

THE ECONOMIC IMPACT OF THE 2010 ELECTION

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What effect will the mid-term elections have on the economy? That question is on the minds of Americans across the country— from college students concerned about job prospects, to retirees concerned about their pensions and retirements programs . . . from hourly workers concerned about keeping their jobs, to highly compensated CEOs in business and industry who are worried about the impact of an increasingly burdensome regulatory environment imposed by the government.

The American people are fed up with unresponsive, arrogant government that has spent our municipalities, our states, and our nation into financial ruin and is moving rapidly toward a socialist model of government that, unchecked, will bring about President Obama's dream of the "fundamental transformation" of America. A majority of Americans want no part of it. Having sent that clear message in November, they want to see real change in how business is being done in Washington.

Can it happen?

The House of Representatives, where the Republicans now have a hefty majority, has historically been called the "people's body." No one becomes a member of the House by appointment or any means other than standing for election by the people; therefore, because of the House's close connection to the voters, the Constitution gave the House authority to originate all bills to levy taxes and spend government money.

With their sizeable majority, House Republicans can demonstrate to voters that they are genuinely committed to good governance by taking actions that a majority of the American people favors— many of which can be accomplished by simply withholding funding.

The two most powerful "money" committees in the House are Appropriations and Ways & Means, now chaired by Republicans. By utilizing the "power of the purse strings," the majority has opportunity to limit spending, eliminate waste, reduce government bloat, and eliminate or rein in out-of-control agencies. The House also has the authority to overhaul tax laws and the power to stop over-zealous regulators.

The X Factor: "Young Guns"

Several years ago, Republican House members Kevin McCarthy (CA), Eric Cantor (VA), and Paul Ryan (WI), developed a strategy that became known as the "Young Guns for the NRCC." That organization recruited and campaigned vigorously for new House members, and was influential in the election of a record number of Republican and Tea Party-backed candidates, sworn in on January 5.

McCarthy, who now serves as Republican Whip in the 112th Congress, was described in *Newsweek* magazine in November 2008 as being one of the GOP's "most persuasive [and] compelling members." Early in the 110th Congress, McCarthy was named by the *Weekly Standard* as one of three "Young Guns of the House GOP," and was dubbed "the strategist" among the three leaders in the House who now serve under House Speaker John Boehner.

Ryan, Chairman of the Budget Committee, is the congressman who developed an answer to Obamacare with his "Roadmap for America's Future" the only comprehensive plan in Washington that deals with the looming fiscal and economic crisis, driven by ever-increasing government spending on health care. Ryan says his "Roadmap" would reduce the deficit, allow Medicare to become truly sustainable, establish equity and efficiency in the federal tax treatment of health insurance, and improve access to health care for middle-class and low-income families.

Cantor, who serves as Majority Leader, stated as part of a press statement on January 6, 2011:

"It is the first priority of the new Republican Majority to restore fiscal sanity to Congress by cutting the massive growth and spending practices put in place by the previous Democrat-led Congress, so that we can begin to grow the economy and create jobs. ObamaCare spends a trillion dollars that we don't have and kills jobs at a time when our top priority must be getting people back to work. This job killing health care law has caused great uncertainty for employers small and large and has put our country on a path to fiscal insolvency."

Key Committee Chairmen and Their Agendas

Five key House committee chairmen— Budget (Paul Ryan-WI), Energy and Commerce (Fred Upton -MI), Ways and Means (Dave Camp -MI), Financial Services (Bachus - AL), and Oversight and Government Reform (Darrell Issa - CA) serve as John Boehner's field generals in pressing for new policies.

- Ryan will press for major spending cuts and entitlement reforms, along the lines of his "Road Map" strategy for true healthcare reform.

Upton says he'll work to stop over-zealous government regulators. One of Upton's chief targets will be the Environmental Protection Agency. After Obama's efforts to pass "Cap & Trade" stalled in the Senate last year, he simply shifted gears and moved his agenda over to the EPA. Upton told *Fox News*, "We are not going to let this administration regulate what they've been unable to legislate."

Upton voted against cap and trade; supports oil drilling in Alaska's ANWR and in offshore areas in the Atlantic; favors expanding the use of nuclear power; refers to himself as a "pro-lifer," and votes pro-life.

- Camp favors overhauling tax laws. He has said, "The tax code is longer than the Bible, but without the happy ending. What we need is a comprehensive reform of the tax code that expands the tax base and lowers rates by being fairer, simpler and conducive to growth."

- Bachus and his Financial Services committee will be at the forefront of an effort to end the bailout of Fannie Mae and Freddie Mac. Another priority is bringing an end to "too big to fail," which was written into law in the Dodd-Frank Act, thus placing taxpayers at endless risk for future bailouts. The Financial Services Committee has jurisdiction over monetary policy, international finance, international monetary organizations, and efforts to combat terrorist financing. Agencies under oversight by the Committee include: the Federal Reserve, Treasury, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Department of Housing and Urban Development, the Federal Housing Finance Agency, and the Export-Import Bank.
- Issa, with a large investigative staff, now serves as the Republicans' chief investigator. It is House Representatives that have authority to conduct hearings and investigations. Issa will doubtless send a good many subpoenas to members of this administration. He also wants to give subpoena power to nonpolitical government watchdogs—Inspectors General—and allow them to use that authority to uncover fraud, waste and abuse.

On the Senate Side

Several Tea Party-backed Senators—Rand Paul of Kentucky, Mike Lee of Utah, Marco Rubio of Florida and Pat Toomey of Pennsylvania—could have a significant impact, given Senate rules that empower each lawmaker with procedural rights to throw roadblocks in legislative deliberations.

Like his father (Rep. Ron Paul of TX), Senator Rand Paul opposes the Federal Reserve's control of the money supply and interest rates. Rand Paul has also been outspoken in backing a balanced budget amendment and big cuts in federal spending.

Assuming the House GOP passes much of its agenda, the Republicans also may see the "Party of NO" title passing to the Democrats. Senate Democrats will need only 41 votes to block initiatives that arrive from the House, and we foresee Democrat "no"s occurring with rising frequency. On those occasions, the Republicans will be wise to let the public know that the work of the People's House on their behalf is being thwarted in the Senate by the Left.

The Road Ahead

Any way we look at it, the Republicans have their work cut out for them—and so does President Obama. According to the Brookings Institution, Obama "will be forced to play defense in the face of Republican efforts to disable a number of his signal achievements, including health reform and financial regulation, and to cut discretionary domestic spending severely enough to weaken his initiatives on education, energy, R&D, and infrastructure . . . The question is whether President Obama can articulate and champion a strategy for economic growth and fiscal stabilization that sets a compelling agenda for a second term . . ."¹

¹ "Books Closed on the 111th Congress, What to Expect in the 112th," The Brookings Institution, 12/27/2010

The ball is in the court of the new Congress, especially in the House. The supreme test will be whether or not our newly elected representatives will demonstrate by their actions that they are actually committed to the positions they embraced during the campaign.

On the hopeful side, there is significant opportunity now to restore the public's reasonable expectation that fraud and profligate waste will no longer be the norm in Washington.

There is also opportunity to broaden awareness among the American populace that unrestrained governmental intervention in the economy is not only *counter-productive* as demonstrated in the U.S. economy over the past two years but *extremely dangerous* as demonstrated in the history of the world when free nations that succumbed to the seductions of over-powerful centralized government were ultimately destroyed by the tyranny of it.

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