

Lucky 7: Steps to a Republican Comeback

by Pete du Pont

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Pete du Pont is the Chairman of the Board for the National Center for Policy Analysis and former Governor of Delaware. He is also a regular columnist for the Wall Street Journal. To read more about his career, please [click here](#).

George W. Bush presided over federal spending growth of \$1.2 trillion (\$600 billion more than inflation), resulting in total deficits of \$2 trillion over eight years, or an average of close to \$300 billion a year. President Obama's deficits are estimated to reach \$9 trillion over the next decade, or about \$900 billion a year.

There is no doubt that the Republican Party will gain from the public irritation at these massive Obama deficits, but that will not be enough. They will need to put together a rational set of public policy programs to help them gain substantially and quickly and start to change the course America is following. Seven important policy changes come to mind.

National Defense will be substantially reduced by the Obama administration, from 3.81% of gross domestic product in 2010 to 3.01% in 2019--a 21% decline in the share of the economy devoted to defense. That will be less than our country has spent annually on national security since before the 1940s (other than a few years before 9/11). Yet America's security challenges remain real, from a recalcitrant Russia, Iran and North Korea to terrorists who continue to hate America.

Limiting the huge growth in federal spending is the most important domestic effort. Including the increases projected under the Obama plan, our deficits will rise to the astounding levels of \$1.9 trillion this year, \$1.3 trillion next year, and just under \$1 trillion in 2011. Such deficit levels will have a long-term impact on the economy, for taxes

will have to be much higher, which will hurt the economy and limit its growth. America's government will become a massive, permanent, controlling structure, limiting the choices and opportunities of America's people.

Lower tax rates spur the economy and should be the third goal of Republican policy. The Bush income tax cuts of 2003 raised tax revenues by \$785 billion in the next four years. The tax cuts of President Reagan raised income tax receipts by \$500 billion in a decade, and back in the 1960s the tax cuts JFK proposed and Congress enacted during LBJ's administration raised revenue too. Lower tax rates mean more economic growth, and thus greater tax revenues, and so the Bush tax cuts should be made permanent. The Obama policy of letting them expire would retard economic growth by increasing taxes by more than \$1 trillion over the next decade--not only on income, but energy, payrolls and businesses. Republicans need to push for lower tax rates so that when the economic train comes off the tracks (which it will under the Obama approach), they will be stronger than the Democrats.

Continuing free trade and blocking the protectionism of the Obama administration comes next. Sen. Max Baucus and Rep. Charlie Rangel respectively chairmen of the Senate Finance Committee and the House Ways and Means Committee, have opposed expanding trade agreements, and as we know, Mr. Obama doesn't "think NAFTA has been good for America." But of course free trade is very good for America. In 2007 American exports generated \$1.6 trillion, which came to 40% of our economic growth.

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This is an issue on which Republicans and Democrats strongly disagree, and Republicans are on the correct side.

Defeat of the Waxman-Markey energy bill is important, and a strong opportunity for Republicans. America's energy needs will increase over time: the federal government's Energy Information Administration (EIA) estimates that by 2030 the U.S. will have 25% more people, the economy will be 70% larger, and there will be 27% more cars and small trucks on the road. So while the demand for energy will still be very strong, the Waxman-Markey bill would decrease our energy supplies (no support for offshore drilling or building new nuclear power plants), increase taxes on imported energy such as oil (making it more expensive), and establish a cap-and-trade policy that would allow the government to regulate and allocate all our energy usage. Republicans should argue for a broader energy alternative: more nuclear plants, more offshore drilling, shale oil development and abolition of wasteful energy subsidies such as ethanol.

Education is a vital part of American society, but public education is not doing very well for our children. While the U.S. government's job is not to run the education system, it is to make sure that every child has access to good teachers, good schools and a sound education. The best example of what to do is what President Bush did five years ago in signing into law the Opportunity Scholarship Program for the District of Columbia, a very successful idea that gave each of 1,900 students a \$7,500 scholarship to attend the private school of his choice. The Washington public school system is among America's worst--it costs more than \$13,000 per student and ranked last in math scores and next to last in reading among all urban public school

systems in the country. Although the Scholarship Program is successful, to meet union demands the Obama administration is in the process of ending it. No new students will be allowed to participate, and the program will be terminated when its current students graduate.

So here is a good issue for Republicans: Every child should have the chance to go to the school of his parents' choice and take the education money he would get in public schools with him. Allowing school choice not only will improve kids' education, but will improve all public schools if they have to be good enough to compete for students' choices.

Health care is the other important issue. The federal plan that is coming to us, the Baucus plan, would nationalize and thus worsen the health care that many Americans have. The government would ultimately run, regulate and supervise our health-care programs and mandate how companies must participate in them. A new government organization, a federal Independent Health Care Council, would effectively regulate the content and cost of the policies of a vast majority of Americans. Republicans need to offer an individual opportunity plan that provides people more choices--including purchasing coverage across state lines--and gives them the same tax-favored treatment that company employees now receive.

There are many issues facing America this year--Iraq and Afghanistan, piracy, the banking and auto industry challenges, Mexico and others. But the policies discussed above are the core issues--the "big tent" issues--that the Republican Party must bring before the American people. Republicans have a long way to go, but advancing these essential public policies would be the beginning of their resurgence.