

A few of these ideas deserve special focus because they promise to untie the Gordian knots that prevent all Americans from realizing the security, freedom, and prosperity that is their due.

EMBRACING ECONOMIC GROWTH

Shortly before the 2000 election, a national poll conducted for Time and CNN asked Americans whether they considered themselves to be among the wealthiest 1 percent. Purveyors of class warfare were despondent to learn that 19 percent of all Americans believed they earn enough to qualify for that exalted status; and, in another setback for the class warriors, an additional 20 percent told the pollsters they expect to be there one day soon. Imagine: Two in five Americans hear

growth incentives for investors, such as eliminating the double taxation of capital gains and dividends.

Politicians who speak blithely of repealing the 2001 tax cuts in 2011 would do well to remember that, according to the Joint Committee on Taxation, allowing the cuts to expire would increase the annual tax burden on Americans by \$125 billion in 2011 and \$229 billion in 2012. Heritage Foundation economists calculate that the economic consequences would be dire: Gross domestic product would fall by \$245 billion and more than 1.6 million jobs would be lost. In sharp contrast, moving the effective date for repeal of the death tax forward to 2003 would lead to the creation of approximately 100,000 jobs as early as 2004.

AGENDA 2003: SHAPING AMERICA'S FUTURE

by Michael G. Franc

this sort of political rhetoric and take it as a personal affront. Little wonder that politicians who pilloried conservative tax and Social Security reform proposals as benefiting only the “wealthiest 1 percent” fared poorly in the 2002 elections.

When it comes to enacting a pro-growth package of tax reductions in 2003, the message for the 108th Congress is a simple one: Be not afraid. Be not afraid of the strident class warfare rhetoric that is sure to accompany your efforts. Specifically, this means: Be not afraid to move the effective date for the reduction in marginal tax rates and the repeal of the death tax forward to 2003. Be not afraid to liberate America from the arcane and nonsensical budget rule that caused Congress to make the 2001 tax reductions disappear in 2011. And be not afraid to advance the long-term goal of fundamental tax reform by enacting pro-

THE IMPERATIVE FOR HEALTH CARE REFORM

The policy environment on health care reminds many health leaders of the situation 10 years earlier when President Bill Clinton launched his ill-fated proposal to create a government-run health system. Today, policymakers face much the same situation for working age Americans who lack health coverage, as well as the worsening condition of the Medicare program for senior citizens.

The challenges relate to health coverage for the working population and the uninsured and to seniors on Medicare, but the proper policy response for each can be summed up neatly: Congress should enact policies that enable ordinary Americans of whatever age or income to own and control their health coverage. While usually viewed through the prism of health policy, consumer-centered health reforms should also be seen as a

primary way for low-wage and younger workers to achieve the upward economic mobility that has characterized America for over 200 years. Owning and controlling one's health coverage gives young and low-wage workers security from the devastating financial consequences of an uninsured medical catastrophe. It is a building block toward their realization of the American Dream.

BUILDING ON THE SUCCESS OF WELFARE REFORM

The 1996 overhaul of our welfare laws ranks among the greatest domestic policy successes of our time. As Heritage Foundation scholar Robert Rector has demonstrated, black childhood poverty has fallen by one-third since the mid-1990s and, contrary to previous historical experience, continued to decline during the 2001 economic downturn. In fact, 3 million fewer black children languish in poverty today than before the 1996 reforms. Liberals who predicted that welfare reform's work requirements would cast millions of recipients into poverty have, of course, been proven spectacularly wrong. Nevertheless, they persist in their desire to undermine the 1996 reforms.

SECURING FREEDOM AT HOME AND ABROAD

As the Administration's National Security Strategy makes clear, our stature as the sole remaining superpower carries impressive weight, but also tremendous responsibility.

Military Strength. Heritage Foundation defense expert Jack Spencer notes in his chapter on the nation's defense that America's military forces are prevailing in the war on terrorism "not because of the defense policies instituted during the past decade, but in spite of them." To change that assessment in the future will require cooperation between policymakers at both ends of Pennsylvania Avenue. National security strategy and its implementation properly reside with the President, but Congress must fulfill its constitutional role by appropriating funds for defense and conducting oversight of military spending and operations. The 108th Congress will confront challenges comparable to those that faced its predecessors in the early

days of the Cold War. In the words of the National Security Strategy,

The threats and enemies we must confront have changed, and so must our forces.... A military structured to deter massive Cold War-era armies must be transformed to focus more on how an adversary might fight rather than where and when a war might occur.

Inevitably, this impulse toward military transformation will stir up a hornet's nest of regional and parochial interests. Pentagon leaders will propose defense policies that will threaten longstanding relationships with defense contractors or render certain military installations obsolete. The 108th Congress must resist the reflexive temptation to defend constituent interests over the national interest. Doing so, however, will require Congress to cease and desist from its harmful practice of micromanaging defense procurement policy and even of dictating the direction of U.S. strategic doctrine.

Finally, the \$37.5 billion increase in defense spending approved last year, while enormously helpful, is not sufficient to reverse the decade-long deterioration and hollowing out of the military. The 108th Congress must continue the process of replenishing our armed services with additional and substantial increases in funding to enable U.S. military forces to meet the security challenges that lie ahead.

Securing the Homeland. The 108th Congress must devote itself to the task of providing the new Department of Homeland Security, which arguably is now the most important of all domestic Cabinet agencies, the budgetary resources necessary to fulfill its primary missions. These missions are to "prevent terrorist attacks within the United States" and "reduce the vulnerability of the United States to terrorism."

In addition to providing budgetary support, the 108th Congress must build on the creation of the new department by eliminating artificial barriers to the collection, sharing, and dissemination of intelligence information from law enforcement and intelligence sources that have arisen over the past 30 years. It should create an intelligence fusion center within the new agency to do just this and repeal former Attorney General

Janet Reno's 1995 directive that erected unnecessary walls of separation between the Federal Bureau of Investigation and the Department of Justice Criminal Division concerning foreign intelligence and foreign counterintelligence investigations.

ESTABLISHING THE RIGHT BUDGET PRIORITIES

Eliminating entire federal agencies may not be on the horizon, but at a minimum, the 108th Congress must scrutinize non-homeland security domestic expenditures very closely and freeze, cut, or eliminate all programs that do not accomplish their mission. One way for Congress to identify these savings and take concerted action is to create an independent commission along the lines proposed by Senator Sam Brownback (R-KS) and Representative Todd Tiahart (R-KS) and vote up or down on a government-wide package of spending cuts.

TOWARD A WORLDWIDE DUTY-FREE SHOP

The Trade Act of 2002, which granted the President crucial trade promotion authority, represents a milestone in U.S. trade policy because it eases congressional approval of pro-growth trade agreements that will lower tariffs on imports as well as open overseas markets for U.S. exporters. Already, the Bush Administration has initiated or completed free trade agreements with Australia, Singapore, Chile, Morocco, the Central American Economic Community, and the Southern African Customs Union. Policy-makers should seize every opportunity to ratify and otherwise encourage these agreements and make the 108th Congress the "Free Trade" Congress. Since every tariff is a tax on trade that inhibits economic growth and prosperity, trade agreements that lower tariffs and eliminate non-tariff barriers are as important to enhancing economic growth as reductions in marginal tax rates and other pro-growth tax policies.

The Administration may present the 108th Congress with a historic opportunity to slash or eliminate hundreds of burdensome tariffs. On November 26, 2002, U.S. Trade Representative Robert Zoellick and Commerce

Secretary Donald Evans announced a new initiative designed to "turn every corner store into a duty free shop." Secretary Evans described the initiative, which would completely eliminate tariffs on consumer and industrial goods within 10 years, as an "\$18 billion per year tax cut for American consumers" that, when fully implemented, "would increase the national income by \$95 billion or some \$1,600 for every American family of four."

Even as the Administration pursues trade agreements abroad, it must acknowledge the negative economic effects of the March 2002 decision to impose stifling 30 percent tariffs on certain steel imports and the \$180 billion in agricultural subsidies to corporate agricultural interests in the 2002 farm bill. The 108th Congress should recognize that these protectionist policies detract from overall economic growth and repeal them.

USING AID TO SPREAD ECONOMIC FREEDOM

The third of the goals set forth in the National Security Strategy—"to encourage free and open societies on every continent"—offers the 108th Congress the opportunity to chart a new course for U.S. international development assistance and spread the gospel of economic freedom to every corner of the world.

That effort will resemble, on an international scale, the fundamental overhaul of the nation's welfare laws in 1996—the most successful domestic policy achievement in decades. Despite the more than \$4 trillion spent over many decades on dozens of programs to alleviate poverty, enough evidence had accumulated by the early 1990s to convince policymakers that poverty had, in fact, won. This realization spearheaded a multi-year effort in Congress that culminated with the 1996 reform to end the entitlement status of welfare and require welfare recipients to work in exchange for benefits. The results have been nothing less than astounding.

The 108th Congress, with strong support from the Bush Administration, should lead a similarly historic effort to overhaul U.S. international development assistance. Scholars now agree that the half-century effort to lift nations out of poverty through

massive infusions of development assistance failed to create economic growth in impoverished countries.

Did all this assistance work? Heritage Foundation policy analyst Paolo Pasicolan observes that median per capita GDP actually declined between 1980 and 2000 in the 97 countries that received U.S. development assistance and that have reliable economic data available. Tragically, development assistance has done more harm than good because, as the President’s National Security Strategy notes, such aid “often served to prop up failed policies, relieving the pressure for reform and perpetuating misery.”

Perhaps with the lessons of welfare reform in mind, the Bush Administration recently unveiled its Millennium Challenge Account proposal to measure the effectiveness of a new \$5 billion pool of foreign aid by scrutinizing actual outcomes, such as rates of growth and poverty reduction achieved by recipients. For the first time, recipient nations would have to “work” in exchange for assistance by satisfying a list of 16 criteria. To qualify, recipient nations would have to fight corruption, respect basic human rights, embrace the rule of law, invest in health care and education, follow responsible economic policies, and enable entrepreneurship.

The 108th Congress should embrace most of the Millennium Challenge Account proposal as a first step. The ultimate goal should be the reform of all international development assistance that uses U.S. taxpayer dollars, including assistance sent to impoverished nations by multilateral lending institutions to which the United States belongs, such as the World Bank and the International Monetary Fund.

CONCLUSION

These selected issues demonstrate the immense potential of the new Congress to make policy changes that increase the nation’s security, unleash its economic vitality, safeguard our freedoms, and give everyone a shot at achieving the American Dream. The recommendations contained in *Agenda 2003*—from changing the way the government estimates the effects of policy changes to reflecting reality to defining the structure of a missile defense system that

protects Americans at home and U.S. troops and allies abroad—are bold, realistic, and doable. President Bush should again call on Congress to join with him “in the same spirit of cooperation we’ve applied to our war against terrorism” to make the nation and the world safer, freer, and more prosperous.

Michael G. Franc is Vice President of Government Relations at The Heritage Foundation