

The Washington Establishment vs. The American People: A Report from the Budget Summit

By Representative Newt Gingrich

I want to thank Betsy Hart for having me here and The Third Generation for sponsoring this. The Heritage Foundation is one of the real centers of conservative vitality. I read with interest, for example, Jack Kemp's recent speech here on the nature and causes of poverty in America — and I think Heritage plays a major role in developing the governing ideas that are going to make America's success possible in the 21st Century.

I'm going to talk of controversial things; I make no apology for this — I've been talking on this subject for twelve years, obviously under the administration of both parties.

And I mention this only because it seems impossible to legitimately debate the issues of the day without being subjected to name calling and the application of labels.

Those of you who are in the conservative movement know that is the opening, with the exception of the word "ten" rather than "twelve," of Ronald Reagan's nationally televised October 27th speech, "A Time For Choosing," that was 26 years ago.

The amazing thing is how little things have changed.

As Bill Buckley noted recently in a special issue of *National Review*, "In the first issue of *National Review*, the editors included in our credenda the statement: the profound crisis of our era is, in essence, the conflict between the social engineers who seek to adjust mankind to conform with scientific utopias and the disciples of truth who defend the organic moral order."

Majority Not Governing. Over the next 35 years, a political movement first was born, then grew and prevailed. The defense and the nurture of the moral order even by a governing majority is a challenge. I've been talking about a governing majority now for a couple years, and Bill liked the term — and used it. And yet, one of my conclusions in early August 1990 as I thought about the lessons of the first seventeen months of my being Whip in the House is that we are a majority, but we are not governing.

I have been in a position to observe firsthand how conservatism is faring in Washington, and it is all too clear that, in spite of a conservative revival among the people, the radical ideas that were promoted under the guise of "liberalism" still dominate the councils of our national government.

In a country where it is now generally understood and proclaimed that the people's welfare depends on individual self reliance, rather than on state paternalism, Congress annually deliberates over whether the increase in government welfarism should be large or small.

In a country where it is now generally understood and proclaimed that the federal government spends too much, Congress annually deliberates over whether to raise the federal budget by a few billion dollars — or by many billions.

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And so the question arises: Why have American people been unable to translate their views into appropriate political action? Why should the nation's underlying allegiance to conservative principles have failed to produce corresponding deeds in Washington?

Conservative Failure. I do not blame my brethren in government — all of whom work hard and conscientiously at their jobs — I blame conservatives ourselves, myself. Our failure, as one conservative writer put it, is “the failure of the conservative demonstration.”

But we conservatives are deeply persuaded that our society is ailing, we know that conservatism holds the key to national salvation, and we feel sure the country agrees with us. We seem unable to demonstrate the practical relevance of conservative principles to the needs of the day; we sit by impotently while Congress seeks to improvise solutions to problems that are not the real problems facing this country, or the government attempts to assuage imagined concerns and ignores the real concerns and real needs of the people.

Perhaps we suffer from an over sensitivity to the judgments of those who rule the mass communications media. We are daily consigned by enlightened commentators to political oblivion. Conservatism, we are told, is out of date — the charge is preposterous and we boldly say so.

That is of course the introduction of *The Conscience of a Conservative*, 1960.

And I say that because it is exactly true today. What I will say this afternoon will, of course, be preposterous. My suggestions for avoiding a recession will, of course, be absurd; my analysis of the power of the Democratic party and the Congress will, of course, be outrageous.

Radical Common Sense. My statements of facts, obvious to every American outside of Washington, will prove how far out of touch Washington is, because if you use common sense and tell the truth in America, you are a radical in Washington.

Thirty years after *The Conscience of a Conservative* it is amazing how much America has changed and how little Washington has changed.

President Bush said it well in his recent press conference, and I'm going to quote a portion of his remarks. He said, talking about the budget process:

There are however, a number of specific realities to be noted. First, that Congress has the responsibility to pass a budget. But make no mistake, I will use that pen to veto any and every spending bill that busts the budget.

Second, if no budget agreement is reached, that means a sequester on October 1 of about \$100 billion. As painful as such deep cuts will be, I am determined to manage them the best I can, knowing I've done all in my power to avoid them. So the Democrats in Congress should know that if it comes to sequester, they will bear a heavy responsibility for the consequences.

Third, if the Congress really wants economic growth and increased government revenues, the place to start is not with

tax increases, but with incentives for growth, investment – and jobs. I decided the capital gains area is one that would stimulate and be investment oriented.

Fourth, Congress must recognize the other failure of their budget process to control spending – it must be reformed.

Fifth, our budget must maintain a defense posture consistent with the demands of American leadership in the world and the dangers we face.

And finally, the Democratic leadership of Congress must understand that the American people expect them to do their job to come forward with concrete proposals to cut the deficit.

Our nation's fiscal problems are vitally important to America's future, and all of us have an obligation to address them.

First of all, I agree with all of President Bush's key positions, and so, I suspect, should virtually every conservative in the country. And yet you ought to ask yourself: How many conservatives picked up the telephone and called the White House, sent a letter, contacted a friend, reinforced an action which was, frankly, taken at a time when the first attack of the *Washington Post* was to point out that he should not be being partisan at a time of foreign crisis – a comment they never quite make about George Mitchell or Dick Gephardt or anybody who is a Democrat; the Republicans are perennially warned against partisan behavior.

And so my first point would be that he was right in his analysis. It took some courage to say in the middle of the current foreign policy environment, and every conservative should reinforce that tendency and that effort because it was the right step in the right direction, despite all of the pressures of the Washington Establishment.

Power and Responsibility. The fact is that for too long we have had Democratic congressional power without responsibility. For too long we have had Republican presidential responsibility without power. We have Republican Presidents administering Democratic congressionally mandated micromanaged and muscled government. Do any of you doubt who the average bureaucrat fears more – a presidential staffer or John Dingell? Do any of you doubt who is more decisive in micromanaging the Pentagon – the Secretary of Defense or Les Aspin? We have to confront that reality. We have a congressional machine – and by the way, the *Federalist Papers* went on at length about the fact that in peacetime Congress will always muscle the Presidency; the Congressmen always have more power to micro-manage.

After seventeen months as Republican Whip, I have reached some very troubling conclusions about the Washington Establishment and the Democratic controlled Congress that simply is not working. Congress is a broken system; it is increasingly a system of corruption in which money politics is defeating and driving out citizen politics. Congress is a sicker and sicker institution in an imperial capital that wallows in the American people's tax money.

Yet our job is to do more than simply deny or decry a broken Congress. I would urge every conservative in America to read two *Wall Street Journal* op ed pieces; one on January

15, 1976, called "The Stupid Party," and the other on May 14, 1976, called "The Republican Party: The Republican Future," both by Irving Kristol.

Fatal Flaw. They are prescient, brilliant and as accurate today as they were fourteen years ago. Kristol warned us, first, that every political party has its roots in some vision of an ideal nation, and he went on to say that the problem with Republicans is: "Republicans care more about balancing the books than about what is being balanced — and it is a fatal flaw."

And it is a flaw that, frankly, we as a party and as a movement still have too much of.

In following Irving Kristol's advice about vision, I have written a commitment to my constituents, and this is a little bit of a 19th Century phenomenon, I guess, when I actually wrote a letter to all of my supporters that explains what I believe is happening and what I would do were I rehired.

I'd like to share it with you for a minute.

Dear Fellow Citizens,

The challenges we face here at home are just as real, just as difficult and in the long run possibly even more dangerous to America's survival than Saddam Hussein and the crisis in the Persian Gulf.

Drugs and violent crime, the decay of educational standards, the destruction caused by the poor by our current welfare system, the increasing costs and problems of health care, the inefficient, rigid, red tape bound bureaucratic system that dominates government at all levels, the collapsing morality of elected officials at all levels as "money politics" corrupt and destroy "citizens' politics," and the constant tax increases required by the bureaucratic welfare state — all combine to form a threat to our survival as a prosperous, free country offering hope and opportunity to all of its citizens. The American Dream we have known is literally at stake.

I am writing to you because I believe we face a real turning point in our country. Our young men and women in uniform are going to the Middle East to defend our country. They are volunteers risking their lives for America. We have an equal obligation to spend our time and resources improving our country. We should invest as much courage in the struggle to create a safe, prosperous, free America as we expect these young men and women to show defending America.

I believe there are five key goals which should focus our efforts. First, we must insist on integrity in government. Second, we must demand physical safety as a vital obligation of government to its citizens. Third, we must keep the economy growing to create new jobs and higher take home pay. Fourth, we must invent and implement a replacement for the collapsing bureaucratic welfare state in education, welfare, health, litigation, the environment, and the very system of red tape which now wastes money, time and other resources. Fifth, we must re-establish the priority of the family budget over the government budget. You should have first claim to the money you earn for your family, while politicians should only seek taxes after they eliminate the waste, inefficiency and political spending which characterize so much of modern government.

Let me expand on each of these points.

First, honesty and integrity are at the heart of a free society. Corruption, special favors, dishonesty and deception corrode the very process of freedom, and alienate citizens from their country. From Lyndon Johnson's lies about Vietnam to Nixon's dishonesty in Watergate, the collapse of the Carter administration, the Iran-Contra scandal, the HUD scandal, the resignation of Speaker of the House Jim Wright and the Democratic House Whip Tony Coelho, the unethical behavior of Senator Durenburger and Representative Barney Frank, the savings and loan scandals, indictment of the very congressional system of fund raising and influence buying of high officials such as the Senate Democratic Whip, Alan Cranston and the Senate Banking Chairman, Don Riegle, and finally, with the trial of our national capital's mayor, Marion Barry, for cocaine use, all point to the fact that ours has been a generation of growing corruption and decay in the heart of our political system.

We face a clear challenge to the survival of our political freedom. We cannot survive as a country in which half of our citizens are so alienated that they refuse to vote. We cannot survive in freedom if people refuse to be involved in the processes of freedom because they are sickened by hypocrisy and corruption. We must re-establish as the first principle of self government that politics must be an inherently moral business. The first duty of our generation is to re-establish integrity and a bond of honesty in the political process. We should punish wrongdoers in politics and government and pass reform laws to clean up the election and lobbying systems. We must insure that citizen politics defeats money politics. This is the only way our system can regain its integrity. Every action should be measured against that goal, and every American should be challenged to register to vote to achieve that goal.

Second, every citizen has the right to be physically safe. National security and personal security are both foundations of a decent country. The Middle East crisis should remind us that a strong military is vital to keep us safe. Shootings in public near Underground Atlanta remind us that we need far stronger police and prison systems to help keep us safe. No dollar should be allocated to any other government activity until we have spent enough on a safe country and safe streets. No political spending should be allowed to preempt money from prisons and police forces. Even though our lives and our children's lives are at stake, we are still not doing enough to create personal security in America.

Third, a healthy economy creating American jobs by competing successfully in the world market is a key domestic policy – and it is the only welfare program that will work. A job is the best welfare program. A job is the key to having money for our family, our charity, our neighborhoods, and our government. In the 1970's we were collapsing with rising taxes, rising inflation, rising interest rates and rising unemployment. In the 1980's we cut taxes, cut red tape, stimulated investment and created the largest peacetime expansion of jobs in American history. Now all the pressures are on from all the same old reactionary forces to turn back the clock to the failed policies of the past. We must fight for tax cuts to increase savings, investment and take home pay so we can continue the job growth which is at the heart of a prosperous, successful America.

Fourth, we must replace the false compassion of our bureaucratic welfare state with a truly caring humanitarian approach based on common sense. If you measure results rather than intentions, products rather than processes, the facts are painfully obvious. Our inner city school systems are collapsing, leaving an entire generation of Americans without the tools they need to care for themselves and their families. Our health care system is too expensive, too bureaucratic and too inaccessible for many Americans. Our welfare system actually sickens the poor, teaches destructive habits and values, encourages the collapse of families, and traps people in poverty. We have too much red tape and too little technology, too much bureaucracy and too little entrepreneurship in our effort to protect the environment.

The 1990's must be a decade of invention, innovation, creativity and reform. We must decentralize power and programs away from Washington. We must liberate individuals, neighborhoods and local and state governments so they can experiment with new and better methods of getting the job done.

The answers will be found in thousands of local experiments and thousands of local efforts. The federal government must free up the system to undertake those efforts. Bureaucratic rules cannot take the place of common sense; red tape cannot replace initiative and individual effort. Unfeeling bureaucracies are no substitute for the basic American values of helping your neighbor and contributing to your community. Instead of raising taxes to pay for more bureaucracy, we must replace the bureaucratic welfare state with a system that elevates those basic American values.

Fifth, for two generations the government has been more important than the family in setting our national tax policy. Back in 1947 we had almost no taxes on an average worker with a wife and two children. The deduction per child as a share of average income was the equivalent of over \$6,000 in today's money. The Social Security tax was so small — \$30 a year — that it was not even noticed. Today taxes are so high, they force many mothers to work. Today's taxes are anti-child, anti-family and anti-work. Furthermore, our tax system is anti-savings, anti-investment and anti-jobs.

Pressures to raise taxes are proof that special interests favor political spending over family spending. The pressure is enormous in Washington to favor the government budget at the expense of the family budget.

We need new management, not new taxes. We need to control waste in Washington so you can decide what to do with your money here at home. We need to reshape the tax code to favor children, families, jobs, savings and investing in America's future.

When threatened by a recession, we should oppose new taxes. Before raising taxes which will force families to control their spending, government must control its spending and earn the right to seek new sources of money.

These five tasks — integrity, safety, jobs, new model government and pro-family tax policy — represent a very big challenge. They will not be accomplished by politicians alone. Only a citizens movement can force Washington, the state capitals, the county

courthouses and City Halls to change their ways. Only a citizens movement can force a decade of creativity to launch a successful 21st Century America.

The special interests will fight any citizens effort. They like raising taxes and spending your money. The cultural elite will scorn and ridicule the citizens movement. They like raising taxes and spending your money. The corrupt will oppose any citizens effort because they hope you won't register and won't vote. The corrupt understand fully George Bernard Shaw's warning: 'All it takes for evil men to succeed is for good men to do nothing.'

As you watch our young men and women in Saudi Arabia, don't you believe we owe them a renewed, revitalized America? Their courage calls out to us to have courage. Their willingness to fight for America inspires us to fight for America.

I need your help in that struggle. Your country needs your help. Your children deserve your help. Please register, work, speak, vote.

Thank you.

**Your friend and fellow citizen,
Newt Gingrich**

Now that's back home. Let me translate it into Washington and our vision of the future in Washington. The reality is that an entrenched liberal Democratic machine in Congress has no interest in the values that have carried every American Presidential election since 1964.

It's important to understand this. The last liberal to run as a liberal and win the Presidency was Lyndon Johnson, 26 years ago. Even Jimmy Carter ran as a southern Baptist populist – and defeated openly avowed liberals in the primaries. There has been no left winger in national power at the White House since 1964. And, there has been no non-left winger in power in Congress since 1964. And it's gotten steadily worse. It's important to understand that the Congress that President Bush served in the late sixties – the Congress of Rayburn, the Congress of McCormack – is a Congress that is gone.

Undermining the President. The Congress that said, "You have to go along to get along" has been replaced by a left-wing machine that says, "Do it our way or we'll punish you." And it's a very, very big difference. The Congress that believed you ought to cooperate with the President has been replaced by a Congress that believes you ought to stand next to the President until you can knife him at the subcommittee or bludgeon him in full committee or rig the legislative process or pass something you can force him to veto.

So you get cookies down at the White House and then you take your extra energy back up on the Hill to plot how to defeat the President.

And so, again and again what was once considered a noble partnership by the Legislative and Executive branch has become a process of bludgeoning by bitter liberal Democrats who know they are not being allowed by the American people to win the White House. I think they have turned increasingly corrupt in the process they engage in.

Insider Strategy. This is an important analytical argument because the standard Washington insider strategy is the 3 M's: "maneuver, manipulate and massage." The argument of Washington is: "Those of us who are shrewd insiders maneuver to get what we want; we manipulate those who are around us, and we massage the egos of those who have power."

Now there is a fundamental problem with the 3 M technique, and that is that the Democrats know who they are. They are reasonably smart people. They understand what massage feels like, they are as good at manipulation as the Republicans and they're as good at maneuvering — or better — than the Republicans.

And so when we get done maneuvering, manipulating, and massaging, George Mitchell says, "I'd rather have a recession and pass a capital gains tax" and he kills it. Or we get down to maneuvering, manipulating, and massaging, Senator Kennedy says, "but I like quotas," and he passes his version of the Civil Rights Act. Because they in fact actually believe in what they say. They really are liberal Democrats. They really like big city machines. They really favor the bureaucratic welfare state. They really like class warfare. This is who they are, and so they're not confused. And at the end of the maneuvering, massage, and manipulation, they pat us on the head and beat our brains out.

The most important analytical thing we have to understand is that George Mitchell is not Hosni Mubarak. Mitchell can't be. Mubarak is our ally in international relations because it is to his interest to have Egypt and America work together.

It is not in George Mitchell's interest to help dismantle Mitchell's machine. It is not in George Mitchell's interest to have conservative values become more dominant. He favors the welfare state over the family as a legitimate value. This is not an evil thing. It is legitimate and honorable to believe in socialism. It is legitimate and honorable to believe that government should have more of your money. It is legitimate and honorable to believe in class warfare.

It may be wrong, but it is a perfectly reasonable thing to do — and frankly, I admire him. He is a tough, solid fighter for the values and the interests he represents and he intends to get everything he can get. And he is never confused about who he is or what he is doing. He is the leader of the most left-wing Democratic party ever in the United States Senate and he intends to be the most effective possible leader of the most left-wing party ever.

Conservative Strategy. Now confronted with the entrenched Washington machine, our correct strategy is not the 3 M's. Because they simply will not work. Our correct strategy is the "3 C's" — to communicate with the American people, to coordinate our activists in the country, and to confront Washington politicians with the will of the American people and make the politicians choose.

If the politicians want to raise taxes, let them go home and say so. Then they can raise taxes and their labor union allies will be happy — and the American people will defeat them.

If the politicians want to prop up and defend inner city schools that are failing, let them go home and say so. And let's give the people back home a choice. Let us communicate our vision and our values and let people choose.

And over and over, every time for 30 years that we have been willing to follow the 3 C's strategy, we have succeeded. Because, it turns out that conservative values and basic American values happen to have a 64 or 70 or 75 percent majority, depending on which question you ask.

Building Pressure. And when we're communicating, they say to their Congressman or their Senator: "Now explain to me again why you didn't give me what I believed in that you promised me before you were for." The pressure builds.

When we coordinate our activists and encourage them and get them working, they get the message across. And then on a number of occasions — and I cite, for example, the House vote on capital gains last year when liberal Democrats are confronted with enough votes from back home — they decide they're not quite that liberal.

And it's a very simple balance.

When the American people are quiet, the swing Democrat comes over and says to us, "I'd really like to vote with you, but you know, my caucus won't let me." When we arouse the American people enough, the same Democrat goes to see the Speaker and says, "You know, I'd really like to vote with the caucus, but the folks back home won't let me."

It's all a question of who "lets" them.

Now, since in a massage, maneuver and manipulate strategy there is no pressure, he votes with the caucus. And guess what? The Democratic caucus is very liberal. This is not a shock to most of you — it believes in liberal values, it believes in quotas, it believes in higher taxes, it believes in disarming America, it doesn't like the death penalty. The list goes on and on and on.

So in a system where you don't communicate with the people, you don't coordinate your activists, and you don't confront the politician with a choice, the Democratic caucus will dominate. And it does so on a routine basis because "massage, maneuver, and manipulate" simply will not work against a determined opponent.

Economic Dangers. I believe that we have to then take this analysis and look at a very real danger which can cause all of us enormous pain — and that is a recession. The world that existed at the beginning of the budget summit is over. It has been replaced by a very serious crisis in the Middle East which has disabused at least half the Democrats with the idea of unilateral disarmament (the other half being willfully ignorant).

You think I exaggerate? Notice some of the recent statements that we can still cut defense as much as we were going to. There are some people out there who deny reality in favor of ideology.

And second, we have the fact — absolute fact in my judgment — that the economy is clearly weaker today than it was a year ago.

Now I state those two as objective realities. And I want to make a point that is not made often enough in this city: a recession is the worst enemy of a balanced budget. If we have a recession and we have millions of Americans put out of work, the net effect of not paying taxes (because you don't have a job) and increasing unemployment and welfare (because you need it), will be to dramatically widen the budget deficit.

But there is a second hidden whammy now. And that is the cost of the savings and loan bailout. The government is now the largest seller of property in America. Therefore, it has a greater interest than any other person or group in keeping property values up. Because if property values crash, the cost of liquidating the properties goes up astronomically.

Avoiding A Recession. Now, given those two objective realities and combining with them a caring humanitarian view that argues that a job is the best welfare program, the number one goal on September 5th when the Congress returns should be to adopt a proposal which will avoid a recession.

And for the life of me, I cannot see how any member of Congress or any member of the government could argue for anything else in terms of domestic policy.

We must be strong in the Middle East and we must be strong in the American economy. I believe we should have a tax cut package, because we know what doesn't work and we know what does work.

In the 1970s we tried raising taxes going into a recession — this was the famous Hoover-Carter policy, and it didn't work in the early Thirties, didn't work in the Seventies. Turns out when you raise taxes going into a recession, you get a depression if you're unlucky, and you get a very deep recession if you're lucky.

We also tried a different technique in the Eighties called lowering taxes. Lowering taxes seemed to have a better effect than raising taxes.

Now I am not an economist or a political scientist, so I don't have any kind of linear projection here. But as a historian, I am willing to suggest that we would rather be like the Eighties than the Seventies.

Now this is in Washington, by the way, a very radical statement. I'm serious. Large parts of Washington want to raise taxes precisely to repudiate the Eighties. This is an act of purification. And liberal Democrats want to be able to go home and say, "You see? We have finally done away with all the wicked things that Ronald Reagan did and now you'll be safe."

And they'll say this to very long unemployment lines.

So I propose that we have a tax cut package that challenges directly George Mitchell's willingness to have Americans unemployed in the name of class warfare, a package that challenges the Democrats directly to see which is the party of jobs and opportunity, and a package that is pro-savings, pro-investment, pro-housing, pro-poor people, pro-family, and pro-jobs.

We will next week announce the details of the package. But let me suggest to you a general framework.

First of all, the base of any such package has to be a 15 percent permanent capital gain plus indexing. To give you just one example, Alan Sinai, who is not what I think of as a right wing supply-side person, did an analysis of the 15 percent permanent capital gain cut and concluded that it would create two and a half million new jobs.

Now the liberal Democratic solution will be, "Let's raise taxes, deepen the recession and then we'll create a half million new jobs in a public works program." Paul Simon would love

this; he's one of those who puts it in legislation every two years hoping the recession will come so he can use it. I think that's nuts. If we have a program which sound economists believe will create two and a half million jobs and we're on the verge of a recession, two and a half million jobs would be good — a simple, non ideological word.

Second, I believe that we should recognize the crisis in the housing industry and recognize that it is particularly a crisis for younger working Americans. I would suggest that we take the framework established by Bill Thomas of California and Mickey Edwards of Oklahoma, and expand it slightly and allow people to use their IRA, their 401-K, or their Keogh to buy a home without a tax penalty — or, to loan the money to their children or grandchildren so that they can buy a home, thereby strengthening the bond of family and creating housing opportunities for everyone.

In addition, I can hardly stand at a podium where Jack Kemp has stood and not say that this package has to include enterprise zones, which has been an idea that has been now ten years delayed and which would clearly be a powerful alternative to the welfare state in bringing jobs into poor areas, both rural and urban.

Breaks for Business. I believe we should also adopt a proposal of Nancy Johnson's to establish expensing for the first \$250,000 for business, which is a system the Japanese and Germans use, which encourages investment, and which would be extraordinarily important both to small business in general and in particular to defense subcontractors who are in the process of looking for an opportunity to retool without having to go bankrupt.

Furthermore, I believe we should adopt a proposal by Senator Bill Roth for an IRA Plus, which would allow every American to have an IRA-type savings account of \$2,000 a year and to use it not only for retirement, but also for health care and for education and housing.

And I believe we should have what I'm going to call for the moment a "Harry Truman child deduction plan."

I believe that we have to find a way to offset the impact of the fighting and that we have to find a way to recognize that when workers out there have been in the process of paying \$30 in total taxes a year, they are much, much better off at being able to maintain their family and take care of themselves than when they're in the process of paying well over a thousand dollars.

Four Percent Solution. Lastly, I want to say that I think that Heritage has done a superb job in developing a concept they call the Four Percent Solution Budget. I have been, if this is not too strong a word, "radicalized" by the summit in watching the way Democrats look at control and spending, which is to say that they would love to have more tax money because they'd like to have more appropriations, because they have all the political spending they want to do

There was an underlying I think, destructive process in the entire budget summit in June and July because they continued to pass large appropriations bills on a regular basis — \$41 billion over last year's appropriations and \$12 billion over what the President himself requested. And I think that if you look at the Heritage proposal for a four percent solution, we can afford to cap spending at four percent above last year and do the same thing next year. Not even a freeze, but simply cap spending at four percent. And we get to a balanced budget.

Because the problem in the Eighties was not the lack of revenue; we more than doubled the amount of revenue the government got compared with Jimmy Carter. The problem in the Eighties was that Congress under the Democrats is prepared to spend politically 8 to 10 percent more than we give it, whatever the amount we give it.

And therefore, I think we have to insist on a spending-oriented approach to get control of the federal budget and to insure that we get to a balanced budget without further burdening the American people, the American family, and the American economy.

Let me say just one or two last things.

Ongoing Tradition. First of all, I started with Reagan and Buckley and Goldwater and then Kristol to make the point to the Third Generation that there is a reason it's called "The Third Generation." This is not a new struggle. We have been having this argument now for about 30 or 35 years. It is an argument between the Left and the Establishment in the city of Washington — and the rest of us. The Establishment, of course, always says the rest of us are naive, provincial kooks who don't really have a sound grasp, who are people who make movies with chimpanzees. We are department store owners from Arizona, we're random state college history professors from Carrollton, Georgia — but we're not sophisticated, urbane, effete people who understand how you can sell out the values of the American people and truly govern by having the right kind of office.

Now let me just say to you: what you have to confront is that you are part of an ongoing tradition, and we are once again at the same point of defining who stands where, what are we going to do and what kind of America do we want.

I think those of you who get a chance will understand better the distinction between citizen politics and money politics when you see Pat Choate's article in the *Harvard Business Review* next month and when you look at his new book which will be out in late September — which makes as a passing point that the Japanese now having learned our system, spend more money per year on politics in America than the Democratic and Republican parties combined. And when you study that, it's not the Japanese fault that we have a system that encourages people like Jim Wright and Tony Coelho. It's not the Japanese fault that we have a system that encourages people like Alan Cranston and Don Riegle — they're simply learning to play the game like everyone else.

Washington Against America. And we need to look at this city as a city which is almost totally out of touch with the American people today, a city which has rejected every presidential election since 1968 — in both parties. They rejected the Republicans and they rejected Jimmy Carter, and then they rejected more Republicans. This is a city which is proud that it has withstood all the screams of the American people for lower taxes, less government, and a replacement for the welfare state.

I believe that 1990-1992 will be key elections in the struggle for America's future. I'll tell you what — and I say this having worked as an insider now for seventeen months and having worked with the President and with his staff — I think that President Bush is doing brilliantly in the Middle East. I think it is an extraordinary performance. I think every one of you ought to look at it carefully as a study in what a truly master diplomat is able to do. And I think that he deserves our wholehearted support for an extraordinary improvisation that has pulled together a range of allies none of us had expected and has created an oppor-

tunity for us to turn back barbarism and brutality in a way that most of us would not have expected.

Raising the Right Banners. At the same time, I think it's a bit much to then have him come to Washington and say exactly the right thing, raise exactly the right banner — and get almost no response.

I think we in the conservative movement have to bear a certain amount of burden here. If we will start the correct fights, George Bush knows who his allies are. If we would raise the correct banners, George Bush knows which battle field to repair to. But I think it's a bit much for us to say to him, "You have to lead on everything, every time." It also happens to be explicitly contradictory to the conservative value structure.

We believe in a decentralized America — and yet every meeting I go to, what is the topic? "What are they doing in the White House?" What have they failed to do this week? Who did they fail to appoint? What does this latest signal mean? Look at the traditional Goldwater and Reagan. The question ought to be, "What fight did you start? What new ally did you recruit? What new idea did you launch?" And is that a little lonely? Yeah, to be an activist conservative in an imperial capital of the Left, is a little tough.

Well, you don't get to walk around wearing the merit badges without earning them. Now the Goldwater generation paid their dues, the Reagan generation paid their dues — and I came here tonight to say to the Third Generation: This is a real fight over real power against real professionals. They are going to do everything they can in the Democratic party to win. People like George Mitchell are going to aggressively, shrewdly, intelligently, and ruthlessly represent their values, and they frankly are stunned and amazed when we fail to do the same.

Wearing Out the Opposition. And it's your job, I think, to be as tough, to work an hour longer, to hang out an hour later in negotiation, to come up with two ideas better, to rally three allies more, and in the process to simply wear them out. And if we will do our share, I am absolutely convinced that the President will do his share.

I want to close with this statement. What finally got to me — and I just want to share this with you because I think that every one of you ought to think about it — was that a friend of mine called and cited a quote of the day from the *New York Times* from a five-year-old girl who said she didn't like to look out her front window because she didn't want to get shot in the face.

Now I want you to think about that. This is, by God, the United States of America and if we're going to care about hostages in Kuwait, we ought to care about the hostages in the Bronx.

And I am sick and tired of being told that we have to put up with some modicum of decay in the bureaucratic welfare state because it's inappropriate in the city to tell the truth. This is a sick process; the Congress is a sick institution. I care about that five-year-old girl, and as far as I'm concerned, we're going to fight to change this country, to give those kids when they get back from the Middle East a country that they deserve, that they are earning at the risk of their lives.

