



In Washington, uncertainty the only sure thing

Staff members walk past the US Capitol dome ahead of President Barack Obama's first address to a joint session of congress.

REUTERS/JONATHAN ERNST

Presidential elections often are turning points in America – in politics, policy and priorities. That is especially true this year, when Americans will decide whether to stay the course with President Barack Obama or replace him with Republican Mitt Romney amid rising concerns about a sluggish economy, rising debt, partisan gridlock in Washington and ominous signs from Europe. Reuters Washington Summit focused on these election-year themes and more, it included interviews with key players in Washington politics and policy-making who gave Reuters journalists their insight into what to expect this fall and beyond - including the post-election session of Congress that is expected to face a “fiscal cliff” of tax and budget issues.

US Democratic campaign chair tells candidates to avoid convention

BY SAMUEL P. JACOBS
WASHINGTON. JUNE 27, 2012

The man responsible for getting Democrats elected to the U.S. Congress this fall has a message for his party's candidates: Stay away from the Democratic National Convention in September.

"If they want to win an election, they need to be in their districts," New York congressman Steve Israel, chairman of the Democratic Congressional Campaign Committee, told the Reuters Washington Summit.

Israel emphasized that Democratic President Barack Obama's poll ratings - which have hovered around 50 percent - have little to do with his stance.

"I don't care if the president was at 122 percent favorability right now," he said. "I think (candidates) should be in their districts," rather than spend time at the convention, which will be in Charlotte, North Carolina, September 3-6.

"A trip to Charlotte may be interesting," Israel said, "but why leave your districts?"

The Democratic convention, during which Obama will formally be nominated as the Democratic presidential choice, is viewed warily by some of the party's candidates.

The gathering to fete Obama is a particularly sensitive issue for Democratic candidates who are in close races in states or districts where Obama trails Republican Mitt Romney in voter surveys.

For such candidates, four days of mingling with Democratic leaders could turn off independent voters before the November 6 election.

Israel's admonition comes as a growing



U.S. Representative Steve Israel (D-NY), chairman of the Democratic Congressional Campaign Committee, smiles during the Reuters Washington Summit in Washington. **REUTERS/JONATHAN ERNST**

list of Democrats say they will not be joining their fellow partisans in Charlotte. Missouri Senator Claire McCaskill, one of the Democratic Party's most vulnerable candidates, will not attend, an aide said.

Romney was running several points behind Obama in recent polls in Missouri, where McCaskill has trailed her potential Republican opponents.

"McCaskill's decision obviously does not change the fact that she was one of Barack Obama's earliest and staunchest supporters," said Jonathon Prouty, a spokesman for the Missouri Republican Party.

Three Democratic lawmakers from West Virginia - where a federal inmate got 41 percent of the vote against Obama in the state's Democratic presidential primary in May - have said they also will pass on Charlotte: Senator Joe Manchin, Governor Earl Ray Tomblin and U.S. Representative Nick Rahall.

Three other endangered Democrats in the U.S. House - Pennsylvania's Mark Critz,

New York's Kathy Hochul and Bill Owens, also of New York - have said that they will stay away from Charlotte.

Those decisions have led some Republicans to crow that the Democrats facing difficult races are afraid to be seen near Obama.

In Montana, a state Romney is likely to win easily and where there is a competitive U.S. Senate race, Democratic Senator John Tester and his challenger, Republican Representative Denny Rehberg, will both skip their parties' conventions.

Taking back control of the House of Representatives from the Republicans is a daunting task for Israel and the Democrats. Democrats lost 63 seats in 2010, as conservatives from the Tea Party movement helped Republicans seize the House majority.

To win back the 435-member House, Democrats need a net gain of 25 seats.

Additional reporting by Eric Johnson; Editing by David Lindsey and Christopher Wilson



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U.S. anti-tax pledge creator says oath is strong

BY KIM DIXON

WASHINGTON, JUNE 27, 2012

Grover Norquist, the man dubbed by many the most powerful Republican in Washington, said that his anti-tax oath is alive and well despite recent opposition from senior figures in the party.

Norquist, whose 1986 “taxpayer protection pledge” has been signed by the vast majority of elected Republicans, said the numbers prove his case that the oath is still in vogue. More Republicans today have signed the pledge than during the last election cycle, he said.

“In terms of electoral politics, more people are taking the pledge,” Norquist told the Reuters Washington Summit, a gathering of lawmakers and influential figures.

Still, some prominent Republicans have suggested the pledge is creating gridlock, at a time when Congress suffers from abysmal approval ratings, and the nation faces a

fledgling economy and high debt levels.

South Carolina Republican Senator Lindsey Graham and former Republican Florida Governor Jeb Bush are among prominent Republicans calling for more flexibility on taxes.

“When you eliminate a (tax) deduction it’s OK to use some of that money to get us out of debt,” Graham told ABC News earlier this month. “That’s where I disagree with the pledge.”

Senator Roy Blunt, who is Republican presidential candidate Mitt Romney’s liaison to the Senate, told the summit he was not sorry he signed the pledge but also acknowledged that “pledges would make compromise more difficult.”

Democrats say federal tax revenue,

which is at its lowest level in decades as a percentage of U.S. economic output, needs to increase to shrink deficits to sustainable levels.

“It is heartening to see some (Republicans) indicate that they are willing to close some of these tax loopholes for the purpose of reducing the deficit,” Representative Chris Van Hollen told the summit on Tuesday.

Still, he was not sure Norquist’s grip had been loosened.

“We’ve seen no indication from the House leadership that they’d be willing to do that,” Van Hollen said.

Norquist said he is able to handle the occasional stray Republican. He had a phone conversation with Lindsey, who indicated he was willing to soften his criticism of the pledge, Norquist said.

Analysts at the Washington summit said that Republicans can circumvent the pledge in subtle ways, in areas like so-called tax expenditures, such as tax breaks for ethanol and second homes.

“Tax expenditures could give Republicans some wiggle room,” Greg Valliere, a political analyst for institutional investors at Potomac Research, said.

Ethan Siegal, another investor adviser, said that if Republicans win the White House and deliver a debt reduction plan, sticking to the pledge could lose them the next congressional election.

Keeping the pledge would push them to seek cuts in pricey but popular programs like Medicare while not raising any revenue, he said.

“Mitt Romney will have in his second four years with a Democratic House and Democratic Senate. That is the kind of deal that the Grover pledge would force on Congress.”



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Grover Norquist, founder of the taxpayer advocacy group, Americans for Tax Reform (ATR), attends the Reuters Washington Summit in Washington June 27, 2012. REUTERS/YURI GRIPAS

Additional reporting by Patrick Temple-West and Thomas Ferraro; editing by M.D. Golan



U.S. Representative
Chris Van Hollen (D-MD),
ranking Democrat on the
House Budget Committee,
takes questions during
the Reuters Washington
Summit in Washington,
June 26, 2012. **REUTERS/
JONATHAN ERNST**

Top Democrat sees higher tax rates if Republicans won't negotiate

BY KIM DIXON
WASHINGTON, JUNE 26, 2012

Democrats should be willing to let taxes for all Americans go up if Republicans refuse to budge in a fight over tax rates for the wealthy, a top Democrat said.

Rep. Chris Van Hollen of Maryland, a member of the Democratic leadership in the House of Representatives, said that if Republicans continue to demand a tax plan with breaks for the wealthy, Democrats should “take the question to the American people” in January by allowing historically low rates to expire.

“I want to make this really clear; our preference is to act now, today, to extend tax re-

lief for 99 percent of the American people” by extending low tax rates for U.S. households with incomes of less than \$1 million, Van Hollen told the Washington Reuters 2012 Summit.

Van Hollen added that “if they refuse, if the Republican position remains as it is today - which is, they are going to insist on holding tax relief for 99 percent of the American people hostage - I think we should just take that debate into next year.”

The low tax rates for all individuals, originally enacted in 2001 under Republican President George W. Bush, will expire at the end of the year if Congress fails to act.

President Barack Obama agreed to renew all of the lower rates for two years in 2010, though he and other Democrats complained

that Republicans held the low rates for most Americans “hostage” by resisting Democrats’ calls to increase tax rates for the wealthy.

Republicans say raising taxes on the wealthiest Americans will hurt small business and jeopardize the fledgling economic recovery.

Lawmakers are expected to wait for the outcome of the November 6 presidential and congressional elections, which pits Obama against presumptive Republican nominee Mitt Romney, before making big decisions on what is known as a “fiscal cliff:” tax cuts expiring at end-year, looming mandatory cuts in the government budget, and the need to increase the government’s debt ceiling while forming a plan to trim the debt.

Editing by David Lindsey and Eric Walsh

Romney “willing to risk being one-term president”: Portman

BY STEVE HOLLAND
WASHINGTON, JUNE 26, 2012

Republican Mitt Romney would tackle tough debt and deficit problems if elected on November 6 in ways that could leave him at risk of being a one-term president, a potential vice presidential running mate, Senator Rob Portman, said on Tuesday.

“This is something I have never said publicly, I’ve told my wife this, but I think he’d be willing to risk being a one-term president in order to make the tough decisions that are going to be required,” Portman told the Reuters Washington Summit.

The Ohio senator was quick to add that he did not believe a President Romney would face such a scenario, and that voters would “reward that kind of leadership” with a second term by making the difficult decisions to reverse America’s lingering fiscal problems and generate economic growth.

Painful and unpopular choices await the next president of the United States, whether it be Romney or the Democratic incumbent Barack Obama, in getting control of \$1 trillion annual deficits and a national debt of \$15 trillion.

It was Obama who once said if he cannot get the economy back on track, he’d be looking at a “one-term proposition,” a statement Romney has frequently used to try to convince voters to oust his opponent.

Portman, a former budget director for President George W. Bush, sounded similar to deficit hawk Mitch Daniels, the conservative Indiana governor who warns of a “red menace” of deficit spending and rising debt.

Portman called the current U.S. fiscal situation the “most predictable economic crisis” in history and one that should be addressed before lawmakers convene in a

“lame-duck session” at the end of the year.

The year-end session in November and December could be particularly eventful because Bush-era tax cuts are set to expire and Republicans want them all extended but Obama wants to raise taxes on the wealthy.

Portman, who has been involved in Senate negotiations over tackling the debt, said the current tax structure should be extended only temporarily, until next April 15, to allow time for an overhaul of the U.S. tax code.

Other Republicans have talked about keeping the cuts either indefinitely or for a year in order to enact tax reform. The last time Congress addressed the tax cuts was in 2010 when they were extended for two years after a lengthy battle.

Portman would not discuss whether he is being vetted as a vice presidential choice for Romney. Portman, former Minnesota Governor Tim Pawlenty and Florida Senator Marco Rubio are among leading Republicans believed to be on Romney’s short list.

Portman referred any question about the running mate search to the Romney campaign. “If they want to talk about it, they can,” he said at the summit held at Reuters’ Washington office.

With deep experience in Washington that Romney lacks, Portman has the added attraction of being from the crucial swing state of Ohio, which Romney will likely need to win if he is to become the next president. He rode with Romney on his bus tour through the state earlier this month.

Ohio’s 7.2 percent unemployment rate is lower than the 8.2 national average, suggesting Romney faces an uphill climb in convincing the state to side with him. Portman said, however, that voters are “fed up” with the sluggish economy.

“It’s going to be a close election in Ohio,” he said. “It always is.”



For full summit coverage:
<http://link.reuters.com/fuf32j>

Both Romney and Portman are in agreement that a reduction in the corporate tax rate should be made from the current 35 percent, which is among the steepest corporate tax rates among its industrialized peers.

The two Republicans may have a slight, nuanced difference on U.S. bailouts credited with saving the auto industry. Romney opposed the bailouts as delaying the auto industry from going through a managed bankruptcy process.

Portman agreed but says the “government had a role to play” in helping the industry. The Romney campaign pointed out their candidate has made similar comments, and that Romney has said the federal government should provide guarantees for post-bankruptcy financing.

Portman said one way to boost the U.S. economy would be through boosting U.S. exports. He said Romney would move aggressively to negotiate a series of bilateral free trade agreements, while holding China’s feet to the fire on trade and currency.

Additional reporting by Jeff Mason, Deborah Charles, John Whitesides, Gabriel Debenedetti and Andy Sullivan; Editing by Anthony Boadle



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Republican senator says time for compromise

BY THOMAS FERRARO
WASHINGTON, JUNE 27, 2012

A top Republican lawmaker said Monday it was time for Washington to learn how to compromise again so the country can solve its deepening problems.

"I'm bothered by our politics generally that suggest that if you don't get exactly what you want, that's somehow a failure," said Senator Roy Blunt, a member of his chamber's Republican leadership and the former second-ranking Republican in the House of Representatives.

Blunt, who is Republican presidential candidate Mitt Romney's liaison to the Senate, spoke at the Reuters Washington Summit, where political leaders are discussing the pressing issues currently confronting U.S. politicians.

His comments deviated from the standard rhetoric of Washington Republicans these days, many of whom will not even use the word "compromise" anymore for fear of appearing to Tea Party supporters to be backing down on matters of principle. John Boehner, the Speaker of the Republican-controlled House of Representatives, carefully avoids the term, preferring to speak of finding "common ground."

"I could get in lots of trouble in the current environment saying I think we should have more compromise," Blunt added. But "what I've said about that is what I believe - compromise is the price for living in a democracy.

Former Republican Governor Jeb Bush recently said that his party has moved so far to the right that former President Ronald Reagan, a Republican icon, would feel out of step with it.

"I'm bothered by our politics generally that suggest that if you don't get exactly what you want that it's somehow a failure," Blunt said at the summit held at the Reuters office

in Washington.

"The real strength of President Reagan was the ability to explain that if someone was your friend 85 percent of the time, they were not your enemy," Blunt said.

Reagan cut bipartisan deals with the Democratic speaker of the U.S. House of Representatives, Tip O'Neill. They argued, but considered each other friends and found common ground.

"Governing is never the choice between the perfect and the possible. It is always the choice between the possible and deciding you'd rather not get anything done," Blunt said.

"There are times that when the possible is so unacceptable that you're better off saying, 'I'd just rather walk away and start this fight another day.'"

"But most of time in a democracy accepting what is possible and coming back the next day and starting to work for what you couldn't get is the way to get things done," he said.

Current Democratic congressional leaders charge that an anti-tax hike pledge taken by many Republicans, including Blunt, have made it difficult to compromise, particularly on efforts to reduce the record U.S. debt.

Blunt said he had no regrets about having signed the pledge drafted and circulated by Grover Norquist, head of Americans for Tax Reform, an influential conservative advocacy group.

"I really think the (deficit) problem is a spending problem, not a taxing problem," Blunt said.

Asked if pledge makes it more difficult to compromise, Blunt paused, shrugged and then smiled. "Pledges would make compromise more difficult," he conceded.

Former U.S. Representative Tom Davis of Virginia, who now heads the centrist Republican Main Street Partnership, said the growing influence of the most partisan elements in both parties had contributed to political gridlock.

"You don't get rewarded for compromise. You get punished for compromise," Davis said at the summit.

Economic instability, a failed government response to Hurricane Katrina on the Gulf Coast in 2005 and dissatisfaction with prolonged wars in Iraq and Afghanistan have fed a sense that government no longer works properly, he said.

"These are imminently solvable problems. The body politic has just shown an inability to address them because it is inconvenient to do so and you'll probably take some hits in doing it," Davis said. "The party that comes in and cleans this up probably gets voted out of office."

Democrats and Republicans have accused each other of failing to negotiate in good faith on a number of issues, from student loan interest rates to a sweeping plan to upgrade the nation's transportation system and create millions of jobs.

Blunt did not point a finger of blame at either side.

"Only in the recent politics of the country has compromise been seen as an evil as opposed to a positive," he said.

"Governing is never the choice between the perfect and the possible. It is always the choice between the possible and deciding you'd rather not get anything done," Blunt said.

"There are times that when the possible is so unacceptable that you're better off saying, 'I'd just rather walk away and start this fight another day.'"

"But most of time in a democracy accepting what is possible and coming back the next day and starting to work for what you couldn't get is the way to get things done, move the country forward."

*Additional reporting by John Whitesides;
Editing by Fred Barbash and Anthony Boadle*

Pelosi sees Roberts helping uphold healthcare law

BY THOMAS FERRARO
WASHINGTON, JUNE 28, 2012

As the Supreme Court prepared to announce a decision on President Barack Obama's signature health-care law, one of the legislation's chief supporters predicted that it would be upheld by a 6-3 vote.

Nancy Pelosi, the House of Representatives' Democratic leader, said she can see Chief Justice John Roberts siding with Obama in an anticipated divided Supreme Court ruling on Thursday.

"I believe 6-3," Pelosi told the Reuters Washington Summit on Wednesday.

She reasoned that a decision upholding the law would require the support of Justice Anthony Kennedy, a moderate conservative who often controls the outcome of the court's rulings since the justices frequently are split in their decisions.

"If you get Kennedy, I don't think that Roberts would want it to look political" and oppose it, Pelosi said, alluding to the fact that Roberts has said he favors unanimity on his court.

As a Democratic senator from Illinois in 2005, Obama opposed Republican President George W. Bush's nomination of Roberts to the Supreme Court.

In 2010, the same year the president got his healthcare law through Congress, Obama ripped into the Roberts court for a ruling that allowed corporations to spend unlimited money in elections.

This week the court again drew the wrath of the White House - as well as Pelosi and other Democrats in Congress - by reaffirming its 2010 decision by rejecting Montana's century-old ban on businesses engaging in political spending.



U.S. House Minority Leader Nancy Pelosi (D-CA) speaks during the Reuters Washington Summit in Washington June 27, 2012. **REUTERS/YURI GRIPAS**

Pelosi voiced confidence that the health-care law she helped draft will meet any constitutional test. "It is ironclad. We didn't do this off the back of our hand," she said.

"We believe in judicial review in everything that we do. I wrote a bill that would withstand any question of its conditionality."

The court's four Democratic-appointed liberals, Justices Ruth Bader Ginsburg, Stephen Breyer, Sonia Sotomayor and Elena Kagan, are widely expected to vote to uphold the healthcare law.

Conservative Justices Antonin Scalia, Clarence Thomas and Samuel Alito are considered likely votes against the law, based on their comments in oral arguments in March or their past rulings.

Roberts expressed skepticism about the law during oral arguments in the healthcare cases. But oral arguments have traditionally been a notoriously poor guide to the end result in Supreme Court cases.

Reporting By Thomas Ferraro; Editing by Fred Barbash and Christopher Wilson



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Summit Speakers



Roy Blunt
 Senator (Missouri) and Mitt Romney
 top congressional liaison
 U.S. Senate



Bill Burton
 Senior Strategist
 Priorities USA Action "Super PAC"



Guy Cecil
 Executive Director
 Democratic Senatorial
 Campaign Committee



Jonathan Collegio
 Communications Director
 American Crossroads "Super PAC"



Tom Davis
 Former U.S. Congressman (Virginia)
 Current President of the Republican Main
 Street Partnership



Steve Israel
 Congressman (New York) and Chairman
 Democratic Congressional Campaign
 Committee



Grover Norquist
 Founder, Americans for Tax Reform
 Americans for Tax Reform



Nancy Pelosi
 House Democratic Leader;
 former House speaker
 U.S. House of Representatives



Rob Portman
 Senator (Ohio) and Member of 2011 Deficit
 Reduction "Super Committee"
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Jeanne Shaheen
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Ethan Siegal
 Founder and analyst,
 The Washington Exchange
 The Washington Exchange



Greg Valliere
 Chief Political Strategist
 Potomac Research Group



Chris Van Hollen
 Congressman (Maryland) & ranking
 Democrat on House Budget Committee
 U.S. Congress



Debbie Wasserman Schultz
 U.S. congresswoman from Florida;
 chairwoman, Democratic National Committee
 U.S. House of Representatives

FOR MORE INFORMATION:

David Lindsey,

Washington Editor-at-Large

david.lindsey@thomsonreuters.com

Deborah Charles, Correspondent

deborah.charles@thomsonreuters.com

Andy R Sullivan, Correspondent

andy.r.sullivan@thomsonreuters.com

Douglas D Palmer, Correspondent

douglas.d.palmer@thomsonreuters.com

**Nina Andrikian, Head of Marketing and
 PR, Reuters Summits**

nina.andrikian@thomsonreuters.com

Benjamin Beavan,

Reuters Summit Executive

benjamin.beavan@thomsonreuters.com