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DR. NORBERT WAGNER
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Tea Party Candidates and the 112th Congress: Time for Change



The increased government spending that occurred in late 2008 and early 2009 to bail out major U.S. corporations and attempt to jump-start the economy concerned many Americans and helped fuel the Tea Party movement, leading to significant Democratic losses in Congress in the midterm elections. That concern is also reflected in Americans' endorsing deficit reduction as an economic strategy over generally popular approaches like tax cuts or tax hikes on the wealthy. Tea Party backed congressional members will now have to espouse their ideas regarding how best to move the economy forward, produce jobs, lower overall government spending and reduce the national debt while staying true to the Tea Party ideals.

If you had to choose, which of these do you think would be the best approach for Congress and the president to take in dealing with the U.S. economy – [RANDOM ORDER: increasing government stimulus spending, cutting taxes, reducing the federal budget deficit and national debt, (or) increasing taxes on the wealthy]?

Reducing the deficit/debt	39%
Increasing taxes on the wealthy	31%
Cutting taxes	23%
Increasing stimulus spending	5%
No opinion	2%

Source: USA Today/Gallup, Nov. 19-21, 2010

According to a recent Gallup Poll, Americans are most likely to choose deficit and debt reduction as the best approach for dealing with the economy over three widely discussed alternatives: raising taxes on the wealthy, cutting taxes, and increasing stimulus spending. Americans do not show a strong consensus for any of the approaches, but clearly reject additional economic stimulus spending. These concerns have been loudly voiced by Tea Party backed candidates during the midterm elections, and several themes have started to emerge regarding the economic direction that Tea Party de-facto leaders like Senator Jim DeMint and Senator-elect Rand Paul want to steer the country towards in 2011. Legislation to be considered includes; Government Spending, Reforming Entitlements, Taxes, Health-

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care Reform, Bailouts, Inflation, Free Market Economy Principles, Budget Deficits and the Federal Debt, and the Federal Reserve.

Government Spending

One of the major concerns for the Tea Party, and a big reason Republican incumbents suffered primary losses during the midterm elections were the government spending increases that went almost unchecked by earlier Republicans under President Bush. The political upheaval that occurred Nov. 2 has left President Obama weakened, Democrats clinging to a narrow Senate majority and Republicans firmly in control of the House, where most fiscal policy begins. Dick Armey, chairman of the conservative group FreedomWorks that has helped lead the Tea Party movement, says new GOP members will insist on dramatic spending cuts.

Tea Party activists have argued that those who claim to be 'fiscally conservative' have really been just as reckless at spending as their Democratic counterparts. The Tea Party supported candidates who shared the view that spending needed to be brought under control for a number of reasons; it burdens citizens with taxes, it permits further government growth if unchecked, and it increases the country's reliance on foreign nations to buy America's debt. As a result, almost all Tea Party backed candidates have called for major cuts in government spending.

For example, Florida Senator-elect Marco Rubio, who was heavily endorsed by the Tea Party during the primary and midterm elections, wants to slash the budgets of the White House and Congress by 10 percent. Additionally, Senator-elect Rubio proposes cutting corporate income taxes, ending the estate tax, freezing non-defense and non-veterans discretionary spending at 2008 levels and banning congressional earmarks.

There is also Tim Scott, who won an open South Carolina House seat, defeating Democratic businessman Ben Frasier to become the first black Republican to represent the state in Congress in more than 100 years. With backing from former Alaska Governor Sarah Palin and Tea Party activists, Congressmancandidate Scott advocated a low-tax, less-government message in the Charleston-area district. He criticized congressional earmarks as "corrupt," described Democrats as "socialists," and said he wanted to move the Republican Party toward "the far conservative right." Congressman-elect Scott also calls the recently enacted health-care law unconstitutional, opposes regulation of carbon emissions, and urges that the Bush-era tax cuts be extended for all income levels.¹

Entitlements

Many Tea Party candidates have called for reform of entitlement programs such as Social Security and Medicare, both of which have begun to pay out more money than they take in. Recent Senate winners Rand Paul and Mike Lee have called for "systematic overhauls" of the politically popular programs. Rand Paul specifically stated that, "You have to look at entitlements," including Social Security. "Not the people who are on it, and not those approaching retirement, but the sooner we fix it the better. So it could be 55 and under, but it should be this year ... we look at it to make it more sustainable." Among some solutions to that end, Senator-elect Paul included a raise in the retirement age, graduating the benefits, and having means testing.

¹ <http://www.bloomberg.com/news/2010-11-03/paul-portman-rubiolead-fresh-lineup-in-congress-after-republicans-win.html>

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Other candidates, such as Pennsylvania Senator-elect Pat Toomey, advocate the partial privatization of Social Security. Toomey would allow younger workers to voluntarily divert a portion of their Social Security payroll tax into private savings accounts they would control and invest any way they want. A young worker who did not want to do that could stay with the current system of a guaranteed benefit. "Over the course of 45 years or so, the accumulated savings from putting a little bit of money away every week or every month for 45 years would add up to a very significant nest-egg, and that could form the basis of a very significant portion of their retirement," he said.

Senator-elect Toomey said he would require the private accounts to be professionally managed with diversified investments to minimize the risk. The money would be shifted to less risky investments as a person approaches retirement age. There would be no changes for anyone currently receiving Social Security benefits under the Toomey proposal, and all of the Tea Party backed candidates have stated that it would be unfair to deny benefits to current retirees or those who are close to retirement.

While Senator-elect Toomey was not a direct Tea Party candidate, he has said that he would consider joining a Tea Party Caucus when he is sworn in. "I'd want to hear what that's going to be all about, what that means, but I'd be open to that," Congresswoman Michele Bachmann (R-Minn.) formed a Tea Party Caucus in the House this year, and Senator-elect Rand Paul (R-Ky.) has proposed creating one in the Senate.²

Taxes

With the Bush tax cuts set to expire at the end of December, Republicans are proposing to increase the deficit by about \$4 trillion in extending all the Bush tax cuts, while Democrats are countering with an offer to increase the deficit by a bit more than \$3 trillion in extending the cuts only for people making less than \$250,000 a year. A tentative agreement was announced by President Obama on December 7th to extend the Bush tax cuts for all income levels for another two years.

According to Republican Arkansas Congressman-elect Tim Griffin, "the best way to get the economy going and create jobs is to put more money in the pockets of taxpayers. Tax relief encourages sustainable economic growth, innovation and job creation." Tea Party supporters believe that lowering taxes is the best way to jump-start the floundering U.S. economy. They support cutting capital gains taxes, reducing corporate tax rates, maintaining the Bush tax cuts and repealing the estate tax.

Some politicians, including Tea Party leader Senator DeMint, have called for a single-rate tax system. Specifically, Senator DeMint stated that he would work to adopt a simple and fair single-rate tax system by "scrapping the Internal Revenue Code and replacing it with one that is no longer than 4,543 words – the length of the U.S. Constitution."³

Emboldened by their recent electoral victories, Tea Party members are also mobilizing for 2012 to work against any Republican who shows signs of compromising with Democrats on the issue of taxes. Among Republicans who may well face rivals in the 2012 party primaries are Senators Olympia J. Snowe of Maine, Scott Brown of Massachusetts, Richard Lugar of Indiana and Orrin G. Hatch of Utah.

² <http://www.rollcall.com/news/-200304-1.html>

³ [DeMint Signs "Contract from America"](#) Facebook, April 21st, 2010, Jim DeMint

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Tea Party backed candidates have argued that the government should empower people to make decisions about healthcare without costly government mandates. This approach, coupled with the calls for repealing the legislation, is consistent with the movement's small government focus. Some candidates have proposed plans that Tea Partiers find acceptable, including making all medical expenses tax deductible, enacting tort reform and allowing citizens to buy health insurance across state lines.

The Republican victory in the House will likely make Paul Ryan (R-Wis.) the new chairman of the Budget Committee. While not a Tea Partier per se, Representative Ryan does plan to shape legislation that would impose strict restraints on spending, and tackle entitlement reform, including healthcare -- a challenge that terrifies most of his fellow non-Tea Party backed Republicans. In his blueprint, the Roadmap for America's Future,⁴ Representative Ryan wrote that he would preserve generous Social Security and Medicare benefits for the poor and sick who need those programs the most, while reducing payments for the wealthy and middle class Americans in the future. Regarding healthcare, Representative Ryan would introduce vouchers that could lower prices by turning seniors into informed bargain hunters for healthcare. The concept is that market discipline would lower prices, giving middle class consumers more buying power to cushion the lower benefits that are the inevitable legacy of future promises that can't be met.

Bailouts

According to pollster Scott Rasmussen, writer of "Mad As Hell: How the Tea Party Is Fundamentally Remaking Our Two-Party System," the primary event which triggered the Tea Party movement was the federal bailouts of private companies. Activists consider them to be unconstitutional, ineffective, and immoral since they involve the redistribution of wealth from citizens to private entities. Tea Parties are opposed to similar bailouts in the future. According to Senator-elect Paul, "Federal bailouts reward inefficient and corrupt management, rob taxpayers, hurt smaller and more responsible private firms, exacerbate our budget problems, explode national debt, and destroy our US Dollar. Even more importantly, any bailout of private industry is in direct violation of the constitution." Senator-elect Paul opposes all federal bailouts of private industry. He strongly criticized the \$700 billion bank bailout, AIG bailouts, and auto bailouts, as well as the trillions of dollars the Federal Reserve have printed to fund the subsidization of bad business.

Senator-elect Paul mentioned that he would vote to oppose any and all federal bailouts and that he will fight to balance the budget, pay down national debt, restore the value of the Dollar, and allow the responsible to replace the reckless in the marketplace.⁵

Minnesota Republican and Tea Party favorite, Michelle Bachman, said that the U.S. must send a message resisting domino-effect world bailouts (referring to the recent E.U. and I.M.F. financial agreement with Ireland). "Although our friends overseas may believe the financial policies of the U.S. Treasury Secretary Tim Geithner, Federal Reserve Chairman Ben Bernanke, President Obama, Leader Harry Reid and Speaker Nancy Pelosi represent the views of our entire country. Fortunately, the bailout mentality isn't backed by most of the American people. Instead, Americans have called for fiscal restraint from their own government and I extend the same to our allies. Countries like Greece and Ireland demonstrated

⁴ <http://www.roadmap.republicans.budget.house.gov/plan/>

⁵ <http://www.randpaul2010.com/issues/a-g/bailouts/>

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irresponsible behavior as they spent like there were no consequences. Now, by the IMF agreeing to financially back Greece and Ireland, it is moving into dangerous territory itself. The IMF is removing the moral hazard from countries that find them-selves swimming in debt with no way out."

"What is true for individuals is true for countries; create a balanced budget and don't spend more than you take in. George Washington in his farewell address advised the young nation to resist foreign entanglements. He was referring to military engagements, but common sense tells us to apply that sound advice to the incessant calls for monetary bailouts. The U.S., as a member of the IMF, is tangled into the European mess with first Greece and now Ireland. It is our best interests as a sovereign nation to not bear the burden of these countries' reckless spending habits. Market discipline drives private economic decisions. Likewise, tough love demonstrated by the U.S. to our international allies will also send a message before more bailouts are doled out."⁶

Inflation

Tea Party candidates have also raised concerns over the growing concern of inflation and the Federal Reserve's policy of quantitative easing. On November 3rd the Fed said it would buy \$600 billion-worth of Treasury bonds over the next eight months with newly printed money. This second round of quantitative easing, the Fed hopes, will nudge down long-term interest rates, thus stimulating spending and fending off the threat of deflation.

Tea Party activists believe that as the monetary base expands, inflation grows and the dollar weakens. Compounded by the fact that the fear of inflation grows from a general distrust of government and the government-sanctioned manipulation of the dollar, the Tea Party is urging Congress to pay down the debt and balance the budget.

In response, Republican leaders in Congress wrote to Fed Chairman, Ben Bernanke, to express their deep concerns, and Republican Senator Bob Corker suggested that it was time that Congress clarified the mandate of the Federal Reserve. "Providing our central bank with a clear and explicit focus on keeping inflation low will serve America better than the broader mandate approach we have today," said Senator Corker recently.⁷

The GOP's Tea Party wing contains elements that are highly critical of the Federal Reserve, but their critique of the central bank is far different than the one advanced by the strictly pro-business faction of Republican Party. That wing, of which Corker is a leading member, can find allegiance with the Tea Party in criticizing the Fed by targeting its unemployment mandate without undermining the ability of the Fed to continue to act in the interests of major banks and other large businesses.

Republican Senate Minority Leader Mitch McConnell (KY) did not reject Senator Corker's suggestion when asked if he agreed the Fed's role should be limited to price stability. Asked if Congress should change the Fed's mandate, McConnell said, "Yeah, that's just one of many issues we will be working with and thinking about in the coming weeks."

⁶ <http://www.conservatives4congress.com/2010/11/michele-bachmannwhen-will-bailouts-end.html>

⁷ http://www.huffingtonpost.com/2010/11/16/gop-wants-to-strip-fed-of_n_784225.html

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A large theme that runs throughout the Tea Party movement and their winning candidates is the strong distrust of the Federal Reserve. Senator-elect Rand Paul blames the institution for creating the economic boom-bust cycle which sent the country into recession. Senator-elect Paul, along with others such as South Carolina Senator Jim DeMint, support auditing the Federal Reserve, an idea that has long been a central cause of Paul's father, Texas Congressman Ron Paul. The quasi-public institution is perceived as being too powerful, and many believe that the Fed's actions need to be more transparent. Some even want the central bank abolished altogether.

Free Market Economy

One of the main pillars of Tea Party candidates was that of 'free markets.' The Tea Party believes that the government's actions to salvage or reinvigorate the economy were misguided and ultimately harmed the country. Burdensome market regulation is blamed by Tea Party for hampering the economic recovery and the high-unemployment rate is a direct result of government central planning. A freer market is more efficient, according to Tea Party candidates and increased competition results in a healthier economy.

Tea Party backed Congressman-elect Justin Amash (Michigan) said that, "Federal stimulus programs, combined with government efforts to manipulate the money supply, simply add to our skyrocketing debt and fuel further inflation. Government actions to restrict trade, prop up failing companies, and discriminate against non-union workers have blocked real innovation and damaged the economy. Federal stimulus programs, combined with government efforts to manipulate the money supply, simply add to our skyrocketing debt and fuel further inflation. Government cannot "create" jobs—it can only shuffle jobs and resources from one place to another. Innovation and entrepreneurship create jobs, and both are blocked when the government tries to dictate artificial outcomes in society."

"Government must respect each person's economic freedom. Government intervention in the market should be seen for what it is—a decision by government bureaucrats with limited information about how you and I should spend our time and talents. When government uses central planning to promote certain activities and ventures—whether through Federal Reserve policies or targeted economic incentives—it disrupts price signals and distorts behavior, creating dangerous economic cycles."⁸

Budget Deficit and the Federal Debt

The United States' ever-increasing budget deficits and federal debt have proven an extremely sore subject among Tea Party members. They do not want to pay the taxes required to pay off the debt, yet its existence is a clear symbol of massive government and foreign dependence. To avoid this situation, many Tea Party backed Senate-elect candidates, such as Marco Rubio, Rand Paul, and Utah's Mike Lee have proposed a constitutional amendment which would require Congress to balance the federal budget each year, as many state governments are required to do. Additionally, some Tea Party candidates, such as Mark Lee, have vowed to fight against any attempts to increase the debt ceiling.

Tea Party backed Senator-elect Mike Lee is about to become the youngest member of the United States Senate (39), and he may also be the most conservative. Senator-elect Lee staked-out a no-compromise, hard-line stand on the national debt that may soon put him at

⁸ <http://amashforcongress.com/issues>

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odds with his own party leadership. Senator-elect Lee stated that when Congress is asked to vote early next year on raising the national debt limit – a usually routine vote that allows the government to borrow the money needed to finance annual budget deficits – he will vote no.

“I’m as serious as they come,” Senator-elect Lee told ABC News. “I could not be more serious when I say I’m not going to vote to increase the national debt limit.” The U.S. government is expected to hit its current debt limit — \$14.3 trillion – sometime next spring. Economists warn that failure to raise the limit could trigger a crisis in the U.S. bond market, raising the specter that the U.S. would default on its bond obligations. However, Senator-elect Lee doesn’t see it that way. A failure to raise the debt limit, according to Senator-elect Lee, “will force a discussion on a balanced budget amendment, and a discussion about the need to balance the budget every year.”⁹

With safe seats and backed by the Tea Party, Congress can expect more attacks from members like Senator-elect Lee, on what used to be known as the political consensus.

⁹ <http://reddogreport.com/2010/11/utah-sen-mike-lee-no-on-debtlimit-increase/>