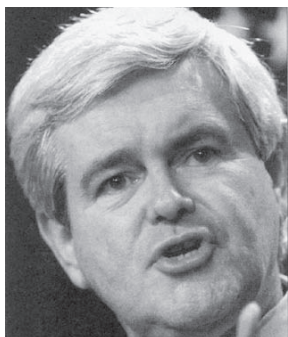


## **Newt Gingrich: What's at Stake?**

*Newt Gingrich was Speaker of the U.S. House of Representatives when he addressed The Economic Club of Chicago on December 14, 1995.*

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“Imagine two futures over the next couple of weeks. First, a successful budget negotiation. Interest rates will go down almost immediately. The Federal Reserve, I think, would be tremendously reassured. The markets would believe we’d found our

course and we were now a serious nation, doing serious things. More jobs would be created. And I think the danger of recession would be averted. The capital gains cut would in fact have a big impact on investment, and on savings. And send the right signal to create more jobs. The tax cuts for children would say to parents, ‘you are going to have more resources in your family budget next year.’ A working mother with three children would know that next year she would have one thousand five hundred dollars more in her take-home pay that she could spend for her family. Families faced with more jobs, more take-home pay, lower interest rates. We would, in fact, be in a virtuous circle in which we’d begin to move back to the kind of healthy, stable growth we knew in the 1950s. There’d be a huge shift back to the states, to local communities, and to families. We’d move away from Washington spending, Washington bureaucracy, Washington red tape...

“Now, imagine a second, and very different future. Let’s say that tomorrow morning Bob Dole and I called a press conference. We announced that frankly it was too tough. We were going to cave. Take the best deal we can get and go home, because it’s just too hard to stay and do it. What would happen? The Clinton administration would have killed the tax cuts. The Clinton administration

would have killed the balanced budget. The Clinton administration would have kept power and money in the Washington bureaucracy, and in Washington red tape. All the pressures of the status quo want us to cave. All the pressures of politics as usual, want us to cave. All the pressures of the Clinton administration and their allies across this country are opposed to balancing the budget.

“Tomorrow, by pure luck, and no brilliance of scheduling on my part, is a key day. And so tonight’s really an appropriate time to be here. Three weeks ago we signed and gave to the president money, called a continuing resolution. Based on his signing into law an absolute commitment to develop a balanced budget, scored by the Congressional Budget Office (so it’s honest numbers), before the end of this session of Congress: three weeks ago. Actually, over three weeks ago. It will be twenty-five days tomorrow. As of tonight, twenty-four days after he got the money, the Clinton administration has yet to produce a balanced budget. Now, I don’t think that’s acceptable. And so we’ve communicated that tomorrow we insist on the president keeping his word. We insist on the president honoring the contract he made with the American people. And we insist that the president obey the law that he signed into effect...

“I cannot overstate the pressure on us to use Washington smoke and mirrors. To use Washington gimmicks. To use Washington excuses. There has not been a balanced budget in a generation. And there has not been a consistent effort to balance the budget on a regular basis in over sixty years. It’s simply not part of the political culture...

“The senior Republicans believe this is a moment of destiny. That we either have the courage to get the job done, or we won’t regain this nerve for a generation. And they are committed to getting the job done. And we believe that if we can ask young men and women to leave their families, and go to Bosnia at Christmas, then we can ask the Congress of the United States to stay in Washington, D.C. until the budget is balanced...

“There are now thirty-one Republican governors. They represent seventy-two percent of the American people. And their unified message, one hundred percent commitment, is balance the budget, cut the Washington red tape, distribute power back home, give local folks a chance to solve local problems, and do it now. Don’t let it be postponed...

“Balancing the budget is an issue where the social conservatives and the economic conservatives come together. If you’re an economic conservative, you know balancing the budget makes sense. It’s a practical, local discipline that produces lower interest rates, smaller government, and greater productivity, with more job creation, while allowing consumers to have more real spending power and devote less of their money to paying off people who have savings and put it into interest. So, for a fiscal conservative, balancing the budget is simply natural prudence. But, balancing the budget is also a very powerful issue for moral conservatives, for social conservatives. Because it is immoral in peacetime for one generation to steal from their children and grandchildren. In peacetime, what right do we have to satisfy our political desires, our agendas, our ambitions, by stealing the money of our children and grandchildren? And when you borrow at the federal level, you are inevitably passing the debt on to children. Now, in a great war, like World War II? That’s rational. That’s reasonable. But in peacetime, what is our right to take from our children and grandchildren? The opposite of a good society...

“This used to be a country where people worked very hard, saved a great deal, paid off the mortgage and left their children the farm. We’ve become a society where we sell off the farm and leave our children the mortgage. And then we wonder why we have problems? A child born this year owes a hundred and eight-five thousand dollars in interest on the Federal debt... In their lifetime, they’ll pay a hundred and eighty-five thousand dollars in taxes just on interest. That’s three thousand five hundred dollars per year of their working life. Without paying for their education, their health care, their

own house, their own future. They’ll start every year by paying thirty-five hundred dollars to pay the interest on our debt. Under the Clinton administration plan, next year interest rates, interest payments, will be higher as a tax expenditure than the entire defense budget. Literally, under the Clinton plan, you will pay more of your taxes to pay interest to the bond holders than you will pay for the Army, the Navy, the Air Force, the Marine Corps, and the intelligence agencies combined. Now, that is utterly irrational as a national policy.

“And furthermore, we’re so unused to talking about a balanced budget, that we forget there is a balanced budget bonus, which is lower interest rates...

“Now, the time has come for us to get the job done. And what they’ve done for three weeks, frankly, in the Clinton administration, is embarrassing...

“Now, a key part of our balanced budget effort is welfare reform. And welfare is both an economic and a moral issue. We believe deeply in reestablishing the work ethic in this country...

“We don’t have the answer in Washington. And that’s why we’re recruiting all fifty governors, and the legislatures, and the local communities. And that’s why our welfare reform, which decentralizes back home, and gets people involved with people again, not red tape, not Washington bureaucracies, but people. To deal with the problems of people, because the only way you save human beings is with other human beings directly involved...

“In summary, a balanced budget, helped by a tax cut to create economic growth through capital gains, which helps farmers, small businesses, senior citizens, creates jobs. At a time when the economy has some softness, this would, I think, help us avoid a recession. If we act in the next few days, when the Federal Reserve meets on December 19th, I think they can lower interest rates safely, knowing that we’re going to get to a balanced budget and do our job. If we pass a balanced budget, I think we’re in a dramatically

healthier situation economically in job creation...

“Mr. President, we have only a few days, balance the budget now. We should reform welfare now. We should save Medicare now. We should help parents have more money for their children now. And we should help create jobs and avoid a recession now. And let me say to all of you. This may be as decisive a moment in American history domestically, as we have had since 1933. If the American people want to get the job done, they’d better tell their elected officials, do it or don’t come home. Because if Washington wins, I think we will lose, for a generation, the willpower and the energy to get this job done.”

**Arthur Levitt, Jr.:**  
**The Interests of Investors**

*Arthur Levitt, Jr. was chairman of the United States Securities and Exchange Commission when he addressed The Economic Club of Chicago on April 24, 1996, on fair trading practices.*

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“I am here to speak out. I want to talk to you tonight about conflicts of interest in the way orders are handled in our markets, and how these conflicts work against you as investors. The SEC has proposed rules to address these conflicts and, toward the end of my remarks, I will discuss those, too. But more than any particular rule, I want to focus on a fundamental truth that underlies all of the law and all of the rules, and that is that, in American capital markets, the interests of investors come first, and that is in the best interest of everyone.

“I’ve been talking about this issue in various contexts since I came to the commission. We’ve been addressing the conflicts created when an underwriter uses political campaign contributions to open the door to municipal bond business. We’ve encouraged a fresh look at how compensation and contests can put brokers at odds with their customers’ best interests. Internal promotions, extra compensation for ‘in house’ products, and

trips to Hawaii for selling a single product force the investor’s interest to take a back seat. As a result of our efforts, an industry panel published a series of ‘best compensation practices’ for firms to aspire to. In the over the counter market, we pressed Nasdaq to prohibit brokers from ‘trading ahead’ of their customers orders. This means that the broker/dealer entrusted with your order can’t trade for his own account before you trade. The customer must come first, not just in theory, but literally...

“And as I speak, we are engaged in a dialogue with the governing body of the Financial Accounting Standards Board to strengthen and safeguard the independence of financial accounting standard-setting. This sounds innocent enough, but it is one of the most important issues we’ve had to face. Accounting standards have been set by the private sector for more than sixty years. This is a huge responsibility, for our system of securities regulation is only as good as the numbers on which it rests. If they go wrong, we go wrong. If standards are drawn, or even seem to be drawn, to favor corporate interests over those of investors, faith in our markets will erode.

“While tension between the business community and standard-setters is inevitable, farsighted leaders over six decades have supported the independence of the process and accepted even those standards that may have worked against their short-term interests. The positive economic consequences of a visibly independent process far outweigh any potential dislocations it may cause.

“I’m not persuaded that our government should take over this responsibility. A better way to strengthen both the substance and perception of FASB’s independence would be to increase public representation among the trustees of the Financial Accounting Foundation, which oversees the standard-setters... These initiatives all bear a common message: In American capital markets, conflicts of interest are out, because the interests of investors are supreme.

“It wasn’t always that way. Long ago, when he was