
The Second Term Diet

Tired of out-of-control government spending?

Then re-elect the President and his
reform agenda.

BY GROVER NORQUIST

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HEN THE REPUBLICANS BECAME THE MAJORITY PARTY in the House and Senate in January 1995, federal spending was 21.7 percent of the gross domestic product (GDP). After six years of a Republican Congress and the Democrat Bill Clinton in the White House, federal spending fell to 19 percent of GDP.

Today, after three full years of a (mainly) Republican Congress and Republican president, George W. Bush, federal spending has climbed to 21 percent of GDP. Total federal spending increased \$300 billion in fiscal years 2002 and 2003 combined and is expected to increase another \$136 billion in fiscal year 2004. These increases amount to 4.2 percent in 2001, 7.9 percent in 2002, 7.3 percent in 2003, and a projected 6.3 percent in fiscal year 2004.

What happened? Has the Republican Party turned liberal?

Hardly. Bush and a Republican Congress have cut taxes three times in three years, and taken on not only the liberals but much of the world in repudiating the ABM treaty that limited America's ability to develop and deploy strategic defenses and the Kyoto treaty that would have curtailed America's economic growth. Partial Birth Abortion was outlawed. Tort reform passed the House and awaits a few more Republicans in the Senate. Conservative judges have been appointed—some confirmed, others also awaiting a few more Republican



senators. In the war on terror, the Taliban government of Afghanistan has been removed for supporting al Qaeda and Saddam Hussein's regime in Iraq is ended. The anger of Howard Dean and John Kerry supporters is entirely rational—there isn't a liberal bone in this Republican administration.

Indeed, the president and Republican Congress have been rock solid on almost everything—except federal spending.

How could that be? If the professed goal of the Republican Party is to limit the size and scope of government so as to maximize individual liberty, how can it fail to limit federal spending? Something is wrong when everything on the agenda gets attention—except the one big thing.

ONE REASON for the out of control spending is the makeup of the conservative coalition. Taxpayers vote for Bush because they want him to cut taxes. They would also like lower spending. Gun owners vote for Bush because they want their guns left alone. They would also like lower spending. Pro-lifers vote for Bush because they

value life. They would also prefer lower spending. Ditto property owners, small businessmen and women, traditional values conservatives. Everyone wants lower spending. But for all organized parts of the conservative movement it is a second priority. There is no National Rifle Association, National Right to Life Committee, or National Federation of Independent Business organized around the single issue of controlling spending.

A second problem is that the pro-spending forces are well organized and well funded. The largest lobbying and law firms in Washington are hired by clients who want more spending. I cannot identify a single client of the top ten lobbying shops whose goal is a reduction in federal spending.

A third problem is that unlike fighters for "pro-life," "taxpayer" and "death tax" issues, the forces of limited spending have given away the language. In the 1950s conservative Republicans—a minority within a minority—fought against spending. But because they believed their cause wouldn't gain majority support, they targeted "deficit spending" to win over all the Methodists who hate debt.

Liberals responded by arguing that deficits were meaningless because “we owed the money to ourselves.” But by the 1980s the Democrats discovered that deficits were an important weapon in opposing tax cuts and supporting tax increases. They dropped the word “spending” to harp on the evil of “deficits” caused by lower taxes. When Ronald Reagan and Jack Kemp now argued that “deficits” didn’t matter, they were defending tax cuts.

Back in 1995, the newly elected GOP Congress slowed federal spending just a tad and put a stop to Bill Clinton’s plans to nationalize health care, pensions, and raise taxes. As a result, the economy took off and the federal budget went into surplus. Then came a moment of clarity. Republicans asked Democrats: “You said you opposed tax cuts because of the deficits: Now that we are in surplus, will you support our tax cuts?”

“No, no” the Democrats replied. “We were lying. We *always* oppose tax cuts.”

The Democrats asked back: “Hey, Republicans, you said you were against spending on various domestic programs because of the deficit. Now that we have a surplus, will you support new spending programs?”

And the Republicans answered, “No, we were lying. We oppose more spending period, surplus or deficit.”

For a few years in the late 1990s, the focus remained on spending. And spending as a percentage of the economy fell. Actually fell. But Bush inherited a recession, and with the war on terror and overspending the budget went back into deficit. We are now once again focused not on the important numbers—how much the government spends and how much it takes by force—but on the unimportant difference between those two numbers, i.e., the federal deficit.

The Bush administration’s greatest strategic error occurred when Josh Bolten of the Office of Management and Budget announced in the *Wall Street Journal*—and the president reiterated in his

recent State of the Union address—that the administration’s goal was to cut the federal deficit by half in five years. The White House obviously doesn’t even recognize the problem—spending. Worse, we know Democrats cannot compete with Republicans if the fight is over who can control federal spending. But the Democrats can compete just fine, thank you, if the problem is defined as the deficit. “End the Bush tax cuts.” “Bring back the death tax.” Problem solved.

If the problem is spending: Republicans win. If the problem is deficits, Democrats can claim to have one of two equally valid answers—spending or raising taxes.

One understands why CBS and Ted Kennedy want the discussion to be about “deficits.” But it is wrong, and suicidal, for any Republican to so frame that debate.

Some conservatives now argue that the combination of a Republican Congress and a Democratic president from 1995 to 2000 led to a decline in federal spending as a percentage of the economy. By contrast, having George W.

Bush as president alongside a Republican Congress has led to an equally sized increase in federal spending as a percentage of the economy. Perhaps, then, there is a case for wishing ill luck to Bush/Cheney in 2004 and a return to “divided” government.

Fortunately for Republicans and conservatives who want a re-elected George W. Bush to continue to nominate judges, cut taxes, and pursue a foreign policy independent of the United Nations is that Bush’s re-election is also the key to real reductions in government spending.

This is not to excuse the inexcusable explosions of spending such as the recrudescence of farm subsidies, expanded foreign aid, and more federal funds to finance the National Education Association’s precinct workers. The good news is that the Bush administration has begun six serious

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reforms that—if Bush is re-elected with the mandate he is seeking—will put us on a path to smaller government.

The first reform is competitive sourcing. Bush's policy is to take 850,000 federal civilian job that could be performed by private contractors and require that they all be put to bid. For example, the fellows who mow the lawn at the Pentagon are government workers. Nice people in the yellow pages offer similar services. Government lawn mowers will now have to bid periodically against outside contractors for that work.

When the Defense Department tried competitive sourcing on a limited basis, it found that the same work can be performed at a savings of 30 percent. This experiment will end if a Democrat is elected. Only a Republican Congress plus a Republican president can maintain this reform, at an annual savings of \$25 billion. And this is just the tip of the iceberg.

Once outsourcing becomes standard operating procedure for the federal government, it's inevitable that the more competent governors will follow suit. Since there are 15 million state and local government workers, at least one-third or five million of these jobs could be competitively sourced for a savings of more than \$125 billion each year. And this savings comes (sadly) without reducing any "government services." The feds and the states would do everything they do today at 30 percent savings. It would change the culture of government work, which would no longer be a sinecure.

That's reason enough to get out of bed on Election Day, November 2nd.

The second reform is the base closings legislation. We are in the middle of the fifth round. This brilliant even-handed Base Closings Commission idea was put forward by then Texas congressman Dick Armey in 1988. The first commission saved taxpayers an initial \$4 billion with an additional \$1 billion annually. This was followed in 1991 with an initial \$8.4 billion and \$2 billion annual savings

thereafter. Then 1993's commission saved taxpayers \$4.7 billion initially and \$2.3 billion annually. The fourth commission was undercut by Bill Clinton's politically motivated exempting of two California bases, resulting in an actual net cost to taxpayers in 1995. Congress didn't pass another

base closing bill until the election of a president who wouldn't cheat. Thus under Bush Congress passed another base closing bill in 2003, and the commission will issue its report in 2005. The secretary of defense has called for closing one-quarter of domestic bases and one-quarter of foreign bases. The success of this commission and the creation of future commissions will require a re-elected Bush.

The third reform is to move Social Security toward a fully funded, individually controlled, portable pension system. President Bush bravely touched (heck, fondled) the third rail of American politics when he came out for such reform in the 2000 election. His re-election campaign will outline three principles: give every American the opportunity to put roughly half of their FICA taxes into personal

savings accounts like an IRA, oppose any cuts in present benefits, and oppose any tax hikes. Should Bush win his mandate, the 70 percent support this idea already commands will ensure passage by a Republican Congress.

I believe that any American who chooses to invest some of his FICA taxes in a personal savings account will eventually demand the right to do so entirely. Should every young American make this choice, according to the Social Security Actuary, over time we will reduce the Social Security tax, the largest tax paid by most Americans, by 83 percent and turn 20 percent of the federal budget into a forced savings plan. The \$2 trillion shift to personal accounts will be the largest reduction of federal taxes and spending in American history. This is a large enough reform to forgive periodic falling off the wagon for expensive trips to Mars or the cre-

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ation of taxpayer-funded electric grids in other people's countries.

THE FOURTH REFORM is the Doha round of trade negotiations scheduled for completion in 2005. U.S. Trade Representative Robert Zoellick has called for eliminating manufacturing tariffs and lowering tariffs on agricultural products in exchange for the reduction/elimination of American and European agricultural subsidies. The latter would reverse the damage done by the restoration of direct farm subsidies in 2001 and save \$170 billion over ten years. It's a particularly important budget cut in that existence of farm subsidies is the only reason the good, honest, and patriotic peoples of North and South Dakota inflict on our nation the four Bolsheviks they send to the U.S. Senate. Without subsidies to fight for, there's no need for Democratic senators.

The fifth reform is the health savings accounts enacted as part of the Medicare expansion legislation that will increase federal spending by at least \$50 billion each year to provide pharmaceutical benefits that most Americans already receive through the private sector. Conservatives have fought for years for health savings accounts.

They will allow Americans to put money in HSAs and buy high deductible insurance. Any money not spent will roll over and accumulate tax free. The more Americans pay for their own basic health care directly, the more competition will lower health care costs for all Americans.

WHILE HEALTH-CARE costs have increased in double digits for five consecutive years (because consumers do not shop directly but simply send the bill to the government or their health insurance provider), the cost of cosmetic surgery—which is not covered by insurance and therefore is competitively priced—has declined in real prices every year for a decade.

Laser eye surgery has fallen 35 percent in cost in the last three years for the same reason. Simply put, when people have a stake in the process they shop around. And with the state and federal governments already spending nearly \$600 billion on Medicare and Medicaid, HSAs have the ability to keep government health-care spending in line with GDP growth, which will cut projected government health-care spending from the Medicare trustees in half from nearly 12 percent to 6 percent of GDP. This will save taxpayers hundreds of billions of dollars.

The sixth reform is parental choice in education. Bush and the Republican Senate have just won school choice for 1,700 students in Washington, D.C. That may seem like no more than a small crack in the public school monopoly, but when Hungary allowed a few hundred East Germans to cross its border to the west in 1989 the fate of Communist East Germany was sealed. Government education K-12 costs 4.5 percent of GDP. Private schools spend half as much per student as government schools spend, employing as they do 2.1 million Democratic precinct workers belonging to National Education Association. Over time, if public schools are required to compete for parents' money with independent

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schools and home schooling, costs will fall. If government schools become as productive as private schools, total costs could be cut by half or 2.5 percent of GDP. There's a reason why the NEA fights so hard against the smallest "experiment" in school choice. It knows best the shoddy quality of its work.

The above six spending reforms are all underway. They will move forward under a re-elected George W. Bush and a Republican Congress. They will all be delayed for years if not decades if a Democrat wins the presidency. ❧

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