The Republican Majority—What It Could Mean for Industry
The Republican Majority—What It Could Mean for Industry

This report was prepared by

Joseph V. Kennedy
Attorney/Economist

Further information on this subject may be obtained by contacting him at 703/841-9000

Copyright © 1995
Manufacturers Alliance

Initial distribution of PR-131 is being made to presidents, general managers, and public affairs officials of member companies of the Manufacturers Alliance.
The Republican Majority—What It Could Mean for Industry

Big Republican Gains in Mid-Term Election Give Republicans an Historic Opportunity To Reduce the Role of Government in the Economy

Introduction
The political landscape Americans created on November 8 differs dramatically from the one that existed after President Clinton’s victory in 1992. In a wave of discontentment, voters have given the Republican party a majority in both the House of Representatives and the Senate—a position it has not enjoyed since 1952. Although Republicans had held the Senate from 1980 to 1986, they had not stepped out of the minority status in the House for over 40 years. This report analyzes the results of this election and reviews its likely impact for the next two years and beyond.

A History of Democratic Rule
Charts 1 and 2 show the party division of seats in both the House and the Senate since 1950. Taken together, they show a period of one-party rule in both chambers that lasted over 40 years. Democratic majorities in the Senate were interrupted only once, when the Republican party rode to victory on Ronald Reagan’s coattails in 1980. Six years later, six of the 16 Republican Senators first elected in 1980 lost their bid for reelection, and the Senate once again reverted to Democratic leadership.

Chart 1

Chart 2
Party Divisions in the U.S. Senate, 1950-1994

Source: CQ’s Congressional Monitor, November 7, 1994
Especially in the House, where the majority's power to control legislation is almost total, the long period of uninterrupted control gave rise to an arrogance of power. For much of the last 40 years, incumbents of both parties have benefitted from a persistent blind spot in the American voter. Although public approval of the Congress has traditionally been low, voters have, until recently, given their personal representatives high approval ratings. As a result, in most years few incumbents were defeated at the polls, and those that were defeated were fairly junior. Charts 3 and 4 show the history of the turnovers in the House of Representatives and Senate from resignations and electoral defeats. Removed from the need to justify their policies before the electorate, the Congress erected a series of legislative programs that significantly expanded the federal government's role in the economic and social life of the average American. Many of these new and expanded programs had laudable goals. Over time, however, many of them, such as the pension, banking, and housing laws, became mind-numbing in their complexity and inhibited the private sector's ability to respond to changes in the economy.

Much of the problem in both houses lies with the power wielded by committee chairmen. Again, concentration of political power is greater in the House than in the Senate. Committee chairmen hold almost total control over the progress of legislation and the distribution of resources within committees. Because procedural rules protect them from challenges by less senior members, they need not be attentive to the wishes of other committee members. Even the party leadership lacks the power to dictate legislation to them. As a result, powerful chairmen such as Robert Byrd (D-WV), Ted Kennedy (D-MA), John Dingell (D-MI), Jack Brooks (D-TX), and Jamie Whitten (D-MS) built up personal bases of power that lasted decades without serious opposition. Although new members came and went, the most powerful Representatives remained in office and were seldom defeated at the polls.

The Size of the Republican Tidal Wave

It would be difficult to overstate the strength of the Republicans' victory. In the Senate, House, and Governors races, not a single Republican incumbent was defeated. The Republicans gained a net eight
seats to take control of the Senate. Senator Richard Shelby’s (AL) quick conversion to the new majority party gave Republicans a total of 53 seats to the Democrats’ 47. More surprisingly, the Republicans apparently gained a net 52 seats in the House (some races are still disputed), giving it control of that chamber for the first time in over four decades. Republicans now outnumber Democrats by 230-204, with one independent.

The victory extended beyond the national races into the states. Republican candidates picked up a net 12 governorships, giving the party 31 of the top state offices. The party also picked up control of 7 state senates and 10 state houses. The depth and breadth of the reversal indicates that it represents more than temporary dissatisfaction with the Clinton Administration. Americans seem to be reevaluating basic beliefs about their relationship to government and coming to the conclusion that, at least at the margin, many government programs have failed to achieve their intended purposes and in many cases created additional social and economic problems.

The Clinton Victory and the Period Up to November 1994

It is easier to measure the true impact of the recent elections if one looks at the six years that preceded them. When George Bush won the opportunity in 1988 to succeed Ronald Reagan as President, many observers interpreted the victory as a vote for stability. President Bush was often portrayed as a caretaker President.

Over the next two years, however, the world changed dramatically. The Soviet Union collapsed and a series of international events clamored for attention. Foreign economic competition also became more pressing. Although foreign trade deficits have been a political issue for many years, two events made the presence of foreign competitors more salient. First, in the early 1990s a number of companies undertook major efforts to restructure and reengineer their operations. One consequence was a reduction in the number of workers needed to perform a given function. Second, the nation’s output declined as the economy entered a recession in 1990 from which it emerged slowly. These events increased public concern about the strength of America’s economy and its position in relation to other countries.

Following the collapse of the Soviet Union and the military defeat of Iraq, there was increased public support for shifting attention toward domestic problems of crime, health care, and the lack of growth in real income of the work force. The earliest signal of this new emphasis on domestic issues was the 1991 Pennsylvania election of Harris Wofford (D) to the U.S. Senate over Bush Administration Attorney General Richard Thornburgh (R). Even though he eventually heard the public’s message, the Bush Administration never seemed capable of understanding and responding to it. This failure largely contributed to its defeat.

President Clinton took office with only 43 percent of the popular vote. In spite of deep reservations about his moral and political foundations, the American people looked to him to implement change largely because they were convinced that his opponent could not. Although national sentiment clearly yearned for Clinton to have a successful Presidency, this feeling of good will will never translated to him personally. Except for brief moments linked to tangible accomplishments, his personal approval ratings remained low throughout his first two years.

Although many observers interpreted the 1992 elections as a Democratic victory, it is more accurate to view them as a challenge to the Democratic party to deliver the change voters wanted. Immediately after the election, the Democratic party began to suffer a series of electoral defeats. Most of the Republican candidates won because they were able to convince voters that they were better agents of change than their opponents. Except for the special elections held to replace the three House members appointed to Clinton’s Cabinet, Table 1, on the following page, shows that the Democrats suffered an uninterrupted string of losses running through the November elections. These losses include every House, Senate, and Governors election held during those two years, as well as the mayoralities of the two largest cities in the United States. In this light, the recent Republican sweep continues a pattern that began at least two years ago.

Can Clinton Win Reelection?

If the above interpretation of the November 1994 election is accurate, President Clinton was elected less for what voters thought he could do and more for what they thought George Bush could not do. Although many observers have embarrassed themselves by predicting Clinton’s failure to overcome other setbacks, there are several reasons for believing that the President is likely to have great difficulty winning reelection against a strong Republican challenger, especially if there is no independent candidate.
Table 1
Off-Year and Special Elections Since November 1992

<table>
<thead>
<tr>
<th>Date</th>
<th>Race</th>
<th>Winner</th>
<th>Replaced</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/24/92</td>
<td>U.S. Senator (GA)</td>
<td>Paul Coverdell (R)</td>
<td>Wyche Fowler (D)</td>
</tr>
<tr>
<td>04/13/93</td>
<td>U.S. Representative (MS-2)</td>
<td>Bennie Thompson (D)</td>
<td>Mike Espy (D)</td>
</tr>
<tr>
<td>05/04/93</td>
<td>U.S. Representative (OH-2)</td>
<td>Rob Portman (R)</td>
<td>Bill Gradison (R)</td>
</tr>
<tr>
<td>05/04/93</td>
<td>U.S. Representative (WI-1)</td>
<td>Peter Barca (D)</td>
<td>Les Aspin (D)</td>
</tr>
<tr>
<td>06/01/93</td>
<td>Mayor of Los Angeles</td>
<td>Richard Riordan (R)</td>
<td>Tom Bradley (D)</td>
</tr>
<tr>
<td>06/05/93</td>
<td>U.S. Senator (TX)</td>
<td>Kay Hutchison (R)</td>
<td>Bob Krueger (D)</td>
</tr>
<tr>
<td>06/08/93</td>
<td>U.S. Representative (CA-17)</td>
<td>Sam Farr (D)</td>
<td>Leon Panetta (D)</td>
</tr>
<tr>
<td>11/02/93</td>
<td>Governor (NJ)</td>
<td>Christine Whitman (R)</td>
<td>James Florio (D)</td>
</tr>
<tr>
<td>11/02/93</td>
<td>Governor (VA)</td>
<td>George Allen (R)</td>
<td>Doug Wilder (D)</td>
</tr>
<tr>
<td>12/02/93</td>
<td>Mayor of New York</td>
<td>Rudolph Giuliani (R)</td>
<td>David Dinkins (D)</td>
</tr>
<tr>
<td>12/02/93</td>
<td>U.S. Representative (MI-3)</td>
<td>Vernon Ehlers (R)</td>
<td>Paul Henry (R)</td>
</tr>
<tr>
<td>05/10/94</td>
<td>U.S. Representative (KY-2)</td>
<td>Ron Lewis (R)</td>
<td>William Natcher (D)</td>
</tr>
<tr>
<td>05/24/94</td>
<td>U.S. Representative (OK-6)</td>
<td>Frank Lucas (R)</td>
<td>Glenn English (D)</td>
</tr>
</tbody>
</table>

The continued supremacy of the Republican party in the South and the West is a serious threat to the reelection of President Clinton. Although the recent elections extended this supremacy into congressional races, Republican presidential candidates have controlled these regions for nearly three decades. Chart 5 shows the states that have voted Republican in every presidential race since 1980, together with their electoral votes. They total 168, or 102 votes short of the 270 needed to win the Presidency. Another 148 electoral votes are tied up in states that voted for Clinton in 1992 but went Republican in each of the previous four elections. This period covers 1976 when Carter was elected President. If the Republican candidate picks up all of the states that have voted Republican in four of the last five elections, he wins by 46 votes.

Viewed in another light, there are only two ways a Democrat can win the Presidency. The first is to break into the Republican hold in the South as Carter did in 1976. Clinton won only one southern state in 1992. Based on the recent election, it is extremely unlikely that he can do much better. The second way is to win almost all of the other states that have at least 15 electoral votes (see Chart 5). If the Republican candidate wins California, or wins any two of the other six states, he is all but certain of winning the election. President Clinton won all seven states in 1992. Before then only Pennsylvania, Ohio, and New York had voted Democratic at least once since 1968. New York is the only state to go Democratic in three of the last five elections.

These demographics are strengthened by the governors' elections over the past two years. All seven of the states to watch in Chart 5 are now governed by Republicans. Table 2 shows the governorships of the ten most populous states. All but two are currently held by Republicans, and candidate Clinton lost the most populous of those in 1992. This will make it even more difficult for a Democratic candidate to carry these states in 1996.

Another factor complicating President Clinton's reelection prospects is the almost certain challenge he will face for the Democratic nomination. Most sitting Presidents receive a primary challenge of some degree. Most often, this comes from those farthest from the political center within the party. Good examples are Robert Kennedy's challenge to Lyndon Johnson, Ted Kennedy's challenge to Jimmy Carter, Pat Buchanan's challenge to George Bush, and Ronald Reagan's challenge to Gerald Ford. Although every sitting president except Johnson went on to win
the nomination, none emerged strong enough to win reelection. Even Presidents Richard Nixon and Ronald Reagan faced minor primary challenges to their renomination. The November election opened up the possibility of a serious challenge to Clinton’s renomination, requiring substantial resources and time to fend it off. The most logical source of such a challenge would be from the party’s liberal wing. A challenge from the moderate wing is also possible, however, since this group views the outcome of the 1994 election as punishment for Clinton’s failure to enact the moderate policies he campaigned on.

Finally, Clinton’s personal history will continue to hinder both his effectiveness and his support among voters. Much of Reagan’s ability to escape censure for mistakes came from the fact that most Americans felt that they liked him. Opinion polls show that President Clinton has never enjoyed this type of popularity. Most voters continue to distrust him, and a surprisingly large minority harbor deeper feelings of personal dislike. As a result, the President is left with few reserves of good will to fall back on when his performance fails or when he needs to ask for trust and patience on the part of the electorate.

Conventional wisdom holds that the President’s only chance of a successful remaining two years requires a move to the political center. Such a move is almost certain to cause further dissatisfaction on the part of the party’s liberal wing which believes Democrats already have strayed too far from their traditional roots. This faction believes the lesson of the Carter and Clinton Presidencies is that moderation of values, if needed to gain the White House, is not worth the price. In a sense it is right. Poor turnout by traditional Democratic supporters is widely seen as a contributing factor in the magnitude of the Republican victory. Both parties continually struggle with the fact that any move to the center is self-defeating if it risks the political support of the party’s traditional base. Although these bases seldom vote for the other side, a poor turnout on their part can defeat a moderate candidate.

Any Democratic candidate, and especially this one, faces demographic obstacles in the race to the White House. The outcome, however, also will depend on the leadership Republicans demonstrate during the next two years and the strength of the Republican presidential nominee. Both Bush and, now, Clinton have learned that two years is a long time in American politics. The message to both parties is that political momentum must be used while it exists. Those who try to store it away for later use will find it perishable.

What Should the Republican Congress Do?

The nation continues to face serious economic and social problems. It seems unlikely that Americans have abandoned the belief that good government can improve their lives. But every time the government becomes involved in solving a problem, it introduces new incentives and complications which create their own problems. Ideally, the government would never act unless the problems it creates are smaller than the problems it can successfully solve. The message of the last two years is that we have passed this point. Government at all levels, but especially at the federal level, has grown too bureaucratic, too complex, and too ineffective to justify. The Republicans’ main task for the next two years is to begin the process of restructuring government so that it works better.

For the first time in 40 years, Americans seem to be questioning the nature of the government’s role in the economy and the idea that it should provide a program to deal with every social problem. There

<table>
<thead>
<tr>
<th>State</th>
<th>Electoral Votes</th>
<th>1992 Presidential Winner</th>
<th>Current Governor</th>
<th>Governor in 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>54</td>
<td>Clinton</td>
<td>Pete Wilson (R)</td>
<td>Pete Wilson (R)</td>
</tr>
<tr>
<td>New York</td>
<td>33</td>
<td>Clinton</td>
<td>George Pataki (R)</td>
<td>Mario Cuomo (D)</td>
</tr>
<tr>
<td>Texas</td>
<td>32</td>
<td>Bush</td>
<td>George W. Bush (R)</td>
<td>Ann Richards (D)</td>
</tr>
<tr>
<td>Florida</td>
<td>25</td>
<td>Bush</td>
<td>Lawton Chiles (D)</td>
<td>Lawton Chiles (D)</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>23</td>
<td>Clinton</td>
<td>Thomas Ridge (R)</td>
<td>Robert Casey (D)</td>
</tr>
<tr>
<td>Illinois</td>
<td>22</td>
<td>Clinton</td>
<td>Jim Edgar (R)</td>
<td>Jim Edgar (R)</td>
</tr>
<tr>
<td>Ohio</td>
<td>21</td>
<td>Clinton</td>
<td>George Voinovich (R)</td>
<td>George Voinovich (R)</td>
</tr>
<tr>
<td>Michigan</td>
<td>18</td>
<td>Clinton</td>
<td>John Engler (R)</td>
<td>John Engler (R)</td>
</tr>
<tr>
<td>New Jersey</td>
<td>15</td>
<td>Clinton</td>
<td>Christine Whitman (R)</td>
<td>James Florio (D)</td>
</tr>
<tr>
<td>North Carolina</td>
<td>14</td>
<td>Bush</td>
<td>Jim Hunt, Jr. (D)</td>
<td>James Martin (D)</td>
</tr>
</tbody>
</table>
is a feeling that, although social problems remain, the
current approaches no longer offer the best method of
addressing them and that, in most cases, the cost
of managing a problem should not significantly outweigh its benefits. As a result, it is now possible to
debate specific proposals to reduce the size of govern-
ment significantly and to go well beyond “rein-
venting” government.

Some restructuring will be easy to accomplish,
since there is already broad agreement on the need for change. Provided they can overcome those who
have a vested interest in the status quo, including
those within their own party, Republicans should be
able to enjoy a productive two years just enacting
these areas of consensus such as procedural legisla-
tive reforms, including the line-item veto, welfare
reform, and incremental improvements in health care.
Beyond that, however, lie deeper issues over which
there is far less consensus and which will take much
longer than two years to address. The challenge to
both parties is to develop coherent platforms dealing
with these issues from which the public can choose
in 1996. The party that develops the best vision for
the future will be the one that governs for most of
the next decade. Republicans can do this best if they
let three concepts guide them: procedure, principle,
and policy. Not by chance, these concepts also offer
President Clinton the best chance of successfully
redefining his presidency.

Procedure.—Most new leaders underestimate the
importance of procedure. Just as the manufacturing
and management practices of a corporation influence
its profitability, procedure plays an important role in
the quality of the legislative process. By opening
up legislative procedures, Republicans can inject a
greater sense of fairness and minimize the chances
of passing bad legislation.

No one leader or party has a monopoly on wis-
dom. Democracy rests on the belief that open debate
involving all sides leads not to chaos, but to the best
government possible. During the last 40 years, the
consolidation of legislative power has produced a
closed system in which debate has been curtailed.
Biased hearings, restricted debates, and mammoth
bills sometimes written in secret and voted on before
anyone knew what was in them became the norm.
Passage of some legislation with poorly defined goals
and inefficient administrative requirements was the
inevitable result.

The Republicans have already promised to hold
more open hearings at which all sides can be de-
bated. They also have agreed to use more open
rules, making it easier for members to amend bills
coming out of committee. Exposing the legislative
process to greater openness allows others to ques-
tion the proponents of existing and proposed laws and
to suggest alternatives. The process is neither neat
nor perfect, but advocates of democracy believe it
produces better solutions most of the time than does
letting a government of “experts” impose their solu-
tions on the population. It is imperative that the
Republicans make good on their promise to open up
the legislative process to give all members the chance
to put forward ideas and have those ideas voted on.
The pace of legislation should be neither rushed nor
stalemate, but deliberate. After debate has been
aired, votes must be taken and the process must move
forward.

Increased openness and deliberation will make it
easier for the public, including the business and
manufacturing communities, to participate in the
legislative process. First, it provides a greater op-
portunity to express the private sector’s views and
answer the concerns of opponents. Second, it in-
creases the ability to offer alternatives which accom-
plish policy goals with fewer burdens and less cost.
Finally, if the pace of legislation is made more delib-
erate, the business community will have less reason
to fear the sudden emergence of new legislation.
Too often, the public has discovered that large bills
passed weeks ago in the dark of night contain poorly
thought out requirements agreed to in secret by a few
chairmen. By insisting that all legislation must be
fully debated and examined, Republicans can mini-
imize the passage of poorly written laws that impose
large costs on the business community but produce
few benefits to the rest of society.

Policy.—Procedure without policy rarely accom-
plishes anything. Republicans must also decide on
the legislation they wish to pass. The ten items in
the Republicans’ Contract With America give the
public a clear sense of their immediate priorities.
Many of the items, such as the Balanced Budget
Amendment, the line-item veto, and term limits, are
procedural.

The first priority of the new leadership seems to
be cutting the size of government spending. It also
seems clear that its preference is to use the savings
for tax cuts for the middle class and capital gains.
The Democrats also support a middle class tax cut
and some form of capital gains tax reduction.

While a case can be made for modifying the
capital gains tax, a middle class tax cut which would
accelerate consumption would be harmful at this
stage in the business cycle. The long-run problem
facing the U.S. economy is lack of savings and in-
vestment. The savings from expenditure reductions
would be better devoted to reducing the federal bud-
get deficit. The deficit is one of the main reasons
behind the low national savings rate. The shortage
of national savings, in turn, influences the cost of
capital to business. In a time of rising interest rates
and economic recovery, a policy of deficit reduction
would be the least costly and most productive use of
money freed up from spending reductions. If the Federal Reserve accommodated fiscal restraint by postponing or even reversing rises in the discount rate, the effect on both savings and business investment would be especially dramatic. The result could give the current recovery new life and begin a longer term burst of productivity.

Republicans also must decide how they are going to handle some of the longer term problems facing the nation. Within the next decade, government must address a number of important issues, including health care and pension reform. In addition, continuing structural change in financial, telecommunications, housing, and other markets will require policy responses. Finally, the long-term stability of important programs such as Medicare and Social Security has been severely weakened. The wisdom with which the government addresses these issues will affect its ability to find affordable ways of pursuing the goals most of us share. Most of these issues cannot be addressed in the next two years. For some of them, political action must await a stronger consensus on the proper direction for public policy to take. Republicans can, however, develop a platform that gives voters a coherent choice in 1996.

**Principle.**—Politics is a debate over different visions of society. Although most politicians agree on the general ends we should strive to accomplish, there is broad disagreement on the means. There is strong evidence that the public wants a renewed debate on these issues. If they want to govern in 1996, Republicans must respond to that desire by developing new ideas for solving the traditional problems of poverty, education, investment, and growth.

There are two types of leadership. One tries to measure the current of popular opinion and then jump in front of it. This currying of public favor seldom works well. Part of the reason is that the public is currently in the process of making up its mind about the future. There is a growing realization that old methods do not work anymore. But there is great uncertainty over the proper direction to take. The public seems to be looking for new ideas. Politicians that jump in front of the latest opinion poll and stand for nothing but their own success will not generate political support. In an age of uncertainty, principle and integrity matter more than ever.

All political leaders need to examine for themselves the direction they believe the country must move in and express it clearly and forcefully to the public. In the future, politicians are likely to enjoy only a short time on the political stage. The ones who exercise the most influence will be those who speak with conviction and honesty, not those who try to guess which play the audience wants to hear. Americans most admire leaders who are willing to put principle over personal success. It is true that the great leaders also had a talent for conciliation and compromise. Most of all, however, they had a vision of the future and conveyed confidence in their ability to realize it.

The business community can strengthen the quality of political leadership by speaking out about the problems this nation faces as it tries to maintain its competitiveness and address its social needs. Businessmen demonstrate their faith in the future whenever they invest in America and postpone current rewards in order to reap larger dividends. The hope and confidence in the private sector which underlies these decisions needs to be expressed more often. And politicians who do attempt to address the more difficult issues need to be encouraged and supported.

**The Legislative Outlook for Manufacturers**

The changeover in the Congress will significantly affect the shape of legislation on a number of issues affecting manufacturers. While the Congress is not certain to act on all of these items within the next two years, the presence of a Republican majority will affect developments in each.

**Capital gains tax cut.—**House Republicans have pledged to vote on a capital gains tax cut within the first 100 days of the new Congress. The proposal contained in the Contract With America would lower the tax rate on capital gains by 50 percent. In addition, taxpayers would be allowed to adjust the purchase price of an asset for inflation, thus reducing the amount of gain recognized for tax purposes. Together these changes would significantly lower the amount of taxes paid by owners of capital.

**Product liability.—**The Contract With America also includes a number of reforms in the laws affecting product liability. The first reform would require the loser in a federal court case involving citizens of different states to pay the attorneys’ fees of the winner. The amount of payment would be limited to the loser’s own attorneys fees, thus giving both sides an incentive to hold down costs. The proposal would not affect cases brought in state courts. Second, the bill would amend the Federal Rules of Evidence to limit expert witness testimony to “scientifically valid reasoning” and would prohibit experts from receiving a contingency fee. Third, the legislation would limit class-action shareholder suits against management for a fall in the price of the stock. A court-appointed trustee would ensure that attorneys act in the best interests of all shareholders. The losing side would be required to pay the costs of the winner, and plaintiffs would have to demonstrate that they relied on intentionally misleading information or omissions in deciding to purchase their stock. Individual plaintiffs would be limited to five such suits.
every three years. The limitation would apply to the individual and not the company.

The greatest changes, however, would occur in the product liability laws. The proposed bill creates a uniform product liability law in three areas, covering both federal and state actions. In the first area, punitive damage awards would be limited to cases where the plaintiff produced "clear and convincing evidence" that the harm was caused by malicious conduct. Punitive damages could not exceed three times the amount of economic losses. Punitive damages in cases involving minor injuries would be capped at $250,000. The second area also would prohibit joint liability for damages for pain and suffering. Codefendants would be liable for only their own proportionate shares and would not have to pay the shares of insolvent codefendants. Finally, in the third area, retailers would be liable only for their own actions. They could not be held liable merely for selling a defective product unless the manufacturer of the product was unavailable or could not pay damages.

Regulatory reform.—Another part of the Contract With America concerns regulatory reform. One of the key components of this reform would limit unfunded mandates on state and local governments. Less publicized parts of the proposal would directly help the business community. All federal agencies would have to conduct a formal assessment of the risks to human health and safety and to the environment for each new regulation. They also would have to estimate the private sector cost of the regulation. These estimates must pass an independent peer-level review, making the requirement tougher than it was under Republican administrations. A second part of the Republican proposal would require each agency to report annually on the cost to the private sector of complying with government regulations. The total cost would be capped and then reduced. The government also would reduce the total paperwork burden by 5 percent each year.

Health care.—There will almost certainly not be a comprehensive health care bill passed within the next two years. Rising health care costs and growing lack of coverage remain a problem. As a result, health care will remain a focus of government attention. The most serious battle on health care is likely to involve state attempts to seek a waiver of the preemption provisions of the Employee Retirement Income Security Act (ERISA). Now that the focus of health care reform has shifted back to the states, a number of them are considering more comprehensive reforms. ERISA prohibits states from imposing any kind of a mandate or payroll tax on employers. This limits their ability to extend coverage and denies them one of the largest potential sources of revenue. A number of states are expected to ask the Congress to waive ERISA prohibitions. The business community already has pledged to strongly resist any waiver.

There also is hope that the Congress will pass an incremental health reform bill containing a number of incremental changes that already have broad support. These changes include malpractice reform, community rating to limit insurance companies' ability to deny coverage to people with preexisting conditions, and portability between employers. The starting point is likely to be HR 3955, introduced in the 103d Congress by Michael Bilirakis (R-FL) and retiring Democrat J. Roy Rowland (GA).

Telecommunications reform.—New Republican chairmen in both the House and Senate have indicated their intention to move a telecommunications reform bill early in the session. Any bill would attempt to break down the barriers between the cable, long-distance telephone, and local telephone industries, permitting freer competition in the electronic transfer of voice, sound, and data. If the legislation succeeds in increasing competition and spurring investment in infrastructure, manufacturers could benefit by seeing the costs of communication fall while its capabilities rise.

Much of the work on telecommunications already has been done. The 103d Congress produced two House bills and one Senate bill containing most of the compromises needed to ensure passage. The Republican chairmen are likely to use these bills as a starting point but pursue a less regulatory approach. Any bill must address a number of issues, including the existing monopoly over local telephone service, competition between telephone and cable companies, and the entry of personal communications services into the information industry. As with the deregulation of the electrical utilities, the effect will be to give companies a variety of choices where formerly they faced only a monopoly with regulated rates.

Superfund reform.—The November election threatens to undo much of the consensus reached last year on overhauling the nation's laws for cleaning up hazardous waste. Although that consensus emerged too late to produce final legislation, its work was expected to make the job of the new Congress much easier. Republicans are likely to reassess some of the issues connected with Superfund in ways favorable to industry.

Current laws require companies to clean up hazardous waste sites created before 1980, even if the disposal of the waste complied with all existing requirements. The law also imposes joint and several liability at each site, making individual companies responsible for the waste of others as well as their own. Finally, the bureaucracy surrounding these laws often imposes uneconomic cleanup standards on owners and prohibits the use of more effective
technology. The new Congress will lean closer toward business interests on each of these issues. The danger of undoing the existing consensus is that deadlock may result, leaving business facing large regulatory costs and time-consuming litigation.

**Occupational Safety and Health Act reform.**—
The Republican victory will slow the progress of new regulations in areas such as repetitive motion injuries and indoor air quality. The Occupational Safety and Health Administration (OSHA) has made regulation in these fields a priority. Now any decision to go forward will probably trigger a congressional review of their reasonableness. On a broader scale, the legislative push for more cost-benefit analysis should slow the pace of regulation.

November’s election also buried legislation to strengthen the Occupational Safety and Health Act. Bills to accomplish this were introduced in both houses during the last Congress. Under conservative leadership, the prospects for further progress on this legislation is nil. A more interesting question concerns the prospects for a restructuring of these laws to reduce the regulatory burden. During the Reagan Administrations, the business community was relatively complacent about the need to rewrite major labor laws. Many businessmen now think this was a mistake since the regulatory burden will almost certainly continue to increase over time unless the laws are restructured to introduce a more market-friendly form of regulation. There are few indications that such a restructuring will be a legislative priority over the next two years without active business involvement.

**Conclusion**

Some Republicans may see the recent elections as a mandate for more conservative positions such as school prayer, a flat income tax, or tougher federal restrictions on abortions. Certainly these and other issues should be debated. Later elections will determine whether this is true.

What seems certain is that the American people want government to work better and they want their legislators to demonstrate greater respect for the costs of their policies, as well as the benefits. The best way to correct the abuses of the past is not to replace them with a new orthodoxy but to change the terms of debate so that any legislation that does pass goes through a process designed to bring out the best ideas. The Contract With America contains the Republicans’ initial priorities. By streamlining procedures, articulating thoughtful policies, and, most of all, being guided by a coherent set of principles, Republicans should be able to set out a broader agenda for 1996 that advocates deeper changes to the structure of government programs.

Significant changes to the structure of current laws could bring large benefits to the economy and to industry. Their passage, however, is likely to require a great deal of bipartisanship. The Senate remains more moderate in political temperament than the House, partly because the power of the minority is much greater. In both houses the size of the Republican majority is slim. Any significant lack of party unity would force the Republican leadership to rely on Democrats in order to pass legislation. President Clinton also is more likely to veto significant reforms unless they have support from both parties. Finally, the American people seem to favor a bipartisan approach to the nation’s problems. In this atmosphere, Republicans must carefully lay the groundwork for major changes by documenting the cost of current programs and encouraging a debate on alternatives.