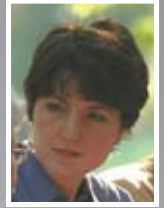


# The Ripon Forum

**CATHY MCMORRIS RODGERS**  
The GOP Conference Vice Chair talks  
about politics, policy & her party



Spring 2009  
Volume 43, No. 2

# THE REFORMER

**Mitch Daniels' plan for smaller, smarter  
government in the Hoosier state**

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**Plus: Why the Pentagon's first priority  
should be to cut bad habits, not bad programs**

**And: The promise of bipartisanship and  
the perils of reconciliation**



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# The Ripon Forum

*"Ideas that matter,  
since 1965."*

Volume 43, No. 2, Spring 2009

## Interview

- 4 **Q&A**  
*with Cathy McMorris Rodgers*  
Meredith Freed sits down with the Vice Chair of the House Republican Conference to discuss politics, policy and the future of the GOP.

## Cover Story

- 7 **The Reformer**  
*By John L. Krauss*  
At a time when some Republicans are being accused of wanting to dismantle government, Indiana Governor Mitch Daniels gets behind an ambitious plan to make government in the Hoosier State smaller and smarter.

## Articles

- 11 **MAKING GOVERNMENT WORK:  
Only Five??**  
*By Winslow Wheeler*  
To end the widespread decay within the Pentagon, what must first be eliminated are not bad programs, but bad habits.
- 13 **Fiscal Disorder**  
*By Jim Bates*  
With the budget process in Washington broken, a national conversation on reforming it is long overdue.
- 15 **The Promise of Bipartisanship and  
the Perils of Reconciliation**  
*By Steve Bell*  
As President Obama pledges to work with Republicans, Democrats on the Hill consider a tactic that could sharpen the partisan tone.

## Articles (cont'd.)

- 17 **An Appointment Made by the Public,  
Not in the Backroom**  
*By David Dreier*  
Americans want their voice to be heard in Congress. Yet four states haven't elected their newest Senators.
- 19 **FROM THE BULLY PULPIT: Meeting America's  
Challenges on Health Care**  
*By Wally Herger*  
One of Congress' leading experts on health care lays out principles for reform in an April 2nd speech before the Ripon Society.
- 21 **A Holiday to Invest**  
*By John Campbell*  
The government is spending billions to jump start the economy. Here is a no cost proposal that could do the same thing.

## Politics & Perspective

- 23 **Congress by the Numbers**  
*By Robert S. Walker*
- 25 **A Scalpel for President Obama**  
*By Lou Zickar*
- 27 **Lowi's Intent and the Origin of Sunset**  
*By Theodore Lowi*

## Sections

- 3 **In this Edition**
- 28 **Ripon Profile**  
*Lisa Murkowski*

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# In this Edition

Over the past 30 years, conservatives have successfully branded anyone who supports raising taxes as being a liberal.

Now, many on the right are trying to do the same with regard to government. In short, if a person supports a government program, that person is not just a liberal, but a socialist.

The result is that many Republicans have become hesitant to acknowledge one of the most basic obligations of elective office – mainly, that they are hired to run the government, not run away from it. It hasn't always been this way, of course.

Lincoln created the Agriculture Department. Teddy Roosevelt regulated the railroads. Eisenhower poured 45,000 miles of concrete and built the nation's interstate highway system. No one in his right mind would believe any of them were socialists. Then again, I don't listen to Rush Limbaugh, so I don't know what he thinks.

What I do know is that the Republican Party has got to come to grips with the role of government, and figure out an approach that recognizes the role it plays in people's lives. A good place to start is by looking toward Indiana, where Governor Mitch Daniels has undertaken an ambitious plan to remake the structure of local governments in the Hoosier State.

As John Krauss of Indiana University explains in our lead essay, in pushing to make government smaller and smarter, Daniels is not driven by some Al Gore utopian fantasy that an efficient bureaucracy can cure all the world's ills. Rather, he is driven by the very Republican notion that a more efficient government can save taxpayers money – in this case, savings in the form of lower property taxes.

And so, Daniels pushes on with his plan. It is an uphill fight, as you will read. But it is also one any Republican can -- and should -- support.

No look at government efficiency would be complete without an examination of the fuel that keeps the wheels of government turning – the budget. And for this, we feature essays by two of the best: Jim Bates, writing on the urgency of budget reform, and Steve Bell, writing about the perils of reconciliation in this supposedly “post-partisan” year.

As part of a new feature on “Making Government Work,” we've asked defense expert Winslow Wheeler to take a look at the Pentagon and, in 800 words or less, tell us how to make the Department function better. He not only accomplished this feat, but he did so with one word to spare – a model of efficiency, himself.

We kick things off, though, with a Q&A with the top ranking Republican woman in the House of Representatives, Cathy McMorris Rodgers, who shares her thoughts on the future of the GOP and the year ahead on Capitol Hill.

We hope you enjoy this edition, and encourage you to write us at [editor@riponsociety.org](mailto:editor@riponsociety.org) with any ideas or suggestions you may have.

Lou Zickar  
Editor  
THE RIPON FORUM

# Q&A

with

## Cathy McMorris Rodgers

Cathy McMorris Rodgers represents Washington State's 5th Congressional District in the U.S. House of Representatives. She currently serves as Vice Chair of the House Republican Conference, assisting in the development of the House Republicans' communication strategy. She also serves on the House Armed Services Committee, the Education and Labor Committee, and the Natural Resources Committee. In addition, McMorris Rodgers founded the Congressional Hydropower Caucus. She recently sat down with FORUM Deputy Editor Meredith Freed to discuss the role of the GOP in the current Congress and her vision for the Party's future.

**RF: What is the role of the Republican Party in this Congress? How does the Party balance the role of "loyal opposition" with the responsibilities of shoring up the economy and protecting national security?**

**CMR:** The role of the Republican Party is to be presenting our ideas, our solutions to the issues of the day -- whether it is growing our economy, addressing health care, or meeting our energy needs. There are going to be times when we will find common ground with the Administration and with Democrats in Congress, and we need to look for those opportunities. But we also

need to hold them accountable for promises they've made and, when all else fails, make sure that people understand an alternative approach is being introduced in Congress.

**RF: What do you see as the top priorities for this session? How can the Party garner support for Republican initiatives with Congress and the Presidency controlled by Democrats?**



**I don't think any one party has all the best ideas, and we need to impress upon the Democrats that it is in America's best interest that we work together.**

**CMR:** The top priority is the economy and taking steps to get our economy moving. Between the continued downturn in the economy and the layoffs we're seeing, people are having a tough time finding a job or are uncertain about whether or not they're going to have a job. Small businesses are struggling too -- whether it's just keeping their doors open or offering health care to their employees. And now, they're facing such huge tax increases.

I don't think any one party has all the best ideas, and we need to impress upon the Democrats that it is in America's best interest that we work together. America is demanding that of us right now. Americans understand that when you're in a crisis in your local communities, you come together not as Republicans or Democrats, but as a community. Americans expect that of us in Congress, too -- to really show leadership, to put forward the best ideas,

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and do it in such a way that the result is a solution in the best interest of the country not a party.

**RF: In the past, one of your priorities has been energy policy, particularly hydropower. Where does this issue fit into the GOP agenda for this session?**

**CMR:** When you think about addressing the economy and getting our economy moving, energy policy is a huge piece of the solution. Energy is so important to our economic security. It's also important to our national security. We can find some common ground with the Democrats on the goal of reducing our dependence on foreign oil, and we need to do that. The Republicans can find common ground in supporting renewables, and hydropower is a renewable source of energy.

For the Pacific Northwest, we get the majority of our electricity from hydropower. In Washington State, it is almost two-thirds of our electricity, making Washington State one of the cleanest states in the country. We have some of the lowest levels of carbon emissions in the country. We do have a renewable portfolio standard, but we also have hydropower. The combination makes us about 80 percent renewable. It's going to be important as we move forward that hydro is seen as a renewable source of electricity and Washington State is not penalized for already being clean. It's estimated that we could double the amount of hydroelectricity in the country without building another dam, just with the infrastructure that currently exists. In addition, there's new technology able to harness river currents and ocean waves to produce renewable hydropower. Hydropower has an important role in meeting increased renewables goals, as well as helping meet our overall energy needs.

**RF: Prior to the November election, Speaker Pelosi said, "If the Democrats win and have**

**substantial majorities, the Congress of the United States will be more bipartisan." What does the term "bipartisanship" mean in the context of this session and where are we likely to see it?**

**CMR:** I've been encouraged how President Obama has been reaching out to the Republicans. From the very beginning, he said he wants to work with the Republicans. He met with the House Republican leadership several times prior to the passage of the stimulus bill. He also addressed the House Republican Conference for well over an hour and answered lots of questions. And we need to do more of that.

Unfortunately, we haven't seen the Democrats in Congress as open to reaching out to the Republicans and working in a bipartisan fashion. I'm hopeful they will start recognizing it is an expectation of the American people that we work in a bipartisan fashion. It means going back to some of the campaign promises that both President Obama and Speaker Pelosi made -- that we were going to follow regular order, that we were going to respect the role of the minority, that we were going to give them opportunities to introduce amendments, introduce alternatives. I think it's important to good lawmaking and better outcomes to do so.

In the '90s, President Clinton and the Republican Congress had to work together and there were successes because of it. In the '80's, too, President Reagan worked with a Democrat Congress.

Again, it was Republicans and Democrats working together to address the issues of the day. And we need to continue to work in that spirit.

**RF: What do you hope to accomplish as Chair of the Republican Select Committee on Earmark Reform? What are the potential implications of earmark reform with regard to the economy?**



**The challenge before Republicans is to update our message. Bring it into the 21st century. Talk to people in a way that they can understand how you can apply Republican principles, Republican values to the issues of the day.**

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**CMR:** The goal of this committee is for the Republicans to lead the effort on earmark reform. Our goals include significantly reducing the total number of earmarks, having earmarks based on merit, 100 percent disclosure of earmarks so that it would be easy for people both internally and externally to get information as to the earmarks that have been requested. Transparency is an important piece in providing accountability in the process, so that every step of the way people can get information. There should be an opportunity to bring up an earmark either in a committee or on the House floor and have members decide whether or not this is a wise use of taxpayer dollars.

These are some of the themes that we are trying to address in earmark reform. President Obama said that he wanted to reduce earmarks to the 1994 levels and require more transparency. That's part of his *change.gov* agenda, and we would like to work with him to accomplish that goal.

**RF: During the 1994 Congressional elections, the focused and well-defined message of the Republican "Contract with America" proved highly successful. Do you envision a similar national approach to the Republican message for 2010?**

**CMR:** It is vital for Republicans to communicate our vision for America. In the past, we could have done a better job. People haven't rejected Republican values or principles. Overall, people still believe in our basic values of fiscal responsibility, the rule of law, a limited role of government and personal responsibility. The challenge before Republicans is to update our message. Bring it into the 21<sup>st</sup> century. Talk to people in a way that they can understand how you can apply Republican principles, Republican values to the issues of the day.

We must spend time as a party thinking about how we do that and how we communicate what our vision is for the country. No matter the issue -- whether it's economic opportunity, ensuring health care for all, energy independence -- we need to make sure that the country understands how Republicans approach these goals. As Vice Chair of the Conference, I am focusing on new media and how to use new media to communicate with people all across the country directly.

It's not just telling them what we'd like to do;

it's getting their input and engaging people all across the country, the best and the brightest, to help us champion the ideas we believe would be the best for the country.

**RF: You are one of the few women in the Republican leadership on Capitol Hill. What does the Party need to do to encourage more women and minorities to become involved and join the GOP?**

**CMR:** It's really an exciting time for women in America. You see where women are starting more businesses; the fastest growing segment in the economy is women-owned businesses. It's important to recognize women make 80 percent of the health care decisions in our country and 85 percent of the purchasing decisions in our country. Women are decision makers, and what the Republican Party needs to do is reach out to women and talk to them in terms of the issues women encounter every day.

Also, I'd like to focus on the importance of updating some of our laws. For example, I've introduced the Family-Friendly Workplace Act, which is to allow more flexibility in the workplace to take time off. If you put in your 40-hour week, rather than only having the option of being paid time-and-a-half, you could actually get time off of work for overtime.

Some of these kinds of flexibility issues really resonate with women -- especially those that are trying to balance workplace as well as family. And it's not just women. Families in general need more flexibility so that they can decide how best to meet the demands of making a living and caring for a family.

One of the issues Republicans must address with women is health care, recognizing women make 80 percent of the health care decisions in this country. Women are experiencing the frustrations in our health care system and women will be key to thinking through how best to ensure people have access to quality and affordable health care, while still protecting the important relationship between doctors and their patients.

A single payer, government-run system is not the only solution. Other solutions can ensure we have health care for all and women will play an important role in determining how we improve our health care system.

**RF**

**People haven't rejected Republican values or principles. Overall, people still believe in our basic values of fiscal responsibility, the rule of law, a limited role of government and personal responsibility.**

BY JOHN L. KRAUSS

# THE REFORMER

**Mitch Daniels pushes to make government in the Hoosier State smaller and smarter**

On August 18, 1988, on the last night of the Republican National Convention, Vice President George H.W. Bush stepped to the podium at the Louisiana Superdome and accepted his party's nomination for President.

Penned by speechwriter Peggy Noonan, Bush's acceptance address is an eloquent accounting of the Reagan Administration's successes, the candidate's credentials and his contrasts with his opponent, Massachusetts Governor Michael Dukakis.

The most memorable line from that speech, "Read my lips: no new taxes," helped get Bush elected a few months later. It also established a litmus test for many candidates in many elections to come.

But it's not that simple — especially now.

To be sure, with the economy struggling, tax receipts falling and federal deficits soaring, there's more pressure than ever for government cost-cutting. Yet in such an environment, savvy voters and citizens are asking not only, "Will you hold the line on taxes?" but also, "How?"

The devil is in the details, of course, but I will suggest to any candidate or officeholder — Republican, Democrat or Independent — that one loud and clear answer has to be "government reform."

In June 2007, Indiana Governor Mitch Daniels called me. He said he wanted to work on the how-will-we-lower-taxes question by finding innovative ways to reduce local government costs.

At the time, Daniels was under tremendous pressure

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to address a property tax crisis that had been brewing for decades. Daniels had plans for addressing the tax issue, but he knew he couldn't cut and/or cap property taxes — a primary funding source for local government — without simultaneously addressing some of the antiquated jurisdictions, structures and mandates that render local government inefficient and ineffective in a modern era.

On the phone that day, Daniels asked if my colleagues and I would serve as researchers and principal staff for a bipartisan commission on local government reform.

He said he wanted the commission to review the best government reform ideas from Indiana and elsewhere — ideas that were new and ideas that had been on the table for decades.

He said he wanted all things considered — no sacred cows.

He said he wanted the commission to consider ways not only to reduce local government costs, but also to make local government more understandable and transparent.

And he wanted it fast — within a matter of months — so the Legislature could consider the commission's recommendations during its 2008 session.

I asked who he had in mind to head the commission. The governor gave me two names.

The first was the sitting chief justice of the Indiana Supreme Court, Randall Shepard, a Republican.

The second told me Daniels was dead serious about bipartisan reform: He wanted his predecessor — the sitting governor he defeated in the 2004 election — Democrat Joe Kernan.

Recognizing how savvy and gutsy that call was, I said yes.

## **A Blueprint for Reform**

The Kernan-Shepard Commission added five other members — a former Republican secretary of state, a former Democratic state senator, the former president of Indiana University, a retired corporate executive and a former county government official.

For six months, Commission members reviewed and debated years worth of existing research — data, academic studies, white papers, think-tank reports, past study committee recommendations, best practices from other states and thousands of ideas submitted by members

of the public.

During the Commission's review process, representatives of various interests—objective and vested — stated their cases. Citizens participated in public forums statewide and sent suggestions via a dedicated Web site. Individual commissioners dug deep into particular areas of interest and reported their findings.

In the end, the Commission produced a report called "Streamlining Local Government: We've got to stop governing like this." The report can be found at <http://indianalocalgovreform.iu.edu/>.

The report contains 27 recommendations designed to reduce the cost and complexity of local government in Indiana. The ideas touch townships, towns, cities, counties, school boards, libraries, public safety departments, elected officials, appointed officials and more.

All the ideas reflect a set of guiding principles agreed upon by the commissioners. These principles suggest that local government should:

- Be simpler, more understandable and more responsive.

- Be more transparent, allowing citizens to better understand whom to hold accountable — whom to thank or blame — for decisions, actions and spending.

- Drive real cost savings ... through the reduction of local government layers and the adoption of other cost-saving measures.

- Be flexible enough to accommodate different kinds and sizes of communities and an evolving definition of community.

- Focus on long-term solutions that not only consider immediate needs, but also provide for future efficiency and growth.

- Create a more equitable distribution of services and responsibility for funding them.

- Reduce the number of local officials and local units of government.

- Allow only elected (not appointed) officials to approve taxes and debt.

- Limit appointed officials to administrative responsibilities, and ensure professional qualifications and performance standards where appropriate.

This wasn't rocket science. Some of the ideas had been around for decades. Indeed, the most comprehensive reform recommendations were produced in 1935 for Democratic Gov. Paul V. McNutt. But here in the Hoosier

**... [Daniels] knew he couldn't cut and/or cap property taxes — a primary funding source for local government — without simultaneously addressing some of the antiquated jurisdictions, structures and mandates that render local government inefficient and ineffective in a modern era.**

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State, structural local government reform has never been enacted.

The “never enacted” part concerned Commission members most of all. As Kernan and Shepard wrote in their introduction to the Commission’s report, “The transformation we propose will be disruptive, even painful, in the short run. Many who have vested interests in the status quo will resist these changes with great vigor.”

A wiser prediction has rarely been writ. Suffice it to say that the welcome for Kernan-Shepard’s proposed reforms has been cool, at best.

To be sure, Governor Daniels embraced all but a few of the recommendations with open arms. Business and opinion leaders (including many newspaper editorial boards) endorsed the proposals enthusiastically. And a grassroots advocacy group emerged to champion the cause.

But the vested-interest lobby turned out in full regalia in opposition. So while a few proposals have been enacted, most have died an ignoble death in two consecutive legislative sessions.

### **The Rewards of Leaner Government**

As a public policy analyst, I’ve studied which recommendations have survived, which have struggled, and why. In the process, I’ve gleaned lessons and identified opportunities for public officials in Indiana and beyond.

First, I’ve learned that the easiest way to push reform is to act in response to crisis — real or perceived.

As the Kernan-Shepard Commission convened, Indiana found itself in property tax chaos. This triggered screaming headlines and mass protests. It’s no surprise, therefore, that the most significant Kernan-Shepard reform to date involves assessors.

Advice to would-be reformers: Follow White House Chief of Staff Rahm Emanuel’s Rule One: “Never allow a

crisis to go to waste.”

I’ve also learned some key reasons why government reforms are about as popular as root canals:

- *Fear of confrontation.* Most people prefer to avoid confrontation. Elected officials are no exception. So for your average state senator or representative, it’s understandably anxiety-inducing to head home from the Capitol to tell Frank the sheriff, Mabel the auditor, Bob the commissioner, Suzie the trustee or Sam the school

board member that you’re eliminating their elected position in the interest of a newfangled model.

- *Fear of upending the political farm system.*

Traditionally, lower-level elective offices have fed both parties. The county council member becomes a state senator. The state representative becomes governor. The council member becomes mayor. What’s more, precincts, wards and townships are traditional breeding grounds for voter turnout. So the parties are understandably reluctant to tinker. They think this would be akin to Major League Baseball



Governor Daniels joined members of the Kernan-Shepard Commission in December 2007 for the presentation of the Commission’s recommendations to reform local government.

## **Boundaries drawn in the horse-and-buggy era make no sense in the Age of Cyberspace. Procedures developed before the advent of rubber stamps are nonsensical in an era of e-filing.**

abandoning single-A ball clubs.

- *Fear of losing local control and accountability.* Even if folks don’t understand what the auditor, assessor, coroner or commissioner do exactly; and even if they can’t name the individuals elected to these offices; they’re reluctant to cede the ability to “throw the bum out” to an elected mayor or county executive further up the political ladder.

- *Fear of increased accountability.* Increased transparency and accountability can cut both ways. Some elected executives grow frustrated when they’re blamed for tax increases over which they have no authority—increases imposed by appointed boards and commissions, for example. On the other hand, there are executives who like being able to shift responsibility to other bodies. That

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way, they can say, "I didn't do it. The board did it." Under Kernan-Shepard, there'd be no hiding, because only elected officials could increase a tax.

So given these inherent reasons to resist, why do I see political and public-policy opportunity in government reform?

The no-new-taxes mantra is as relevant today as when George H.W. Bush uttered it. But even the best leaders can't perpetually do more with less if they're bound by silos and boxes invented decades or centuries ago.

Boundaries drawn in the horse-and-buggy era make no sense in the Age of Cyberspace. Procedures developed before the advent of rubber stamps are nonsensical in an era of e-filing. Elective offices established at a time when everyone knew everyone else in a small town make no sense in a century when most folks can't name their senator, congressman or governor.

Yet that's what we impose on our local governments and the elected officials chosen to run them.

Wouldn't it be better to give fewer, more-visible elected officials the power to hire and fire the professionals they need?

Wouldn't it be better to provide those professionals with adequate resources, systems and structures to do more efficient, cost-effective, visible, understandable and accountable work?

Wouldn't it be better to actually know what the leaders were doing and know whom to remove from office if it wasn't done well?

Wouldn't the citizens and voters be happier if fewer of their tax dollars were spent with a higher level of accountability?

Wouldn't they be better informed if they had fewer layers to watch and comprehend?

Wouldn't they be more likely to vote for elected officials and the protégées who emerged from a

more-effective government?

Wouldn't our political parties be stronger if they showed they could do more for less?

Wouldn't the idealistic young people in my university's classrooms rather work in governments that were more modern, professional and respected?

If we continue to avoid confrontation and retain the status quo of outdated, outmoded local government, it will be impossible for candidates to say "read my lips: no new taxes" with any credibility. For once elected, they'll increasingly struggle to finance and deliver 21st-century services while bound by an 18th-, 19th-, or 20th-century structural straitjacket.

The status quo is a recipe for broken promises, perpetual public-policy failure and proverbial political disrespect. Neither the citizens nor the parties win. Government reform requires courage and confrontation. But for leaders willing to act, the rewards will be rich and well-deserved.

Just ask Mitch Daniels. His favorability rating now stands at 68 percent. This is 10 points higher than it was last September. So while the vested interests may not like the reforms he is pursuing, those proposals have certainly not done him any damage with his most important constituency -- the people of the Hoosier State. **RF**



John Krauss

**If we continue to avoid confrontation and retain the status quo of outdated, outmoded local government, it will be impossible for candidates to say "read my lips: no new taxes" with any credibility.**

*A former Indianapolis deputy mayor, John L. Krauss directs the Indiana University Public Policy Institute and its Center for Urban Policy and the Environment. The Institute is part of IU's School of Public and Environmental Affairs, where Krauss is a clinical professor. He's also an adjunct professor of law at the Indiana University School of Law-Indianapolis.*

# MAKING GOVERNMENT WORK

In this edition of THE RIPON FORUM, we begin a regular series that looks at the 15 departments that comprise the Executive Branch and recommends ways to make the departments smaller and smarter. Specifically, we are asking experts to recommend five programs within each Department that should be eliminated, and one program that merits recognition because it works. In this first installment, a look at the Pentagon.

## Only Five??

WINSLOW T. WHEELER

When THE RIPON FORUM contacted me to write an essay that identified five Defense Department programs to eliminate, I suppressed my immediate reaction:

Only five??

Sadly, America's defenses are festooned with programs that should be eliminated; however, killing them all off – many more than just five – will do very little to solve our problems. To fix the problem, we must first understand its basic nature.

The U.S. today spends more in inflation adjusted dollars than it has since the end of World War II. For all this money, we get the smallest combat forces we have had at any time since 1946. The Army has fewer combat formations than at any time in this period. The Navy has fewer combatants, and the Air Force has a smaller number of fighter and attack aircraft. Our major weapons are – on average – older than at any time since 1946, and we routinely send units into combat with less training than we have in the past.

With all this considered, it is not enough to simply unload a few ultra high cost, underperforming mountains of unreliable complexity that the Pentagon, Congress, and defense manufacturers today palm off as weapon programs. To end the widespread decay within the Defense Department, what must first be eliminated are not bad programs, but bad habits. In keeping with the original editorial request, here are five:

1. Underperforming, “white tower” weapons at

unaffordable cost. The “next generation” combat aircraft, the F-22 and the F-35, are classic examples. In terms of aerodynamic performance, both are huge disappointments, and in some respects even a step backwards.

For their reputation as “wonder weapons,” they rely on a hypothetical construct of air-to-air warfare (“beyond visual range” engagement with radar directed missiles) that has failed time and time again in real war. Even the so-called “affordable” F-35 is, in truth, completely unaffordable. Now at \$121 million per copy, it is only beginning its flight testing – the stage where cost growth really starts to show up.

At \$355 million per copy, the F-22 bypassed affordability about \$300 million ago. Two peas in the same pod, both aircraft are an embarrassment. The thinking behind them, which ignores the lessons of combat history and the dictates of common sense, needs to be rooted out.

2. Unaccountable finances. For decades, the Pentagon has not just failed audits; it has been unaccountable. Most DOD components literally cannot trace the billions appropriated to them. In response, the Department and Congress exempted DOD from the statutes, including the Chief

Financial Officers Act of 1990, that seek to force compliance with the norms of financial accountability in the private sector and even the rest of government. Those exemptions must be repealed.



**To end the widespread decay within the Defense Department, what must first be eliminated are not bad programs, but bad habits.**

3. Whistleblower intimidation. One of the effects of the new National Security Personnel System established under former Defense Secretary Donald Rumsfeld has been to make it easier for Pentagon managers to fire employees. While there is surely bureaucratic deadwood to unload, this new system also facilitates the firing of people exposing stupid – and worse – behavior by DOD managers.

Whistleblowing is essential to keep the building honest. Such people who help identify crooked and wasteful decisions should be encouraged, not intimidated – which is why this personnel system should be heavily modified, if not eliminated.

4. Bad managers. Exemptions from accountability, approval of unrealistic cost and performance promises, harassment of informed dissent, and more do not happen on their own; they require bad managers. Secretary of Defense Robert Gates set an excellent example when he fired the Secretaries of the Army and the Air Force and the Chief of Staff of the Air Force for cause. He needs to greatly expand that practice. For example, any program manager running a program that cannot pass an audit should be relieved.

5. Decimate the FYDP. The Pentagon's long range plan, the Future Years Defense Program (FYDP), anticipates today's spending levels to continue indefinitely. More money has made us smaller, older, and weaker, and the expectation

of continued riches only defers the hard decisions we need to reform.

Budget reductions on the order of 10 percent per year for several years into the future can make us stronger, not weaker, but we need to observe the principles addressed here.

Finally, in their original editorial request, THE RIPON FORUM also asked for one program or one thing that we needed more of at the Defense Department. Without question, that one thing would be "oversight." Right now, the advocates of business as usual lack any sense that others are looking over their shoulder, will catch the screw ups and the corruption, and will react accordingly.

Any sense of informed, scrupulous, truth-telling – Harry Truman style – is completely missing in Congress and all too rare inside the Pentagon. Adult supervision, and a sense that it is everywhere, can work wonders. **RF**

*Winslow T. Wheeler is Director of the Straus Military Reform Project at the Center for Defense Information. Previously, he worked for 30 years on Capitol Hill for Republican and Democratic senators and for the Government Accountability Office. He is the editor of a new anthology, "America's Defense Meltdown: Pentagon Reform for President Obama and the New Congress."*



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# Fiscal Disorder

## The broken budget process and the dire need for reform

JIM BATES

This past February, four months after the beginning of the fiscal year, Congress passed the last bill needed to fund the government.

But what it finally passed was more than just late — it was sloppy. Instead of offering separate appropriation bills that could be debated thoughtfully and with undivided attention, Congress lumped them into one, gigantic 225-page “omnibus” bill, and hurriedly passed it on the floor.

Does anyone think this bill got the scrutiny it deserved? Moreover, at a time of near-universal recognition that our entitlement and tax policies are unsustainable, Congress has made no improvements in these areas for the next fiscal year. Our national conversation on this broken system is long overdue. And if we are serious about changing the situation, then budget reform will have to mean reforming the process by which Congress considers, passes, and evaluates its annual budget.

In theory, the federal budget process is straightforward.

First, the President submits his “budget,” which is actually just a recommendation that reflects the administration’s own priorities. After the President’s budget, Congress creates a blueprint for itself called

a budget resolution. This resolution is developed through the legislative process, but is not presented to the President and hence doesn’t reflect the consensus of both the Congress and the Executive branches. What it is supposed to do is provide a framework for subsequent spending and tax bills. Congress then considers twelve separate appropriations bills, together with any tax and entitlements bills on its legislative agenda that will

become law once they are signed by the President.

Our current budget process is the product of several major reforms -- the last was in the 1970s -- but in recent times it has failed us in all the most important places.

The first — and most basic — criticism of the budget process is that it doesn’t produce a simple, realistic framework for how government intends to spend in the short term, plan for entitlements, or impose taxes. The President’s budget and Congress’

budget resolution are both just preliminary steps in the passage of a budget. They can and often do get kicked aside in the scuffle between the appropriations, authorization, and tax writing committees, all of which create different pieces of legislation that combine to form the big fiscal picture.

Moreover, both the President’s budget and the



**Almost everyone knows that in the coming decades, we will be unable to sustain our entitlement commitments and tax policies, but the budget process doesn’t focus on the level of entitlement growth...**

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budget resolution make a variety of unrealistic assumptions that render them largely useless. For instance, the president's fiscal year 2008 budget accounted for negligible spending on the wars in Iraq and Afghanistan, and made the unlikely prediction that Congress would soon allow expiring tax breaks to place billions of dollars in additional tax burden on the middle class.

Nor does the budget process focus efforts on the biggest drivers of deficits and the debt: long-term entitlement spending. Almost everyone knows that in the coming decades, we will be unable to sustain our entitlement commitments and tax policies, but the budget process doesn't focus on the level of entitlement growth in existing law or, for changes to existing entitlement law, growth that occurs outside of a narrow window of time. Existing budgetary limits are easily evaded by pushing policies outside this budget window or pretending that they will expire when they likely will not. In the end, most of Congress' time is spent on the 38 percent of the budget that makes up discretionary spending, with barely any formalized oversight on the mandatory side.

Step back for a moment and think about what budgets are supposed to do. We'd all like to spend as much as we want, but budgets show us our limits by bringing all of our obligations and revenue sources into one unified picture. An ideal budget would encourage policymakers to take a look at entitlement spending when they adjusted discretionary spending (and vice-versa), weigh the importance of one tax break against other tax breaks, adjust revenue to compensate for new spending, and generally make real tradeoffs across all categories.

The bottom line is that if something is important enough for the government to do, it is important enough to pay for either by raising taxes or cutting other spending. But our budget process is missing this fundamental connection between the parts. Instead, we foster compromise at the level of individual appropriations bills, where the question is simply how to spend money within a narrowly defined area of appropriations. In practice, lawmakers are actually encouraged to stick with their party when they vote on the budget resolution, but then vote with their Districts or States when it comes to the appropriations bills.

Finally, the "teeth" of our budget process —

enforcement — have proved themselves largely ineffective. The original pay-as-you-go rules had the force of law and were enforced by automatic spending cuts. The current rules are not legally binding and easily circumvented, whether through waving budget rules, designating phony emergencies, or pushing costs outside the budgetary window.

There has to be a better way to do things.

An improved budget should meet a few basic criteria. It has to be simple and realistic enough to set credible limits on spending and tax bills. The budget process should provide incentives for lawmakers to engage openly in the inherent trade-offs of real budgeting. And they should work within a framework that takes the country's entire fiscal picture into account: entitlements, discretionary spending, and taxes all have to be on the table. And perhaps most importantly, to ensure that we don't make decisions that

endanger our country's fiscal health down the road, the budget should give ample consideration to the long-term ramifications of entitlement and tax policies. Finally, a good budget process has to be backed up with tough enforcement mechanisms: whether through enforceable limits on expenditures, some form of PAYGO, or a new mechanism, lawmakers must be held accountable for their budgetary decisions.

To address this critical issue, the Committee for a

Responsible Federal Budget, working with the Peterson and Pew Foundations, has assembled a bipartisan team of experts for a budget reform commission. This effort is modeled after a noted 1967 budget concepts commission that laid the foundation for today's consolidated budget. As our government spends trillions to pull the country back from recession, the crisis in the economy has spilled over into the budget. And once we begin to repair this budgetary damage, we will be hit by a long-term structural imbalance between spending and revenue that requires even harder choices. The need for serious and thoughtful reform has perhaps never been greater. **RF**

*Jim Bates is the Project Director for the Peterson-Pew Commission on Budget Reform at the Committee for a Responsible Federal Budget. He previously served as Chief Counsel, Deputy Staff Director, and Staff Director of the Committee on the Budget for the U.S. House of Representatives.*

**In practice, lawmakers are actually encouraged to stick with their party when they vote on the budget resolution, but then vote with their Districts or States when it comes to the appropriations bills.**

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# The Promise of Bipartisanship and the Perils of Reconciliation

STEVE BELL

At a recent forum on bipartisanship sponsored by National Journal, two moderate and thoughtful senators, Democrat Bob Casey of Pennsylvania and Republican Mel Martinez of Florida, had an exchange that captures the tension on the Hill, especially in the Senate.

The panel, of which I was a member, was asked about reconciliation under the budget process. In the Senate, reconciliation remains one of the few ways to circumvent Rule 22 (the so-called filibuster rule). This “expedited process” was fully developed by former Senate Budget Committee Chairman Sen. Pete V. Domenici in early 1981 in a legislative tour de force that passed the “revolutionary” Reagan budget before the end of summer in one big package.

Both Casey and Martinez agreed that using the reconciliation to pass a climate change bill would probably doom such a bill. The inability of the full Senate to debate such a fundamental change in energy policy, they concurred, needed much more debate than would be afforded under reconciliation.

However, Casey and Martinez disagreed on the use of reconciliation to pass “health reform.”

Martinez noted that such a change was just as fundamental a revision to existing institutions as a cap and trade climate change bill would be. Using reconciliation for health care reform would be wrong, he said.

Casey responded that the two issues were much different. After all, he noted, we have been debating real health care reform for 30 years in the Congress. Cap and trade and other climate change initiatives, on the other hand, have only had wide-ranging debate for four or five years. Casey concluded that reconciliation in his view was a proper legislative vehicle for health care reform.

Al From, a third member of the panel and the outgoing head of the Democratic Legislative Council, noted that he had worked on the original Budget Reform

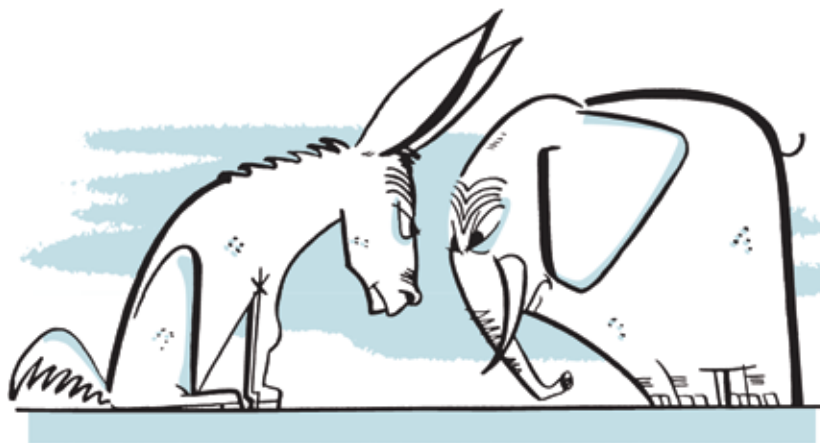
Act of 1974 in the House. In his view, reconciliation and the Budget Act had been so twisted out of shape that the original authors of the legislation would never recognize its present form. He said that the widespread use of reconciliation, as a general notion, had gone too far.

As the staff director of the Senate Budget Committee

from 1981 to 1986, I was privileged to help expand reconciliation as a legislative tool. Whether future legislators will damn me or praise me remains to be seen. But I have had the opportunity to see the Senate majority decide both to use and to reject reconciliation as a device to move major legislation.

The chore we faced in 1981 was much different than that facing the Congress now, 28 years later.

Then, the Budget Committee Chairman and senior staff were just about the only people who understood what was going on. We were dramatically and intentionally



**At its core, reconciliation was our attempt to stop a filibuster on certain legislation. It wasn't conceived as a bipartisan vehicle at all.**

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broadening a part of the 1974 Budget Act. We knew that we had to limit Senate debate on the wide-ranging FY82 budget. It would never pass the Senate otherwise; its opponents would filibuster it to death. In 1981, under Majority Leader Senator Howard Baker, Domenici and his staff were given wide latitude to develop new procedures. The Senate Parliamentarian was always kept in the loop as staff ideas germinated. But, almost no one else in the Congress really understood what we were doing.

Now, in 2009, it is a rare senior Member or staffer who doesn't understand reconciliation, the Budget Act, super-majorities, and recon-dite points-of-order. The Parliamentarian's office has spent thousands of hours studying the Act. And, the famous "Byrd Rule," named after Senator Robert C. Byrd, restricts materially the kinds of legislative language that reconciliation can contain.

At its core, reconciliation was our attempt to stop a filibuster on certain legislation. It wasn't conceived as a bipartisan vehicle at all. Indeed, Leader Baker upheld reconciliation and the evolving Budget Act more than 50 consecutive times in 1981, winning each challenge by a 53-47 margin. The use of reconciliation has been fraught with overtones of its partisan beginnings ever since.

Thus, the question: can a procedure that is designed to empower the majority by emasculating the filibuster ever draw significant support from the put-upon minority? Does it make a difference what legislative policy the reconciliation contains? Or, is Senator Martinez right, that the very use of reconciliation for major reform would harden minority opposition?

On balance, I think Senator Martinez is right. But,

I also think that an intelligent majority in the Senate has to be seriously considering reconciliation for major initiatives. As it now stands and as so many in the media now reminds us, Majority Leader Harry Reid has 59 votes. Without reconciliation, he will need 60 votes to pass almost anything significant. With reconciliation, he will need only 51 at most. The temptation must be great, as it was to us in 1981, to resort to reconciliation and pass as much of the Obama budget as possible.

The final decision, it seems to me, will reside with the President. The House majority will do whatever it wants, using waivers and the Rules Committee. The Senate majority has no such luxuries.

Will the President and his senior staff want the glorious headlines of a major budget victory in September? Or will President Obama look a little further ahead and weigh the risks of alienation of the minority on most, if not all, of his remaining major thrusts, against the boost in popularity that a perceived grand budget victory will bring him.

Make no mistake about it -- aggressive use of reconciliation makes bi-partisanship in Congress much less likely. Want proof? From 1981 forward, the Senate saw almost no bipartisanship on the budget for almost a decade. **RF**

*Stephen E. Bell served on the Senate staff of U.S. Senator Pete V. Domenici (R-NM) from 1974 to 1986 and then again from 1996 to 2009. From 1981 until 1986 he was Staff Director of the Senate Budget Committee, which Senator Domenici chaired. He is now principal of Steve Bell, LLC, a consulting firm, and a Visiting Scholar at the Bipartisan Policy Center.*

## THE RECONCILIATION PROCESS: A BRIEF TUTORIAL

In some years, the budget resolution includes reconciliation instructions. Reconciliation instructions identify the committees that must recommend changes in laws affecting revenues or direct spending programs within their jurisdiction in order to implement the priorities agreed to in the budget resolution.

All committees receiving such instructions must submit recommended legislative language to the Budget Committee in their respective chamber, which packages the recommended language as an omnibus measure and reports the measure without substantive revision. A reconciliation bill would then be considered, and possibly amended, by the full House or Senate.

In the House, reconciliation bills are typically considered under the terms of a special rule. In the Senate, reconciliation bills are considered under limitations imposed by Section 305, 310, and 313 of the Congressional Budget Act.

These sections limit debate on a reconciliation bill to 20 hours, and limit the types of amendments that may be considered.

*(from "The Congressional Budget Process: A Brief Overview," published by the Congressional Research Service on November 26, 2008, and available on the website of House Budget Committee Republicans at <http://www.house.gov/htbin/cr-sprodget?/rs/RS20095>.)*

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# An Appointment Made by the Public, Not in the Backroom

DAVID DREIER

If there was ever a time when the American people needed a clear, undiluted voice in Washington, it's now. Working families are facing tremendous economic difficulties and we remain engaged in conflicts across the globe. And yet, the residents of four states — Illinois, New York, Colorado, and Delaware — haven't elected their newest Senators. Those same Senators are now voting on the critical economic issues of our time.

Some of my colleagues and I believe this is undemocratic. The people of those states, and every state, deserve a voice in their representation. That is why I, along with Senators Russ Feingold (D-WI) and John McCain (R-AZ) and House Judiciary Committee Chairman John Conyers (D-MI), have proposed a constitutional amendment to require ALL U.S. Senators be duly elected by the people they represent.

We have not proposed this amendment as a reaction to the people chosen to fill the recent Senate vacancies, but because of the people they represent. They are understandably outraged at some of the gamesmanship that surrounded the most recent Senate appointments. These incidents don't need to be recounted yet again, but suffice it to say, they have brought back to the forefront of American discussion the need for popular elections when deciding our representatives in both bodies of Congress.

I believe the amendment we are proposing is a “perfecting” amendment to the 17th amendment to the Constitution. After years of backroom deals, this amendment reformed the Senate-selection process by instituting direct elections. It left to the states the authority to decide what to do when an out-of-cycle vacancy came up. Most states chose to allow their governors to make appointments. A few, including

Wisconsin, chose to leave it to the people, calling for special elections. While our amendment does call for all Senators to be elected, it does not dictate the terms of those elections, leaving that to the states. I view this proposal as the fulfillment of the reform effort that began with the 17<sup>th</sup> amendment nearly a century ago.

Some argue that special elections are too expensive and time consuming. This argument is a familiar one, and does have resonance at a time when State budgets are stretched very thin. However, I do not believe budget constraints nullify the imperative for electing our leaders.

Others, like columnist George Will, have argued that this amendment only weakens the pillars of federalism that the Founders carefully constructed. Mr. Will recently wrote in the Washington Post that our

Constitution created distinct electors for the three elected bodies of the federal government, in order to enhance the separation of powers that provides the critical checks



**We have not proposed this amendment as a reaction to the people chosen to fill the recent Senate vacancies, but because of the people they represent.**

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and balances in our federalist system. The President was to be elected by the electoral college, the Senate by the state legislatures and the House directly by the people.

With this perspective in mind, the 17<sup>th</sup> amendment would appear to have undermined the founders' intentions, and today's proposed amendment would undermine them further. I respect Mr. Will's point of view. I, too, look to the founders' original intentions and do not take amending the Constitution lightly. At the same time, I believe that in addressing this matter we must look at the history of our electoral processes – not just how they were envisioned at our nation's founding, but how they have been conducted in practice.

From a purely academic perspective, it is interesting to consider whether the authors of the 17<sup>th</sup> amendment could have plotted a reform course that was truer to the founders' intentions. But the reality today is that we now have a nearly 100-year tradition of directly electing our Senators. This practice has become an integral part of American democracy. Trying to undo a century of our history simply is not a viable option. The American people elect their Senators, and would not accept any other method. Yet the current system does

have a loophole. The large number of sudden vacancies in the Senate this year has made the consequences of this loophole very clear. Our proposed amendment will address this challenge.

A few years ago, the issue of preserving the direct election of our representatives was raised within the context of a continuity plan for Congress in the event of a catastrophe and the deaths of more than 100 members of the House. Congressman Jim Sensenbrenner (R-WI), another original co-sponsor of our amendment, and I argued vigorously for the direct election of all House members, as the Constitution mandates, under any circumstance. At the time, we argued that holding and participating in elections, even in the event of a catastrophe, was essential to keeping our democracy vital and functioning. We were joined by an overwhelmingly bipartisan majority of our colleagues.

Senate vacancies are no less significant than vacancies in the House. Yes, they should be filled as quickly and fairly as possible. But most important, they should be filled by the American people. **RF**

*David Dreier represents the 26<sup>th</sup> District of California in the U.S. House of Representatives.*

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*From the Bully Pulpit*

# Meeting America's Challenges on Health Care

WALLY HERGER

Thank you for inviting me to speak with you today. Last year, as ranking Republican on the Trade Subcommittee, I spoke about the challenge of maintaining America's competitiveness in the global economy. I recently became ranking Republican on the Ways and Means Health Subcommittee, and with health reform promising to be one of the top issues before Congress this year, I'd like to talk about what I see as the right path for Congress to take on this critically important issue.

There's no question that we're about to see the strongest push for health reform in years. President Obama campaigned aggressively on the issue, and one of his top priorities is to pass a comprehensive overhaul this year. Republicans agree that our health care system is in desperate need of reform, with rising costs increasingly threatening families, businesses, providers, and taxpayers. We must ensure that every American has access to affordable, high-quality health care. And there is real potential for bipartisan agreement in some areas, like emphasizing prevention and disease management, and paying providers more for high-quality care.

At the same time, there are some big issues where we have very real

philosophical differences. Already this year, Democrats in Congress have passed an aggressive expansion of government-run health care that will move 2 million children from private

health plan, Republicans will have strong objections. The number one problem in health care today is out-of-control costs, and government programs have a terrible track record on cost control. Republicans believe cost-saving innovations in health care will come through individual choice and market competition, just as they do in every other sector of our economy.

I believe there are four key elements that must be part of any health reform legislation: stability, affordability, accessibility, and accountability. I'll discuss each of these in turn, beginning with stability. Approximately 160 million Americans currently get their coverage through an employer-sponsored health plan. The overwhelming majority of these people want to keep their coverage. We must not risk the coverage of people who already have good insurance.

The other side of stability is the impact on the budget. Today, Medicare and Medicaid have trillions of dollars in unfunded liabilities,

threatening catastrophic consequences for our nation's future. Reforming and preserving federal entitlement programs must be part of any stable health reform solution. By the same token, we should not make large new funding commitments that we cannot pay for.



photo by Marty LaVor

Congressman Herger spoke at a Ripon Society Bully Pulpit luncheon on health care held April 2nd on Capitol Hill.

health insurance into the SCHIP program, and have taken the first steps toward allowing the federal government to dictate which medical treatments will be available. If health reform means creating a government-run insurance plan that will force an estimated 120 million Americans out of their current

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Second, affordability. As I mentioned earlier, I believe controlling health care costs must be at the heart of reform. Rising costs are eating away at Americans' paychecks and placing American businesses at a competitive disadvantage. While expanding coverage is an important goal, we cannot simply add millions more people to a broken system. Universal access to coverage cannot happen until the cost of coverage comes down, and the cost of coverage won't come down until we find a way to reduce the cost of actual health care services.

Medical malpractice reform must be part of the solution. People who are truly injured must have their day in court, but overzealous trial lawyers shouldn't be able to play the medical malpractice lottery and hope for a jackpot. The system has to become more predictable, by capping noneconomic damages and perhaps by moving toward a system of health courts staffed by judges who are medical experts.

Another way to promote affordability is to focus on keeping people healthy, rather than waiting till they get sick and need more expensive treatment. It's common sense that paying for early cancer screenings is more cost-effective than treating cancer when it's too late. Health reform should prioritize both preventing disease and managing chronic conditions.

Congress should also make the tax code fairer. The self-employed get a less generous tax break than those with employer-provided coverage, and those who buy insurance on the individual market get no tax benefit at all. That's simply unfair, and we should extend a similar tax benefit to everyone. In this process, I believe we need to take a look at whether we can do a better job of providing more help to those who need it most, rather than encouraging people to buy more coverage than they really need.

A final point on affordability: Currently, underpayments by Medicare and Medicaid force doctors and hospitals to over-charge those with private insurance, raising the average cost of family coverage by nearly \$1,800 a year. Adding a new government-run health plan, as the Democrats have proposed, would only make this cost-shifting problem worse. Soon, families and business would find it too expensive to buy and offer private health insurance and would be dumped into a government health program. That is an outcome we must avoid.

Accessibility has to go hand in hand with affordability. In theory, you could provide coverage to everyone at relatively low expense -- just follow

**Republicans agree that our health care system is in desperate need of reform, with rising costs increasingly threatening families, businesses, providers, and taxpayers ... At the same time, there are some big issues where we have very real philosophical differences.**

the Medicaid model and pay providers far below cost. The trouble is, coverage isn't worth very much if you can't find a doctor who will accept your coverage. And as we've already begun to see with the debate over comparative effectiveness research, the government will be tempted to save money by denying coverage for necessary treatments that are deemed "too expensive." In Britain, the national health system literally requires seniors with vision loss to go blind in one eye before they'll cover a drug to save the other eye. The American people rightly find such rationing unacceptable.

Finally, I'll close with accountability. Reform should reward healthy behavior and recognize that everyone has a personal responsibility to improve his

or her health. In recent years, a number of employers have begun to incorporate prevention and wellness programs in their health plans. We should encourage these innovations and create similar incentives in public programs.

Accountability is important for providers as well. The lack of publicly available information about the quality and cost of health care services is unacceptable. Health reform must create rigorous standards for transparency, and government programs should be overhauled to reward physicians and hospitals that perform high-quality care. This will raise the bar and improve health care for all Americans.

Several weeks ago, I and other members of Congress -- both Democrats and Republicans -- participated in a discussion on health reform at the White House. While it's encouraging that the President is talking about bipartisanship, health provisions in the SCHIP bill and the stimulus package earlier this year were drafted behind closed doors and rushed through without consultation. We will soon find out if Democratic leaders in Congress are serious about having an open and transparent process and listening to Republicans' ideas for stable, affordable, accessible, and accountable health care.

I, and my Republican colleagues, stand ready to work with President Obama and Congressional Democrats to improve our nation's health care system, but we will not support proposals that threaten to eliminate private insurance and increase government control. **RF**

*Wally Herger represents the 2<sup>nd</sup> District of California in the U.S. House of Representatives. He is the Ranking Republican on the Ways and Means Subcommittee on Health. He delivered the above address at The Ripon Society's Bully Pulpit forum on Health Care, which was held on April 2 on Capitol Hill.*

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# A Holiday to *Invest*

JOHN CAMPBELL

The nation, and in fact, the entire world are now well within the grip of a major economic downturn. The full duration and scope of this downturn are still undetermined, but it is unlikely that we have seen the bottom yet, and the United States government has taken unprecedented action to deal with this problem.

The first major action, taken in October 2008, created the Troubled Asset Relief Program (TARP) and was intended to prevent a complete collapse of our financial markets, which at the time was a very real possibility and would have led to literally thousands of bank failures. In my opinion, the TARP, in conjunction with the Federal Reserve's monetary actions at the time, prevented this collapse, and accordingly I believe this scenario has now been avoided.

But still, major government actions and interventions continue, including the so-called "stimulus" spending bill, the nationalization of some banks and insurance companies (and arguably General Motors), more Fed actions, and additional programs being announced by Treasury or the Obama administration literally every day.

Why? If we're no longer facing imminent collapse, what are these actions intended to accomplish? After all, you can't prevent a recession that's already happened, right?

No you can't. But what government action is intended to do is make the recession shorter and

shallower while limiting the negative long term impact. However much of the action taken thus far will neither make the recession shorter or shallower and has the potential to have very negative long term effects, such as high interest rates, inflation, and reduced growth.

But that is an argument for another column.



**...this capital gains  
tax holiday idea will  
stimulate economic  
activity and thereby create  
permanent private sector  
jobs and it will do so  
with no immediate cost  
whatsoever.**

In this article, I would like to suggest an idea that will actually contribute to making this recession shorter and shallower. Furthermore, it will not cost the Federal Treasury or the Federal Reserve anything over the next 12 months. In fact, it will actually raise revenue without raising taxes in the short term. There will be little long term negative impact and no private businesses will be nationalized or drawn into receivership.

Sounds too good to be true? It's not. Allow me to explain.

It is widely acknowledged that the depth of this recession has been amplified by fear, and indeed, panic. People are afraid to invest or spend for fear that they may lose their job, or that the price may yet go lower, or because they are concerned that the potential future risk is greater than any potential future return. If either the perceived risks in the marketplace were reduced or the potential returns were increased, then investors and the public at large might be

and begin a return to a more normal environment.

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To address this I have introduced legislation designed at improving this risk/return relationship in order to encourage people to invest now. H.R. 1632 would eliminate the Capital Gains tax on any assets purchased in 2009 (after the date of enactment of the bill) and held for at least 12 months. It will not matter when the asset is sold. For instance, if you buy a business in 2009 and sell it in 2015, you won't pay a federal Capital Gains tax; if you buy a house in order to rent it out in 2009 and sell it in 2011, no capital gains tax. This bill will encourage the many people who are "sitting on the sidelines" to invest right now, rather than continue to wait for a "bottom" because they will be rewarded with a 15 percent greater return. This will encourage activity in the purchase of stocks, bonds, and real estate, which are major sectors of the economy that will need improvement before we can experience a recovery.

As a bonus, this bill has no cost to the Federal Treasury for at least 12 months while the economy, and therefore revenues, are still struggling. In fact, the bill would certainly stimulate purchases of assets, which means that someone must sell those assets and may incur a capital gains tax on the sale that would not have otherwise occurred. Any loss of revenue would not occur until these assets are eventually sold, which cannot be before mid-2010, when hopefully, a

recovery has taken hold. But even that revenue 'loss' is in question.

One thing we conservatives have always believed is that we should use 'dynamic modeling' when figuring the effect of tax policy. Therefore if you lower a tax, people will make different decisions due to the reduced tax. Those decisions may result in enough additional economic activity that revenue actually rises. Conversely, tax increases result in people making conscious decisions to avoid or reduce the increased tax thereby often resulting in reduced revenues.

But I digress. Suffice it to say, this capital gains tax holiday idea will stimulate economic activity and thereby create permanent private sector jobs and it will do so with no immediate cost whatsoever. This stands in contrast to many of the Obama/Pelosi policies which have huge costs and minimal job creation potential. In my opinion, these policies have largely made the problem worse rather than better.

There has been talk of a "Stimulus II" later this year. What might be included in that scares me if it's anything like "Stimulus I." But maybe -- just maybe -- we can include some cost-free common sense ideas like this one.

**RF**

*John Campbell represents the 48<sup>th</sup> District of California in the U.S. House of Representatives.*

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# Congress by the Numbers

## A closer look at the record – and the rhetoric

ROBERT S. WALKER

In his best enlightened, post-pejorative, bipartisan manner, Lawrence H. Summers, President Obama's chief economic advisor, dismissed Republican efforts to modify the stimulus package on Capitol Hill earlier this year by saying, "Those who presided over the last eight years, the eight years that brought us to the point where we inherit trillions of dollars of deficit, an economy that's collapsing more rapidly than at any time in the last 50 years, don't seem to me in a strong position to lecture about the lessons of history."

The premise that recent history undermines the Republican's economic proposals deserves examination by the numbers. In particular, the record of Republican majorities on Capitol Hill versus the Democratic majorities of the last two Congresses should be carefully scrutinized.

Let's look first at deficit spending since Mr. Summers used that as the principal example of Republican malfeasance. When Republicans took control of Congress in 1995 after 40 years of Democratic control of the U. S. House of Representatives, the Federal deficit stood at \$164 billion. Six years later in January, 2001, when George W. Bush was assuming the presidency, the deficit had been erased and the Federal budget had a

\$128.2 billion surplus.

Democrats have tried to make the case that the huge deficit turnaround resulted from Clinton Administration policies including the tax increases early in President Clinton's term. But



such claims ignore the fact that the budget projections in 1995 showed \$200 billion dollar deficits for as far as the eye could see. Republican talk about balanced budgets was routinely dismissed as unattainable and even silly. The change of congressional power was the driving force that created balanced budgets and even surpluses within six years.

No one disputes that success.

Mr. Summers and others want to focus on the eight years of the Bush presidency when Republicans controlled both the White House and the Congress. Fair enough. In January 2007, when the Democrats took control of both houses of Congress, the Federal budget deficit stood at \$161 billion. Yes, the surplus was gone; Republicans had engaged in too much spending and had paid a political price for so doing. But, in reality, the budget deficit was still slightly below what they had inherited in 1995.

With the Democrats in control of Congress and President Bush still in the White House, the deficits swelled out of control. By January 2009, the Federal red numbers had gone to \$455 billion in actual 2008 deficit and to a projected \$1.2 trillion as a 2009 projection.

What changed? The only change was the control of Congress and with that change of control, the renewed emphasis on tax increases, additional spending, and more regulation.

But deficits, despite Mr. Summer's prioritization of them, do not tell the whole story of the damage done to the economy by two years of Democratic dominance on Capitol Hill. We should look at some other telling data and measure Congress by the numbers.

In January 1995, the

unemployment rate was 5.6 percent. In January 2007, when Republicans lost control of Congress, the rate had dropped to 4.6 percent. In other words, during the Republican era of congressional control, the GOP had achieved what many economists regard as a full employment level. In December 2008, after just 23 months of Democratic control on Capitol Hill, the actual unemployment figure was 7.2 percent with a projected January 2009 estimate of 8.3 percent.

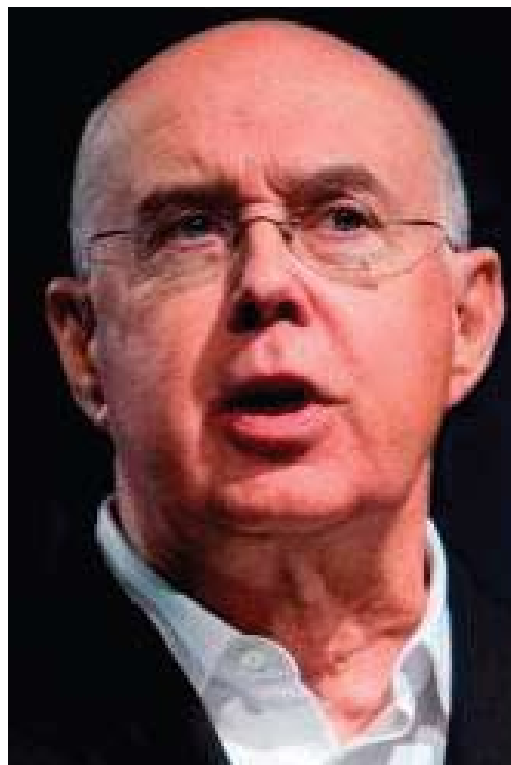
So, how about measuring economic growth? In January 1995, the GDP was growing at a nominal rate of 3.66 percent. That rate had nearly doubled to 6.88 percent by January 2007. In October 2008, (the last official measurement) that same rate stood at a minus 4.11 percent, nearly a 10 point drop, and has gotten worse since.

But the real telling figure on whose economic theories work the best may rest with the Dow Jones Industrial Average. After 40 straight years of Democrats in Congress working with both Republican and Democratic Presidents, the DJIA was 3838.48 in January 1995. During 12 years of Republicans working with a Democratic President and a Republican President, the Dow Jones swelled to 12474.53 -- more than a 300 percent increase. After just two years of Democrats replacing Republican control of Congress, the Dow stood at 8116.03 on January 26, 2009 -- about a 35 percent drop.

So whose economic history in recent years is better? The numbers tell the story. Republicans can be faulted for failing to hold the line on spending and the

use of earmarks to drive that spending spree during the period 2001-2007. They compounded their spending with a series of ethical issues and the result was lost political credibility.

But the Democrats who replaced them immediately began to talk down the economy. They made clear



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they intended to allow previously enacted tax cuts to expire. They sought to raise revenue with new

taxes on investments and capital. They proposed increased costs to the economy with more regulation and expense aimed most devastatingly at the small business sector, for instance, the increase in the minimum wage. And, in the end, Democrats convinced investors that the future was not growth oriented, but growth agnostic. The result was that investors began moving their money to other safer and more tax protected instruments. Today we can measure, by the numbers, the two years 2007-08, of congressional economic performance, and it is stunningly inept.

House Financial Services Committee Chairman Barney Frank (D-MA) faults Republicans for the economic mess that the country faces. This past February, he said on Meet the Press criticizing Senator John Ensign for his critique of overspending in the stimulus bill, "On the bloated spending, this comes from a man whose party controlled the federal government — House, Senate and White House — for six years." But now we know the numbers tell the real story.

It is the last two years when Democrats controlled the Congress that the economy truly went in the tank. Larry Summers and Barney Frank may believe that recent economic history is on their side. But you cannot prove it by the numbers. RF

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# A Scalpel for President Obama

LOU ZICKAR

During his campaign for President, Barack Obama promised many things. One of his promises was to govern from the middle. Yet four months into his administration, it has become increasingly clear that he faces two main obstacles in fulfilling this promise and achieving this goal. The obstacles are Nancy Pelosi and Harry Reid.

One is a San Francisco limousine liberal with a lifetime ADA rating of nearly 100 percent. The other is an old-fashioned big government Democrat who supports building a “mob museum” in his home state of Nevada as a way to stimulate the nation’s economy. Together, they represent not only Obama’s greatest obstacle in moving to the center, but his biggest barrier in accomplishing something Republicans failed to do when they controlled both ends of Pennsylvania Avenue – get spending under control.

In response to these concerns, Obama pledged during the campaign to take a “scalpel” to the federal budget. After his election, he also announced plans to appoint a “performance officer” to make sure tax dollars are well spent. Unfortunately, with the deficit at more than \$1 trillion and government spending consuming more than 20 percent of the economy, the new president will need more than a figurative scalpel

and figurehead appointee to get the job done. He will need something with teeth in it, something that has been proven to work, something both Democrats and Republicans can support. In short, he will need a Sunset Commission. Here’s why:

1. *The actions of a Sunset Commission are binding.* Under this process, an expiration date is placed on all new federal

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programs. When the expiration date is reached, a bipartisan Sunset Commission-- comprised of elected and unelected officials -- meets to review whether the program is still needed. If the answer is no, the program is abolished. If the answer is yes, the program is continued for another set time, with changes made as needed to ensure the program is still working as originally intended.

The recommendations of the commission are then presented to Congress, and an up-or-down vote

is held. The intent is to take politics out of the equation and make the needed hard decisions. But the larger goal of a Sunset Commission is to make government smaller and smarter. This leads to the second reason President Obama should consider the idea:

2. *Sunset Commissions have been proven to work.* Colorado approved the first Sunset law in 1976. Twenty states had enacted some form of Sunset law by 2002. Texas has perhaps the nation’s most successful Sunset program. Since its creation in 1978, the state Sunset Commission has abolished 52 agencies and consolidated another 12. In the process, it has saved Texas taxpayers nearly \$728 million. Unsurprisingly, it has also won the enthusiastic support of Republicans and Democrats alike.

That leads to the third reason a Sunset Commission is something the president should support:

3. *A Sunset Commission has bipartisan roots.* Indeed, it’s not just Republicans and Democrats in Texas who have supported establishing a Sunset Commission. Republicans and Democrats in our nation’s capital have backed the idea as well. In recent years, the GOP has championed the proposal. Yet 30 years ago in Washington, establishing a Sunset Commission was an idea embraced

by Democrats.

In fact, in 1977, it was one of the top three priorities on Capitol Hill. The top priority, S.1, was a jobs bill aimed at easing unemployment, which stood at 7.5 percent when Jimmy Carter took office. The third priority, S.3, was a bill to reform health care. The second most pressing priority, S.2, was a bill to get federal spending under control by establishing a federal Sunset Commission.

The bill's main sponsor was Edmund Muskie, the legendary Democratic senator from Maine. Its supporters ranged from Republicans Barry Goldwater and Jesse Helms to Democrats George McGovern and Edward Kennedy. "I regard the sunset concept as one of the most imaginative and innovative approaches to government reform that has been proposed in many years," Kennedy said.

All told, S.2 had 59 cosponsors in the Senate - 30 Democrats, 28 Republicans and one independent. In the House, the bill had more than 150 cosponsors, including such conservative Republicans as Mickey Edwards and Bob Walker and such liberal Democrats as Dick Gephardt and Shirley Chisholm. President Carter also backed the plan, as did interest groups ranging from the Chamber of Commerce to Common Cause.

Perhaps Muskie summed it up best when explaining the reason the idea enjoyed such broad political support. "Conservatives see this as a way of reducing the responsibilities of government," he explained, while it is viewed by "liberals as a way of getting our house in order to take on new responsibilities."

The Senate overwhelmingly approved S.2 by a vote of 87-1 in October 1978. Unfortunately, the bill was never voted on in the

Chicago Professor Theodore Lowi published a book called "The End of Liberalism" (see box on next page for more information on the origin of the Sunset proposal). In that book, he first suggested establishing a "Tenure-of-Statute" act, which would require any law that created a federal agency to expire in five to 10 years. When Mr. Lowi's idea was later considered by Congress, another Chicagoan, Abner Mikva, testified in its support, saying a Sunset Commission "would force on us a discipline of reviewing what we have done in established periods of time."

At the time of his testimony, Mikva was serving in the House of Representatives. He would later go on to serve as a mentor for Barack Obama. In 2006, he counseled the young senator to seek the White House. His advice helped convince Obama that the time was right then to pursue the presidency. Perhaps his testimony will

convince Obama that the time is right now to pursue another bold idea - establishing a Sunset Commission.

It is an idea that would not only provide the President the scalpel he needs to cut the federal budget, but one that would also help him overcome the obstacles he is likely to face on Capitol Hill. **RF**

*Lou Zickar is the editor of The Ripon Forum.*



### **Its supporters ranged from Republicans Barry Goldwater and Jesse Helms to Democrats George McGovern and Edward Kennedy.**

House, and the idea was never seriously considered again. It should be considered now for the reasons previously discussed - the idea is binding, proven and bipartisan.

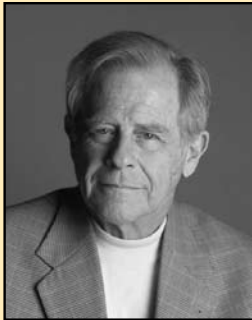
But there's another reason President Obama might find the establishment of a Sunset Commission appealing:

*The idea originated in his hometown.*

In 1969, University of

# Lowi's Intent and the Origin of Sunset

Author and Professor Theodore Lowi is widely credited with being the "father" of federal Sunset laws, having first suggested a "Tenure of Statutes" act in his 1969 book, "The End of Liberalism." In recognition of his role in originating the idea, THE RIPON FORUM contacted Professor Lowi with a request that he write an essay discussing the genesis behind it. In making this request, we expected a discourse on the need to make government smaller and smarter. What we received instead was a discussion that revealed his original intent had less to do with government efficiency than how our laws are made. Professor Lowi's letter is below:



Theodore Lowi

Thank you for the opportunity to set the record straight on my proposal for a "tenure of statutes" act.

It received a good bit of attention in the 1970s, due particularly to Common Cause, a prominent reformist group. They improved on it and, innocently, stole the idea from me by giving it a new and more quotable name: "Sunset legislation."

What's in a name? Damn near everything. I lost control of it, but took solace from Henry Adams, who observed, in his "Education of Henry Adams," that you haven't arrived as an author until you've been stolen from. I did occasionally receive some praise and more criticism, mainly from reformers of state legislation.

I improved on it in the second edition of "The End of Liberalism" in 1979, and in fact adopted the "Sunset" label with a footnote of explanation as an essential part of my appeal for "juridical democracy" as ammunition for my chosen enemy: "interest-group liberalism." Thanks to Common Cause, Sunset got a lot more attention, but, alas, with almost nothing of me in it.

However, my frustration was not in the loss of my intellectual property. The frustration was that the idea lost substance as it became popular. The reformers concentrated on efficiency and short life – or, as the RIPON FORUM put it, to make government smarter and smaller. My purpose was not at all to reduce the government, but to make each law real law – juridically sound law, laws with legal integrity.

Today we see it all over again, on a larger scale, with the last of the Bush administration and the beginning of the Obama administration. First, President Bush and the Democratic Congress granted the Secretary of the Treasury \$800 billion for "bailouts," as he saw fit. Then, President Obama and the Democratic Congress followed suit, with requests for still more money on top of the \$800 billion and with no stipulation, no legislative guidelines – nothing but the designation of the Vice President as the overseer, coupled with the President's assurance that, "No one messes around with Joe Biden!"

How's that for a government of laws? These guys aren't socialists. They're interest-group liberals.

Unfortunately, interest-group liberalism thrives on bad legislative drafting. My antidote, then and now, has been revision by codification and clarification, guided by the wisdom of the 10 years of usage that revision is forced upon the agency as its statute confronts its demise. Interest-group liberalism, however, always wins because it has so many soldiers in the fight. The biggest enemies of good legislation are the law school professors, the rational choice philosophers, the relevant interest groups, the recent presidents, and the appellate courts. Law school professors and rational "choicers" thrive on "dispute resolution," out of court and out of sight.

In fact, bad legislation has created a whole new subdivision of law schools, with a highfalutin name: *statutory interpretation*. Interest groups thrive on bad legislation because bargaining always favors well-heeled, well-organized, highly specialized interests. Presidents also prefer bad laws; they see broad delegation (without need of signing statements) as the source of "presidential power," when in fact it is the source of mass expectations, making every president a failure. (I wrote a whole book about this in 1985 called, "The Personal President – Power Invested, Promise Unfulfilled.")

And appellate courts accept bad legislation because they need a constitutional source if they intend to veto a statute when in fact (following Schechter and Panama) all a court needs is to say that the legislation is impossible to implement because Congress gave the Executive no guidelines.

In sum, I remain a frustrated reformer. But I'm not a pessimist. I'm a disappointed optimist. **RF**

*Theodore Lowi is the John L. Senior Professor of American Institutions at Cornell University. He is the author or co-author of 18 books.*

# Ripon Profile



**Name:** Lisa A. Murkowski

**Hometown:** Born in Ketchikan, AK; raised in Fairbanks, Anchorage and Southeast, AK; currently residing in Girdwood, AK.

**Occupation:** United States Senator from the State of Alaska.

**Previous Jobs:** Anchorage District Court attorney, 1987-89; Attorney, 1989-98; Alaska House of Representatives, 1998-2002; U.S. Senate, 2002-present.

**Individual who inspired me as a child:** My earliest inspirations were the teachers in my life, starting with my grandmother who was a second grade teacher in Ketchikan. I have strong memories of all the teachers during my elementary school years. My first grade teacher, Mrs. Bunes, made a huge impression on me and my love for learning. I didn't realize it at the time but she was trained in the Montessori method. So we touched, smelled and tasted, engaging not only our minds but all of our senses. It was active and fun learning. Mrs. Bunes made education come alive for me. Had I not studied law and served in elected office, I would have followed my dream to teach.

**Historical figures I would most like to meet:** I've always loved stories about female aviators, such as Amelia Earhart and Beryl Markham, the great British female pilot. They were real aviation pioneers and their daring-do has always appealed to me. I would also love to have met the great explorers of the Arctic: Men such as Admiral Richard Byrd and Roald Amundsen as well as countless others who braved the challenges of Arctic exploration. I am fascinated by pioneers of last frontiers, and Alaska has lured many of them.

**Issues facing America that no one is talking about:** Youth suicide is an area I have focused on as a member of the Senate Health Committee. Alaska's youth suicide rate is three times higher than the national average. While it's a very serious problem in my state, it's not just an Alaskan issue. It's a national crisis as well – especially in rural America and among our native populations. What's fueling this crisis? Is it a disintegration of the family, a failure to inspire kids in school, the easy availability of alcohol and drugs? I suspect it's a combination of many things. I don't have the answers to this problem; perhaps more mental health professional intervention in our high schools and screening programs are good places to start. I do know that we just can't leave struggling kids to deal with emotional crises alone.

**What the GOP must do to reclaim its congressional majority:** The Republican Party needs to better reflect the diversity of our nation. We need to improve our outreach to women, Hispanics, African Americans and Native Americans. If people feel that we are the party of only a select constituency, we will remain in the minority. If they recognize that we're the party that will help their small businesses to succeed, that cares about reducing costs for their family, whether for health care or energy or housing, then I think the GOP can regain the majority.

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