

The top of the page features a banner image of the United States Capitol dome in the center, with a large American flag in the background. The dome is white with a gold top, and the flag has red and white stripes and a blue field with white stars. Below the image is a red horizontal bar containing the date and website information.

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KELLEN WASHINGTON REPORT

WHAT'S NEXT?

Ghost town, D.C.

After a hectic few weeks of last-minute political maneuvering, accusations and denials, claims and counterclaims, Washington is now an eerily quiet ghost town, the politicians having all gone home to campaign or retire. Only the cab drivers and upscale restaurants are sorry to see them go.

Republicans still ahead

The polls still show Republicans doing significantly better than the Democrats on November 2, but experts say a natural tightening is now occurring. The latest ABC/Washington Post poll showed Democrats closing the gap or pulling ahead in some races. Washington's premier independent prognosticator, Charlie Cook, notes that every pollster has a different philosophy and methodology for determining a likely voter, which leads to differing results. But not very different, it seems, this time around. After reviewing all the recent polls, he comments: "Republicans are still headed toward retaking the House and making substantial gains in the Senate, possibly enough to become the majority." (The Senate majority, that is.)

One thing not often mentioned is that these polls predicting national swings in voter sentiment are usually based on a sample of 1,000 or fewer potential voters. Difficult as it is to believe that such small samples can reflect the views of a nation of more than 300 million people, the pollsters say it's not a problem – the science of measurement is now so sophisticated. Presumably we'll find out in November.

Man to watch

Eric Cantor is a man to watch. At 47, this scholarly-looking congressman from Richmond, Virginia, little known outside the Beltway, will be the second most powerful man in the House of Representatives if the Republicans win in November – and many feel he is likely to be more influential than Speaker John Boehner, especially among younger and first-time members. In a recent interview with the *Wall Street Journal*, Cantor provided some insights into his thinking. Following are excerpts:

- If Democrats allow the income and investment tax rates to rise in January, I promise you, H.R. 1 (the first piece of legislation) will be to retroactively restore the lower rates so no one has a tax increase in 2011.

- Step two will be cutting spending as much as we can. We will cut programs. We will try to rein in the size of the bureaucracy. We will bring federal pay scales that have become so exaggerated into line with market rates.
- I hope we'll be able to eliminate whole programs and departments by putting sunset provisions into law. Why would you want a federal program to exist if it's not executing its mission or if the mission is not valid anymore? (He cited 17 duplicative programs and technology grants.)
- Government overspending and debt are strangling the future competitiveness and growth of this country.
- We're going to do real earmark reform. The incoming freshmen class (of congressmen) are not coming to Washington for pork-barrel spending, they really aren't.
- We'd like to see the capital-gains rate reduced to nothing, because that's what angel investors, who fund start-ups, look at.
- In a perfect world, we would bring corporate tax rates down to 25 percent or less so we can get competitive in the world economy. Ultimately I would love to see a flat tax.

What postal service problems could mean to you

The Postal Service has been courting insolvency for more than a year and, without some major changes, will hit the wall by the end of September, 2011. Buffeted by individuals and businesses switching to the Internet and other alternatives to the post, and exacerbated by the recession, USPS has lost more than \$7 billion in each of the past two years. Its hopes of improvement were dashed by two blows last week: the Postal Regulatory Commission denied the Service's request for an emergency rate increase, and Congress left town without relieving the Service from a \$5.5 billion payment to "pre-fund" retirees' health premiums. Also, no progress has been made on repatriating an overpayment by USPS to its Pension Fund that now amounts to more than \$50 billion – enough to stave off the wolf at the door for years.

What does that tide of red ink and bad news mean to the average business using the postal system for bills and payments, advertising and promotion, and more? Short term, absent structural changes, if rates can't increase, service will come under pressure: first in "spot" slowdowns, and then in a more rolling "brown-out." With a hiring freeze in place, but addresses growing rapidly, and an inability to close Post Offices and modernize its distribution system, resources will be dangerously stretched. Longer-term, the outlook might be brighter, with unions negotiating personnel costs which constitute nearly 80% of USPS' expenses, and perhaps loosening of the legal and political restrictions against facility consolidations, venturing into "non-postal" services, and more.

How all this might apply to any business depends on its circumstances. If postage is a significant expense, and how quickly and reliably mailings or replies get to their intended addresses is important, then paying the postal system and its woes attention would be a wise investment.

EPA flexes its muscles

With its principal congressional supporters likely to lose their influence next month, EPA Administrator Lisa Jackson is trying to show that she has no intention of backing down on the agency's commitments – and even intends to expand them, despite opposition from industry, Republicans and many Democrats in energy-producing states. In a feisty interview with *Politico* Wednesday, Jackson reaffirmed her intention of imposing climate emission controls on power plants and refineries beginning January, followed by another set of

controls in July on new and existing industrial plants. She also suggested that EPA may introduce its own cap-and-trade scheme in which regulated companies could buy and sell pollution permits based on how much they had cleaned up their facilities. President Obama, she said, is “rightfully proud” of EPA.

Not all Democrats feel the same way. Prominent among them is Sen. Jay Rockefeller of coal-producing West Virginia, who has sponsored a bill to prevent EPA from issuing carbon emission regulations for power plants and refineries for at least two years. “Even in the face of the president’s veto threat, we must send a clear message that Congress – not an unelected regulatory agency – must set our national energy policy,” he declared. Lawsuits challenging Jackson’s authority are now working their way through the courts, with nearly 90 groups of plaintiffs representing energy companies, think tanks and a coalition of states.

Politico comments that EPA is now the main battleground on global warming, as Congress will have little interest in a comprehensive climate bill in the near future.

Free trade blues

The American public is becoming increasingly hostile toward free trade, with 53 percent in a recent poll saying free trade agreements have hurt the United States, the *Wall Street Journal* reported. Republican pollster Bill McInturff, who helped conduct the survey, noted that even upper-income, well-educated professionals whose jobs are not at risk and whose industries benefit by demand from global trade, are nevertheless increasingly skeptical and “expressing significant concern” about free trade.

It is one of the few issues on which Americans of different classes, occupations and political parties agree, he said. William Galston, an economist at the Brookings Institution and former adviser to President Bill Clinton, commented that the anti-trade sentiment isn’t likely to disappear after November. “We are entering a very dangerous period in which we could actually slip backwards and see the undoing of some of the progress that has been made in recent decades toward a more open world economy,” he said. One result of all this: except in heavily unionized districts, candidates of both parties are doing their best to avoid discussing free trade until after the election. Even the Republicans’ recent “Pledge to America” doesn’t mention free trade.

New sheriff in town

The White House is expected to calm down under Pete Rouse, who has replaced Rahm Emanuel as the new chief of staff. At 64, Rouse is 15 years older than the President and his calm demeanor, based on decades of Washington experience, is described as perfectly suited to the “No Drama Obama.” Rouse was earlier chief-of-staff to Obama in the Senate, and for many years the top aide to Senate majority leader Tom Daschle. “He has dealt with just about every issue and outsize ego in American politics,” commented one columnist. He also has a reputation for working well with Republicans.

Emanuel, known for his confrontational personality and colorful expletives, was not particularly popular on the Hill or among White House staff. His tenure as chief-of-staff was one of the shortest on record. “Obama made an error in choosing Emanuel,” commented White House veteran Bill Kristol. “He now has a chance to reorient his administration. But first, the new chief-of-staff has a lot of cleaning up to do.”