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Political Landscape Following the Election -- Summary

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Key Observations include:

- There are three pending issues: the debt ceiling, the sequester and the continuing resolution. The debt ceiling will likely be raised and the sequester allowed to go into effect. As for the continuing resolution, Republicans may force a government shutdown as they did in 1995 and 1996.
- The polarization of the two political parties is at a peak last seen in the 1890s. The divisions among people have also increased. People have sorted themselves out in partisan and ideological terms.

- Coming off the election, Obama is in a position of strength and refuses to negotiate on issues like the debt ceiling. The Republicans are weakened. Making matters worse for Republicans is that they are generally perceived by the public as uncooperative and responsible for much of the discord in the Capital.
- The recent election has confirmed the existence of a new Democratic coalition: minorities, young adults, single women, upscale professionals. This coalition is pro-government because it is focused on very specific programs, such as Medicare and social security for retirees, Medicaid for the poor, grants and loans for students, and regulations related to climate change.
- The political polarization means there is unlikely to be any big legislative accomplishments in the next two to four years, and certainly no grand bargain to cut entitlements and raise taxes to balance the budget.
- There's a chance for real change on immigration policy. It is possible that sometime in the next 12 to 18 months there will be immigration reform.
- The country is on an unsustainable spending path, with Medicare growing because of the aging population and increased cost of health care. Net interest expenses could grow quickly since today's debt will likely be refinanced at higher interest rates than today.
- The country is heading toward entitlement spending lockout. The percentage of the federal budget that's taken up by entitlement spending will rise from 46 percent in 2012 to 62 percent between 2012 and 2037. That will squeeze everything else, including education spending.
- We will see some serious budgetary changes in the years ahead at the state level. Red, blue and purple states will come up with a variety of solutions to tackle issues like pension reform.
- Higher education is low on the list of priorities for governors and state legislatures.