

READING HIS LIPS

How to Tell if Clinton Really Is a New Democrat

EDWIN J. FEULNER JR.

Who would ever have thought that a Republican president closely identified with the Reagan Revolution would fall to a Democratic challenger campaigning against him from the right?

Although George Bush was conservative in his court appointments, his embrace of free trade with Mexico, and most foreign policy questions, on the critical pocketbook issues that matter most to voters, Bill Clinton frequently appeared to be on Bush's right. Clinton was also more at ease with the optimistic "can-do" rhetoric of Ronald Reagan than the man who served for eight years at Reagan's side.

Most of Clinton's specific policy recommendations will fall far short of the conservative ideal. Yet, in the war of the campaign sound bites, it was Clinton who celebrated growth and condemned deficits. In an October 22 Seattle campaign speech, for example, Clinton hit the Bush administration on three fronts: failing to control federal spending, taxing middle-income families into the poorhouse, and bogging the economy down in a morass of new regulations. The theme was repeated over and over as he traveled the country; it was the heart of the Clinton message.

President-elect Clinton convinced voters that he has moved the Democratic Party back into the moderate-center mainstream of American politics—a sharp move to the right for the party of George McGovern, Jesse Jackson, Walter Mondale, and Jerry Brown. As Cleveland City Councilman Mike Polensek told the *Washington Post's* Thomas B. Edsall just a few weeks before the election, "I'm a conservative Democrat and I'm angry because of what's happening in the country." Polensek had voted for Reagan in 1980 and 1984, Edsall noted, and for Bush in 1988. Not this time. The Bush administration lost touch with the Reagan Democrats, and by the millions they returned home to the party of their parents.

It was also the Democratic candidate in 1992, not the Republican, who quoted frequently from Heritage Foundation research. As Clinton told the Seattle crowd: "All they [the Bush administration] know how to do is say the words tax and spend, but look at their record.... It was Mr. Bush who said 'Read my lips' and then signed the second-biggest tax increase on the middle class in

history. Mr. Bush who raised spending higher than any president in the last 30 years. Mr. Bush, according to the conservative Heritage Foundation, who increased regulation on the private sector more than anyone in the last 20 years." All of these charges are true, and all of them have been documented by Heritage and other conservatives.

The First Test: Personnel

Campaigns are one thing, and governing is quite another. Clinton talked tirelessly during the campaign about "growing the economy." He talked about reforming the welfare system. He expressed his faith in the private sector and free trade. Now he must show that he intends to govern as a "New Democrat" as well. Forgive me if I express a healthy skepticism.

The first important test, of course, will be the men and women he chooses for top policy-making positions in government. Will they be Clinton loyalists, dedicated to the kind of change he promoted during his long association with the Democratic Leadership Council and the Progressive Policy Institute? Or will they be creatures of the Democratic Party establishment, long wedded to the special interests of the left? The choice is his, and the success of his administration probably hangs in the balance.

In the meantime, conservatives—as all Americans—should wish the new president God's speed. After all, as conservatives we see presidential elections as an affirmation of the very best in America's democratic tradition: a great act of faith, hope, and optimism.

Enduring Conservative Ideas

While an important chapter in the political history of the United States has ended, the beliefs that motivated the Reagan Revolution—in individual freedom, limited government, competitive enterprise, and peace through strength—live on. Conservatives will strongly oppose Clinton when he assaults these principles. We also hope that he will look openly on our policy ideas.

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The proposal to establish enterprise zones in distressed urban areas is a natural for Clinton. It was not until the closing day of the 102nd Congress—more than 13 years after my colleague Stuart Butler first introduced the proposal to U.S. policy-makers—that Congress finally approved legislation establishing urban enterprise zones. Instead of being the centerpiece of the legislation, the proposal was just one of many items in a broader tax bill, which ultimately fell to a presidential veto. So, after 13 years of talking about enterprise zones, we still are just talking about them. Perhaps cities will finally get their chance for enterprise zones under Clinton.

Strategic defense would also make sense for the new administration. For nearly a decade we have been told by opponents of the strategic defense initiative—first proposed by President Reagan in 1983—that developing missile defenses would be 1) destabilizing; and 2) a waste of money, since this “naive pipedream” of Reagan’s was not feasible. Ten years later we know both of these excuses are untrue. The argument that missile defenses would upset the delicate balance of power was all bluff, pushed by a professional arms-control community that depended on business-as-usual for prestige and influence. The argument that we would be wasting our money was equally specious. By the late 1980s it was obvious to almost everyone that the technology to defend America from enemy missiles was well within reach; we lacked the will, not the way.

Today, many people feel that deploying missile defenses is even more important than it was during the Cold War, with various rogue regimes in the Middle East and elsewhere hell-bent on obtaining weapons of mass destruction. Even Russian President Boris Yeltsin has called for the deployment of missile defenses, and has offered to cooperate with the United States. Yet, here we are, 10 years after former President Reagan’s so-called “Star Wars” speech, still fighting over the idea—while American cities and soil, and those of our friends and allies, remain undefended.

JFK’s Tax Cuts

The Clinton administration can reject these and similar conservative ideas out of hand. But the only prudent and practical course for the administration, beset with the problems it has inherited from the Bush White House, will be to embrace such concepts as its own.

Let the Clinton White House call its proposals what it wants. That’s politics. The policies are far more important than the names given to them. For example, since Bill Clinton has made “growing” the economy a top priority, let him propose growth-oriented tax cuts. He would never want to use the “supply-side” language of the Reagan administration, of course, so let him call his proposal the Kennedy II Tax Reform Act. After all, it was just a little more than 30 years ago that John F. Kennedy pushed through Congress legislation dramatically lowering marginal tax rates, and produced the growth spurt that would later fuel Lyndon Johnson’s War on Poverty. Clinton must understand, however, as Kennedy and Reagan most certainly did, that none of his other announced plans—many of which we conservatives will



Reuters/Bettmann

Bill Clinton campaigned to the right of Bush on the issues of jobs, taxes, and deficits.

adamantly oppose—will be possible without a vigorously growing economy. That must come first.

If it adopts the pro-growth tax policies of Kennedy and Reagan—something the Bush administration was loath to do—the Clinton administration stands a chance of being successful. If it rejects them, it will fail.

Just Say No

The new administration will be under intense pressure from organized interest groups—ranging from the AFL-CIO and National Education Association (NEA) to the Jackson Democrats (Jesse, that is) and radical environmentalists—to pay them off. With his party’s control of the House and Senate, Clinton will be in a strong position to do so. And his reward will be a one-term presidency, like Jimmy Carter’s and George Bush’s.

Some pay-offs are inevitable. A newly elected president accumulates political debts, and some of his creditors will undoubtedly call in their IOUs. A political leader, however, must learn how and when to say no. This is where Clinton’s “vision thing” will be tested.

Clinton inherits a recovering but weakened economy, a federal budget bloated with wasteful pork, a \$4-trillion national debt—increasing at 8 percent a year—a private sector crippled with federal mandates, a public-education system that produces illiterate high-school graduates as efficiently as Wendy’s stamps out bacon-cheeseburgers, a cultural establishment that mocks religion and family, an anti-poverty bureaucracy that has managed to spend \$3.5 trillion during the past 25 years without improving things, and a Congress that balks at change.

Will he pay off the NEA by turning his back on meaningful education reform? Will he pay off the AFL-CIO by getting involved in an unnecessary, no-win battle over Section 14(b) of the Taft-Hartley Act, which authorizes state right-to-work laws? Will he pay off the public-sector unions by pushing for changes in the Hatch

will receive which medical services, under what circumstances, and when?

If President Clinton follows the right course, he will be a popular success. If he follows the wrong course, on the economy, on health care, and other key issues, he will be forced to retreat to the same Rose Garden where Jimmy Carter confronted his malaise.

Enterprise zones in distressed urban areas are a natural for Clinton.

Act, which insulates federal employees from political pressure? Will he hand over the reins of the Environmental Protection Agency, Consumer Product Safety Commission, Food and Drug Administration, Federal Trade Commission, and Occupational Safety and Health Administration to his supporters at the Sierra Club, Natural Resources Defense Council, and Ralph Nader's Public Citizen?

Big business and big labor both will come calling, as will the radical environmentalists, feminists, AIDS "advocates," D.C.-statehood proponents, protectionists, managed traders, and sundry other special interests. The most important lesson the new president must learn is to just say "no."

Carter's Rose Garden

The new president will also have to take a hard look at some un-conservative parts of his campaign rhetoric. Does he really think he can generate enough income for his various economy-growing schemes by increasing taxes on the wealthy? The numbers just don't add up.

In the area of health-care reform, will he try to take the easy way out by imposing more federal mandates on business? Much of big business probably would go along with such an approach. Why not? Health-care costs already are built into their operating expenses. So what if continuing cost inflation makes them less competitive? They'll demand that Clinton and Congress protect them from foreign competitors who don't spend \$3,600 per year per employee on health care. And if the new mandates cripple small business, so much the better from the perspective of big business: another potential competitor has been aced out by government. Is this the kind of change Clinton envisions?

Then there's the matter of controlling health-care costs. As Robert Schuettinger and Eamonn Butler pointed out in a landmark Carter-era book, *Forty Centuries of Wage & Price Controls*, governments throughout history have attempted to control the costs of goods and services. They have failed every time. The laws of economics are clear: government price controls, regardless of the euphemism used to describe them, produce shortages in the long run. Is this the future Clinton envisions—a future in which Health and Human Services (HHS) lawyers and accountants determine by regulation who

Clinton's Challenge

Bill Clinton's challenge is to show that his "new covenant" is not a pot of warmed-over tax-and-spend mush left over from the days of Jimmy Carter. Such policies will help no one, including the president.

The out-of-office technocrats from the Johnson and Carter administrations, after a dozen or more years of political hibernation, have anxiously lined up with resumé in hand. As much as possible, Clinton must resist the easy temptation. They do not represent change.

An administration bent on real change—change for the better—would:

1) Tackle the budget deficit by restraining government spending. Although he waged rhetorical war against the Bush deficits during the campaign, Clinton now faces a tougher challenge: squaring his long list of costly campaign proposals—\$80 billion for his Rebuild America Fund, \$500 million for community development banks, and so forth—with his promise to cut the deficit in half within four years. If he needs help, conservatives stand ready to show the way. Heritage has identified more than \$700 billion that could be saved over five years by slashing unnecessary government pork and redundancy. Some of it should be eliminated outright; if Clinton wants to know what happens to "infrastructure" dollars he should study the highway bill. Other programs could be shifted to the productive sector through privatization, a strategy that has won converts even in many of America's most liberal statehouses. New York Governor Mario Cuomo, for example, says he is "very strong" on privatization, and always has been. "I'll sell anything," he told the *New York Times*. He listed among the possibilities state-owned ski areas, hospitals, and the World Trade Center, now owned by the Port Authority of New York and New Jersey. The new president constantly needs to remind himself that the 1990 budget agreement so pleasing to the Washington establishment is the poison that killed both the recovery and the political career of his predecessor.

2) Empower poor and middle-income families. As Clinton apparently understands, the problems of poor and middle-income families are real. In many cases, however, government has contributed mightily to these problems. Public schools, for example, are a government monopoly. Democrats claim to know about monopolies, and they know what to do about them: bust them up and create competition. A school-choice voucher system would promote competition in education, and give poor and middle-income families some of the education options wealthier families enjoy. Such a system might even help public schools, which would be forced to become more responsive to parents as they faced tougher competition from private and parochial schools.

3) Champion tax relief, not tax increases. Families also are stressed because they have too few dollars chas-

ing too many expenses. Inflation, now increasing at a modest 3 percent annually, is no longer the problem it was during the Carter years. The big problem today is taxes—especially the huge bite that Social Security and Medicare are now taking out of the paychecks of middle-America.

Middle-income families need tax relief. If President-elect Clinton is seriously bothered by the fact that the next generation will not inherit from its parents the same advantages and opportunities the baby boomers received from their parents, he needs to understand that Washington is to blame. In 1948, when the baby boomers' parents were starting their families, the typical family of four paid Washington 2 percent of its income in taxes. Today it pays 24 percent—with another 8 to 10 percent, on average, going to state and local government. The personal exemption in 1948 was roughly equal to 20 percent of the average family's income. Thus, the exemptions for the typical family of four shielded some 80 percent of income from taxation. To provide today's parents with the same level of tax protection enjoyed by their parents, the exemption would have to be raised to approximately \$8,000.

4) Reduce the regulatory burden Washington places on American businesses and municipalities. Bill Clinton grew up in Hot Springs, Arkansas, population 32,462, according to the 1990 Census. To understand how pervasive the feds have become in our lives, he needs only to understand this: if federal regulators all lived in Hot Springs, the city would have to quadruple in size to accommodate the nearly 125,000 federal bureaucrats who make their livings harassing business. And harass they do. The Federal Register—the official encyclopedia of government rules and regulations—was a “modest” 20,036 pages thick in 1970. Today, it's more than triple the size: 67,716 pages, about 30 times larger than the two-volume Washington, D.C. Yellow Pages. It is estimated that government regulations cost each and every American family somewhere between \$8,388 and \$17,134 per year, more than the average family pays in taxes.

If Clinton feels compelled to pay off the interest groups, his reward will be a one-term presidency.

Regulation has become a way of life; we need to reverse this and make deregulation a way of life.

Let the record show clearly that it was Bill Clinton, not George Bush, who made an issue of the heavy regulatory burden during the campaign. But talking about a problem, and doing something about it are two very different things.

5) Press for a solution to the national health-care problem that won't make matters worse. There is no

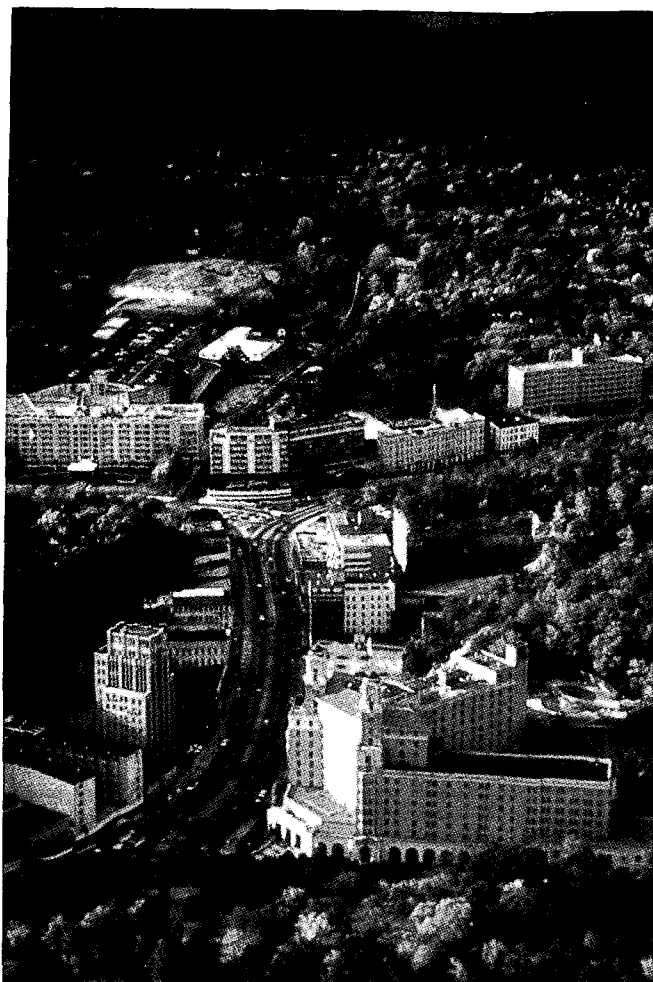


Since Clinton made “growing” the economy his priority, let him propose growth-oriented tax cuts, modeled after John F. Kennedy's.

debate about what's wrong with the U.S. health-care system: rapidly escalating costs, combined with a growing number of individuals who are forced to fend for themselves because they don't have medical insurance. Since beginning his campaign for the White House, Clinton has offered two proposals for reforming the system. The first was a “play-or-pay” plan that would require employers to either provide medical benefits to their employees or pay a new tax to finance an expanded Medicaid-type program for the uninsured. Later in the campaign, he switched gears and embraced a concept known as “managed competition,” which he would somehow meld with play or pay. To control costs, overall U.S. health-care spending would be limited by bureaucratic fiat, something known as “global budgeting”—a political euphemism for rationing.

There's a better way, however: the Heritage Consumer Choice Health Plan. And Bill Clinton need look no further than the Federal Employees Health Benefits (FEHB) Program for a working prototype of such a system. While not perfect, the 32-year-old FEHB system—which covers Congress and more than nine-million other federal employees, retirees, and dependents (or about one in 25 Americans)—is based on two economic principles normally absent from government programs: consumer choice and market competition.

A similar market-based national health system could



Hot Springs Visitors Bureau

Bill Clinton grew up in Hot Springs, Arkansas, population 30,000. If all federal regulators lived there, the city would have to quadruple in size.

be created by replacing the tax breaks now given exclusively to employer-based health plans—such benefits are now tax-free—with individual tax credits and vouchers for the working poor. With each family responsible for purchasing its own health coverage, we would see people select the plan best suited to their individual needs and circumstances, comparing price and value. This is how to control costs—by using the “invisible hand” of the market—not by government fiat.

Expect No Miracles

Conservatives should not delude themselves: they should expect no miracles from the Clinton administration. If Bill Clinton has charted a real change of course

for the Democratic Party, he is entering a minefield. More likely than not, the “change” will be limited in scope, largely rhetorical, and painfully short-lived.

By focusing almost exclusively on deficits, taxes, and jobs, the Clinton campaign was able to deny George Bush the votes of conservative Reagan Democrats. When the new administration moves beyond the pocketbook issues, however, these same Democrats—who are conservative to the core on national defense, family matters, and a host of other issues—are likely to turn on it.


Conservatives must prepare to do battle with the new administration—not because we’re looking for a fight, but because on matters of substance, a wide gulf is likely to separate us. Even if Bill Clinton wants to do the right thing, he will be pushed and shoved to the left by the powerful special interests that are the backbone of his party.

Conservatives have also learned some important lessons over the last dozen years that will serve us well in the months and years ahead.

We have learned that there are no permanent victories in Washington. Much of what Reagan accomplished in his eight years the Bush administration undid in four. While this is bad news, there’s an important corollary: there are also no permanent defeats in Washington.

We have learned the power and rightness of our cause. Even today, few in Washington view the federal deficit with joy, suggest radical Keynesian pump-priming to reinvigorate the economy, or call for dumping additional billions into the black hole known as the War on Poverty. If there’s a constituency for spend-more liberalism, it certainly wasn’t apparent from the presidential race—where all three candidates claimed to be fiscal conservatives—or from the various state ballot referendums that were rejected or approved on November 3. Indeed, exit polls on November 3 indicated that nearly 60 percent of all voters equated their choice for president with a vote for smaller government and lower taxes.

Most Americans remain committed to the low-taxes, pro-growth, limited-government message of contemporary conservatism. Unfortunately, while the economic rhetoric of national politics remains mostly conservative, the economic agenda of Washington remains mostly liberal.

If Bill Clinton truly understands this, his chances of success are vastly improved. If he fails to learn from the mistakes of his predecessor, when the voters ask in 1996, “Are we better off today than we were four years ago?”, the answer will likely be negative. And the Republicans will be given another chance. 

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THE UNMAKING OF THE PRESIDENT

Why George Bush Lost

GROVER G. NORQUIST

On Tuesday, November 3, 1992, the Bush presidency died of multiple, self-inflicted wounds.

George Bush inherited from Ronald Reagan a vigorous economy and a powerful Republican coalition of Americans committed to limited government, a strong national defense, and respect for traditional values. Bush lost because he reversed Reagan's economic policies, and because he abused the successful political coalition Reagan had built.

When Bush was inaugurated in January 1989, the economy was in its 75th month of continuous growth. Eighteen million jobs had been created since the Reagan tax cuts took effect on January 1, 1983. Inflation stood at 4.6 percent—down from 13.5 percent in 1980. And, as a result of economic growth and Reagan's restraint of domestic discretionary spending to 1-percent growth per year, the deficit had fallen three years in a row, and was forecast (by the Democrat-controlled Congressional Budget Office) to fall from \$153 billion in 1989 to \$135 billion in 1992, 2 percent of GDP.

After eight years of Ronald Reagan, almost as many voters were calling themselves Republicans as Democrats. The under-24 vote was strongly Republican. Reagan Democrats were becoming regular voters for Republican presidential candidates. The Reagan Republican Party was the party of economic growth at home and strength abroad, and the party most likely to protect taxpayers from the federal government. Left on automatic pilot, the nation and the Republican coalition were poised to reach new heights.

Yet 45 months later, George Bush was rejected by 32 states and 62 percent of the American people. Voters told pollsters they trusted Bill Clinton rather than Bush to create jobs, restore economic growth, and act in the interests of people like themselves. Young voters turned harshly against Bush, voting 43 percent to 34 percent for Clinton over the president. The Reagan Democrats went home. Republican Party identification plummeted, and of those Republicans who remained, Bush lost 27 percent. Over a third of conservatives voted for Clinton or Ross Perot. Most Americans who marked their ballots for the president did so more out of fear of Clinton than enthusiasm for Bush.

Masterful Foreign Policy

In understanding what went wrong, it is important to recognize where President Bush built on the Reagan legacy, and where he strayed from it.

Continuing Reagan's pressure on Moscow and its colonies, George Bush led the Free World to final victory in the Cold War, leaving a united Germany in NATO and a Soviet Union fractured into 15 independent republics. He skillfully commanded a military strengthened by the Reagan buildup, and managed a global coalition to defeat the fourth largest army in the world in its nearly successful bid to control two-thirds of the planet's oil reserves. He negotiated a trade agreement with Mexico (one of Reagan's first proposals) that will strengthen the U.S. economy and keep our southern neighbor on the path of peaceful reform.

Ronald Reagan brought the Soviets to the end game, but George Bush continued to push Gorbachev down the path of political reform and liberalization until there was no turning back. Granting aid too early might have ended the reforms, and pushing too hard would have alerted Gorbachev to the final destruction he was hurtling towards while trying to hold together his socialist empire. Moreover, by keeping America strong, by keeping the Western alliance together, by showing in the Persian Gulf that the U.S. was willing and able to resist aggression, and by not giving premature economic aid to the Kremlin, Bush reinforced Reagan's signal to Soviet military leaders that they could not get the West once again to exchange a relaxation of pressure for meaningless words, reversible reforms, or a handful of immigrants. It was on George Bush's watch that the single greatest external threat to American life, liberty, and the pursuit of happiness withered away.

The paradox of the 1992 elections is that a president with so many achievements could not convince even his supporters that he deserved a second term. George Bush's three fatal mistakes were to undermine the entrepreneurial economy, to alienate important parts of the Reagan coalition, and, through a foolish distinction

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