

*Mike Berman's*

## **WASHINGTON POLITICAL WATCH**

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### **THE STAGE IS SET**

### **THE FINAL ACT HAS BEGUN of that long running play**

### **THE 2008 PRESIDENTIAL CAMPAIGN**

The financial crisis that has beset the country and the world has swept aside all other issues. 52% of Americans say "the economy and jobs," when asked what is the most important issue facing the country. In April 2008, only 23% listed it as the most important issue. The war in Iraq is now listed 3rd, by only 6%, behind the second place finisher, health care, at 6%.

The stock market has been heading down hill for the last year. On October 9, 2007, the Dow Jones stood at 14,198. After hitting a day-end low of 8451, the market one year later stood at 8579, a drop of just over 40%. As of October 17, the DOW stands at 9096 at mid-day.

Most folks do not appreciate how important the underlying credit system is to just about everything financial. Businesses from Main Street to Wall Street, and non-profits, including universities and colleges, found that the credit on which they depended for regular operations was frozen. Inventory could not be purchased, salaries could not be paid.

Long-existing investment banks and commercial banks no longer exist as stand-alone organizations. Investment banks became commercial, as well as investment banks. Big banks are being gobbled up by even bigger banks. The venerable Merrill Lunch was acquired by Bank of America.

One in six homeowners with mortgages find that their homes are worth less than the remaining principal on the mortgage.  
[WP 10/9].

77% believe the direction of the country is on the wrong track, which is the highest number holding that view during the current Administration. [NBC/WSJ 10/08] Said another way, only 7% are satisfied with the direction of the country. [Gallop 10/08]

159,000 jobs were lost in September, the worst month in 5 years. Of equal significance, but not getting the same attention, 6.1 million Americans are now working part-time because their hours were cut or they could not find full-time jobs. This is the highest number reported since 1933. [NYT]

50% say that economic conditions are poor in the country today. This is up 21 points in the past month. 90% think conditions are getting worse, a jump of 12 points in the past month. [Gallup 10/08]

For the first time since 1976, more than half of Americans believe they are worse off now than they were a year ago. Looking to next year, 56% are worried about their personal financial situation. 76% say it is a bad time to be looking for a job. [Gallop 10/08; NBC/WSJ 10/08]

66% say that the crisis of the last month has hurt their current financial situation, and 70% believe it will continue to hurt them in the long run. [USAToday/Gallop 10/08]

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At a time when the people of this country are desperate to have a leader in whom they can have confidence, the cupboard is bare.

President Bush has an job approval rating of 25%. This is the lowest of his tenure (the high point was 90% in September 2001), and only 1 point higher than President Nixon as his low point, and only 3 points higher than President Truman when he was in the trough.

Specifically, on the question of his job performance on the economy, Bush's work is disapproved by 74%. 58% feel negatively about him personally. [Gallop 10/08; NBC/WSJ 10/08]

Compared to other two-term Presidents in the last half century, Bush continues to remain far behind the others in the approval of the public at this stage of their tenures.

	<u>Approval</u>	<u>Disapproval</u>
Bill Clinton	60%	34%
Dwight Eisenhower	58%	28%
Ronald Reagan	54%	37%
Lyndon Johnson	42%	51%
George Bush	25%	71%

[Gallup]

28% of Americans say the President is responsible for the current financial crisis. Wall Street and the banks are blamed by 21%. 8% blame the Federal Government in Washington and a similar number blame the Congress.

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The Congress is in even worse shape than the President in the mind of Americans. Only 13% approve of its work, the lowest rating since 1994, except for June of this year. [NBC/WSJ 10/08]

The net result is that neither House Speaker Nancy Pelosi or Senate Majority Leader Harry Reid have the credibility to be national public leaders to whom the public will turn. On the other hand, they are both showing significant success as the leaders of their separate institutions.

Finally, neither of the two candidates for President, Senator Barack Obama or Senator John McCain, have so stepped up as to be able to become de facto leaders in this time of crisis.

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At least nationally, the Democratic Party enjoys a self-identification edge. 44% identify themselves as Democrats, while 35% say they are Republicans. (Both numbers include so-called leaners.)

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84% of Americans believe that the next President will face challenges that are more serious than what other new Presidents have faced. 44% say these challenges are more serious than any faced by a new President in the last 50 years. [Gallop 10/08]

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There is a certain amount of schizophrenia when it comes to the broad role of government and the kind of President folks want.

47% believe government should do more to solve problems and meet the needs of people. But 45% say the government is doing too many things that are better left to business and individuals.

What do Americans want in the approach to be taken by the new President?

- 38% say the country needs a President who will provide changes from current Bush Administration policies, and a government that is into more active oversight in areas such as housing and financial transactions
- 58% call for a President who will provide changes from current policies in Congress and deal with waste and fraud in the system to protect taxpayers from government inefficiency and pork-barrel spending. [NBC/WSJ 10/08]

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How do John McCain and Barack Obama measure up against each other in the minds of American voters?

Which candidate for president is likely to be better at:

	<u>Obama</u>	<u>McCain</u>
improving economy	46	29
mort and housing crisis	42	27
energy and cost of gas	42	34
situation in Iraq	41	47
taxes	40	40
dealing with the financial crisis	36	30
[NBC/WSJ 10/08]		

Which candidate:

	<u>Obama</u>	<u>McCain</u>
better understands current economic problems	53	35
shares our values	47	44
will do most to bring needed change to Washington	62	31
is the stronger leader	51	43
gives you the most confidence in his ability to handle the econ	61	49
earns your approval for his handling of the financial crisis	44	35
is better prepared to be President	52	68
better understands your problems	67	46

McCain is seen as making decisions too quickly, and Obama is seen as not making them quickly enough. [WashPost/ABC 10/08; CBS 10/08]

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John McCain's Palin play has played out. The infatuation with Governor Sarah Palin has come to an end. While her selection did serve McCain by enabling him to make peace with the conservative wing of the Republican Party, it has done nothing for him beyond that service. However, make no mistake, that

was an important assistance to McCain going forward from the Republican convention.

On one level, Palin and Obama's pick, Senator Joe Biden, have had a similar impact. 25% of potential voters say they are more likely to vote for McCain because Palin is on the ticket. 24% make the same statement about the selection of Biden by Obama. [WP/ABC 10/08]

But there is where it ends. While 74% say that Biden is qualified to be Vice President and to be next in line for the Presidency, only 41% say that about Palin. [NBC/WSJ 10/08]

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### **THE DEBATES ARE OVER**

The debates are over. The Obama/Biden team has generally been anointed as the winner in all 4 contests.

The most watched debate was that between Palin and Biden. It garnered 73.4 million viewers. The most watched Presidential debate was the 2nd of the 3 contests, seen by 66.3 million people.

The final Presidential debate was seen by 59.3 million people. The initial debate between Obama and McCain drew the least amount of attention, with 54.9 million viewers.

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### **THE MONEY GAME**

When Obama decided to forgo the Federal grant in the general election, questions were raised as to whether he had made the right decision.

While political party spending is not quite as valuable as dollars in a candidate's campaign account, those funds can be used very effectively. In the discussion below they are treated together. [Note that this section was written on October 16th, so, while the RNC has announced its income for September, the DNC and the Obama campaign have not announced their numbers. Therefore, in the latter two cases they are WW's WAG.]

On September 1st:

<u>McCain</u>	
Campaign account	84,000,000
RNC	94,000,000
Total	178,000,000

<u>Obama</u>	
Campaign account	77,000,000
DNC	17,000,000
Total	94,000,000

McCain was \$94,000,000 ahead.

Added during the month of September:

<u>McCain</u>	
Campaign	00,000,000 (campaign cannot raise money for its own account)
RNC	66,000,000 (announced)
Total income	\$244,000,000

<u>Obama</u>	
Campaign	110,000,000 (guesstimate)
DNC	45,000,000 (guesstimate)
Total income	\$249,000,000

Obama was likely \$5,000,000 ahead.

It is clear that Obama made the right choice. While the RNC is likely to have another good month, there is no way it will come close to the combined fundraising of the Obama campaign and the DNC between now and election day.

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### **AND THE WINNER WILL BE**

It is likely that before election day, more than \$1 billion dollars will have been spent on the Presidential race from beginning to end.

It turns out that all of that money was probably wasted, as was the work of the consultants; campaign staff that were hired; the TV, radio, newspaper, and internet advertising; and all of the travel by the candidates and their surrogates.

In fact, it was probably all over by September 2007. At least, so says Alan J. Lichtman, of American University, and his colleague Volodia Kellis-Borok, a Russian authority on the mathematics of prediction models.

The two men developed the "13 Keys to the White House." The keys accurately predict the popular vote winners of every Presidential election from 1860-1980 after the fact, and "prospectively the winners of every Presidential election from 1984 through 2004."

The Keys are 13 questions that are stated as "propositions" that favor reelection of the incumbent Party. If five or fewer of these "propositions" are false, that Party wins another term in office. When 6 or more are false the incumbent Party loses.

Here are the questions. Decide for yourself who has already won the election.

Key 1 - After the midterm elections, the incumbent Party holds more seats in the U.S. House of Representatives than it did after the previous midterm elections.

True \_\_\_\_\_ False \_\_\_\_\_

Key 2 - There is no serious contest for the incumbent Party nomination.

True \_\_\_\_\_ False \_\_\_\_\_

Key 3 - The incumbent Party candidate is the sitting President.

True \_\_\_\_\_ False \_\_\_\_\_

Key 4 - There is no significant third Party or independent campaign.

True \_\_\_\_\_ False \_\_\_\_\_

Key 5 - The economy is not in recession during the election campaign.

True \_\_\_\_\_ False \_\_\_\_\_

Key 6 - Real per capita economic growth during the term equals or exceeds mean growth during the previous two terms.

True \_\_\_\_\_ False \_\_\_\_\_

Key 7 - The incumbent Administration effects major changes in national policy.

True \_\_\_\_\_ False \_\_\_\_\_

Key 8 - There is no sustained social unrest during the term.

True \_\_\_\_\_ False \_\_\_\_\_

Key 9 - The incumbent Administration is untainted by major scandal.

True \_\_\_\_\_ False \_\_\_\_\_

Key 10 - The incumbent Administration suffers no major failure in foreign or military affairs.

True \_\_\_\_\_ False \_\_\_\_\_

Key 11 - The incumbent Administration achieves a major success in foreign or military affairs.

True\_\_\_\_\_ False\_\_\_\_\_

Key 12 - The incumbent Party candidate is charismatic or a national hero.

True\_\_\_\_\_ False\_\_\_\_\_

Key 13 - The challenging Party candidate is not charismatic or a national hero.

True\_\_\_\_\_ False\_\_\_\_\_

Number that are true\_\_\_\_\_ Number that are false\_\_\_\_\_

The winner is\_\_\_\_\_

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## TRACKING THE PRESIDENTIAL CAMPAIGN

A number of organizations maintain daily tracking polls. While some knowledgeable sources question the reliability of these surveys, they are the best way we have of tracking the election on a "daily" basis.

WW has chosen to follow the Gallop and Hotline/Diego tracking polls. Each of the surveys accumulates 3 days worth of interviews. If the date in the chart below is September 30, it means that interviews were conducted on September 28, 29 and 30. Gallop accumulates 2700 interviews (margin of error +/- 2 points). Hotline/Diego accumulates 900 interviews (margin of error +/- 3.3 points). [RV - registered voters; LV - Likely voters] [O - Obama; M - McCain]

<u>Date</u>	<u>Gallop</u>	<u>Hotline/Diego</u>
9/24	Tie RV	O + 4 RV
9/25	O + 3 RV	O + 7 RV
9/26 Pres Debate	O + 5 RV	O + 5 RV
9/27	O + 8 RV	O + 5 RV
9/28	O + 8 RV	O + 5 RV
9/29	O + 6 RV	O + 6 RV
9/30	O + 4 RV	O + 5 RV
10/1	O + 5 RV	O + 5 RV
10/2 VP Debate	O + 7 RV	O + 6 RV
10/3	O + 8 RV	O + 7 LV
10/4	O + 7 RV	O + 7 LV
10/5	O + 8 RV	O + 6 LV
10/6	O + 9 RV	O + 2 LV
10/7 Pres Debate	O + 11 RV	O + 1 LV
10/8	O + 11 RV	O + 6 LV



10/9	O + 10 RV	O + 7 LV
10/10	O + 9 RV	O + 10 LV
10/11	O + 7 RV	O + 7 RV
	O + 6 LV	O + 8 LV
10/12	O + 10 RV	-----
	O + 7 LV	O + 6 LV
10/13	O + 9 RV	-----
	O + 10 LV	O + 6 LV
10/14	O + 7 RV	-----
	O + 8 LV	O + 8 LV
10/15 Pres Debate	O + 6 RV	-----
	O + 6 LV	O + 8 LV
10/16	O + 6 LV	O + 10 LV

A rough averaging of national polls, including the tracking polls, shows Obama with a 6-7 point lead.

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## THE ELECTORAL COLLEGE

A review of the electoral vote over the past 4 Presidential elections provides a basis for the reality that John McCain has a higher hill to climb than Barack Obama.

135 electoral votes - Republican won these States in last 4 elections

64 electoral votes - Republican won these States in 3 of last 4 elections

75 electoral votes - Republicans and Democrats each won 2 of last 4 elections

16 electoral votes - Democrat won these states in 3 of last 4 elections

248 electoral votes - Democrats won these states in last 4 elections

Obama is challenging McCain in States with 39 electoral votes out of the 135 which Republicans won in the last 4 elections.

McCain is not challenging Obama in any of the States of the 248 electoral votes that Democrats won in last 4 elections.

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Various news organizations maintain electoral vote counts that are periodically reassessed and updated. Each organization has its own formula for deciding which candidate will receive a State's electoral votes. The chart below summarizes a number of those reports as of October 17, 2008: (WW has taken the

liberty of lumping together firm and leaning counts to the extent those categories are used by a given organization.)

	<u>Obama</u>	<u>Toss-UP</u>	<u>McCain</u>
CNN	277	87	174
538.com	382	---	156
MSNBC	264	111	163
NYTimes	277	76	185
Pollster.Com	312	70	255
RCP	286	94	158
USAToday	248	155	135

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## 2008 CONGRESSIONAL CAMPAIGNS

By 49% to 36%, Americans believe that Democrats should continue to control the Congress and that will undoubtedly be the result. However, the public is not quite so certain that same Party control of the Congress and the Presidency is a good thing. By 48% to 41% they think it would be better if different Parties controlled these institutions. This view is not likely to prevail, at least on today's facts. [NBC/WSJ 10/08]

### THE U.S. SENATE

Democrats	49
Republicans	49
Independents	2 (caucus Dem)

It would be a political earthquake of significant proportions if the Democrats do not start the New Year with a substantial increase in their majority in the Senate. The outstanding question is whether they will get to the magic number of 60. And if they do, will it be with or without the participation of Senator Joe Lieberman.

Using the chart below, here is what it takes for the Democrats to hit the magic number.

Given the Democrats whose seats are safe, plus those currently leaning Democrat, and including only Senator Bernie Sanders (I-Vt), the Democrats would be at 54, a modest increase from their current status of 51, which includes Sanders and Lieberman.

In the Leaning Democrat category is Alaska. If Senator Ted Stevens is convicted, it seems improbable that he would be re-elected. If, on the other hand, he is acquitted (not a far-fetched prospect given his representation by lawyer

extraordinaire Brendon Sullivan), then his prospects improve. However, there are regular observers of the Alaska political scene that say he will lose even then.

Looking at the 6 Toss-up races, three of them (New Hampshire, North Carolina and Oregon) are currently leaning to the Democrats. Georgia, Mississippi(B) and Minnesota are too close to call. In the case of Minnesota, the Independent candidate for the Senate is getting between 13% to 18% of the votes, depending on which poll you think is most accurate.

Giving the 3 States that are leaning Democratic, that takes the Democrats to 57 seats. From there on it gets a little less obvious. There are 2 States that are currently leaning Republican that some observers think may be in play.

So, assume the Democrats pick up two more of the Toss-Up States, and the Democrats are within striking distance, with 59. Do they then make a deal with Joe Lieberman? Or do they work to get a Republican or two on one cloture vote or another?

Here is how the 35 Senate elections (12 Democratic incumbents, 23 Republican incumbents) look to me at this time (underlining reflects retirement). (D=Dem incumbent in office, R=GOP incumbent in office, I=Ind. incumbent in office)

<u>Safe</u> <u>Democratic(13)</u>	<u>Leaning</u> <u>Democratic(3)</u>	<u>Toss-Up(6)</u>	<u>Leaning</u> <u>Republican(3)</u>	<u>Safe</u> <u>Republican(10)</u>
Arkansas	Alaska	Georgia	Kentucky	Alabama
Delaware	<u>Colorado</u>	Minnesota	Maine	Idaho
Illinois	Louisiana	Mississippi	<u>Nebraska</u>	Kansas
Iowa		(B)		Mississippi(A)
Massachusetts		New Hamp.		Oklahoma
Michigan		No. Carolina		So. Carolina
Montana		Oregon		Tennessee
New Jersey				Texas
New Mexico				Wyoming(A)
Rhode Island				Wyoming(B)
So. Dakota				
<u>Virginia</u>				
West Virginia				

	<u>Democrats</u>	<u>Republicans</u>	<u>Ind</u>
Seats not up in 2008	37	26	2
Safe in 2008	13	10	0
Leaning in 2008	3	3	0
Total	53	39	2
Toss-ups	6 (6R)		

\* \* \* \* \*

Seats not up in 2008	37
Safe in 2008	13
Leaning Dem in 2008	3
Toss-ups going Dem	3
1 independent	<u>1</u>
	57
2 more Toss-up going Dem	<u>2</u>
	59

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THE U.S. HOUSE OF REPRESENTATIVES  
 Democrats 236 (includes 1 vacancy)  
 Republicans 199

While it may not appear from the chart below that all that much is going on, the anecdotal information suggests otherwise.

WW's best guess at the moment: 23 - 25 Democratic pickups.

	<u>6/19/08</u>	<u>8/15/08</u>	<u>9/15/08</u>	<u>10/16/08</u>
Total Dem	238	241	241	240
Solid Dem	203	203	206	205
Likely Dem	14	15	12	15
Lean Dem	14	15	15	12
TossUp	26	25	27	31
D	7	8	8	8
R	19	17	19	23
Lean GOP	8	11	11	13
Likely GOP	18	33	30	18
Solid GOP	152	133	134	141
Total GOP	197	194	194	195

\* \* \* \* \*

Assuming a pickup of at least 23 seats, Speaker Pelosi can afford to lose 41 Democrats on any vote and still prevail. This gives her considerable flexibility to let Members who are in difficult Districts to periodically take a walk.

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## RESTAURANTS

### LE CIRQUE

Bellagio Hotel

3600 Las Vegas Boulevard South

Las Vegas, NV 89109

702-693-7223 Fax 702-693-8500

This is a restaurant into which you do not want to venture if you are any way attempting to control your caloric intake.

Henry and I had an early dinner during a business trip to Las Vegas.

The restaurant is physically circular and has several tables on an outside patio that overlooks the spectacular water displays which are the trademark of the Bellagio. On this particular night the size of the parties in the main dining room ranged from two to 14.

There is a striking calmness once you enter the restaurant and leave the hubbub of the halls and casinos.

Henry started with Escargots au Beurre d'Ail, Burgundy Snails in Garlic Herb Butter, Croutons, Confit Tomato and Parma Prosciutto. Henry provided me with a tasting. Hard to describe, clearly the best snails I have eaten since those at the Lowell Inn in Stillwater, Minnesota.

I chose Filet de Rouget, Rock Fish, Bay Scallops & Shrimp Escabiche, Cilantro, and Black Olive Tapenade. The presentation was particularly alluring, and the tastes were commensurate.

Henry then moved to the Sole Meuniere, dover Sole Menuiere, Potato d L'Anglaise & Glazed Vegetables.

I could not resist the "Blanquette" de Lupin a Rabbit Symphony: Ravioli, Roasted Loin, Braised Leg with Crispy Spaetzles and Riesling Sauce.

Then there were the desserts. Henry opted for Creme Brulee "Le Cirque," a Classic Vanilla Creme Brulee. I went for something I had never come across before, Delice de Framboise, Creme Mascarpone, Raspberry Milk Shake, light Mascarpone Creme, Crunch of Feeillentine. Of course, I thought this was some kind of a drink. Not the case. It could only be eaten with a spoon. And then, as if we had not already gone through a week's worth of calories, a perfect chocolate souffle was delivered for the two of us to share.

The service is beyond impeccable. Certainly it is in the same league with Quince in San Francisco.

Le Cirque is only open for dinner.

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LE BILBOUQUET  
25 East 63rd Street  
New York, New York

Jay and Rita suggested this restaurant for a Saturday lunch in New York.

It is quite small. The tables, and thus the patrons, are all but sitting on top of each other. There are a number of tables on the sidewalk.

When I asked the serving person if there was a copy of the menu I could take with me, she rather disdainfully said no.

Having said all of the above, the service was fine and the food quite good. Rita had an endive salad, Jay ordered sliced chicken, and I ordered a sliced chicken salad, which was quite good, and included leaf lettuce, green beans, and kernels of corn.

I also opted for a chocolate mousse dessert, which was of a perfect consistency and taste.

But the feature of the restaurant that required that this review be written was the men's room. It was by far the smallest men's room I have ever encountered. The small wash basin was all but on top of the small/medium sized commode. I barely managed to get in and close the door. I am morally certain that at my previous size, I either would not have been able to enter the room or, if I did accomplish that feat, I likely would not have been able to get out without assistance.

Bottom line, it is worth a try on a sunny Saturday in October.

[Note: You don't need the telephone number because the restaurant does not take reservations.]

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