

ELECTION 2008 ★ NEW LEADERSHIP, NEW OPPORTUNITIES



This program was originally presented as a live event November 17, 2008

Opinions expressed by the participants are as of November 17, 2008, and are subject to change.

Certain of the material presented in the video can be considered a research report. This material was prepared for use of Merrill Lynch clients and may not be redistributed, transmitted or disclosed in any form or manner without our express consent. Any unauthorized use or disclosure is prohibited.

The information was obtained from various sources, and we do not guarantee accuracy. The research material provides general information only. Neither it nor any opinion expressed constitutes an offer to buy or sell any securities or other investments.

Statements regarding future prospects may not be realized. Income from securities or other investments fluctuate and the price or value of such securities may fall. Past performance is not necessarily a guide to future performance. International investing presents certain risks not associated with selling in the U.S.

IMPORTANT NOTE: The investments or strategies presented do not take into account the investment objectives or financial needs of particular investors. It is important that you consider this information in the context of your personal risk tolerance and investment goals. Due to the time-sensitive nature of the content and because investment opinions may have changed since the time any comments were made by research analysts, the latest Merrill Lynch investment opinion and investment risk rating for any particular security discussed should be reviewed, including important disclosures, before making an investment decision.

Merrill Lynch and its representatives do not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein.

"Total Merrill" is used to refer to the broad range of brokerage, investment advisory (including financial planning), banking, trust, mortgage, and other financial services and products offered by Merrill Lynch. The nature and degree of advice and assistance provided, the fees charged, and client rights and Merrill Lynch's obligations will differ among these services.

As of close of business on September 29, 2006, Merrill Lynch Investment Managers combined with BlackRock Inc.'s investment management business. Merrill Lynch is a substantial stockholder in BlackRock, Inc.

THE ELECTION AND THE ECONOMY

JEFFREY TOOBIN: Good evening, everyone. It's a pleasure to be here. I'd like to start by looking back a little bit at this tumultuous and extraordinary election that we've just been through. And Harold, why don't you start by assessing how much did Barack Obama and the Democrats win this election, and how much did John McCain, George Bush and the Republicans lose it?

HAROLD FORD: You always win an election, and there are a confluence of things that may contribute to it. Early on, not to look back too far, he was right on the war from the standpoint of where the country was. It captivated the attention of Democrats. He stood his ground against Hillary Clinton in a primary that was contested. He showed a kind of mettle throughout that primary process. John McCain, there's no doubt, on the weekend of September 15th, with the Lehman bankruptcy, it changed the course of the conversation in the campaign. But I'm one that believes, having run for office before, that a good candidate adjusts, and I just—I think Barack adjusted.

He probably had an easier adjustment to make than Senator McCain and found himself in a position to run to victory, but the race was a closer race, I think, than some people thought it might have been. The electoral count was a decent-size count, a decent margin, a large margin, but this was a challenging race, and at the end of the day, the people, the country had a choice between two very different candidates--or at least two very different visions.

JEFFREY TOOBIN: Who won? Did Obama win or McCain lose?

PEGGY NOONAN: I agree that the winner always wins, you know? You just don't get there unless you did a bunch of things right. You don't cross the line. However, let's face it, you couldn't have had a worse year for the Republicans this year. You had a perfect storm of bad. You had two wars cooking. You had a major economic collapse happening. Actually, we had been seeing a long slide for maybe 18 months, but you had a collapse announced, if you will, by the sitting incumbent President six weeks before the voting took place. You have a pessimism in the United States--the famous right track/wrong track numbers that were 80 percent "We're on the wrong track," and 20 percent "We're on the good track." You had a historically unpopular incumbent President whom people had stopped listening to.

When you consider that that is all that John McCain had on him, going essentially from day one, then you're almost surprised—you're not surprised that he lost. You're surprised that he lost by only seven points in the popular vote. That was more of a story to me than John McCain is going to lose. So I think it's a very funny thing, this campaign. It was so exciting. It was so wonderful. It kept you on the edge of your seat. There were many dynamics in it that were so exciting--like Barack Obama takes on a

political machine that has more money, more clout, more killers, more everything than he has ... and he takes it down.

JEFFREY TOOBIN: Mark?

MARK McKINNON: Well, this election was historic, and it was so exciting for not just junkies like us, but for voters. I mean voters got really enfranchised. My daughters voted for the first time this year, both of them. My mother voted for the first time since the Kennedy election, so it was great just to see the country galvanized, and maybe some of the reasons weren't great why they were galvanized, but they were. They were plugged in and they were interested, paying attention, and it couldn't have been more exciting.

And to think that we had an African-American candidate, a woman running for Vice President, a POW veteran. ... I mean it was just classic stuff that would be hard to write as fiction. But Peggy touched on a couple of points. I mean the environment is as bad as I've ever seen it in my professional lifetime, maybe. I don't know how far back we'd have to go to find a similar circumstance for somebody running on either side, but Peggy mentioned this right track/wrong track number, and let me explain to you what that is. In every political poll that we do, especially in presidential runs--but we do it for senate races, you do it—you take a measurement and you ask, "Is the country or the state or the city headed in the right direction or off on the wrong track?" Anytime that that right-direction number goes under 50, that's a pretty good sign that it's a good environment for challengers. If it's over 50, we call it an incumbent election.

Well, the last measurement that we saw, about two weeks out, the right-track number--in other words, the people who thought the country was headed in the right direction--was actually 9 percent. So I know some of you are thinking who are those 9 percent? But still, still, if you correlate that as you normally would, that's about... practically speaking ... about what John McCain should have had. And—because that normally translates to the incumbent party, so he really—John McCain--I said from the very beginning was the only Republican who could win in this environment. And Jeffrey, as I think you pointed out, the only remarkable thing in this race really was that it was ever close. And not only was it close, but just six weeks before the election, John McCain and Sarah Palin were two points ahead, the day before Lehman went down.

So I think that Barack Obama ran an almost flawless campaign, and we were thinking the other day, trying to think back about the mistakes that he made. First of all, in the debates, he made *no* mistakes. I mean gaffe-free first-time, presidential big stage. To go through three nationally televised presidential debates and make zero mistakes is incredible, and I can only think of really two he made in the whole campaign. One was the "bitter guns," and then maybe the "spreading the wealth around" with Joe the Plumber. But that's it, so that's pretty remarkable when you think about it.

JEFFREY TOOBIN: David, it's your job to not be swayed by all this partisanship. Was there a way, did you ever see, given what was going on in the country, that John McCain had any chance to win this election?

DAVID ROSENBERG: To me, I think September 15th was a critical date for the campaign. I think there was a pre-September 15th and a post-September 15th. Now, as an economist looking at the situation, here's the way I see it, and I hope—you know, Harold and I, we had dinner about 18 months ago with some clients, and I think that the whole topic was about the primaries were just starting, and it was about foreign policy. What was going to dominate the election? I think we had agreed it was going to be terrorism and was going to be the War on Terror, and this was 18 months ago. Look how fast things can change.

The War on Terror. So, basically, Hillary Clinton's got this expertise in foreign policy, and of course, John McCain's got this expertise in foreign policy, and the big knock on Barack Obama was his lack of foreign policy. And then what happens though was that when you look at the polls on the day of election, the number one issue on voters' minds, on 63 percent of voters' minds—*63 percent*--the top issue was the economy, OK? Wasn't anything else. Nothing else was over 10 percent, including the War on Terror. And I can tell you as an economist watching the debates, watching all three debates, I would say that Barack Obama handled himself extremely well on the economic parts of those debates, and if it came down to the economy, that's why he won the election.

OBAMA'S ECONOMIC CHALLENGE: BALANCING GROWTH & TAXES

JEFFREY TOOBIN: Let's start looking ahead now. Harold, finish this sentence for me. The Obama economic program for recovery is what?

HAROLD FORD: *Growth, growth, growth.* He'll invest in a much larger and more diverse energy platform, because he believes that's our way not only out of Iraq, but to prevent wars going forward, based on our appetite for oil. It will create jobs and address climate change. Two, there will be his initial response, his initial focus will have to be about the economy and the financial markets and hoping to end these challenges that we're facing and put the economy on a growth track. He'll use energy as a big piece of it.

JEFFREY TOOBIN: Peggy, you are famous for many phrases from your speechwriting, but one of yours is from George Herbert Walker Bush: "Read my lips, no new taxes." But Obama has said that he wants to cut taxes on people making under \$200,000 a year and raise taxes on people making more than that--of whom I suspect there are more than a few in this audience. Do you think that will really happen? And what do you think both politically and economically will be the fallout from that?

PEGGY NOONAN: Look, I think the incoming President has a lot going for him. He has an entire country that thinks two things. One is that the problems he faces are so overwhelming, are so huge, that even if they weren't originally going to cheer for him because they're not on his team or didn't vote for him, they're cheering for him anyway. The whole country is totally pulling for him. That's a wonderful position to be in. He's

in a crisis. It is a financial crisis that a lot of people assume will get worse over the next few months, so that on January 20th, when he is sworn in, it is going to be even more dire than it is now. The hopes and cheering of a nation are going to be turned towards him. I think people are going to give him a lot of space, a lot of time. They're really going to be calm. They're not going to be immediately sarcastic and nasty and tough and damning with him. They're going to give him time, but I think he has two, huge jobs.

One is the economy, by which I mean, "Get some kind of concrete floor under this collapse that people fear is coming and experience as coming." That's huge. The other job: foreign affairs.

Look, I'm a conservative. God invented conservatives so that somebody will say, "Don't raise taxes." So I'm here to say, "*Don't raise taxes.*" I think in a time of plummet, you don't add a challenge to the plummet. That is what I think. He has, however, the President-elect, made a number of promises about cutting taxes and increasing taxes and different earnings levels. I don't know how he finesses that. Maybe he does a little of this, a little of that, and at the end of the day, it doesn't do much damage or give you much gain.

JEFFREY TOOBIN: Mark, Republican clients of yours, and Republicans, generally, have feasted politically on the tax issue for many years, you know. "Democrats will raise your taxes." This President has said he will raise the taxes on certain people. Is that, as Peggy suggested, simply a done deal and people will be happy to vote for those tax increases?

MARK McKINNON: Well, I think it's going to happen. I do think that he's going to defer eliminating the Bush tax cuts until 2010, when they're originally intended to expire, so there will be a year's leeway here, and I think his base will give him that latitude, given the economic conditions. The five immediate priorities that I've heard come from, I think, Obama himself are stabilize the economy--and I assume that means a stimulus package included--renewable energy legislation, universal health care, middle-class tax cuts, and education reform. I would just say that of that list, and to me that seems like the right order, by the way, and it seems like the right order to me because I think he will get Republican support on the first two, clearly.

JEFFREY TOOBIN: David, operate as a reality check here. Again, so he has a stimulus package, so he adjusts taxes more or less as he's suggested. Will any of that make any difference?

DAVID ROSENBERG: What can the government really do? The government can't stop Mother Nature from taking its course. We went on a debt spiral to the upside for seven years, and now the movie is running in reverse. So what can the government can do is try their best to underpin some semblance of stability, but the government cannot stop a recession that's already started. What they can do is make it less bad.

Did anybody spend more money on a recession and a detonation of the financial markets and house-price deflation than Japan? We don't have to go back to the 1930s. Japan, you know, we have to respect the differences. There's cultural and there's

demographic, but they're a G7 economy. They are a modern, technological, industrial powerhouse. Japan ultimately took its deficit, the GDP ratio to over 10 percent of GDP. They took their debt to GDP ratio from 50 percent to 160 percent. They took interest rates to zero. So when you're battling a deflation in assets, like equities and like real estate, and when you're dealing with a contraction of credit in the private sector, this is very difficult for any policy maker.

I think the best they could do, and I agree with Harold, is at best to try and stabilize the patient. That's really what they can do. Barack Obama has a lot of energy, and I think that he's got some very good economic advisors, but I think that Step One is going to be--that's right--we're going to probably have to take the deficit up. We're going to have to think imaginatively about multiplier, multiplier effects from the economy. No more of these tax rebates, I agree with Peggy Noonan. Tax increases right now have to be—No tax increases for like the next year, maybe the next two years.

BAILOUT OR BANKRUPTCY: CAN WE AFFORD TO LET G.M. FAIL?

JEFFREY TOOBIN: Fiscal stimulus is somewhere down the road, and the immediate subject is a bailout for General Motors... I mean that is a big topic. A lot of people are talking about it. A lot of Democrats are for it. Mark, talk about the politics of that. What's it like to have the Senators from Michigan saying, "Look, if you allow GM to go bankrupt, you're going to have 100,000 employees thrown out of work. You're going to have all their suppliers out of work. We can't allow this to happen."

MARK MCKINNON: Well, this is maybe one of the most interesting political issues to play out over the short-term right now, because there's extraordinary pressure on the entire political class to preserve and produce jobs, and there's no greater job loss potentially than from the automotive industry right in front of us. That said, I fall on the side of, I think, a lot of Republicans, where I think throwing more money at a dying industry ... I mean trying to underpin the economic system is one thing, but throwing a bunch of money on an industry that is failing because it failed to foresee the future and adapt accordingly... there's just, there's absolutely no guarantee. I think it's probably even quite possible that we'll be turning around nine months from now being asked to throw more money at it. It just makes absolutely no sense to me. Yes, I understand there will be job loss, but, you know, Circuit City's another example. Why don't we bail out Circuit City? I mean where do you draw the line?

JEFFREY TOOBIN: Harold, where do you draw the line? What is it like to be a politician who's elected, like say Barack Obama, with significant union support—who carried Michigan, Ohio where the election was decided to a great extent. How does a politician deal with the moral hazard of bailing out a company that's made terrible decisions versus the human cost of the dislocation that might follow?

HAROLD FORD: Markets change. To answer your question: Congress will draw a line when those on the other side stop forcing them to push the line further out, and by that I

mean it's very simple. If voters are hurting, politicians will respond, and when you talk about two to three million jobs that could be lost...the city of Chicago, everyone going unemployed, you think about it in real numbers.

PEGGY NOONAN: Wait a second. We're not talking two to three million people.

HAROLD FORD: We're talking three million people.

PEGGY NOONAN: If GM goes down, two to three million people lose their jobs?

HAROLD FORD: If GM declares bankruptcy, do you think Chrysler and Ford ... how far behind do you think they are? Because I'm taking, the policy—

PEGGY NOONAN: So you're taking the entire auto industry, not just GM. All right.

HAROLD FORD: Well, how do you stop? I mean if we—I'm drawing a line where Mark is drawing ... but see, you don't do much. I'm answering the question, when do you stop drawing—politicians are going to react to the needs of people, I think, as they should. How, if you are a sitting, United States Senator, you could be opposed to, at a time in which unemployment is at 6.2 percent ... where is it today, Rosy?

DAVID ROSENBERG: 6.5 percent.

HAROLD FORD: 6.5 percent. My state of Tennessee, it's 7.5 percent. How could you be against an effort that would cause, if you allowed GM to go down, you're talking a quarter of a million to half a million jobs overnight that would be lost. I think upwards of a million. I'll let Rosy do the math. If people walked away from their houses because the mortgages were worth more than the homes, don't you think they'll walk away from their car leases? If you've got a year and a half left on a Tahoe, you going to pay it if GM's out of business? Are you going to buy a car—I mean there are a number of questions we have to ask ourselves as a country. Now to your question of where do you draw the line? I don't know where the line will be drawn, but we as a country are in uncharted water here and are going to have to figure out what makes the most sense.

WHAT DO WE NEED TO DO NOW TO STAY COMPETITIVE IN THE GLOBAL MARKETPLACE?

MARK McKINNON: Well, I happen to be a radical free trader, and that's part of the reason I became a Republican, and it is a global marketplace. I realize that that has caused jobs to go overseas and probably impacted your business in a really significant way, probably put a lot of people out of business here in this country, but I don't think we can put that genie back in the bottle. And I'm worried that Barack Obama's going to try to put that genie back in the bottle and try and renegotiate trade treaties that we have in place, and that we're going to become a protectionist country, and then it's just going to spiral up again. And that's not the way to become competitive. We have to go back to

the idea of the education investments in order to become more competitive, but I don't think the way to do it is to become more protectionist.

DAVID ROSENBERG: Hopefully in our economy, we're always seeking towards more value-added jobs that require more skills. Those skills require greater wages, and out of those, wages are totally justified by our productivity. We become much higher value-added. I want to go back to just the comment about Barack Obama and free trade, because I did have those concerns, but Mr. Emanuel—I mean if you look at the people he's surrounding himself with, they're like the old Clinton people, and Clinton's the guy that signed NAFTA. It wasn't...

JEFFREY TOOBIN: And Rahm was in charge of selling NAFTA.

DAVID ROSENBERG: Rahm Emanuel was one of the guys charging, making the charge for that, and so... When you think of the guys advising him, like Robert Rubin, I mean I could see—I mean maybe I'm more concerned about Congress than I am about the President. Actually, I'm more concerned about: "Will he be able to contain Congress." That's what I'm most concerned about.

The answer to the question comes down to this: How do you maintain competitiveness is you try and create as low a cost structure for the business sector as possible. So what's happened is that we've been a bit asleep at the wheel here for the past several years, and other countries like Germany, like France, like Italy, like Ireland, have all cut their corporate tax rates to the bone. I think that our corporate tax rates are among the highest in the OECD right now, and we focus on other things, but how do you improve competitiveness. One of the things you do is by insuring that you have a very competitive tax regime.

PEGGY NOONAN: And there will be no constituency in the Obama constituency to be cutting the corporate tax rate when it is something we have to do. Let me just throw in one of the things I think we have to do to stay competitive is to realize that we are at an epochal moment in the history of free market, free-decision, throw-the-dice capitalism in the United States. We're nationalizing things. We're bailing out things. We're telling industries that have been governing themselves irresponsibly, "It's OK, you won't pay the fatal price for it." We appear to be changing the way we do business. My goodness, that's no way to keep us sharper, tougher and more competitive.

BILLIONS AND COUNTING--HOW HIGH CAN THE FEDERAL DEFICIT GO?

DAVID ROSENBERG: In terms of how far the deficit can go, it can go higher, and I don't think it's sustainable. I actually believe we can't delude ourselves. For the well-off people, OK, I think this is one area where Barack Obama is going to be raising taxes on the well-off. I think that is unavoidable. I doubt it's going to be in Year One, but I think that when you go back to the New Deal of the 1930s, the top marginal tax rate was ... started off at just over 20 percent. By the time it was over--this is before World War II--

it got as high as 80 percent. There was not anarchy. People did not run away from the States and go live in Canada, where the tax rate was even higher probably back then.

But I will say is that someone's going to pay for it, and the one thing that I will say is that Barack Obama did run on reducing the polarization in the society. We can't deny that he did run on reducing the income bifurcation, the polarization, so these deficits are not going to be ... You know, we're probably going to run them for the next couple of years. I think we'll probably have to, but the high-income individual here, who enjoyed a lot of the good times, you know, in the past seven years, we're going to pay a big part of that price.

CAN THE REPUBLICAN PARTY REINVENT ITSELF?

MARK McKINNON: There's a huge struggle already going on...it started hours after the election ... about the struggle for the soul and the future of the Republican Party. There are the traditionalists who want to go back to sort of to be the party who will try and burn down government and be against everything that Obama's for. And there will be a more pragmatic, I believe, point of view of the Republican Party that will try and build bridges, try and recognize.... You know, I—it started with McCain today going to see Obama. I think he is literally putting country first now by extending his hand in bipartisanship and trying to help him be successful. I think it's in all our interest.

The direction that the Republican Party goes, I think, is a fundamental one. I think that unless the Republican Party recognizes the mistakes it has made in the last few years, unless it recognizes that it's got to—there's a demographic tide going on here: Hispanics are growing, and if we continue having an immigration debate like the Republican Party did over the last year or so, we'll never get them back, ever. I mean, we saw Pete Wilson lose the Republican Party for decades, because of that exact sort of approach on immigration.

Republican Party, yes, has to look at its roots, go back to a lot of the Reagan, sort of core principals, but it's gotta evolve and grow, too. It can't simply go back to sort of the old-style Republicanism. They've got to innovate. I think there are really bright and shining lights, like Bobby Jindal, who I think may not be the next President, but I think will be President in our day. It's going to go back to the Republican governors, people outside of Washington who are the innovators.

JEFFREY TOOBIN: Peggy, let me ask you to weigh in on that question, because that is a very hot issue right now... sort of which direction do the Republicans go? You know, core values of the Republican parties have been against abortion, against gay rights, against illegal immigration. Does any of that change?

PEGGY NOONAN: Those were not core values of the Republican Party.

JEFFREY TOOBIN: No?

PEGGY NOONAN: No, but they were positions in the past 25 years. Core values had to do with the relationship of man and the State. What man owes the State in terms of

money and authority over his life. The debate over the future of the Republican Party has been summed up as a debate between traditionalists and reformers.

I know this because David Brooks wrote a very influential column the other day on this issue and named me as a reformer, so that's how I found out. This is where the debate is: Look, those traditionalists who stick with conservative principles, conservative thinking, whose positions reflect the general, accumulated, conservative wisdom of the past 200 years, but who take those principles and apply them to the facts on the ground today, those will do well. Those thinkers who cannot—not thinkers, but those politically involved people who cannot get it out of their heads that this is not 1980, and this is not 1992, that life changes, demography changes, issues change ... to me, those people will lose.

Look, America isn't made in Washington and New York. Washington and New York make Washington and New York. America's made in America. It is the state legislators, the governors, one of the governors, two of the governors, Mark just mentioned. It is what is grown in the states that will come to change the shape of the Republican party. Why? Because local governors and legislators have to do not with grand abstractions but immediate life on the ground in their states and in their counties. That's where stuff's going to happen, and it's going to take time.

WHEN ARE HOME PRICES GOING TO HIT BOTTOM--AND START RECOVERING?

DAVID ROSENBERG: Looking at the broad supply and demand contours right now, we have 10 and a half's months' supply of unsold inventory, which is rather amazing when you consider housing starts are down 60 percent from their peak. The demand has come down so far, so fast, we're still left ... It's like the builders have been running on a treadmill. I really don't see home prices bottoming before, say the end of 2009. I think that they probably have another 15 percent downside from here on average, nationwide. It might be actually a little worse in New York, when you consider what's going to happen to employment in the financial-services industry, but home prices have not bottomed.

DOES THIS ECONOMY HAVE A SILVER LINING?

DAVID ROSENBERG: It's not about being bullish, and it's not about being bearish. These are labels that investors like to throw on Wall Street analysts or economists or strategists. It's about being realistic. What's positive is that we are going to learn to live life without a lot of credit. We're going to learn what it's like to live life based on our income as opposed to some future, unrealistic, parabolic asset inflation, whether it's your dotcom stock in 1998 or whether it was your 500,000 square foot mansion in 2008. We've reached a situation where the savings rate last year went negative for the first time since the 1920s. The household sector has a debt ratio and a debt service ratio—we've reached a situation where we've taken on so much debt and we took on so many credit cards, we leveraged up so much that as a society ... I'm talking about the consumer sector, not the government sector... as a consumer sector, we spend more on interest on

our debt than we do on food on the table. So I mean I'm not going to sugarcoat the situation. It's going to mean a frugal—we're going to live a frugal life, and it's not going to be the end of the world.

We're talking about going back to family, family core values. Savings. OK, we're talking about thrift, we're talking about spending more time with our family and our friends. I think that if you ask me as an investor, I would say that when it comes down to: "Should I buy the second or third home?" I think that we should just basically concentrate on income, concentrate on value and safety, OK? This is the sort of cycle that we're in right now, and concentrate on balance sheets, your own balance sheet. And if you're going to invest in a company, make sure that they're going to survive, and that they have a very strong balance sheet, and that they pay a dividend, and it's going to be OK.

JEFFREY TOOBIN: I'd like to just sort of throw in a piece of good news that I think Mark made a brief allusion to it, which is one thing that the American government excels at is transitioning between one administration to the next, even one between different parties. And I think the transition we're seeing now in Washington is really going to be one of the best-run that there has ever been, and I think President Bush deserves an enormous amount of credit for that—that, actually, the laws about the transition have changed at President Bush's instigation, you know, giving the new Administration an office in advance... you know, silly things that don't sound all that important, but in fact historically, have been very difficult. And I think there will be a seamlessness, which, given what's going on in the economic realm at the moment, is really something quite remarkable and will be helpful to people in their real lives.

MARK MCKINNON: And psychology and confidence are huge factors, and I think that there's a great goodwill right now in this country among people of all parties and stripes, and I think that, you know, I don't know how we can leverage that, but I think it's a factor.

HAROLD FORD: One of the reasons I'm excited about the country and our future is because of what you stated. Everybody in the world, the challenges that they're facing in this global slowdown, a lot of it has to do with the same reasons we've slowed down. The world is looking to us to lead and innovate. People thought a year ago that our economy was decoupled from others and that Asian economies, in other words, would grow without us. We've seen it.

There's some partial truth to that, but, by and large, without America leading and setting that example, those things don't happen. To your question and to merge the two: *innovation, innovation, innovation*. The platform—one of the reasons I was excited about this new President is because I believe he's going to make some investments in things that the other guy would not have made investments in and put aside the social issues and all of those things.

To your point about creating these areas where you can come in and offer incredible tax incentives for new companies and entrepreneurs to spring to, frankly that's the model that we have to have in education and the model we have to have in business,

as well. There's an area of the country where over 20 years we've seen continued growth. We saw one spike, and we've seen continued growth and entrepreneurship and the kind of renewal that David talks about. It's called Silicon Valley. We should figure out how we take those principles and spread them everywhere. It would take—you saw—when Congress talked about \$25 billion for GM and Ford and Chrysler, believe me, I don't think you ought to throw it at them. There would be an incredible set of conditions attached to them. But in that same vein, *The Wall Street Journal*, *New York Times*, ad space was bought in a full page by a little outfit in Silicon Valley, a few of them saying, "Look, give us a billion of it, and we'll develop you a hybrid, an electric car and a plug-in faster than they ever will."

Barack is open to the idea—the new President is open to the idea, so I don't think that point is lost at all, and I'm excited, bullish, can't wait to be a part of this growth, because I'm willing to do whatever I can to help this President, because I honestly believe he's going to make these investments. He's going to take this chance, and if we hit it right, the rest of the world will follow, and we'll be right back where we always have been--right at the top.

JEFFREY TOOBIN: On that spirited, optimistic note, I thank everybody... Thank you to the panel. Thank you for all coming.