

The Economic Club of New York

346th Meeting
88th Year

The Honorable Newt Gingrich
Speaker of the U.S. House of Representatives

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Questioners: Rita Hauser
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Introduction

Chairman John M. Hennessy

I am Jack Hennessy, Chairman of the Economic Club. Tonight we are going to do something a little different. In order to accommodate our speaker's heavy schedule, we have reversed our usual format. So we will give you about 10 or 15 minutes to enjoy the first course, then we are going to go directly into the speaking program. We will hear from our guest speaker. Then we will have our regular question and answer period. Then we will move on to the main course and dessert. So enjoy the evening. We will back with you quite shortly.

Good evening. Here we are again. The waiters will continue removing the plates. But I am going to start our program as promised. I would like to welcome each and every one of you to the 346th meeting in the 88th year of the Economic Club of New York. But before beginning tonight's program, let me just remind you that we have another very timely dinner coming up next month, on Wednesday October 11th, President Zedillo of Mexico will be our guest speaker and I ask you to mark your calendars accordingly. We would be delighted to have tonight's guest of honor with us at any time, but especially tonight. At noon tomorrow, the House of Representatives returns after its August recess. Over the next few weeks, it is going to be a scene of some major battles that will have a profound impact on the future of the nation's economy and the shape of our government. Our speaker, the most active speaker in the House in a half century will be at the center of those battles. Today, there is one question that no longer gets asked in that city of

Washington, and that is, Newt who. In the wake of the climatic 1994 election, he has taken that city by storm. He has shaken up Congress; he has shaken up the nation. He has been asking us to rethink the way government works and the way it doesn't, what it should do and what it shouldn't, what we want our country to be in the 21st century and what it is going to take to get us there. And I am glad to say, he is in a hurry to get us going. And it is not just his energy and determination that has made the difference, it has also been the force of his intellect and the strength of his conviction about the new directions in which America must move. He is not a newcomer to such concerns. As a son of a career Army officer, he was exposed to many points of view during his formative years. He lived in several different parts of the United States growing up, and in the late 1950's lived as a teenager for three years in France and in Germany, which was a particularly turbulent time at the end of the 4th Republican France. While as a schoolboy of 14 in Germany, a visit to an Army friend of his fathers changed the course of his life. The friend was a World War II veteran, living near the bloody World War I battlefield at Verdun. Where over 700,000 young men were killed during an eight month period in 1916. Young Newt found himself at once captivated by the living soldier's stories of how he had survived the infamous Bataan Death March in the Philippines. And he was sobered by the site of the ossuary where 100,000 bones of dead soldiers were enshrined at Verdun. Returning to his high school in Germany, he abandoned his dream of becoming a paleontologist and instead I guess from what we have come to know as characteristic Newt fashion, he wrote a 180 page paper on the balance of global power and started telling people that he was going to grow up to run for Congress to help preserve the western ideals of freedom, individual rights and

democracy. On the way to Congress he earned both a Masters and a PhD in Modern European History at Tulane. Then spent eight years teaching college studies...college courses in history and environmental studies, and he is one of the few certified scholars to move from the house of the intellect to the House of Representatives. He lost two close races for Congress in 1974 and 1976, but he did not give up and he finally won a seat in 1978 and now, in his ninth term he has become the Dean of the Georgia Delegation. He has been called by *Newsweek* a revolutionary centrist. By *The New York Times* a thoughtful analyst who gushes with ideas. *Time Magazine* has labeled him the preeminent leader in America, providing the energy, imagination and confidence that seems lacking in other leaders. *Forbes Magazine* adds that never in American history has a Speaker of the House pushed through so much sweeping substantive legislation. He is a thinker, a teacher, a statesman, a leader and above all a fighter for his ideas and ideals. And we are very, very proud and pleased to have him with us here tonight. Ladies and gentlemen, the Speaker of the U.S. House of Representatives, The Honorable Newt Gingrich. (Applause)

The Honorable Newt Gingrich

Speaker of the U.S. House of Representatives

Jack just told me, he is the only one who gets to use the gavel in this particular setting. Thank you very much for that warm welcome, and thank you very, very much Jack Hennessy for inviting me, for talking me into coming and for hosting me tonight.

We came in and sat down and he said, “Many important people have spoken to this Economic Club” and he showed me what is in the back, your honor roll of speakers and I happened to glance down immediately and found Nikita Khrushchev at the bottom, and then was looking up to the next line and found Anastas Mikoyan. Those of you who remember Mr. Mikoyan, will remember that it must have been one of the most bizarre speeches in the history of the Club. A man whose dryness was matched only by his silence. (Laughter) But it struck me that in a way this is a good place to be, whereas since you also had Mikhail Gorbachev because having those speakers is a useful reminder that in fact things do change, and that expectations can become different, and that in a sense that is what we are trying to accomplish in Washington. It is, I think a sign of the times, I couldn’t help, I was very shocked...I very seldom get surprised by my family or my staff, and I walked in tonight to find that my daughter Kathy was here from Greensboro North Carolina and she is sitting at the table with the Lieutenant Governor of New York. And I think it is fair to say that if I had come here two years ago and said, that you will have a Republican Lieutenant Governor and it will be somebody who is as attractive and as intelligent as Betsy McCoy and somebody who will play as decisive a role in defeating centralized command and control healthcare as she played, I could have gotten fairly good odds on the wager. But I am delighted to be here with Lieutenant Governor McCoy and I think that is a sign of the times. That here I am in a standard city with a Republican mayor in a typical state with a Republican Governor, (laughter). Talk about intellectuals, Betsy is ten times as intellectual as I am with a standard...you think of the Republican Party as a party that didn’t read books and we were supposed to be the people who hid out at the country club. I always

love...Democrats have this wonderful ability to communicate a sort of class warfare model. I admire the President's chutzpa in standing at Jay Rockefeller's ranch explaining that he was passionately working on saving the poor. (Laughter and applause)

You could imagine them huddling in the evening, and the President turning to Jay and saying, well, how do you think the ranch chef feels as opposed to the Washington chef. Let's go to the kitchen and have a meaningful dialogue with the help. (Laughter) And yet, what you have basically is a 100 year history starting with William Jennings Bryant, of a classic distinction in the two parties. In which, for a very long period after Franklin Roosevelt, frankly, the Republican Party was unwilling to play its half of the game. The Democratic Party has understood, and I think has carried out very elegantly, though it is the party of populism, on occasion the party of demagoguery and usually the party of reactionary appeal to the past. Brian did that brilliantly, he lost the election of 1896 but he did so with great passion and he shaped his party.

The depression came along and Franklin Roosevelt, who I think is the most effective political figure of the 20th century, created an edifice which lasted for 60 years and it was a remarkable edifice. I think to understand how much trouble we were in, in 1933 and to watch the rise of the new deal, the creation of the modern system, the victory over Nazi Germany and the development of the modern international world is truly something to be proud of, whatever your background ideologically or in partisan terms.

Then around 1965 the system began to break down. Lyndon Johnson misunderstood what had been the genius of the new deal. I was recently on the Blue Ridge Parkway and when you drive down the Blue Ridge Parkway, and you realize it was created by people willing to invest in the country's future and it is a magnificent edifice to a spirit which originally by the way was started by Theodore Roosevelt and Mount Mitchell became a state park with Teddy Roosevelt support. And with the kind of conservation orientation which goes all the way back to Gifford Pinchot and Teddy Roosevelt. But, Franklin Roosevelt would never have paid a dime to anyone without their working. Would have, in fact, insisted that Harry Hopkins close down the WPA within 90 days before the politicians could keep it open. Because he didn't want to create a permanent dole, insisted on the Civil Conservation Corps which built many of the highways and in Georgia for example, in what of course today would be a radically inappropriate action, actually helped repair churches. But went out and engaged in activities in which, in return for getting money, you did something that gave you dignity.

In the mid 1960's all of that broke down and we decided that in fact we could break every core rule of human behavior and we would not suffer any consequence. So people could receive resources without effort, there would be no grades in school, we wouldn't insist on learning a common language, we wouldn't establish standards, it would be ethnic imperialism to suggest that there is a standard way to write an English paragraph. And so we said to people, you should be creative. Now, as Albert Alligator once said in public, it wasn't the writing he found so hard,

it was reading it later. (Laughter) And we went off course and we created a system, I described it in my course as the great detour. We took this country which had been marvelously, marvelously, exceptional, a country which could create in a very poor neighborhood, a chance to go to college, to join the ROTC, to mature beyond C- average and to become Colin Powell and to be Chairman of the most powerful military force in history. A country which could adopt and absorb newcomers who never fully dropped their accent. And in the case of John Shalikashvili enable him to rise to become Chairman of the Joint Chiefs as the first replacement, immediately after Colin Powell. And in the case of Henry Kissinger, allow him to become amazingly famous and wealthy precisely because he never dropped his accent and therefore he was able. (Laughter and applause) I always worried about how much Henry would have made if he truly mastered English as a speaking style. But I also knew, since his brother did, that Henry knew that option was available. (Laughter)

This is an extraordinary society, but this is a society of very hard work. It is a society of tremendous risk taking, it is a society where you can get rich in one generation and you can lose a fortune in one generation. And what we have tried to do for the last 30 years is essentially eliminate the risks without eliminating the successes, which is impossible. And we have tried to transfer power and authority out of those who were productive to those who are either good at filing lawsuits, good at writing books or good at running bureaucracies. Now, to the best of my knowledge there is no historical model of a successful entrepreneurial society dominated by bureaucrats, lawyers and academics. (Applause) There are a number of successful models of

societies in which bureaucrats, lawyers and academics have destroyed highly successful and productive societies, but that is a different story. And so I come up here tonight because of the quality of the audience, because of the sophistication, I really want to talk to you for a few minutes about where we are at and I want to go back to the election of 1896. And start there. I am not going to give you my standard four hour introduction to the election of 1896, but it is not as arcane as you think, because I think, frankly it is what the election of 1996 will be all about.

In 1896 the Democrats had a rebellion against Grover Cleveland who was a New York State Governor and former Sheriff of Buffalo who was a very, very conservative Democrat. And the populous westerners and southerners banded together and nominated the youngest person ever nominated by a major party to be President in Williams Jennings Bryan whose great speech was the cross of gold speech, in which he rhetorically said mankind shall not be crucified upon a cross of gold, which was a very important phrase in that period because the debate was between an inflationary Democratic Party and a solid one year Republican Party. And the argument was, do you have an inflationary policy deliberately in order to sustain rural America or do you deliberately become the industrial giant that could dominate the planet. And Bryan said he wanted grass to grow in the streets of the big cities. It was a remarkable campaign. He is a very wonderful campaigner and had approximately the same level of energy as our current president. The other party, the Republicans, nominated the Governor of Ohio who had been the Chairman of the Ways and Means Committee. And basically decided to take Bryan head on. And with Mark Hanna's organizational skills ran a campaign that was very directed. It said, the future of

the planet is industrialization, the future of the planet is in creating new factories and new towns and new opportunities, the future of the planet is increasing the productivity of Americans and we have no choice except to go through the changes that are necessary.

Bryan who was young, energetic and vigorous ran around the country. McKinley and Hanna deliberately decided to create a contrast and so they ran a front-porch campaign in Canton Ohio. And if you ever go to visit the NFL Hall of Fame, you should at least drop by the McKinley Museum for a moment and take a look at it. Because it is probably the most successful single presidential campaign in American history.

Now it started with Hanna saying to every major corporation, give 1% of your gross. (Laughter) And he meant it. And he said; you have two futures. You have a future in which you are going to have a totally irresponsible self government that is a death threat to your very existence. Or you are going to have a future in which the values of productive entrepreneurial capitalism dominate. And you tell me what it is worth, and it is worth a heck of a lot more than 1% of your gross. And he had the personal prestige to pull that off.

That was important because what they did was organize nationwide in a country of about 100 million, and in a country where only – for all practical purposes – white males were the only people allowed to vote except in a handful of states. They brought 5 million voters to Canton Ohio. They would get on a train, at least every passenger train that was available in the country,

they would get on the train, they would ride to Canton, they would get off the train, they would march up behind a band, they had of course spent hours on a train now being educated in what they were going to believe and say and argue about, and this was their antidote to Bryan's capacity to go make speeches. So they ended up with 5 million precinct workers who briefly met McKinley who was seeing, after all, a crowd every 20 minutes. He would walk out front, he would say, every worker in America needs a full lunch pail, we need to create jobs, and it is very important that our streets have people on them, and not grass growing on them. And I am with you. They would say this is good; they go back on the train. They had a slight tendency to serve beer all the way home, (laughter) and everywhere in America you would suddenly have this outpouring of people who would rush in and say, you know, I am totally committed to building factories, to creating jobs, to getting into the 20th century, it is going to be exciting to be an American.

Now let me draw the contrast to where we are today. You have a great party, in some ways the greatest existing political party in the world, the Democratic Party, founded by Jefferson, Burr and Madison in 1797. It is a wonderful institution. It is also the captive of trial lawyers, labor unions, big city machines and obsolete bureaucracies and then a wide range of bizarre left-wing groups. (Laughter)

As such, I think, basically Senator Bradley's analysis is right, as such, this is a party that needs a generation in the wilderness just to rethink what it is doing. And that is not illegitimate. I think I

come out of a party which has some standing for talking about those experiences. (Laughter) But the core problems, take New York City, the core problems of New York City cannot be solved by a party whose primary allegiance is to the problems. This is a very difficult challenge. And so, you have to start, and say alright, where then do we have to go. I would argue that 1995 and 1996 are very simple years historically. In 1965 we took a great detour. By 1968 the average American was sick of it. In the 1968 presidential election, Richard Nixon got 43% of the vote and George Wallace got about almost 14%, between them they got 57%. Hubert Humphry got almost 43%. By 1972, the Democrats nominated a genuine alternative. And Richard Nixon carried 49 states. By 1976 because of Watergate the Republican Party had lost momentum. Gerald Ford ran a campaign which almost won despite the fact that he carried the burden of Watergate and Jimmy Carter ran as a Southern Baptist outsider, anti-Washington, new Democrat committed to change, and barely won. By 1980 the country decided, either he didn't mean it or he couldn't deliver, and either solution was fine with them, it just meant they didn't want four more years. Which by the way will be the President's ultimate, I think, reason for defeat. It will be the last three weeks of the campaign the average American just staring at the screen and thinking, four more years of that. (Laughter) In that context in 1980 the most conservative presidential candidate, arguably in 60 years, was elected, Ronald Regan. Reagan actually governed based on his beliefs which was a shock to the Washington establishment and the national news media. (Laughter) Who had derided him since his arrival in 1965 as a candidate and had told people every four years Reagan would disappear. Something which they continued to say through the third election he won in 1988. And Reagan ended up in a situation where in

1984 the Democrats nominated a true Democrat and carried one state.

In 1988, for the first time since 1836 a sitting Vice President was elected President. Largely because he ran within the framework of Reaganism and largely because his opponent Michael Dukakis was clearly enough definable as a liberal that despite his protestation the country said, “I got it”. We could go the great detour, or we could go back to American exceptionalism. So George Bush was elected. In 1990, in what I think was a tragic mistake, President Bush concluded that he had to side with the Washington establishment against the nation and that is literally what happened. The Washington establishment, brow beating, at a moment when he had a half million troops going into the field and he made a fatal mistake, which is to break faith with the people of this country. In 1992, notice who got elected. The Democrat who ran as the agent of change, as a different person, change is our friend, middle-class tax cut, welfare reform, do you remember any of these slogans? These were not Ross Perot. This was William Jefferson Clinton. Remember, I will balance the budget in four years. I think that is the Larry King show one night. So what you had was a pro-change Democrat, following an earlier pro-change Democrat, and even then he could not get above the basic democratic vote, 43%. The margin actually was carried by Ross Perot who was saying neither of these guys matter, I want real change. And the average American said, let me send a signal about how really irritated I am.

Now where are we tonight? The national elite has largely grown tired of the president and has decided he will not deliver. And he doesn't make them feel very good. So they currently like either Bradley or Colin Powell or a visiting Martian anthropologist who might be available for

draft. (Laughter and applause)

Let me just say, if you are a serious person worried about your country's future, third parties are silly. I mean if Ross Perot wants to run, he should file as a Democrat or a Republican. If Colin Powell wants to run, he ought to file as a Democrat or a Republican. The only way to have mechanisms of change under our constitution is to in fact have a party which has strength in the House and Senate which has governorships and mayors and state legislators and can actually get something done as opposed to posturing...a bully pulpit is a nice start, but there better be a party behind it. Otherwise a bully pulpit simply becomes a temporary moment of personal aggrandizement.

Now in that framework, where are we? In 1994 the country having seen that the candidate of change, when he said our friend has changed, meant bring back the bureaucrats, had decided that they not only did not want the Democrats to stay in charge, they not only took away the Senate, they took away the House, they took away governorships, they took away things at every level and it hasn't changed. Since the 1994 election, 113 Democrats in elected offices have switched parties, the most recent being in the state of Maine where for the first time in 20 years we are now tied for control of the State House of Representatives. Now suddenly you think the national press corp would pick up on this and think gee, if 113 elected officials having tested the wind, decided to leave the Democratic Party for the Republican Party, maybe there is an underlying hint of what is going on. This will reach the *New York Times* when they write a book review of

the history of the 90's. (Laughter and applause) None of you should expect to see it in the near future. Because it is politically incorrect.

Now, in 1994 we had an election. True story. About 3:00 in the morning we were still celebrating and it was an amazing moment, as all of you can probably imagine. We had been planning on it since mid-September, but it was still astonishing to actually have taken control. We had our first post-election planning meeting at 3:00 in the morning. About a dozen of my key advisors said to me, the biggest worry they had was they had watched my interviews on TV that night. And I talked about growing in the job, and they said, don't. They said, if you are a conservative, growing in the job means you arrive in Washington and start selling out to Georgetown and within six months you are explaining to us why everything you used to tell us isn't true anymore. They said, please don't grow. Go there, actually committed to what we believe as a people and insist on changing Washington, rather than allowing Washington to change you. It was very sobering, this was literally 3:00, Kathy was there, my daughter, it was like 3:00 or 3:30 in the morning of the night we won. And they are already saying we can tell you what is going to happen. It is what happened with Eisenhower, it is what happened with Nixon, it is what happened with Reagan, it is what happened with Bush, you are going to go there, they are going to explain to you, you don't really mean to balance the budget, you really want a percent of GNP appropriate to an industrial country at this stage of its maturity. (Laughter) You don't really mean you would actually execute people who brought in wholesale quantities of drugs to destroy our children; you really want to focus on shrinking demand by

having more effective educational programs in schools where nobody is learning how to read. You don't really mean you want to actually have entrepreneurial capitalism; what you want to have is an appropriate reallocation of resources within a framework that is humane and considerate. And I listened to it that night and I thought this was a historic moment, that we had a chance to go to Washington and be who we really are. If we get beat fine, we at least get beat being who we really are. Because by the standards of Washington, we are frankly really not the kind of people they like to have around. We like smaller bureaucracies, that means fewer government employees, that means lower real estate prices, that means fewer jobs in Washington, we like devolution of power back to the states, that means that lobbyists will actually have to travel, rather than just sitting in Washington and charging you fees, they would have to go to state capitols and learn where they are, and meet with strange people, (laughter). We actually favor elected officials over bureaucrats and if you are a college professor you are a lot more likely to be a senior bureaucrat than you are an elected official, so you hate that shift of power. We actually favor productive people over lawyers. (Laughter) There are just an extraordinary, there are people trained as lawyers who are productive. Let me make this very clear. They often leave the legal field in order to do that. (Laughter and applause) But I will tell you again; this is an example of why we make people uncomfortable. No society can plan to compete when it produces more lawyers than engineers and then ties up half of the engineers in lawsuits. I mean, one of our social goals as a society should be to have a less litigious society and the first step towards that is to figure out a way not to have ads that say, if you haven't sued somebody recently, why don't you bring your Rolodex down at lunch and let's go through it

together. (Laughter) That is not, by the way, radical right wing view, that is Edward Deming's in his book *Out of the Crisis* on what he regarded as one of the two major impediments to our competing in the world market. And if the Father of Quality figured it out, maybe we can even get the political system to eventually figure it out.

So now where are we? We had a great opening run on the House. Why did we have a good opening run on the House? Because a lot of our friends supported us, we had a capitol steps event. We stood there and signed a contract and we won control. The Senate didn't go through all of that. This is not in any way negative. I love these stories in Washington where reporters rush up to me and they say, "Do you realize the Senate is slower than the House?" I say, yes, first of all I read the Federalist Paper which said it would work that way. (Laughter) The Senate after all is a body, which for its first six years did not have any recorded votes in public. They had no public debate for the first six years. They didn't see any reason to allow non-Senators to know anything. They now have public debate. They still don't let us know anything, but it is a different framework.

I said, second, the job of the speaker, we used to scream about this, and you can go back and find some of my best speeches. I am reminded of a Clemenceau line when attacked when he was Prime Minister by somebody who said, you used to say X, and he said, yes, that was when I was where you are. And where you are where I am, you will say, this. And Tip O'Neill once, after he announced his retirement, I went over to thank him for the courtesies he showed in between

occasional moments of attack, and he said to me, you will understand someday why you have to have a strong speaker. And I am trying to live that out now. And in that context, we always used to complain because in the House a majority acts very quickly. In the Senate, a minority can destruct things. During the health debate we loved it. Because we knew that if the Senate Republicans could use all of the advantages of the Senate, they would buy us the time to be able to stop what we thought was a terrible increase in government power and government bureaucracy and centralization. Now, we now are in control of the House and Senate. As Dole has said, I think very cleverly, and very correctly, he knew there were lots of leaders to obstruct in the Senate, it is just in his career he had never filibustered a Bill he favored. (Laughter) And I would say that Daschle on occasion has taken this whole technique to a new high or a new low, depending on your view.

But then reporters rushed up and they say; do you realize the president will veto your Bills. Again, I want all of you to think for a second. Most of you probably took government in high school when it was still taught as though it involved America. (Laughter) So you probably learned about the Constitution. The separation of powers. The right of the President to veto. The requirement to override. So the truth has been, frankly, almost since election night, we thought he might veto things. It occurred to us election night that we had not had a presidential election, we still had a Democrat in the White House, and that probably most of our contract didn't fit his platform. At least not today. Tomorrow is a new day. (Laughter and applause)

I sometimes think he is a president who simply read *Gone With The Wind* and really took that line, there is always tomorrow, tomorrow I will deal with it, and took it to heart.

So we assume it will be vetoed. Now you have to then say, alright, are you serious people, or are you children? If you are children, you say, alright, I really want let's say something simple. A balanced budget over seven years. It is a fairly clearly definable thing. Pete Peterson will tell you, we met recently of the Concord Coalition and we actually, I think we shocked Paul Volcker because he said, "Well this is all good, but of course you are not going to do it this year". And I said, well actually we are doing it in about sixty days. Because we are serious. So let's say you want a serious balanced budget. Now you have to start and say, as a planning project, it is going to be hard to get it through the Senate. The truth is, we got it through the Senate. We had a budget resolution that goes to balance in seven years and we did it while cutting capital gains, while having an adoption tax credit, while increasing the amount senior citizens can work without having to pay extra taxes in Social Security, with a whole range of options built in because we have \$240 billion of additional cuts in the size of government, in order to finance tax cuts. Because we thought it was important to send a signal of hope to families and to send a signal of hope to entrepreneurs and to get economic growth. Now in that framework we have to eventually send the Bill to the president. We expect him to veto it. At that point, you come to the following question, since we are attempting to be serious people and since we understand he can veto it, what would we do. And of course the goal in Washington is, well let's play the dance out as though we are children. What you will now do is you will have an override attempt. This is

silly. I have a 15 vote margin in the House. We started with a 12 vote margin and three more people have switched and become Republicans and we are hoping that maybe by tomorrow or the next day it will be 16 votes, but still it won't be enough to override it. So we know we will lose. And in Washington the theory is, now when you lose you have to come down to Andrews Air Force Base and we will have a new conference and this will be your new chance to sell out and your job will be to say, oh gee, I did the best I could, but after all you have to face reality.

Let me tell you something, it ain't going to happen that way. There will be no money for secondary activities in this government. There will be plenty of money for Medicare, there will be plenty of money for air traffic control, there will be plenty of money for the FBI, but the Congress also has a power. The power the congress has is to not pass spending bills. This goes back to the Magna Carta. Now why am I being this direct and trying to lay it out this seriously, because I think this country needs to have a debate in the next 60 days. The debate is real simple, if you want to get to a balanced budget in seven years we can do it, but it takes real changes, it takes real choices, it takes passing real laws, and they have to be signed by the President of the United States and they have to go into effect and they have to become the law of the United States.

Now I believe passing an effective balanced budget is vital. And I think that doing that will change the international money market's attitude about the U.S. It will change interest rates. It will change the attitude about entrepreneurship, it will change the attitude about savings, and it

will give young people in this country some hope that if we have the courage now to begin to face these issues, that maybe they will be able to go to work and not have their life crushed.

Let me give you a true story. Elizabeth Wald Holz is a young lady who was born just last week to a member of Congress. Elizabeth Wald Holz owes in her lifetime \$185,000 in taxes in interest on the Federal debt. The interest, not paying the Federal debt. The interest we currently project she will pay is \$185,000. Now it is obscene in peace time for a people to be so profligate, so lacking in courage, and so lacking in character that they dump on their children and grandchildren the bills for their life. And what we are saying as Republicans is first of all, we are going to insist on cutting wasteful government spending and we are going to insist on passing a budget that goes into balance and we are not leaving Washington this fall until it happens, and the President will sign it, and we can do it easily by acting together as mature adults or we can do it after a long drawn out theater but it is going to happen that way because we are not your normal everyday business as usual politicians and we are not going to go home having failed in our mission and that is our first goal for this fall.

Our second goal frankly, and the reason I am going to leave a little bit early, and I appreciate you letting me come tonight and have this schedule, is we are going to reform the Medicare system in order to save it, period. The Medicare system, the trust fund on April the third, the Clinton administration trustees announced this trust fund goes broke over seven years. It starts going broke next year. It is the first time it actually starts running out of money next year. And we are

going to offer a reformed Medicare plan. I am meeting with a couple of people later on this evening to keep working on it. We have worked on it all day today. We will unveil next week a better Medicare, Medi-Choice system that will allow those seniors who want to keep the current system to keep it. We are not going to say to a 75 or 85 or 90-year old person you have to change. This is not like the Clinton plan that coerced people into changing their behavior. We are going to say, if you want to keep the old system and you want to stay right there, then that is what you are going to do, fine. But by the way, you are going to have some pretty good choices. They are going to be better choices and we think most people over time are going to prefer them. One is going to be I think a medical savings account, another is going to be some kind of health maintenance organization, another may well be allowing you to stay in a group insurance that relates to the business you used to work for. There are a number of ways to give people real choices and there are a number of ways to say to seniors, by the way, if you find significant waste and fraud we will give you a percentage for helping us find it. And changing the whole dynamic of a system which the general accounting office estimated between Medicare and Medicaid at \$44 billion a year of fraud built into it right now.

Now, we are going to bring that out, and by the way, the greatest surprise to me this summer has been, we have actually had a fairly mature, fairly adult dialogue about this. There has been every effort on the left to lie about it. They say we are going to cut Medicare. I am going to give you the numbers and let you decide. This year we spent \$4,800 per person, per senior citizen on Medicare. At the end of the seven year plan that we will unveil, we will spend \$6,700 per senior

citizen. Now my guess is that most of you went to school early enough that you will remember that \$4,800 to \$6,700 is an increase. Now when I read these articles about Republican cuts in Medicare, I assume it is just an early sign of educational dysfunction. And I want you to take them and think about this, we go from \$4,800 to \$6,700, this by the way takes into account the increased population of senior citizens. So per senior citizen we go up \$1,900 per person per year. Now we believe within that framework and we haven't been meeting with theoreticians and academics, we have been meeting with the people who run the companies that deliver healthcare. We have been meeting with the hospital administrators, we have been meeting with the medical doctors and they all tell us flatly, that they can get the job done within this framework. So we believe by next week, we are not going to offer you a cheaper Medicare program, a cut in Medicare, a weaker Medicare program, we are going to offer you a better program, with better choices with more control for the seniors at a lower price because that is how you make progress in America, and that is what every major private corporation has had to do to compete in the world market. And that is going to be signed before we leave.

The third thing we are going to insist on is that we reform the welfare program. It is morally wrong to give able bodied people money without requiring work and it ultimately destroys them because it undermines their self respect and their self esteem. (Applause)

So if you came tonight curious about what this strange conservative speaker from Georgia was all about, and what we are going to try to do, our fall project is very simple. We are going to pass

a balanced budget in seven years. We are going to do it by cutting wasteful government spending, and we are going to cut enough wasteful government spending to create the space to balance the budget and cut taxes. We are going to pass a Medicare program that is a better Medicare/Medi-Choice program than the current system, and we are going to pass welfare reform emphasizing work. When we do those, we are going to go home. If the president will cooperate, we will get home before Thanksgiving. If the president doesn't want to cooperate we may take a day off for Christmas and stay right up through the next State of the Union. But I can tell you flatly, we are different, this is not politics as usual. We think there is no point in our going to Washington to sit down and have the same compromises and the same deals and the same PR that you have had year after year. We think this country is tired of it. And we think this country wants a team that actually believes what they say, and we think the country would rather see us be direct and be straight and get it done, than see us wander off down the road. Cut one more deal, everybody say, oh isn't that wonderful, have all the talk shows on Sunday, terrific, and a week later discover we didn't balance the budget and we didn't save Medicare, and we didn't reform welfare.

So that is what you are going to watch, and I hope that by Christmas you decide that in fact, this was an interesting evening and it was all true. And if I am still Speaker by Christmas I suspect that will be, and if people get tired enough to throw me out, then maybe it won't be.

Let me, if I may take questions. (Applause)

QUESTION AND ANSWER

CHAIRMAN JOHN M. HENNESSY: As our custom, we will now ask our two speakers, Rita Hauser, the President of the Hauser Foundation and Don Marron, the Chairman of the Paine Webber Group, to engage in questions. Rita, do you want to ask the first question?

RITA HAUSER: Surely, thank you Jack. Mr. Speaker, Newt, I think you gave us a very entertaining overview of the fights to come. And there are a couple of issues that you didn't touch on, which I would like to call to our attention, perhaps start with this one. Affirmative Action has been with us for quite a long time. It is ingrained in our economy and in our moral structure for many people. It has suddenly become a very hot issue again as we know with positions taken by Senator Dole and Pete Wilson in California and the president has taken his position very clearly in support of Affirmative Action with reform. The way I have read your comments, they seem to be nuanced. I would appreciate hearing your views and how you see this issue playing out in the 1996 elections.

THE HONORABLE NEWT GINGRICH: Well thank you Rita. Let me say first of all that I am unalterably opposed to quotas or set-asides that are based on sex, race, or any other genetic pattern that is impersonal. I think to the degree that we cease to be a nation of individuals and we try to develop group thinking, we literally gradually tear apart the whole fabric of what makes us

unique. So let me start with that. Because I want to make sure people are not confused about what I am about to say. I think, however, that there are three other parts to it that we have to be dramatically more sensitive to than people are in general and Republicans I think in particular. The first is, if you are black, and you have lived in a country which, in your lifetime, had entire states in which you could not go to the bathroom, could not rent a hotel room, and could not find a place to eat, and you hear somebody who leaps straight into Affirmative Action, without first saying unequivocally, civil rights are a Federal matter, we will use the Federal Bureau of Investigation, if necessary we would use the U.S. Army again, no one, anywhere in this country under any circumstance should have any doubt that we are absolutely committed to a totally integrated society in which the government of the United States is committed and we will not, under any circumstance, block, grant, any implementation of civil rights. And I think it is very important to start with that because otherwise, frankly, particularly among African Americans, the level of legitimate fear and I think it is legitimate fear, I don't think anybody who hasn't lived in a segregated environment can appreciate the potential fear of somebody who understands that in 1896 the great hope of reconstruction ended and separate but unequal became the law of the land in a way which was a disaster. So I think every Republican candidate for President should say whatever they are going to on Affirmative Action, but should first say, however, let me reassure every person who is listening that we are totally committed to an integrated society and we will use the full weight of the Federal Government to implement it. Second, we want to be an inclusive society. Partly that is a matter of justice, part of that is just a matter of commonsense. If you are going to compete in the world market, and we can bring onto

the playing field all 260 million Americans, we are going to be a much more competitive society than a country which can only bring half or a third or a quarter of its population into the game. Now you then have to ask the question, how should we be inclusive. And I would argue we want to go back to something which was fairly common when I was growing up and which I think has gradually been crowded out by efforts to have quotas and set-asides. That is, we should pretty aggressively encourage every private sector institution to have active conscious outreach programs for groups that are not currently in their particular environment. Whether that means you are in a group dominated by white males and you need more females and more nonwhites or whether you are in some places in this country where you are in a group which is dominated by nonwhites. And in fact you need to recruit whites. And you see a lot of different changes building across the society at large. But I think the notion that you want active inclusiveness is very, very important in terms of where we are going, and I have no problem with private sector discrimination that says I want to reach out and find somebody who needs help. I want to say yes. If you grew up in the poorest neighborhood in New York City and you stayed in school and you are trying, you deserve a helping hand more than somebody who went to a private school with three tutors and in fact vacationed every year in Bermuda. That is a matter of practicality; we as a society want to be actively inclusive. I would say a third thing about all of this. We tend to forget that the best way to help people truly rise is to keep America a very mobile society, exactly. More women than men found businesses. Therefore an across the board reduction in the cost of starting a new business now disproportionately helps women. And frankly if you own the glass ceiling, it is a totally different kind of environment. And I think that we need to recognize

that, the places where the largest concentrations of deprived minorities exist, are big cities that have bureaucratic red tape, high taxes and very difficult situations for minorities to start small businesses. Go back and look at what it took Bill Marriott to open up his first little wagon, and then go to New York City Government and ask them, if you wanted to play Bill Marriott today, and open up a wagon, what would it cost you? And what we have done is we have artificially raised the cost of entry for the poorest Americans to have a chance to be entrepreneurial. If you go out today and you become an Amway distributor, while you are on welfare or while you are living in public housing, you have broken the law. A lady in Wisconsin saved \$3,000 the judge was required by law to force her to spend the money because she couldn't save for her daughter's education even though she had bought frugally with Food Stamps and made her daughter's clothing, in order to save the money while on welfare. So I think part of it is if we are a mobile enough society we will have a natural rise of talent of all backgrounds, if we are actively reaching out to be inclusive and saying let's find the talent that we can across the country and involve them, we will see a more integrated society. Finally, we have to be very rigorous in opposing any kind of violation of legal Civil Rights Acts, but in that context I think to have quotas or to have set-asides is to reduce people to thinking about themselves as groups and I think that is a fundamental violation of the core exceptionalism of the United States, which has individual liberty rather than group liberties.

DONALD MARRON: Newt, let's start with a very general question. You wrote in your book the best dressed of the truth is the power of the thought to get itself accepted in the competition of

the market and clearly the contract with America was that. In December the polls showed that Americans approved of the House Republicans, 52 to 28. By March some of the same polls said the approval rating was 43 to 39. By June, at least one poll showed a disapproval rating of 45 to 41. How do you explain these trends? Do you think that the Republican Party at an ideological level has peaked and you are going to have to go to more politics as usual to get things done?

THE HONORABLE NEWT GINGRICH: No. John Engler came to see us in December. Engler is the Governor of Michigan. At his bottom point, he was at 19% approval and he said, and Bill Weld came down and gave us almost exactly the same speech from Massachusetts. He said; let me tell you what will happen. You will announce dramatic change. Every reactionary element at the public trough will attack you, every left wing ideologue will attack you and the news media will be unrelentingly hostile. Since this was the week after *Time Magazine* had me pictured as Scrooge holding Tiny Tim's cane, with a subhead entitled "How mean will Newt Gingrich's America be to the poor". I had some notion of where Engler was going. Although I have not had the experience Engler had of having three people who committed suicide blamed on his policies by the news media, literally. It said; so and so committed suicide, he was depressed by Governor Engler's policies. (Laughter) So Engler got down to 19% approval. He said the second thing that will happen is you will actually pass your reforms. He said; if you just ignore the stuff, go straight forward and two things will happen immediately. The first is, since the left will have lied about what you are doing, most of the bad things they describe won't have happened. I will give you two examples. We will presently have, maybe we will wait till the Spring to do it, but we are

going to presently have a school lunch day. We are going to encourage every Republican House member and every Republican Senator to go and have lunch at a school lunch and we are going to challenge the news media to join us because it will turn out that we increased the school lunch program 4.5% a year for the next five years at the very time the Democrats were attacking us for cutting it. So it will turn out that virtually in all of America there are school lunches and we are just going to make the point to people. When you get tired of being led by people who lie to you, why don't you look at the facts. The second thing will be, after we pass our Medicare reforms and the left finishes its attack, we will go visit senior citizens who will turn out to be on Medicare who will not notice any of the reforms in their daily life except that they have more choices and more opportunities. But they will not be hurt by it. So that is the second part. He said, the other thing that will happen is, the average person will then say, these folks actually meant business and they actually are trying to do what I believe in and I kind of like it. So I would just suggest to all of you, if at the end of this Fall, we have balanced the budget over seven years, we have saved Medicare and we have reformed the welfare system, people will say, that is a pretty good Congress. If we fail to do those three things, people will say, they are politicians as usual. And I think that is going to be the real test.

RITA HAUSER: Newt another issue that is dividing the Republicans, but I think also the Democrats and one again, where you have had a nuance position is that of immigration and the newspapers reported last week that the rate of immigration to this country is now at the highest since the great immigration of the turn of the century. What is your view about immigration and

what do you think about welfare benefits to immigrants, legal immigrants and illegal immigrants, which is part of the welfare debate?

THE HONORABLE NEWT GINGRICH: Well, I guess I would say three things. First, I passionately believe in legal immigration. I think it should be slightly modified so that after your immediate family is allowed to come, we then put people of talent and people of education and people of entrepreneurial ability before we have extended family to include 33rd level cousins and that sort of thing. But, I do believe we ought to absolutely protect legal immigration to this country, and maintain the most open door in the world, which is what we have had historically. I don't believe it is possible for any rational person to describe American exceptionalism without recognizing the important role of first generation immigrants across the board. Second, I believe that we should be very aggressive in ending illegal immigration. I think if you go to Europe, or you go to anyplace that takes seriously its borders, this is just a matter of willpower and management. This is not a problem, except that we have gotten so sloppy about our entire structure of government, that everything is a problem. But I think that we ought to take the steps that are necessary. In some parts of California and Texas that may well mean a fence, in other places it may mean you have enough border patrol. When you are told that four years ago, when we were talking about how serious a problem this was, the total number of people we had committed to the border patrol was less than one infantry brigade in the military. We were demobilizing more people per month than we had in the border patrol. Then, people said, oh gee, why don't you stop them. Well because we didn't try. So I think secondly, we ought to stop

illegal immigration and our goal ought to be to cut it down by 85 or 90% and I think we can do that by effective organization. And third, I wouldn't, other than emergency medical help; I wouldn't give a penny to illegal immigrants. I would deport them the day you discover them. I mean, they are illegal. They are not here legally, why are you going to take care of a person who is illegal? It is sort of like saying, but are you going to give the bank robber lunch on your way to jail and make sure they feel good about themselves and give them self esteem therapy, no.

(Applause) I mean maybe this is too simplistic and doesn't fit the way the modern world works, but if somebody is illegal, I think that means they are illegal. Okay. George Orwell wrote a great essay on politics and the English language and I think it is important to remember. Words matter. And we have been behaving for the last 30 years as though words don't matter. So if you are illegal, you are gone. We ought to change our deportation law, if necessary we ought to have deportation courts, we ought to get rid of you the day we find you, give you 48 hours to appeal so that you can check around and find if you have a plausible excuse, but the current gimmick, which is we pick you up, you then appeal, we then release you, we then can't find you because you disappeared. Gee, why do we have so many illegal immigrants? Well have you ever considered being serious about it. The last point I would make is, if you are a legal immigrant you normally come here under a contract in which somebody pledges they will pay if you cost anything. And that has now been extended, I think to five years. I think what we discovered was that about 85% of the folks don't honor the contract. They say, why would I take care of you when in fact you can get SSI or you can get this or you can get that and so they dump on the taxpayer the very person who got here because they signed a pledge that they would in fact take

care of them. And I think we should enforce that and we should keep again, certain kinds of services we keep in the Welfare Reform Bill, we still keep something like 60 programs available for legal immigrants, but we are much tougher in our Bill about saying, if you come here with the support of somebody who is already here, that person should expect to actually be held legally liable for you.

DONALD MARRON: The next topic is taxes. Secretary Rubin said the Administration has looked at all of the fundamental tax reform proposals and found none are clearly better than what we have today. Which is sort of a miracle I think. On the other hand, various members...

THE HONORABLE NEWT GINGRICH: Wait, before you go, stop a second, let me just say, a man who could look at the current code and make that statement could loan an amazing amount of money to Mexico. (Laughter and applause)

DONALD MARRON: And the question next month is how we get it back. (Laughter)

THE HONORABLE NEWT GINGRICH: We will forget getting it back if we can give up the current tax....

DONALD MARRON: Exactly. You have passed a capital gains tax cut, there has been a big debate on the flat tax, and I think you may know that debate has increased the cost of cities and

states raising their money right now because there are concerns about what will happen. There is clearly a debate about whether a tax cut now on incomes is a proper thing given all of the discussion about the budget. The question is, do you think there will be a cut in the capital gains tax? Do you think Americans will pay less in income taxes in 1996 and 1997 as a percentage and will it be flat or staggered?

THE HONORABLE NEWT GINGRICH: One, I do believe there will be a cut in the capital gains tax and I think it will also be indexed because that is part of our basic commitment in our budget package and goes back to the question, I think we are serious and I think we want real change, and I think that is part of what we mean by real change. I don't see how you can have capitalism and entrepreneurship without capital. And I think it is just that simple. I think that most people who know anything about a productive society understand that. That this is about job creation, it is about creating more wealth. It is about creating higher government revenues by having a bigger economy, and in the long run, it is the only way we are going to truly be competitive in the world market. Second, I don't know what is going to happen on taxes. What I am fascinated by, and I described it a little bit in "True New America", is, we had a Town Hall Meeting where I had a tax attorney come up and she said, that she was so tired of finding out ways for her clients to not pay money that she would rather become a cabinet maker if we were to go to a flat tax. And the audience exploded in applause. It was this Spring. It was the first time I realized that there is now a hostility to the IRS that is astonishing. And it is a little bit of a sign of how much the country is beginning to change that Dick Armey's concept of a flat tax is now

the moderate position. And that, Dick Luger and Bill Archer are over here saying, no, no, eliminate the income tax and replace it with a sales tax which could be applied to imports and rebated in exports. Dole and I, Bob Dole and I asked Jack Kemp to chair a commission which is holding hearings and having meetings and looking at a whole range of things including the Domenici-Nunn Bill which is basically a post savings and expenditure tax on income and we are looking at a number of options. They will report back I think by the first of December. I would expect the House and Senate to have hearings beginning in February and I would expect by next summer that there would be some consensus, either on a very dramatically flatter tax, or on replacing the income tax. I don't know which is going to win out yet. I think the flat tax is ahead in points, but the game is not over. And I think you will see us probably bring it up for a vote late next year. I would expect the current...it is clear to me that Rubin hasn't talked to Chief of Staff Dick Morris because Morris would tell him that the position of this Administration to run as the defender of the IRS has got to be one of the least rational recent decisions. But we are prepared to take that challenge. If the president would like to spend all of next year defending the current tax code, we are going to give him that opportunity and I do think you will see us favor a very dramatic simplification.

DONALD MARRON: And will individuals pay less in taxes as a percentage?

THE HONORABLE NEWT GINGRICH: In 1997? If they will it will be fairly marginally less I think. If we go to a flat tax in 1997 and 1998 there will be a dramatic drop in the percentage they

pay. I may not have understood your question. Whether on aggregate as a percent of total income in the country, taxes will drop dramatically. My guess is it will drop at a very marginal level because in the slope to get into a balanced budget, I don't think you get really big drops in tax percentage until you are in the period of paying down the debt, which will start around 2003 or 2004. But in the short run, the top percentage people pay, I think will almost certainly drop assuming we stay with income tax, and I think we will almost certainly go to a very, very simplified system. If we are still in charge in 1997, I think you will see a much simpler system. Passed in 1997, probably implemented the beginning of 1998.

RUTH HAUSER: Newt, since we live in a bigger world of the United States, I would like to ask you a foreign policy question. There is a great debate about the U.S. participation in international peace keeping, multinational collective security, the U.N. what is your view generally? How do you see the United States in its posture as the world's leading defender of freedom?

THE HONORABLE NEWT GINGRICH: Well I think first of all that we are the only country capable of leading the planet so that is a burden that we just have to accept for at least another half century. And I don't see any plausible replacement for us, if you believe in the values of freedom and the rule of law and the right to pursue happiness. I think if you look around the planet and you look at our...I mean, just ask yourself, who do you think would lead if we really went on vacation. So I start with that premise that we have to lead. Now we use a model in the House of leadership which is, listen, learn, help, and lead; where leading comes last. And I think

it is very important to remember that most of our leadership, this is not a call for us to have an aircraft carrier outside of every trouble spot. I think most of our leadership should in fact be building a consensus, creating a team, being fairly clear about what the limits of our power are, and trying to get things done, as much as possible by working with other people, not just on our own. I am very much in favor of multinational security. In fact, I don't know of anybody...again, I am delighted sometimes by the sheer demagoguery of this administration. I provided the Whip Count and helped pass the North American Free Trade Agreement. I don't think any sophisticated analyst believes it would have passed without the active help of the House Republican Party. I was then the leader in counting votes for the general agreement on trades and tariffs and the creation of the World Trade Organization, whether it is a good or bad idea, we did it. I think in the long run it is a good idea and I think that breaking down the world market would have been crazy. We provided the votes to pass that. We are for increasing the size of the American defense budget so that we can actually project power and not just shoot our mouth off while having nothing to do in terms of real power. We have passed and provided a larger percentage of Republican votes for foreign aid under Clinton than we did under Reagan or Bush. Now given this objective factual history for this president to deliberately demagogue about us as isolationists is frankly infuriating. We are committed to a sophisticated multinational effort where appropriate. We are strong, a lot stronger defenders of NATO than people like Pat Schroeder and we are a lot more committed to the United States role in East Asia than most of the neo-isolationists of the McGovern wing of their party. We are much more prepared to use force than the entire democratic elected leadership who voted against Desert Storm. Every single

elected member of the Democratic leadership voted against Desert Storm, and in this context people like Bob Dole who risked his life in World War II are attacked as neo-isolationists by a bunch of McGovernites who have finally gotten around to occasionally bombing the Serbians after three years of being humiliated. And I just say, I say this because Haley Barbour was at a meeting in Seoul last week and he said, all across the planet the deliberate demagogic propaganda of this administration describes Republicans as though we are isolationists or neo-isolationists, whatever that means. I am committed to the world market, I am committed to collective security, but I am committed to being effective. When you put blue helmets on troops you confuse them and their enemies. (Applause) When you train soldiers to become hostages instead of training them to rescue hostages, you undermine the very fabric of civilization. When you paint combat vehicles white, you are engaged in an act of self defined impotence and when you allow the United Nations to become the veto on the only super power on the planet, you are engaged in childish theater at the cost of human life in places like Bosnia. (Applause) Now I am for an effective worldwide multinational commitment to safety, freedom and prosperity, and where possible the rule of law. But I am against legalistic academics using big words as though they are a substitute for big force and then standing by idly wringing their hands while barbarians kill the innocent because those who should be defending civilization have become incompetent. Now that is the difference between this administration's vision of totally incompetent internationalism and our vision of an effective internationalism led by the United States with dignity and effectiveness and force. (Applause)

DONALD MARRON: This is a less emotional question. (Laughter) There have been many reports in recent weeks that the administration is readying plans for what people in the press refer to as a train wreck, possibly that the government will shut down because Congress and the President will not be able to agree on spending bills. You have said that the budget is important to you as Gettysburg was to Lincoln. Do you think there could be a shutdown of the government? How long could you tolerate it? Who stands to gain more and lose more, you or President Clinton?

THE HONORABLE NEWT GINGRICH: Well I don't think I would even quite propose it that way. First of all, we had six brief shutdowns under Reagan. We had one shutdown under Bush. The fact is, the government has all sorts of systems built in that are automatic and routine. The Air Traffic Control System keeps working, public health and public safety keeps working and a wide range of people you never noticed before don't show up for work, and they then get interviewed on Washington Television being anxiety ridden about whether or not they will have the job that you didn't know they had. (Laughter) And let me say, it is very unfair to the civil servant who is in fact trying to do a good job. I mean, I would say that 80 to 90% of the Federal employees are very serious people who are very sincere who are trapped in a system of routinized incompetence. And that if you were to take the best managed company in America today and swap their personnel with the Federal Civil Service, tomorrow morning the former Federal Civil Servants will begin to be more competent and the most effective personnel in America today would start to learn how to be incompetent. Because it is a system's crisis. It is

not the individuals. Literally, I think probably 90% of the Federal Civil Servants are very, very serious citizens who desperately want to do a good job and are as frustrated with their system as you are with dealing with it. So in a sense they become the helpless pawns of all of this and they become the sort of television evening news vignettes. But I don't look at it as who wins, who loses. We are at a historic crossroads in this countries future. There are more people today who want an independent party than at any time in modern times. They want an independent party because they think the Democrats haven't got any ideas, the Republicans haven't got any ideas and they are just a collection of people squabbling in Washington to no affect. Now if we just have one more series of squabbles the President vetoes one more round of Bills, we fail to override the vetoes, we cut some kind of clammy inside Washington deal, it is politics as usual, the number of people who want a third party will go up dramatically by next Spring. That is bad for America. And it is bad for the world. A third party system is a remarkably unstable system of government. I mean, do we really want to try to become Italy or the current mess in Japan? Do we really want to see, can we break down the stability of our governing structure? I don't think so. So I regard the real key this Fall to be the American people. If the American people want a genuinely balanced budget and the latest numbers I have seen are overwhelming, I mean amazing numbers 88 to 3 or 88 to 4, then the American people need to say to the President, sign a seven year balanced budget by cutting wasteful government spending and get it done. And if the American people want to save Medicare, and now the numbers are beginning to approach...they are not quite as high yet, they are in the 60s now. Say to the President, get it done. If the American people want welfare reform and the number is there, and one New York

Time poll where 93% wanted welfare reform emphasizing work. Then tell the president you want it done. And I don't think it is a question of, does the President have more risk or do the Republicans have more risk, this country is at risk, because this country has a political structure which has failed to have the courage to fight through the big issues and to make real decisions. And I think this country deserves a generation of leadership with the guts to do what is right, not just to do what will work on the Sunday morning talk shows. (Applause)

Let me just say, I want to thank my two questioners and the chance to be here and to be with all of you, but I can't leave without trying to just drive this one point home. You are all very successful; you couldn't be here tonight if you weren't. This country has been very good to every one of you. What this speech is about tonight isn't Newt Gingrich or it isn't any of the candidates for President, it isn't Bill Clinton, what this speech is about tonight is real simple. You know in your heart we have got to get this country back on the right road and you know in your heart it isn't happening yet. There are glimmerings. There are hopeful signs. Giuliani is getting some things done here. Pataki is getting some things done there. Washington is a little more interesting. But the truth is, we are a long way from a Monday morning where every child is safe, every school is effective, every neighborhood has jobs, and everybody has the true right to pursue happiness. I came here tonight, frankly to recruit you. Not to recruit you to be Republican, not to convince you to be conservative, but to recruit you back to American exceptionalism to say, I hope you will find the things you believe in enough to change your schedule, to change your spending patterns, to change your time, so that you get involved in the

next couple of years in saving your country. Because unless we create a partnership in which every American thinks they have a role to play, we are not going to get it done. We are the most extraordinary society in the history of the world. More people come here from more places, speaking more languages than ever in history. It has been very good to us and we are in genuine danger of losing it. And it is going to take, not the government, not the bureaucrats; it is going to take every American doing their part. And I hope each of you after tonight will think seriously about what your role is and what you can do to save this country. Thank you. Good luck and God bless you. (Applause)