Brownstein: Republican response.

Cathy Rodgers: The key to success really is having a strong education system and I think we can be proud of the progress we have made. We have been committed. It was the Republicans that started the 529 programs that allow people to save tax-free for college. We protect the Perkins Loan which was really for the disadvantaged. We've increased Pell Grants throughout the years. It's really getting students access to higher education and the opportunity that it brings.

But we as a country, we must do better in this area. We're falling behind the rest of the world. We need to be encouraging more kids to go into math and science. We need to become more competitive in engineering.

You think about China is going to graduate twice – well South Korea will graduate more engineers than the United States of America. Our future innovative economy really depends on us getting our education system right.

No Child Left Behind – in the last five years we've seen more success in reading than in the last 28 years in this country and we need to keep moving in the right direction.

Ron Brownstein: Another question now for the Republicans – I'm going to direct to the Republicans. Jessica from Bethesda. Jessica? Here? Somewhere?

Artur Davis?: She went for the food.

Ron Brownstein: Here's the question. Is an extra federal dollar better applied toward a tax cut or paying down today's federal debt?

Paul Ryan:

An extra dollar is best toward good policy that grows the economy that brings in more revenues that creates jobs. The best thing for our economy, for our budget and for reducing our debt are good paying jobs because people, if they're not working they're collecting unemployment, they're collecting government benefits and they're not working and they're not having a dignified life.

So the best thing we can possibly do is make sure that we have a good, growing economy that is producing the kinds of jobs we need that will produce revenues.

Now here's the story. I think we have a chance of actually severing this American legacy we have. My parents told me that in this country you make sure you leave the next generation off better than when you found it. You make it safer. You make it more prosperous.

Because of the entitlement explosion that's before us, because of this tax tsunami that is hitting us at the end of this decade, we are at risk for losing our competitive advantage. We have new kinds of competition unlike any we've seen before with the likes of China and India.

So we have to make sure that we don't put all our eggs in the Washington basket. More federal programs that sound good on top of others that are redundant is not the answer. The genius of America is not those of sitting in Washington. It's the American people.

So the key for us is to do what we need to do to be competitive, to win globalization and to make sure we have a fiscal policy that actually looks at the next generation, a fiscal policy that looks at our entitlement programs, our health care system, our tax code and make sure that we are well positioned for the 21st Century.

Both of our parties have failed on this front. I would suggest that our party has made good strides. We actually passed the deficit reduction act. That actually saved some money from entitlements. Sent us in the right direction; not far enough.

What is the other party proposing? They're proposing massive tax increases, huge entitlement expanses, more indebtedness. The budget that they brought last year will add \$14 trillion of debt on top of our kids and our grandkids in just the next five years alone.

Ron Brownstein: Democratic response.

Steve Israel: Paul, I'll mention that a good federal dollar is one that grows the economy. Under the Clinton administration the economy grew by about 4.09 percent in eight years. Under Republican control the economy has grown – real GDP growth about 2.65 percent over the prior seven years; about half the growth in GDP that Democratic policies engaged in.

The issue isn't that we want to spend and you don't want to spend. In fact, over six years you spent to rather significant levels. The problems is – the issue is the priorities. What you want to invest in, what we want to invest in.

The argument that we make is that rather than investing in industry subsidies, \$14 billion to big oil companies, \$20 billion to college lenders, let's instead make investments in truly expanding our economy with infrastructure growth, with job training, with green jobs, with regaining our manufacturing capability, with better trade levels.

We're making ourselves much more competitive against Germany. We're now behind Germany and Japan in solar and China, which is now racing ahead of us in many areas.

Artur Davis: One quick point with six seconds we've got. This is the problem, Paul. You all have only taken one aspect of economic policy seriously. You've had slow growth and low taxes. You know why? Because you've not invested seriously in education or the infrastructure –

Ron Brownstein: Six seconds on the other side.

Paul Ryan: We just finished the long peace time expansion in recorded history – 52 months.

Ron Brownstein: Alright. I'm going to take the moderator's prerogative and ask a couple questions here and then we will return to some of the other questions from the audience.

As you may have noticed there is a presidential campaign going on and we appreciate them giving us one of the few nights this year without a debate so we could hold our own.

?: We just don't think people are debate out yet.

Ron Brownstein: Yes. Most Americans do not feel that they have been stinted on debates this year.

But let me start with a question for the Republicans. John McCain, like the Democratic presidential candidates, has proposed mandatory reductions in greenhouse gas emissions through a cap and trade system. Do any of you support that or do you believe compulsory reductions in greenhouse emissions would unacceptably hurt the economy?

Adam Putnam: Look, the issue here is a recognition I think on the part of Washington policy makers and the business community that has come about in the last several years that global climate change is occurring and that man has a role in that.

As we – this is a perfect example of one of those generational issues that I was talking about. The energy independence, the health care, the entitlement issues and something like the – whether it's cap and trade or whether it is a carbon tax or some other idea yet to occur, when Congress is at an 87 percent disapproval rating, when the American people don't feel that they can believe in or trust the decisions that are coming out of Washington it makes it incredibly difficult to forge a national consensus on something as innovative and as controversial as cap and trade or carbon tax or whatever the other issue is that meets the standard that both tables have set out here, which is that you do not unnecessarily tie one hand behind the back of American ingenuity.

Americans I think are committed to reducing our carbon footprint of the world. I believe Americans recognize the need for us to be more efficient in our use of energy. Americans recognize the need for us to conserve more than we do.

But America also wants the world to join hands with us in this effort and as we see developing nations, like India and China come on so strongly adding ten coal plants for every one that's going in in the United States that has to be a factor. We believe that in moving forward with a carbon neutral energy plan, it has to include nuclear.

Some of our friends on the other side of the aisle try to have it both ways and acknowledge the problem of carbon, but refuse to acknowledge the potential that clean energy has, either through clean coal or nuclear.

Ron Brownstein: The format doesn't really allow it, but I just want to make clear the _____ here coming out. I don't have a sense though. Are you suggesting that at this point you would not support a mandatory or compulsory reduction in greenhouse emissions as Senator McCain has proposed?

Adam Putnam: I'm saying that the Congress has an important role to play in this debate and that debate has only just begun for something as sweeping and as impactful as that is on businesses large and small, on families, on subdivisions, on communities and municipal budgets.5708

Rahm Emanuel: Adam, two quick points and then other colleagues. One is over the weekend Immelt, the CEO of GE said, 'I want Washington to set a standard.' The CEO of one of the largest, most powerful companies in the United States set a standard on energy so we know so we can start producing the products around the world. They would buy our products and we set that standard.

Second, on Kyoto, the biggest mistake the administration made is pulling out. I agree with you about China and India, but the way to do this says we're ready to go forward with Kyoto, but we've got to get China and India, rather than pull out which not only hurt us on energy policy, but also hurt our reputation around the world.

Rob Andrews I would just say to my friend Adam I think one of the reasons why Congress has an 87 percent disapproval rating is people don't answer yes or no questions by saying yes or no.

Our answer is yes. To combat global warming we support mandatory carbon caps.

Steve Israel: And we should not be slashing budgets for energy efficiency and renewable energy, which is exactly what this administration and the Republican Congress did. Cut budgets for solar, for hydrogen and for weatherization.

?: And coal seek –

Ron Brownstein: Question now for the Democrats. This week in Ohio and earlier on in the campaign trail, but certainly with intensified vigor this week, the Democratic presidential candidates are questioning and criticizing the NAFTA agreement, even talking about reopening and renegotiating it.

Do any of you believe it would be practical or worthwhile to reopen and renegotiate the NAFTA agreement with Mexico and Canada?

Artur Davis:

I'm not a fan for reopening agreements we've negotiated because the rest of the world thinks we don't keep our word enough as it is. But I'll make a broader point about what I think Senator Obama and Senator Clinton are both speaking to.

There are a lot of people who feel that American trade policy has frankly been made of, by and for multi-national corporations and that we haven't been serious enough about the work force development issues we alluded to earlier.

They don't think we've been serious enough about enforcement. Let's put some numbers to bring this in perspective. The number of enforcement actions brought from the last Democratic administration is five times greater than the number of enforcement actions brought by the Bush administration.

The rules haven't changed. It's that we no longer have a president serious enough about enforcing the rules. This is the reality. Right now the Chinese government subsidizes its steel industry – just to pull out one sector of its economy – by billions of dollars a year. We don't do that because we're a capitalist free market economy.

In addition to that they engage in dumping. They engage in devaluations of their currency. They do all kinds of things that are not just bad economic practices. They're things prohibited by the WTO.

The final point I'll make about this before I yield to my colleagues, we had an opportunity frankly to craft a bipartisan trade policy in this country and the early part of this decade. There was widespread agreement in many circles that labor standards, environmental standards ought to be incorporated.

Tellingly two years ago we were negotiating an agree with the president of Peru. The president of Peru said, 'I'm happy to include labor and environmental standards.' The Bush administration said we don't want them. We don't have to have every trade debate turn into an intense partisan controversy. This administration has chosen partisanship over working toward agreements on things –

Rob Andrews: I would just add that there's a reason why we don't go after the Chinese and these anti-dumping rules 'cause we just borrowed \$365 billion from them to pay our bills. You can't sue your banker and that's the problem that we're in right now.

Rob Brownstein: Can I just follow as I did there. Is there any one of the four of you who would support or believe it is practical and would be a good idea to reopen and renegotiate NAFTA?

?: I would not.

?: No.

?: No.

?: No.

Ron Brownstein: Okay. See if the word gets to Ohio tomorrow –

?: We're not running for president.

?: Probably ever.

?: Last time I checked.

?: Probably ever.

Artur Davis: If you all can debate McCain every day, we can train Obama

_____ --

Ron Brownstein: We'll get a response now from the – now a response from the Republican side. Yep.

Eric Cantor?: Look, obviously I'm a Republican. I've never supported Bill Clinton, but he actually was one who believed in free trade and in fact, his policies resulted in, in the trade area, in the production of an awful lot of wealth in this country, but it just seems to me like the new Democrats here in this session have demonstrated they are back pedaling on that policy and frankly building walls around our country.

The trade deficit that we have is really with the country's 95 percent of which come from the countries we don't have a trade agreement with.

Let's again remember America can compete. We can compete and I am for all the enforcement issue and to be fair to our companies, but Artur, you said, look, most of our trade policy has to do with international companies. You're darn right it does. Those are the companies that are engaged from America to trade abroad.

We can compete. We've got to unshackle the hands of our companies here at home and do something about the regulatory environment, the litigation environment and the taxation disadvantage that we impose upon our businesses.

Ron Brownstein: We'll do a quick each side.

Rahm Emanuel: Two points. First, when President Clinton, having been there and I know you're not a Democrat so I got that part down, Eric, is that first on NAFTA he had labor and environmental standards on the outside of the agreement aside.

By the time he left office on the last two agreements both Jordan and Singapore labor and environmental standards were on the inside and America's contribution to the ILO had gone – International Labor Organization – had gone up to over 200 million. When he started it was at ten.

Second, no discussion of trade is ever about trade – none. It's always about people fearing they're going to lose their health care, fearing they're going to lose the good paying job that they have, fear that they're going to lose the retirement they have. If we deal with those things you're going to get and all of us are going to get more winners who have a stake in the globalized economy.

If we continue to have an open trade system that people feel is going to cost them their standard of living, you cannot conduct a national economic strategy without the support of the American people –

Ron Brownstein: Congressman Cantor, quick response.

Eric Cantor: And to respond to that Rahm, I mean there is no talk tonight yet of really transforming these issues and coming up with solutions that are different than just the same old policy. If you're talking about health care, we ought not be continuing to pursue this government centric model where we have government paying for 45 percent of all health care expenditures today.

We ought not be looking at the government to solve the problems. IF you're worried about job creation, if you said that the trade discussion's really about people worried about losing their jobs, we ought to get serious about promoting individuals and businesses putting their capital to work again and putting it at risk so we can have jobs –

[Crosstalk]

Ron Brownstein:

I think we covered this. Hold on. We'll come back. Let me ask – I want to ask one more question to each side. Actually one question to both sides and then we'll return to some of the audience questions.

Not surprisingly you've done an excellent job of explaining and delineating your differences tonight, but I'm wondering. I'd like to ask each side – start with the Republicans.

Out of what you've heard from the Democrats tonight and for that matter what you've heard from Barack Obama and Hilary Clinton, if either of them are elected president or if the Democrats maintain the majority, what do you see in their economic agenda that might be a point of convergence that you might be able to work with.

Is there anything you've heard either from the Democrats or from the presidential candidates that you could see being an issue on which there might be some common ground?

Paul Ryan:

I'll tell you where we have to get common ground. We have to get common ground on tackling our entitlement problems. We have to get common ground on addressing the high cost of health insurance.

We have to get common ground on the fact that the cost of living is going up in America, whether you're paying for the pump, whether you're heating your home up in Illinois and Wisconsin, that's a big price. So we've got to get common ground.

And here's the story. When these microphones are turned off, you know what? We usually get along with each other. We actually like these guys.

The point is this. We have a vigorous debate here about these issues. We have differences of opinions. We have difference philosophies, different ideologies, but believe it or not we actually do come to agreement on certain issues.

On trade, Rahm, we actually had an agreement with your chairman of the Ways and Means committee on how to move forward with trade agreements. On the stimulus package, on trying to get quick growth in our economy that was an agreement between Speaker Pelosi, Majority Leader Bainer and it's now into law.

So actually sometimes Congress does work. Sometimes we actually come together on agreement. We know we can't get 100 percent of what we want. They know they can't get 100 percent of what we want.

But at the end of the day there is a difference in our philosophies and at the end of the day that difference basically is this and this is my opinion.

We believe that people ought to keep more of their own money. We believe that the freedom and liberty that is the cornerstone of this country, the values that built this country is what moves us forward.

So while we look at our entitlement program, while we look at our economic agenda, we've got to have an agenda that wins globalization, that repeals this burden of debt crushing future generations and actually fulfills the mission of health and retirement security.

These are the things we've got to get out of this status quo debate and move forward on and that is what I hope we can have a better conversation in this country about.

So as we talk about this, the hope of this debate today is that you see conscientious members of Congress coming together to have a high level of debate where we're not trading insults or we're not stabbing at each other, but we're laying out a different vision for our country and how we achieve the goals we all assure, which is giving our kids a better future.

Ron Brownstein: Let me ask the Democrats to respond. Is there anything that you see, what you've heard from the Republicans or for that matter what you've heard from Senator McCain as the putative Republican nominee, presumptive Republican nominee that you feel you would be available for common ground?

Rob Andrews?: Yes; immigration. I think we share with Senator McCain and a significant part of the Republican Party, although not enough, that

immigration is a positive force for economic growth in this country. Legal, fair, regulated immigration is a positive force for economic growth in the country.

I commend Senator McCain for saying that, putting his name on legislation. We came very close. We just could not get enough consensus within the other party to move forward, but I think that's something on which we agree.

Steve Israel:

And if I can, let me add to that. Senator McCain's views, I disagree with him on many things. I think he disagrees with himself on several things.

But I do agree with him on the issue of global warming and I think there can be some convergence on cap and trade. Eric talked about the need for transformational economic policies. I believe that we can pursue a transformational economic policy with respect to green technologies.

We passed legislation that would take those \$14 billion in subsidies away from big oil companies and instead invest them in three million new green jobs. That could be transformational.

My final point, something that Paul said that I agree with so strongly. Look, Democrats and Republicans are going to disagree on about 70 percent of the issues. We do agree on the 30 percent that's left. If we can concentrate on the 30 percent that we can agree on, the country's 100 percent better off than it was and that's what we're trying to achieve here.

Artur Davis:

I think one thing we all agree on is that we'd be better off if we could find a way to do politics without empty labels. We'd be better off if we could find a way to do politics where we presume that we want the right things for our country. We may differ on how to get there.

Let me put this in the context of immigration. One of the shameful things that sometimes happens in this country is that people decide if you don't agree with me there's something wrong with you and your values. If we could have an immigration debate where we presume goodwill on both sides we would be better off as a country.

Rahm Emanuel:

Ron, the only thing I want to close with is I agree with you education's essential. All of you have said one way or another that

Washington doesn't have it, but leave No Child Behind is probably the most Washington power grab behind education we've ever had.

Now I'm for it and I think the standards and the testing is the right thing, but you have constantly said that Washington doesn't have the answers. Leave No Child Behind is the single biggest role by the federal government in K-12.

Ron Brownstein: Quick response.

Cathy Rodgers: I think education is a place where we need to come together as a country. What No Child Left Behind has done has really changed the debate from just put more money into education to results and standards and what it does is create a national standard, but then give some flexibility to the locals, to school boards, to parents to decide how best to meet this standard so that we don't continue to fall behind as a country the rest of the world.

Ron Brownstein: Bite your tongue. We're going to have one final question from the audience –

Rahm Emanuel: If I wanted to be home I would be home.

Ron Brownstein: Yeah; I know. One final question from the audience for each side and then we will have the final speakers. Steven Silverman – somewhere here.

?: There he is.

Ron Brownstein: Question for the Republicans. I'll have to shorten it a little bit. It's for Congressman Putnam. 'You spoke of our government spending problem and the Republicans often speak of fiscal conservatism, however, the concept of spending discipline is often spoken of in general terms rather than the specifics.

Can you name specific programs that should be cut and/or specific adjustments to the entitlement programs that you would like to see to promote more fiscal discipline?'

Adam Putnam: Thank you for the question. It is the heart of this generational issue that we've been discussing throughout the night. A Republican Congress, for the first time since Ronald Reagan was president, passed a bill that would reduce the level of entitlement spending.

In other words, that entitlement spending that makes up 60 percent of the total federal budget, the entitlement spending that's essentially on auto-pilot. That's really where the money is.

It was the first time since the 80's that that had been done and we paid for it with blood on the floor. We led with our chin, but we successfully did that. And to do it, you know how? It was shaving the rate of growth by one-tenth of one point and it saved \$40 billion. That's hunting where the ducks are.

That's like the old bank robber Willy Sun says why do you rob banks? 'Cause that's where the money is.

Entitlement spending is where the money is. The president to his credit philosophically and to his detriment politically led his second term by saying to the students at GW, our children, Cathy's children and young people all across America, 'I am going to lead with my chin and finally do something to guarantee that Social Security will be modern and relevant when you're eligible to receive it.' And we paid dearly for it.

That's the kind of courage that in that case was unsuccessful. In the case of trimming entitlement spending, was very successful, that is required in this time of great change that is required in this time of generational issues.

The hottest thing going right now, which is not where all the money is, but it is an important issue is this concept of earmark reform. Here again Republicans have adopted a higher standard that we will unilaterally impose upon ourselves for disclosure, transparency and ethical behavior that was rejected by the other side when we made a bipartisan overture on that.

Artur Davis:

Adam, one quick response on Social Security. There's a reason you all got in political trouble. There's a reason the president got in trouble. You wanted to take a long-term financial crisis and you wanted to import it to today. You wanted to do retirement accounts that would have gutted the short term financing of Social Security that would have gutted the short term financing disability benefits.

Two other points: there are lots of places we can cut spending. When we strip ourselves of \$14 billion worth of revenue to give to the oil industry, that doesn't make a whole lot of sense. They're the most successful or one of the most successful, most profitable industries around. They like this \$100 a barrel concept.

When we're talking about Medicare we can reduce the subsidies that we're giving to large portions of the private sector -- \$10 billion over the next couple of years.

Finally, we need to stop giving student loan lenders a better deal than the students in this audience get. There are a lot of things that we can do.

Ron Brownstein: A question now for the Democrats. We don't have the author, but perhaps they will stand when it is read. 'Won't raising corporate taxes just encourage corporations and industry to move production and jobs overseas? How do you plan on keeping corporations in America?' Do we have our -- there we are. This is for the Democrats.

Rahm Emanuel: One thing is first of all, when the President proposed -- I think it was about two or three months ago, he said he'd like to take the corporate rate down from 35 to 30, closing a bunch of deductions with loopholes, etc. You don't have a philosophical problem over here. That was how the 1986 deal was done.

We'd, before that, as long as it's part of also changing the AMT. So you don't have 23 million American families hit with a higher tax rate. That offer of putting the corporate reduction, plus AMT reform together was rejected by the White House.

Artur Davis: I'm sorry. Go ahead.

Rahm Emanuel: No, go ahead. I feel like I'm at home again.

Artur Davis: Two quick points. You know who wants to lower the corporate rate from 35 to 27? Probably my friends over here, also my Chairman Charlie Wrangle. There is some bipartisan agreement there, but I do want to make one quick point.

When I talk to people in my district here's one thing that they always say to me they do not get. They don't get the fact that a taxi driver and a school teacher and a carpenter pay 30 to 35 percent of their income in taxes, but people who are hedge fund managers only pay 15 percent. I'm sure hedge fund managers do very good, very important work, but it's work.

And it ought to be taxed at the same level and that's again another way we can save money, but maybe even more importantly, it's a fundamental concept of taxpayers.

One problem with Washington – our notion of what’s fair doesn’t always make sense and sometimes my Republican friends, their idea of income and equality is some people get to claim a capital gains deduction, some people claim a carried interest deduction –

Steve Israel:

Let me just quickly pick up on Rahm’s point about the AMT. We lowered corporate taxes. That was the strategy, but we didn’t find relief to middle class taxpayers. We continued the AMT. The result: middle class taxpayers, one million of them paid the AMT in 2001; five million will pay this year. We’re for tax cuts, but they’ve got to be for the middle class which has been left out of the equation

Ron Brownstein:

Republican response please.

Paul Ryan:

American taxes its companies and capital at the second highest tax rates in the industrialized world. Japan’s number one and they’re cutting their taxes.

In this day of globalization we have to do what we need to do to keep jobs here, to keep companies here. The trend of takeovers – what is it? It’s foreign companies taking over U.S. companies.

We had the CEO of Daimler-Chrysler about eight years ago at the Ways and Means Committee. Why’d you guys become a German company? Easy; ‘cause the tax rates are better in Germany than they are in America.

What we ought to do is completely restructure our corporate tax system and we ought to do it in the following way. Let businesses write off all of their investments so that when they invest in America and they hire people they can write it all off.

We ought to border adjust our taxes so that we take taxes off of exports and put those on the imports. That’s exactly what our competitors are doing to us.

We need to have a tax system that is competitive and pro-growth and one that actually rewards investment in America and makes America a haven for capital, makes America a place where companies want to have their headquarters. That is not the way the tax system works today and that is how you win globalization.

Ron Brownstein:

I want to see if I can squeeze in one final question before we go to our closing statements. It’s an excellent question. Maybe the

timekeeper could give 90 seconds to each side since it was not directed to one party or the other, but I'd like to ask the Republicans to start.

The question is how do we deal with energy dependence without negatively – how do we reduce our dependence on foreign oil without negatively affecting economic growth and the environment?

Adam Putnam:

This is a very important issue that again we have an opportunity to lead on as opposed to sticking our head in the sand and taking the band-aid approach, which is what they did in the 1970s.

Number one, Americans, we just have to use less energy. I mean we're pretty gadget friendly. We're pretty gadget dependent. We can be more efficient. But we also have to recognize what kind of home grown energy we have.

You know there's as much energy in the United States as there is in Saudi Arabia? But in the United States it's in the form of coal and in Saudi Arabia it's in the form of oil.

We've chosen to be so dependent on oil and natural gas from other places that now we're enriching people who don't like us and they're holding us hostage.

The clean coal technology that's out there allows us to move forward with green technologies and tapping home grown sources. Nuclear has to be an option. You can't be hypocritical about this issue where you're concerned about carbon, but refuse to take nuclear power off the table.

France, which is a very environmentally friendly nation is 80 percent powered by nuclear energy. Those are just some of the steps that we can take in addition to the renewables; solar, wind, the new generation of ethanol that's not as corn dependent that's driving up our food prices, but is taking yard waste and landfill waste and converting it into something that will power your vehicle.

Chevrolet just unveiled the hybrid Tahoe so now we're not just talking about commuter vehicles, but a hybrid vehicle that'll actually pull your boat, that'll actually run a farm vehicle. That's the kind of individual and business-led entrepreneurial spirit that will allow us to conquer the dependence that we have on countries that don't like us for our economic security.

Ron Brownstein: Democrats.

Steve Israel: We tried that strategy. It did not work. We gave \$14 billion in subsidies to oil companies and we slashed investments in renewable energy, in weatherization, in solar, in hydrogen, in coal sequestration under the Republicans.

And what did we get? A doubling of gas prices, a tripling of home heating oil costs. The average American family paying an addition \$1,500 a year to drive their cars and we're actually increasing our imports of foreign oil by over 1.6 million barrels a day than before the Republican plan.

Now here's what we think we need to do. We passed legislation that repeals that \$14 billion, puts it into a renewable energy fund, creates a new generation, three million new jobs in solar and bio-mass and other renewable technologies, sets new corporate average fuel economy standards – 35 miles per gallon – that's going to reduce our dependence on foreign oil and save each American family about \$1,000 a year.

So this is about the past or the future. The past strategy has not worked. Its only made our dependence worse and brought costs higher. Our strategy will reduce our dependence and lower costs at the same time.

Artur Davis: And the EPA needs to recognize that regulating carbon emissions is kind of within its job jurisdiction.

Ron Brownstein: Alright; well –

Adam Putnam: Well I'm going to adopt the Rahm clock here. Two things: this week Congress will take up the fourth energy bill of this Congress and for the fourth time it will include a new tax increase on energy.

I'm not sure how you tax your way into lower prices at the pump when energy bill has had no tax –

Artur Davis: Now, no new refineries -- \$14 billion worth of tax breaks – no new refineries –

Adam Putnam: Seven of the 14 billion – seven of the 14 billion is a Clinton administration royalty deal with the oil companies for drilling in the Gulf of Mexico that everyone including the Department of

Energy agreed was a mistake and no one knows how it made it to the final signature.

But that seven of that 14 billion that you have consistently referred to was a Clinton administration billion dollar give away to the oil companies –

Artur Davis: But you voted against repealing it. I think all four of you voted against repealing it –

Rahm Emanuel: Since it's my rule I'm going to live by it. Like just try it for once, okay. Here's the deal. We can forget whether the profits and the energy's at record price. I believe you're really consistent with your views of the free market. At 100 bucks a barrel it's time they get off the taxpayer playing dumb money.

I understand it when it's 15 bucks a barrel. I understand it when it's 25 bucks a barrel. I understand when it's 30 – to basically nurture a home grown economy.

We are wedding ourselves and our taxpayers to a 20th Century energy source rather than funding a 21st Century energy source –

Ron Brownstein: A last word before the final statement.

Adam Putnam: Seven of the 14 billion was a Clinton administration deal. How in the world at \$3.18 a gallon gas in central Florida, how is raising taxes on energy sources going to help make that problem go away –

Rahm Emanuel: Ending a subsidy to big oil companies.

Ron Brownstein: We went 88 minutes without sounding as if we were on the House floor. Couldn't quite get out of the room.

?: It's hard to break a bad habit.

Ron Brownstein: Let us go to our concluding statements and I believe for the Democrats it will be Congressman Andrews.

Rob Andrews: Thank you very much _____.

Ron Brownstein: Sure.

Rob Andrews: Well ladies and gentlemen, thank you for this very enjoyable and I hope edifying evening. I want to thank the sponsors of our debate.

I want to thank the audience, all those watching both here and on television. I want to thank our colleagues on both sides for what I think was a very good evening.

This debate's about the future. It's about where the country ought to go and the stakes are awfully high. The generation of our grandparents fought and won the Second World War to establish this country in a position of strength.

The generation of our parents had to deal with the fact that our economic competitors were very strong after that establishment of strength in World War II. They had to grapple with an emerging Asia and Europe.

Our generation has a different kind of challenge. It has to deal with a challenge where our competitors are also our customers and our co-workers. Understand how we live in such a global world.

Now I think there is great unity of purpose. I think you've heard it here tonight. I don't think Republicans and Democrats and Independents are divided at all about what kind of country they want us to have in the future.

They want our country to be strong and prosperous. They want it to be a country where anyone can go as far as they can go as long as they work as hard as they can work.

We have that unity of purpose, but we have a strong disagreement about how to get there. The other side sincerely believes that by slashing tax rates for very wealthy people and by taking rules of the road out of the marketplace, you have growth and prosperity. We disagree.

We think that you have prosperity by stopping the practice of running the country on borrowed money. We think that you have prosperity by investing in the health and education and creativity of the American people.

We have a strong disagreement, but it's not just on theory. There's a record which I believe settles this dispute. For the six years of Republican leadership of the economy for every one job their strategy created, we created nearly five. For every dollar of economic growth their strategy created, we created about a dollar and a half.

For the average family in this country, in the six years when they had total charge of the situation, the purchasing power of that average family went down by about \$1,100.

In the years when the Democratic strategy prevailed, the purchasing power of that family went up by about \$6,000. now what are the differences if we apply these principles to the future and the issues that we have.

We've heard a lot about education tonight. We all agree it's needed. But we did something about it. We cut corporate welfare to student lenders and used the money to slash interest rates in half and to expand Pell Grant scholarships to their highest level.

On the area of health care, rather than talk about getting more people insured, we passed a bill that would have insured five million more children, had broad bipartisan support, but it lacked the support of one Republican in the White House and eight Republicans in the House of Representatives so it didn't happen.

In energy, in an industry that's making \$123 billion this year in profit, we wanted to take back a taxpayer gift of \$14 billion and invest it in future energy sources.

But the big difference between us and our friends is we believe that America doesn't prosper unless everybody participates.

My oldest daughter is a crew athlete. She went to crew camp a couple years ago and she was placed in a boat with some other kids who didn't really work as hard as she did. She's the hardest working kid there in the camp.

She said to the coach, 'I really want to be put in a different boat. The boat's not doing very well.' The coach said, 'Look, you're in the boat with who we put you in the boat with and if you can't convince everyone to row, the boat doesn't move.'

We can't choose those with whom we're in the boat. We're all in it. And yes, if everybody doesn't work as hard as they can and pull their weight, the boat doesn't move. But if we don't give everyone an oar, if we don't give everyone a chance to learn how to use the oar, the boat doesn't move.

America goes upward and onward when everybody participates; not just those at the top; not just the elite; not just the privileged. This is the big difference that should guide the big choice between

the way we would see the future and our friends would see the future.

We invite all of you to critique our ideas, to listen to our thoughts and to join our cause. Thank you very much.

Ron Brownstein: Congressman Cantor.

Eric Cantor: First of all I'd like to thank GW again, Ron and thanks to DLC, Congressional Institute, my colleagues on the other side of the aisle. This has been a terrific start to what I know is going to be a very successful series of debates.

The discussion tonight clearly is focused on how we can best help America's middle class in dealing with their challenges at hand in a very difficult economy. It's a discussion that I think is as you have seen, is focused on how we're going to fix Washington.

It frankly is a discussion that America is having right now. It is a discussion and a question upon which the election will turn in November.

As you heard, neither party will say that we are pure, that we've had problems on our record, they've had problems on their record. Whether it was the Clinton trade policies or the Bush fiscal policies that helped lift this country, that helped produce a lot of prosperity, I believe that it's really the American people that took to the opportunity to go in and create a better life for their children and their grandchildren.

But that gives us a good stepping off point to really begin to examine where the differences lie. I can tell you for me and my personal story and my family, I know that my father was a first generation American.

He was raised by his mother, an immigrant from Eastern Europe in this country who was a single mom during the Depression. She raised my father and his brother on top of a grocery store in downtown Richmond, Virginia. It was not an easy time and she didn't make a lot of money.

In the stories that I heard, it wasn't through the government handout, it wasn't through any type of vision other than that which she had for this country. She believed that America was the best opportunity that she had and the best that she could do was to give her sons everything this country had to offer.

Thank God they rose to the occasion, made it through a difficult time and made something of themselves. I think that this is truly where the difference lies in this presidential campaign season that we're in full of slogans.

I think what you're hearing here tonight is more of a no we can't instead of yes we can because what we're hearing from our colleagues on the other side is no, we can't trust the American people to spend more of their hard earned money the way that they see fit.

No, we can't trust American families to decide how they want their health care delivered and what type of choices they should have because we should allow the government to do it.

There's a lot of talking about S-chip and the other programs that are going to help everybody. Well, the fact is what we do is we put a one size fits all equation into the mix and we don't end up saving costs, we don't end up giving people the ability to make their own decisions. That's where the differences lie.

There's no question all of us want to make something better, want to make life better for America's families. But just listen to what some of the ideas were that were put out tonight.

Rahm started out talking about smart investments that we have to make. He talked about a one year mandatory post-high school before you go to university education because our education system isn't working. So to me that sounds like just more of the same.

We've got to really apply some solutions. We've got to be transformational about our education system. We've got to know what works and we know that competition works. For too long we've been dominated by a union bureaucratic mentality that has kept our inner city schools and many of our rural school system behind and these poor children that are trapped in these school system won't have the opportunity that many of you in this audience will have.

So we've got to really start thinking outside the box. That's where in the questions that Ron asked where we can begin to work together. It is thinking outside the box.

If we hear again some of the other statements about where we can help, I think it was Steve might have said in the housing crisis what we have to do is we have to pump more money into the system. We need to regulate licensed lenders across the country.

Well, you know what? We have something called a Constitution and federalism. I think that the states are in a position where they have got to go and begin to regulate more effectively what is going on in each of their economies.

We cannot jump at the temptation every time something goes wrong to say that Washington knows best and that we can fix every problem from here in D.C. It just doesn't work and that's why we're in the situation that we're in today.

So I'm hoping that we can work together and that we can come together in the spirit of solutions to say yes, we can. Yes, we can trust the American people because they know what's best and I think ultimately it will help them best in a very challenging time. I think you very much.

Ron Brownstein:

Thank you. That concludes our debate tonight. I want to thank the audience here and at home for listening. I'd like to ask the audience to join me in thanking our two panels for an unusually instructive and civil debate. *[Applause]*

Thank you again and good night. *[Applause]*

[Music]

[End of Audio]