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Republican  
Agenda to  
Reverse the  
Clinton Crunch

*By Representative Dick Armey*



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# A Republican Agenda To Reverse the Clinton Crunch

By Representative Dick Armev

Can you believe that, in his State of the Union speech, President Clinton actually said “our economy is the healthiest it has been in three decades”? I have to say, President Clinton is the Herald of Happy Talk, but this is what my wife Susan calls denial.

Only last week Alan Greenspan called the current economy “dismal.” The Administration admitted as much when it announced that the economy grew less than 1 percent annually last quarter. This White House is quickly bringing back Jimmy Carter’s economic malaise, but now they’re calling it a funk.

The last two years of the Carter presidency were the worst for family incomes since the Great Depression. Ronald Reagan brought families back to prosperity with tax cuts, deregulation, good humor, and optimism. But Bill Clinton is bringing us a return of the middle-class squeeze.

Millions of working American families gather around their kitchen tables at the end of a hard work week and wonder why it is they can’t seem to make ends meet. They work longer and longer hours, they take second jobs, but they feel they are just running in place. They are losing their faith in the American Dream: that their sons and daughters will achieve a higher living standard than their parents and grandparents.

I lay the blame for America’s anxiety at the feet of this Administration. Here’s the evidence:

1. In each and every year of the Clinton presidency, the typical American family had less real income than when President Clinton took office. Last year alone, the typical family earned \$790 less than in 1992.
2. The President enacted the largest tax increase in history, and the result is that the typical family now devotes 24.5 percent of its income to federal taxes—a greater share of income than at any time in America’s peacetime history.

## Higher Taxes, Lower Incomes

These two factors combine to make up the Clinton Crunch: taxes going up and incomes going down. If, instead, families had continued to prosper as they did during the Reagan expansion, the average family would have had \$1,274 more last year.

Republicans want to reverse the Clinton Crunch. We want incomes to go up while taxes go down. Republicans want you to earn more and keep more of what you earn.

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But this Administration would rather feel your pain than deal with it. Secretary Reich, for example, recites the Democrat mantra that real wages for the median worker have fallen 4.6 percent since 1979. He's just reciting the time-worn Democrat party line.

Income certainly hasn't fallen steadily since 1979. As President Carter completed his term, the nation plunged into recession and wages plummeted. But wages and incomes rebounded during the Reagan expansion years. Tragically, just as families had nearly regained their pre-Carter standard of living, the Democrat Congress and the Bush Administration stalled their forward progress, and now the Clinton Crunch has knocked families backwards.

What's the lesson here? The only period of sustained wage growth in the last 17 years came as government was cutting taxes and paring back red tape.

President Clinton didn't just ignore the lessons of history; he defied them. He enacted the largest tax increase in the nation's history and piled on new regulations. It's no wonder that more than half of the wage decline since 1979 occurred under Clinton's watch.

This Administration and the Democrats think the answer is more government, higher taxes, and more regulation. The President even wants to add new obstacles like a minimum wage hike—putting the bottom rung of the economic ladder of success out of reach for millions of unskilled workers. The President says he wants to decrease the number of working poor. The trouble is he would do it by making the working poor the non-working poor.

### **Bill Clinton: Last Defender of the Welfare State**

In a classic Clinton disconnect, Bill Clinton said that the “era of big government is over,” but his actions make it clear that he is the last defender of the welfare state. He stands alone against the tide of reform and renewal rising throughout America.

More jobs were created in the last six months of the Bush Administration than in these past six months of the Clinton Administration. Bill Clinton inherited a growing economy and quickly trampled prosperity. But that's not all.

- ✗ He vetoed the first balanced budget in 26 years.
- ✗ He vetoed tax cuts for working America and for economic growth.
- ✗ He vetoed regulatory relief that would have eliminated excess red tape that stifles wages.
- ✗ He vetoed legal reform that would have stopped expensive, frivolous lawsuits.
- ✗ He vetoed welfare reform that required work and discouraged illegitimacy.

Bill Clinton desperately wants to preserve the status quo. He and too many technocrats in Washington are willing to resign this nation to sluggish growth and limited opportunity. We can't settle for that kind of mediocrity.

But I'm here to bring you good news. Congressional Republicans have an Agenda to Reverse the Clinton Crunch. We must revive prosperity so that working people can once again earn more and keep more of what they earn.

I have a favorite saying that makes a serious point about the American Dream and why economic growth is the most important goal of Republican policy. Very simply put, every parent knows, deep down, that the American Dream isn't just owning your own home; it's getting your kids out of it.



Think about it. We struggle through parenthood, sharing our children's hopes and joys and getting them through their disappointments. We're rewarded for all our hard work on that magic day when they burst through the door and say, "Mom, Dad, I got the job." It takes economic growth to create those jobs for our kids, so they can start their lives, get married, and finally give us old folks the grandkids we so desperately want to spoil.

## Reversing the Clinton Crunch

This is the American Dream, imperiled by the Clinton Crunch. House Republicans have a nine-point Agenda to Reverse the Clinton Crunch:

1. Cutting taxes on investment to create jobs;
2. Tax relief for working families with children;
3. Protecting pensions for working Americans;
4. Streamlining regulations that stifle wages and increase prices;
5. Reforming the health insurance market to eliminate job lock;
6. Putting power in the hands of workers, not bureaucrats, by consolidating worker training programs;
7. Enforcing the *Beck* decision to end the coercive hidden tax that forces union workers to support partisan politics;
8. Voting on a tax limitation constitutional amendment to let you keep more of what you earn; and
9. Continuing our success in eliminating wasteful government spending to use tax dollars wisely and move power back to the states.

**Step 1:** The first major step in restoring growth and easing the Clinton Crunch is tax relief. We must cut taxes on investment to get the economy moving again. This year, I am confident we can and will develop a capital gains tax cut that this President can sign. We need capital gains tax relief so that investment can flow from the stagnant industries of yesterday to the start-up firms of tomorrow, so that a person with a great idea today becomes an employer tomorrow.

**Step 2:** We will continue to pursue a child tax credit. When Democrats started their 40-year run as the majority in Congress, the average family paid \$1 to the federal government for every \$50 they earned. Today, the average family pays \$12 to the federal government for every \$50 earned. It's time to turn that trend around.

To appreciate fully how big the federal tax bite is, I propose that you take the Armev Challenge. Look at your paystub every month, for as many months as it takes, and see if you are paying more for taxes than for food, clothing, and shelter combined. Too many of you will find that government costs you more than the necessities of life. And that is wrong! We will, again this year, give the President an opportunity to fulfill his campaign promise of a middle-class tax cut.

**Step 3:** One of the largest sources of investment funds today is the pension and retirement savings millions of Americans set aside each year. Pension managers, wanting to get their investors the highest return, seek out the best investments. It's a win for savers, who earn a higher return; for borrowers, who can start or expand their businesses; and for workers, when new jobs are created. But Secretary Reich wants to pre-empt that synergy. He wants the gov-

ernment to choose “winners” and “losers” by redirecting pension funds into “social investment.” That means lower returns for future retirees, and less investment funds available to start real, productive businesses that create jobs and opportunities. The House passed Jim Saxton’s H.R. 1594 last year to stop Reich’s pension grab. I’ll ask Senator Dole to move this bill through the Senate so we can send it to the President this year.

**Step 4:** Outdated regulations force employers to spend money investing in Washington paperwork instead of productive equipment—and paying lawyers instead of giving raises to workers. We’ll restore wage growth by eliminating unnecessary and job-destroying government regulation. Cutting excess red tape creates more jobs and higher wages, and lowers prices for consumers. In March, the House will pass a regulatory reform bill, H.R. 994, designed by Representatives Bill Clinger and Henry Hyde, updating the Regulatory Flexibility Act and requiring Administration review of old regulations. We expect the legislation to be on the President’s desk this spring.

**Step 5:** In April, the House will vote to end health insurance job lock. Today, too many working parents are afraid to pursue new opportunities, start a new career, or become an entrepreneur because they don’t want to lose the health insurance they now have. This year, we will bring up legislation centered around Representative Bill Thomas’s H.R. 1610 to increase the availability, affordability, and accountability of health care coverage for working families.

**Step 6:** Federal job training programs today train workers for jobs that no longer exist. They erect barriers rather than bridges between aspiring workers and the jobs they seek. The House and Senate this year will complete work on Representative Bill Goodling’s CAREERS bill (H.R. 1617), which takes control away from bureaucrats, who are in no position to know where the jobs are, and puts it in the hands of workers searching for training.

**Step 7:** The Supreme Court’s 1988 *Beck* decision, which declared that union members cannot be forced to pay dues to pay for anything other than collective bargaining costs, today remains unenforced. As a result, union households are forced to pay dues to support partisan advocacy that violates their core political beliefs. In the *Beck* case, 79 percent of union dues funded activities other than collective bargaining, including overt partisan political activity. As Thomas Jefferson said, “To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical.” This year, the House will bring legislation to the floor to end this hidden tax. We must give union families control over how their hard-earned income is spent and restore their right to advocate their own political beliefs.

**Step 8:** On April 15, the House will vote on a constitutional amendment to limit tax increases. The tax limitation amendment puts an end to the cycle of the past 40 years—special interests in Washington demanding more spending, and Congress raising taxes to pay for it.

The American people know that cutting spending is the only way to get our fiscal house in order and balance the budget. Economists from all parts of the political spectrum agree that balancing the budget would bring interest rates down by nearly 25 percent—or 2 percentage points. That means entrepreneurs and small businesspeople can better afford to start and expand firms, hire more workers, and invest in new equipment to boost productivity and wages. And a 2 percentage point reduction in interest rates translates into \$1,300 per year in interest savings for a typical family with a home mortgage, a car loan, and student loans.

**Step 9:** Finally, we will continue this year to cut wasteful government spending. Two economists I hold in very high regard, Lowell Galloway and Richard Vedder of Ohio University, have done extensive work on the optimal size of government. Their research confirmed what I like to call the Armev Curve. It showed that government spending, up to about 18 percent of the economy, can have a positive impact. But beyond that point, Keynes is wrong—more government isn't a stimulus; it's an obstacle to growth.

Today, federal spending approaches 22 percent of the economy. Clearly, there's ample room to cut. In fact, Vedder and Galloway estimate that each dollar of federal spending restraint increases private-sector spending by \$1.38. In plain English, cutting wasteful government stimulates growth and creates jobs. Since Republicans became the majority in Congress, we put government on track to cut federal spending by \$50 billion this year and last. But that's only a beginning. This year, we will again cut spending and return power to the states to give the taxpayers more bang for their buck.

### **A New Vitality for America**

This Republican Agenda to Reverse the Clinton Crunch will create a new vitality in our nation. Every family once again will have the opportunity and the freedom to pursue the American Dream so that our sons and daughters can always achieve a higher standard of living than their parents and grandparents. A rising tide of prosperity will lift the fortunes of all Americans—unless President Clinton keeps us tied to the moorings of big government, as he did last year.

America faces a momentous choice this year as we decide which of two paths this nation will follow into the next century. Republicans believe we must pursue freedom so that families can earn more and keep more of what they earn. We must put our faith in the ingenuity and goodness of the American people, rather than the guile of the government, to get this country back on track. Ronald Reagan's return to freedom ushered in an era of historic prosperity in this nation. The President would take us down the other path—the path of the stifling, big-government status quo.

It is outrageous for an Administration that stifled job creation by hiking taxes to lament joblessness. It is outrageous for those whose red tape choked off raises for working men and women to decry falling wages. The President and other liberals in Washington have the gall to blame Americans for the Clinton Crunch. And it is wrong.

The "blame Americans" strategy will not work. False promises won't alleviate anxiety about what the future holds. Public hand-wringing will not rekindle our national optimism. Angry words will not create jobs. And class warfare demagoguery will not relieve the Clinton Crunch.

America's anxiety will ease only as individual families witness and experience success. Republicans have an agenda to rekindle that success, while the President has only empty rhetoric. It's not enough to say "I feel your pain" when you're the one causing it. The President must accept responsibility for his actions.

Congressional Republicans have an Agenda to Reverse the Clinton Crunch by relieving the burden of taxes and big government. Our program will restore faith in the American Dream as families, one by one, prosper through freedom.