

Memo to: Oaktree Clients
From: Howard Marks
Re: Implications of the Election

I'm starting this memo a week before Election Day. I promise to try to stay away from the merits of the candidates and the question of who will win, and instead confine myself to the important messages that we should take away from the election and the actions we should push for as a result. The outcome of tomorrow's election won't change these things as far as I'm concerned.

Angry Voters

Of course, the big story of this election year has been the unprecedented, unconventional rise of Donald Trump. Trump threw his hat into the ring with a complete lack of experience in elected office or other public service, and without an established campaign organization. In fact, he had no established party's ideology. He adopted some Republican elements but rejected others. And yet he has been able to attract a large group of voters, probably about 50 million strong.

He did this by assembling backing from an unusually diverse mix of elements. These included dedicated Republicans who weren't about to vote for a candidate of another party; the many Clinton haters who've had 24 years to gel since Bill's first inauguration; people who were attracted to Trump's celebrity, reputation for business success, outspokenness and colorful manner; and supporters of the right. But this tells only part of the story.

The aspect I consider most important for the future relates to the Trump supporters – and some of the most active and vocal ones – who are motivated by an anger regarding “the system” that is neither purely emotional nor illegitimate.

Many are older, white, non-college-educated men who might be described as “demographically dislocated.” When these men were born, white males ran America; their communities weren't mixed and becoming more so; and the cultural shifts occasioned by the civil and women's rights movements, technological change and mass immigration were unimagined. **Certainly the shift to the America of today – with all these things quite different – might be jarring and unpleasant to the people I describe.**

At the same time, many Americans – and often the same ones – are experiencing the effects of job loss and diminished economic prospects. Fifty or even thirty years ago, men without college degrees could easily obtain good-paying jobs and the pride associated with being able to maintain their families at a good standard of living. One earner per household was enough, and one job per earner. Strong labor unions ensured adequate pay and benefits and protected workers from too-rapid changes in work rules and processes.

Now the number of unskilled jobs has been reduced by automation, foreign manufacturing and increased globalization of trade. Unions are much less powerful in the private sector (name a powerful union leader of today who comes to mind). **Men of the sort described above – older, white and non-college-educated – are likely to have lost jobs, know someone who has, or seen the impact on their communities.**

Importantly, until 2000, most Americans felt their children would live better than they did. Now this is no longer true:

When asked if “life for our children’s generation will be better than it has been for us,” fully 76 percent said they do not have such confidence. Only 21 percent did. That was the worst ever recorded in the poll; in 2001, 49 percent were confident and 43 percent were not. . . . virtually all polling shows a steep decline in optimism since the late 1990s and early 2000s. (*The Washington Post*, August 12, 2014)

Here’s a quote from Thomas Friedman in *The International New York Times* of June 30 that I used to sum up in “Political Reality” (August 2016). As I wrote there, I think it does a great job of capturing the situation:

It’s the story of our time: **The pace of change in technology, globalization and climate have started to outrun the ability of our political systems to build the social, educational, community, workplace and political innovations needed for some citizens to keep up.**

We have globalized trade and manufacturing, and we have introduced robots and artificial intelligent systems, far faster than we have designed the social safety nets, trade surge protectors and educational advancement options that would allow people caught in this transition to have the time, space and tools to thrive. It’s left a lot of people dizzy and dislocated.

What we have is a country – in fact, a world – that is changing rapidly and in ways that are unpleasant and disorienting for large segments of the population. The present is different from the past, and the future looks worse than it used to. Slower economic growth is producing less opportunity overall, and a number of forces are supplementing slow growth in diminishing the outlook. Rising income inequality is directing an increasing share of the gains to top earners. Older people lacking higher education are particularly ill-equipped to deal with the changes.

I think this is an apt description of conditions in the U.S., but it seems equally applicable to much of the developed world. In an opinion piece on October 26, starting from the German point of view, Jochen Bittner of the *International New York Times* described a broad group he called Wutbürger, or “angry citizens.” I think they’re rising everywhere:

It is a relatively new expression, with a derogatory connotation. A Wutbürger rages against a new train station and tilts against wind turbines. Wutbürger came out in protest after the Berlin government decided to bail out Greece and to accept roughly one million refugees and migrants into Germany.

Wutbürger lie at both ends of the political spectrum; they flock to the right-wing Alternative für Deutschland and the socialist Linke (Left) Party. The left wing has long had a place in German politics, and the Linke has deep roots in the former East Germany’s ruling party. And we’ve had a fringe right wing since the postwar period began. But the populist anger of the A.F.D. is something new: Anti-establishment, anti-European Union and anti-globalization. . . .

The same thing is happening elsewhere in Europe: Many British Wutbürger voted for Brexit. French Wutbürger will vote for Marine Le Pen’s National Front. Perhaps the most powerful Wutbürger of them all is Donald J. Trump.

Which raises the question: How was anger hijacked?

In its pure form, anger is a wonderful force of change. Just imagine a world without anger. In Germany, without the anger of the labor movement, we would still have a class-based voting system that privileged the wealthy, and workers would still toil 16 hours a day without pension rights. Britain and France would still be ruled by absolute monarchs. The Iron Curtain would still divide Europe, the United States would still be a British colony and its slaves could only dream of casting a vote this Nov. 8.

Karl Marx was a Wutbürger. So were Montesquieu [who articulated the concept of separation of powers within a government], William Wilberforce [the leader of the abolitionist movement in Britain], the Rev. Dr. Martin Luther King Jr. and the tens of thousands of Eastern German protesters who brought down the Berlin Wall in 1989. . . .

Now: Compare these spirits to the current parties claiming to stand for necessary change. . . . Sadly, the leaders of today's Wutbürger movements never grasped the difference between anger driven by righteousness and anger driven by hate.

Anger works like gasoline. If you use it intelligently and in a controlled manner, you can move the world. That's called progress. Or you just spill it about and ignite it, creating spectacular explosions. That's called arson.

Unfortunately, this lack of maturity and prudence today exists among not just the new populist class, but parts of the political establishment. The governing class needs to understand that just because people are embittered and paranoid doesn't mean they don't have a case. **A growing number of voters are going into meltdown because they believe that politicians – and journalists – don't see what they see. . . .**

The grievances of white, often less-educated voters on both sides of the Atlantic are often dismissed as xenophobic, simplistic hillbillyism. But doing so comes at a cost. Europe's traditional source of social change, its social democrats, appear to just not get it. When Hillary Clinton calls half of Mr. Trump's voters a "basket of deplorables," she sounds as aloof as Marie Antoinette, telling French subjects who had no bread to "eat cake."

. . . Amid their mutual finger-pointing, neither populist nor established parties acknowledge that both are squandering people's anger, either by turning this anger into counter-productive hatred or by denouncing and dismissing it. Mrs. Clinton [making the presumption that she would win, as seemed clear on October 26] has the chance to change, by leading a political establishment that examines and processes anger instead of merely producing and dismissing it. If she does, let's hope Europe once again looks to America as a model for democracy. (Emphasis added)

The point of all of this is that Trump is importantly supported by dislocated, disoriented voters who are angry about a number of unquestionably significant trends that are impacting them and their communities. Regardless of the outcome of the election, they and their sentiments will remain a powerful force.

Here's how I concluded the relevant section of "Political Reality." I'll let it do the same here:

What, then – if anything – should be done to arrest the trends described above? If we don't do something, it's likely that the income and wealth gap will continue to grow; the downside of globalization will continue to be felt; and our political process will continue to be riven by widespread dissatisfaction.

Eduardo Porter, an economics columnist, summed up succinctly in *The New York Times* of May 25:

We shouldn't try to stop globalization, even if we could. But if we don't do a better job managing a changing world economy, it seems clear that it will end badly . . .

The trends discussed above – and resentment over experiencing them, fear of doing so, and anger upon seeing them at work in one's community – have been big contributors to Trump's popularity over the last year, and also to Sanders's appeal to large numbers of Democratic primary voters. Similar sentiment played a big part in the Brexit vote to Leave and is on the rise in Europe. The issues won't end with this year's presidential election. Rather, I believe they are likely to prove long-lasting and difficult to resolve. They and the non-economic forces at play in this election are likely to have significant influence on U.S. politics for years to come.

A Call to Action

As Bittner wrote, voter anger can be a potentially-powerful force for change. It is my hope that the presence of this anger will make it clear to our elected leaders that change is needed, rather than that they should dig in their heels further to fight the opposing party.

As I recall, it was in the 1980s that a massive ideological gulf opened between the Democrats and Republicans, with the liberal views Carter had espoused while in office (1976-80) contrasting sharply with the strict conservative philosophy Reagan brought to his presidency (1980-88). After the quieter presidency of Bush the Elder, Bill Clinton held office in 1992-2000, and the attitude of the right approached revulsion, whether based on his liberal agenda or his personal conduct. Very negative feelings also befell George W. Bush in 2000-08 (who was named president after an election decided by the Supreme Court, and who took us into war in the Middle East) and Barack Obama in the last eight years (with what the right considered his overreaching plan for health care).

Over the last 36 years, then, politicians have become more combative and less willing to compromise – and certainly unwilling to take their lead from the occupant of the White House if he's from the other party. It often seems the members of both parties have devoted themselves primarily to denying the other any accomplishment. And in our system of government – where the two houses of Congress and the presidency can be under the control of different parties, and where in the Senate it can take 60 votes out of 100 (not 51) to advance legislation – it's easy to prevent progress. The result has been gridlock and a total lack of forward movement.

Some people – and especially conservatives who think the size and role of government should be limited, and libertarians who generally oppose "coercive institutions" – think gridlock is a good thing. They think the less government does, the better. This was a particularly popular sentiment around the time of the Reagan presidency, when conservative ideology was in its heyday.

But we cannot cope in this complex, rapidly changing world without some solutions. Inaction can't always be depended on, especially given that we're not starting from the ground zero of virgin territory. Government has taken action in the past – for example, setting the rules for Social Security – and it legitimately may have to rewrite those rules when circumstances change: when there are fewer people working per retiree, or when people live longer. You can't say "I prefer gridlock" and assume the system will remain solvent.

We need good decisions made and action taken on not just Social Security and other entitlements, but also the health care system, trade agreements, infrastructure spending and other fiscal stimulus, our defense posture and – yes – appointments to the Supreme Court. This year, Republicans refused to deal with President Obama's nominee to fill a Court vacancy. That vacancy will remain for the new president to fill, and two to three more are likely to open up in the next four years. Will they be dealt with constructively – by whichever party doesn't occupy the White House? Or will there be continued obstructionism and a lack of decision making.

The writer of the 2014 *Washington Post* piece cited above, regarding diminished optimism, attributes some of this to the slowness of the economic recovery since the financial crisis of 2008, and some to increasing inequality, meaning fewer and fewer people are participating in the gains. And then she goes on to cite another possible reason:

The lost optimism, [Fred Yang, a Democratic pollster] said, "says a lot about how shaken we are by the inability of our political system to address seemingly easy issues, and it leaves us worried about the future."

Yang doesn't see that improving much, even as the economy does. "The unsettledness of the public is what is normal now," he said. "To me, this is less about economic reality than about our political system — our lack of confidence that our political leaders, regardless of party, are equipped to deal with the future."

Thus I believe that citizens are angry not just because of recent trends, but also because the government hasn't done enough to stem them or lessen their impact. Even a "conservative" who favors a limited role for government may want some action taken if he has lost his job due to globalization or automation.

Trump promised to help, and it has won him a lot of votes.

It is my hope that constructive action will be taken. Here's what Blackstone founder and former Secretary of Commerce Pete Peterson wrote in his book *Running on Empty*:

. . . while our problems are not yet intractable, both political parties are increasingly incorrigible. They are not facing our problems, they are running from them. They are locked into a politics of denial, distraction, and self-indulgence that can only be overcome if readers like you take back this country from the ideologues and spin doctors of both the left and the right. . . .

With faith-driven catechisms that are largely impervious to analysis or evidence, and that seem removed from any kind of serious political morality, both political parties have formed an unholy alliance – an undeclared war on the future. An undeclared war, that is, on our children. **From neither party do we hear anything about sacrificing today for a better tomorrow. In some ways, our most formidable challenge may be our leaders' baffling indifference to our fiscal metastasis.** As former Treasury Secretary Larry Summers puts it, "The only thing we have to fear is the lack of fear itself." (Emphasis added)

The Importance of Bipartisanship

I think we're on the way to a geometry proof (remember high school?).

- The voters are angry about the level of government inaction.
- Positive steps must be taken if we're to solve today's pressing problems.

So what's the next step, the next essential ingredient? To me, it's bipartisan compromise.

When I was a kid, the leaders of the two parties in Congress worked with the president to solve problems and achieve legislative compromise. Here's what I wrote on this subject in "A Fresh Start (Hopefully)," after the last election in 2012:

The opposite of gridlock is compromise. That's what we need today. **Compromise, however, doesn't mean one party saying "We get all we want and you get none of what you want."** Deals like that can only be inked if one party holds all the cards: either the White House plus majorities in both the Senate (and preferably the 60 votes required to stop a filibuster) and the House of Representatives or, at minimum, majorities in both houses of Congress and enough votes to override a presidential veto. Both parties are far from that today, and that may remain the case for a long time.

No, compromise means, "We get some of what we want and you get some of what you want." In practice, it means elected officials have to vote for things they promised to fight and give up on things they swore to deliver. Unless you do that, the other guy doesn't get any of what he wants – meaning he has no reason to go along. This is a reality that our political leaders have failed to confront and accept.

While compromise comes at a cost, gridlock can cost more. Last year, some long-term U.S. debt was downgraded after a particularly unseemly battle over the federal debt ceiling. This occurred not so much because of our fiscal situation, but because our dysfunctional government showed itself to be unable to rise to the occasion and solve problems. . . .

On November 7, *The New York Times* carried an excellent article by Thomas L. Friedman entitled "Hope and Change, Part II." In it, Friedman did a great job of outlining some of the things Washington will have to do in order for the outlook to improve.

The next generation is going to need immigration of high-I.Q. risk-takers from India, China and Latin America if the United States is going to remain at the cutting edge of the Information Technology revolution and be able to afford the government we want. . . .

. . . my prediction is that the biggest domestic issue in the next four years will be how we respond to changes in technology, globalization and markets that have, in a very short space of time, made the decent-wage, middle-skilled job – the backbone of the middle class – increasingly obsolete. The only decent-wage jobs will be high-skilled ones.

The answer to that challenge will require a new level of political imagination – a combination of educational reforms and unprecedented collaboration between business, schools, universities and government to change how workers are

trained and empowered to keep learning. It will require tax reforms and immigration reforms. America today desperately needs a center-right Republican party offering merit-based, market-based approaches to all these issues – and a willingness to meet the other side halfway. The country is starved for practical, bipartisan cooperation, and it will reward politicians who deliver it and punish those who don't. . . .

I'm frustrated when I see Americans of both parties failing to punish – or even encouraging – behavior on the part of their elected officials that is fractious, partisan, ideological and non-compromising. Gridlock and inaction won't solve our problems. Cooperation, adaptability and Friedman's "imagination" must be the watchwords for the years ahead.

We need constructive action to solve the many problems we face, and there's only one way for it to materialize: bipartisanship.

Flaws in Our Democracy

There's a good chance that this year's election result will demonstrate the presence of elements capable of rendering our elections less than perfectly democratic. The main culprit is the Electoral College. Here's more from "A Fresh Start" in 2012:

How did the "too close to call" headlines of the days just before the election turn into a resounding victory, which the Democrats will argue has given them a mandate to lead? How did Obama's small edge in the popular vote turn into a 62%-38% margin in terms of the electoral votes that determine the winner? The answer lies in the peculiarities of our electoral college.

I was traveling in Asia and the Middle East at election time, and I found myself having to explain a system in which:

- In all but a few states, 100% of the electoral votes go to whoever wins the popular vote there, regardless of the margin.
- Most of the 50 states – this year it was roughly 43 – are considered "uncompetitive," meaning one party or the other enjoys a substantial, dependable majority. For that reason, a vote for a Republican is totally meaningless in a Democratic state like California, as is a vote for a Democrat in Republican Utah.
- On the other hand, the electoral system gives voters in a few states disproportionate influence. Since the uncompetitive states' electoral votes are not in play, elections are determined by only the few so-called "swing" or "battleground" states. In fact, this year many people thought the election might be determined largely by who won in just one state: Ohio.
- Perhaps most glaringly, a candidate can be elected president with a majority of electoral votes despite having received fewer popular votes than another.

Our system was designed in the eighteenth century to centralize the job of choosing a president in the hands of a few wise leaders and avoid the uncertainties associated with a widespread and uninformed populace with which it was hard to communicate.

But in the twenty-first century, with the impediments to a meaningful popular election much reduced, it's time to reassess the benefits of the electoral college – it's hard to say what they are – versus the costs in terms of potentially weird outcomes. **In the days just before the election, it seemed that for the second time in twelve years we could have a president who'd lost the popular vote. That tells me it's time to reassess our system of voting.**

The existence of the Electoral College can lead to other possible complications. In “Political Reality” in August, I raised the question of what happens if no candidate receives a majority of the 538 electoral votes:

I'll give you the answer: in the absence of an electoral majority, the president is chosen through a vote of the House of Representatives, with each state having one vote. **Thus, theoretically, the 26 least-populous states – containing just 17% of America's people and, by definition, almost none of its big cities – could choose the president.** For me, regardless of the political makeup of the House, the loss of proportional election is of great concern . . .

Lastly under this heading, I want to touch on the role of money. In our elections (a) the vast bulk of campaign funding is provided privately, not publicly, and (b) the Supreme Court has ruled, in effect, that the amounts donated largely cannot be limited. The result, in my view, approaches the undoing of “one man, one vote.” While each person's actual vote is the same, his or her influence on the outcome is not. Here are just a few data points, according to *Business Insider* (October 31):

- Nearly \$6.6 billion is the amount candidates, parties, and outside groups are raising and spending in trying to move things their way in the 2016 election cycle, the Center for Responsive Politics estimates on its website, OpenSecrets.org. It's a new record. It's up by \$86.5 million, adjusted for inflation, from the 2012 presidential cycle, which had also been a record.
- The biggest increases in money flows, compared to 2012, came from outside money groups “that purportedly work independently from candidates,” the report said. They've greased this election with \$1.3 billion so far (through October 24), \$190 million more than at this point in 2012, accounting for 26.8% of total spending.
- And it's getting more concentrated: “The top 100 families” contributed \$654 million to candidates, political parties, and outside groups so far, or 11.9% of the total raised, up from 5.6% in the 2012 election cycle.
- The top ten families have given a total of \$281 million so far this year.

It wasn't many years ago that contributions were limited to a couple of thousand dollars per candidate per race. Now \$100,000 isn't an uncommon ask, and there are legitimate (but possibly cynical) ways to donate millions. Given the amounts involved and the private sourcing, I find it hard to believe that elected officials are able to entirely ignore donors' interests and preferences when they do their jobs. I'm not talking about corruption, just a not-quite-level playing field. This area is ripe for change. But given that the Supreme Court ruled that political donations are “speech” and thus can't be regulated, change would require a constitutional amendment or a different decision from the Supreme Court.

The Outlook for the Parties

One thing that's uncertain as we move forward from here is what the future holds for the two main parties.

Many voters crossed long-standing party lines during this campaign:

- Working class Americans, traditionally Democrats, were attracted to Trump by his anti-establishment, non-politically-correct, “Make America Great Again” approach.
- Big business, traditionally Republican, failed to support Trump, perhaps because of his anti-trade positions – even though he might well be a more pro-business president than Clinton.
- College-educated white Republicans – and especially women among them – backed Clinton, presumably because of Trump’s controversial behavior and Clinton’s role as the first woman candidate.

Will these new party allegiances hold? Or, if they arose largely because voters felt either attracted to or repelled by one of the 2016 candidates, will some or all of these developments reverse when the candidates are different?

The leaders of both parties were challenged this year by angry members. Will those members stay with their parties, or will they be less rooted in the future and “up for grabs”? **The make-up – and the cohesiveness – of both parties is in flux, and thus the next election may be another that deviates from the usual path.**

The Democrats have their issues. It’s one of Trump’s assertions that the Democratic party has been taking its working class members for granted, talking up the connection at election time but failing to come through with solutions, especially for displaced workers. (Democrats will counter that it’s because Republicans have been successful in implementing gridlock so as to stymie programs like retraining.) The fight between moderates and liberals for control of the Democratic party – made clear in the divided primary results between Clinton and Sanders – is far from over. Sanders supporters may decide that the party leadership isn’t liberal enough.

But I think it’s the Republican party that faces greater challenges. Over the last few decades, the party has been thrown together from largely unrelated and disjointed elements. As I described in “Political Reality,” the traditional Republicans of 60 years ago – fiscally responsible, pro-business, socially moderate and strong on defense – have been joined more recently by conservatives, the Tea Party, Evangelical Christians, anti-gun-control voters, anti-abortion groups, and now the economically dislocated. The glue is weak; rather than by ideology, they have been unified primarily by the fight against Democrats.

Will all these groups stay within the party? Perhaps some of the last will “vote with their feet” with regard to House Speaker and party leader Paul Ryan, who first refused to endorse Trump, then did endorse him, then described Trump’s raunchy 2005 video as “troubling” and said he wouldn’t campaign for him or support him, and then voted for him and expressed support but did so – pointedly? – without mentioning his name. After Ryan responded to the video by disinviting Trump from a joint campaign event in his home state of Wisconsin, he was booed by some in the crowd. Will Trump supporters remain Republicans if Ryan continues to lead the party? Will Trump supporters elected to the House support Ryan in his leadership of their caucus?

Ryan’s experience wasn’t unique: numerous Republican politicians had problems with Trump’s policies or actions but needed his supporters, who constitute a large part of Republican voters. The conflict between principle and pragmatism is very real, and the painfulness of their dilemma has been clear. It has produced flip-flopping and confusing stances (raising the question of whether it’s possible to support a candidate but not endorse him).

If Trump's supporters desert the Republican party (or the political process) due to disenchantment with the behavior of its leaders, the party may have a hard time pulling together a meaningful following in future elections.

"Trump has essentially run as an outsider who staged a hostile takeover of the Republican party. If he loses, as is expected, he will still have won the votes of some 50 million voters or more, and they will represent a continuing, potent force, roiling with resentments," said [David Gergen, an adviser to four presidents – three of them Republicans]. "Before Donald Trump brought his wrecking ball to the party, one might have thought it highly likely that Republicans could unite after yet another losing election. But one of Trump's many ugly legacies is that the chances of the party losing its coherence – or even breaking up – now seems better than 50:50. (*Financial Times*, October 29/30 – clearly not a Democratic, or even an American, publication)

The Republicans' plan after the defeat of Mitt Romney in 2012 centered around increasing its appeal to women and Hispanics and other minorities. In this campaign, however, that effort probably went into reverse.

I think the Republican party faces real issues. And my point here is that **our country needs two strong parties, not an elected dictatorship. With two strong parties there can be an active debate of ideas, and neither is able to operate unopposed in a Washington devoid of meaningful resistance. The complete opposite of gridlock – free rein – isn't desirable either.**

* * *

On November 2, John Cassidy wrote in *The New Yorker* of:

... an America bitterly divided along class, racial, and cultural lines. To quote Benjamin Disraeli, the nineteenth-century British statesman, we now have "two nations between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets."

Disraeli was writing about the rapidly industrializing England of the eighteen-forties, and the two nations he referred to were the rich and the poor. In the United States, because of its history of slavery, the Civil War, and mass immigration, the divisions have never been that simple: vertical cleavages along racial, ethnic, and regional lines have often trumped the horizontal class divide. But the gulf between Clinton's America and Trump's America, even though it can't be traced entirely along economic lines, is now a yawning chasm.

It's very much worth noting that the electoral map showing who's expected to win which states has the West Coast, the Northeast and the Upper Midwest quite solid for Clinton and a broad swath down the middle of the country for Trump. The regions' differences from each other are very significant, with the people in Trump country more likely to live rural lives, to have been born in the U.S. (and often in the same town in which they now live), and to have worked in manufacturing. These differences contribute to the divide described above.

The political arena this year seems like a battlefield, divided much more than usual by antagonism, incivility, anger and downright hatred. Elites, establishments, experts, incumbents, insiders, internationalists and political correctness all came under attack, with no one to defend them. Slow economic growth – accentuated by continuing automation and international trade – is likely to continue to leave dissatisfaction within the working class. And after having seen behavioral norms wiped away in the first x-rated campaign – and doubts raised about the impartiality of the FBI and even the fairness of our elections – large numbers of people may be left alienated. **When the election is over, these things are likely to remain the case.**

But as I look forward, I see the need for constructive, bipartisan governmental action. Is that wishful thinking? Winning future elections could become a function of producing solutions, and that in turn could lead to cooperation and compromise between the two parties. I'll use a rarely seen word to describe my dream: comity. Its definition makes it perfect for this use: "courtesy and considerate behavior toward others."

The environment described above doesn't feel like one that encourages comity or one in which the parties can function internally and work together. Therefore we might have to hope that politicians will conclude not only that the future of the country requires bipartisanship, but that their own success does as well.

Unlikely? Perhaps. But after a post-election memo in 2012 that proved far too optimistic, I say, "why quit now?"

November 7, 2016

© 2016 OAKTREE CAPITAL MANAGEMENT, L.P.
ALL RIGHTS RESERVED.