



by Grover G. Norquist

A Day to Remember

Though what about the budget?

May 13 wasn't a bad day to be a Republican. That morning, Florida State Rep. Sandra Murman became the 256th Democratic officeholder in America to switch to the GOP since Bill Clinton's election in November 1992. Republicans now control 62 of the 120 seats in the Florida house. And that evening, more than 2,000 donors gathered at the Washington Hilton for the annual RNC Gala which raised more than \$11 million for the party. While New Jersey Gov. Christie Todd Whitman and her husband led revelers onto the dance floor, election results rolled in from three under-reported races.

In New Mexico, Republican Bill Redmond captured the third-district House seat vacated by current U.N. ambassador Bill Richardson. Redmond defeated Democrat Eric Serna 43-40, with Green Party candidate Carol Miller receiving 17 percent. In 1996, Redmond—a Los Alamos minister attacked by Democrats as a “radical right-wing preacher”—had lost to Richardson 67-30 in a district that is 60 percent Hispanic and American Indian. Until this year, no Republican had ever won more than 38 percent of its vote. Redmond won despite being outspent two-to-one by Serna and having to fight off massive “issue advocacy ads” from Ralph Nader's Public Citizen. Republicans now hold 228 seats in the House.

The Democratic Congressional Campaign Committee blamed the low turnout in special elections. Yet this race drew more than 102,000 votes, an amount

greater than the turnout in eleven districts won by Democrats last year with Clinton heading the ticket. Former New Mexico Democratic chairman Earl Potter conceded his party did all it could to get out the vote. Said the state's Democratic attorney general, Tom Udall, “This is a very sad day for the Democratic Party.” (Their woes are more than just electoral. Their own gala fundraiser, held May 1, was alleged to have netted \$4 million but in fact probably netted about \$800,000. Democratic interns from Capitol Hill were bused in to fill empty seats, and the DNC remains \$16 million in debt. It also has yet to follow through on its promise to return \$1.5 million in illegal or unexplained contributions.)

In the second bit of GOP good news, Bret Schundler was re-elected to a third mayoral term in Jersey City, New Jersey. This traditional Democratic stronghold is 30 percent black, 25 percent Hispanic, and 10 percent Asian. In winning 50-41 over his main opponent, Schundler took 53 percent of the most heavily Hispanic ward and 38 percent of black Ward F. Despite a demonstrable lack of support from suburban Republicans in the state legislature, Schundler has lowered taxes, taken on the police unions to require more cops on the street and fewer behind desks, and vigorously promoted school choice.

Finally, former Republican congressman Hal Daub withstood a heavy barrage of attacks from big labor to win re-election as mayor of Omaha. Democrats and unions fear a Republican mayor will strengthen the GOP's chances of retaking the governorship—Nebraska is one

of only eighteen states with Democratic governors—as well as ousting incumbent Sen. Bob Kerrey.

Shelly Kamins, the new chairman of GOPAC, predicts that these off-year GOP successes will make it even more difficult for Democrats to come back in 1998. “Former House committee chairmen had been hanging on with the promise that the Democrats would retake the majority in the '96 election,” said Kamins. “That didn't happen.” He now expects more Democratic incumbents to announce their retirements—for good reason: “There are 107 congressional districts currently held by Democrats that are more Republican than New Mexico's 3rd district.”

Next November 4 could be another banner day for the GOP—that's when gubernatorial elections will be held in Virginia and New Jersey. It's also the day New York will have its mayoral vote. Four years ago Republicans came from behind to win all three slots, and this year the GOP will be the frontrunner in each race. For keeping her promise to cut income taxes and fending off other tax threats, Christie Whitman remains reasonably popular in a tough state she won by only one point in 1993. Virginia Gov. George Allen earned respect by fighting a Democratic legislature to lower taxes and devolve power. Limited by state law to one term, he is likely to be succeeded by his attorney general Jim Gilmore, who not only promises “no new taxes,” but wants to phase out the hated property tax on cars and boats. His probable opponent, Democratic lieutenant governor Don Beyer, has already hurt himself by calling for new taxes and then backing off. New York mayor Rudolph Giuliani should win re-election on the strength of his ability to

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reduce crime and corruption. Gov. George Pataki's and Sen. Al D'Amato's re-election chances can only improve from having a New York mayor willing to clamp down on voter fraud.

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The Clinton-GOP budget agreement has become a Rorschach test. Liberals and conservatives alike have attacked and supported the deal. So was it a mistake?

First, the good news: Bill Clinton has agreed to a budget with a net tax cut—the first since Ronald Reagan's in 1981. Since then, budget deals in 1982, 1984, 1987, 1990, and 1993 have all raised taxes; the 1996 tax reform bill was revenue neutral. So we've moved from tax hikes to tax cuts. House Ways and Means chairman Bill Archer and Senate Finance chairman Bill Roth have made it clear that their cut will reduce capital gains and estate taxes, provide a \$500-per-child tax credit, and expand Individual Retirement Accounts. The economy will get a great boost from cuts in capital gains tax rates, especially if indexed to protect against taxation of inflated gains. Now that Republicans have congressional majorities to defend, they intend to keep the economy growing.

These tax cuts, moreover, were first promised in the 1994 Contract With America. House Republicans will soon be able to campaign as that rarity: politicians who kept their promises. Of course, to get Bill Clinton's signature on a tax cut, Republicans had to accede to some of Clinton's desires on domestic spending. Who gave up more? One way to judge may be by comparing the outrage of liberal Democrats at news of the tax cuts and the gloominess of White House staffers who announced the deal with the upbeat reactions of Newt Gingrich and Trent Lott. After a football game the team that is crying probably didn't win.

A second measure to look at is the projected savings from Medicaid and Medicare reforms. We won't know until the legislation is actually written whether they are the latest in empty promises or introduce real entitlement reform. Michael Horowitz of the Manhattan Institute warns that in the past we have been

promised big savings from price controls on doctors and hospitals only to discover that their lawyers are a lot smarter than government bureaucrats. The worst part of the deal is the additional discretionary spending Congress is conceding to Clinton. Think of it as the cost to taxpayers of Bob Dole's losing the election.

In sum, the budget gives the GOP two permanent victories and one temporary loss. The tax cuts are permanent, as is the non-price cap portion of entitlement reform. Meanwhile, the concession on discretionary spending is a one-year promise—next year Clinton will have to fight for it again from what is likelier to be a weaker negotiating position.

Ultimately, the last word on the budget deal may depend on the order of congressional action. The GOP leadership's present plans are to pass the tax cut first, and entitlement reform second. Appropriations bills that will include the over-spending desired by Clinton come third. This way Republicans maintain their leverage. But if we wake up to headlines that Congress is giving spending bills priority ahead of tax cuts and entitlements, we'll know that the good guys have been beaten after all. ❧

BOY CLINTON FOUR YEARS AGO

Alice Rivlin, the estimable chief economist at Clinton's Office of Management and Budget, has long maintained that high tax rates spur workers to new frenzies of effort while low tax rates lure them into leisure. The chairman of Clinton's Council of Economic Advisers, Laura Tyson, is so benighted that across all the desolate wastes of socialism she can see "no evidence" that high taxes retard growth. She previously seemed well in over her head as the fourth-ranking economist at her own Berkeley Roundtable of International Economics. But now, through the magic of quotas, this lame leftist has raced ahead of fellow BRIE stalwarts John Zysman, Stephen Cohen, and Michael Borus, all far more widely and impressively published than Tyson and all having qualified themselves equally well for the administration by getting every tax, trade, and technology issue wrong for fifteen years.

—George Gilder,
"Wealth and Poverty Revisited,"
TAS, JULY 1993

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by William Tucker

Moving On Up

Rent control files for intellectual bankruptcy.

People who should know say that New York City's rent control administration compares favorably with other confiscatory, Third World regimes.

Claudette Rubin is a refugee from China whose family once ran a hotel in Szechwan province. During the Cultural Revolution, the hotel was confiscated and most of her family murdered. She escaped with her parents to America. After starting her own contract business, she decided to invest in New York housing. "There are so many beautiful old buildings here," she said.

She bought one loft building on the Lower East Side but sold it after a housing court judge ruled she could not evict a tenant who had not paid rent in two years. Then she bought a building in Harlem. Her problem was a drug addict who never paid rent. When she spoke to him about it, he slashed her tires. When she took him to housing court, he threatened to kill her. The day she secured an eviction, he firebombed her office.

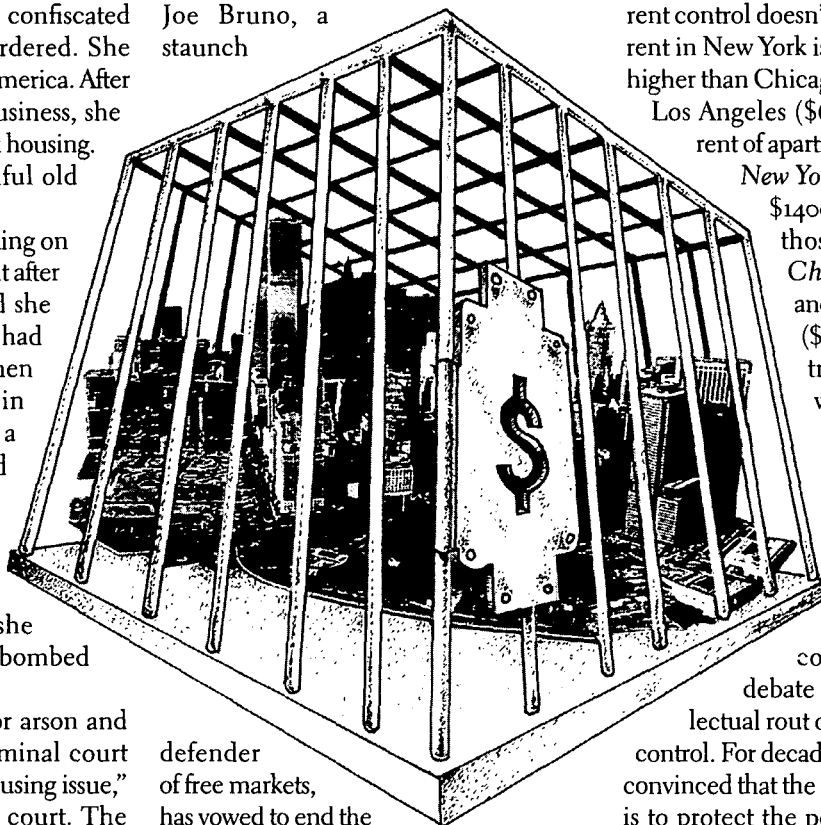
Rubin pressed charges for arson and attempted murder. The criminal court judge said, "This is really a housing issue," and sent it back to housing court. The new housing court judge overturned the eviction. For bombing her office, the tenant got to keep his apartment.

"I think I may go back to China," said

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Rubin the last time I spoke to her. "There when they take your property they just kill you and get it over with. Here they torture you first."

Yet amazingly, after fifty years, New York's nightmarish rent control system is now under serious challenge. State Senate majority leader Joe Bruno, a staunch



defender of free markets, has vowed to end the system on June 15. This is no idle boast. Because rent control is still only a "temporary" measure from World War II, the law must be renewed every three years. Under New York's arcane legislative system, the majority leader virtually controls the vote of his entire delega-

tion. If the senate does not renew the regulations by June 15, rent control is history.

All this has set off a firestorm in New York, the likes of which has not been seen in many years. Tenant activists are predicting mass dislocations. The newspapers run around telling people their rents are about to triple. Even Cardinal O'Connor weighed in recently, saying people had a "moral right to affordable housing."

Yet affordable housing is exactly what rent control doesn't provide. The median rent in New York is \$620 a month, a little higher than Chicago (\$600) and less than Los Angeles (\$650). But the median rent of apartments advertised in the *New York Times* this month is \$1400—virtually double those advertised in the *Chicago Tribune* (\$650) and the *Los Angeles Times* (\$775). Because rent control has made such a wreck of New York's housing stock, what is left has become far more expensive.

No matter what the result June 15, perhaps the most remarkable outcome of the current debate is the complete intellectual rout of the defenders of rent control. For decades, the public has been convinced that the purpose of rent control is to protect the poor. Yet when several studies projected the results of decontrol, it turned out that all the impact would occur in Manhattan's most fashionable neighborhoods—the Upper East Side, the Upper West Side, and Greenwich Village. Rents in poor neighborhoods are already at market level.