Mackinac Center for Public Policy

Issues and Ideas Forum

"The New Fight for the Right: Where the Conservative Movement is Going"

Speaker:
Grover Norquist,
President,
Americans for Tax Reform

Introduction and Moderator:
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MICHAEL VAN BEEK: Good afternoon, everybody. We'll get the program started here. My name is Michael Van Beek. I'm the director of research at the Mackinac Center. Thank you all for joining us.

I also want to welcome people who are viewing the livestream of this event as well. Welcome to you. Hope you're enjoying your lunches.

Just so you know, this – we're also going to be recording this event. So if you want to come back and see the presentation again, it'll be on the Mackinac Center's website, which is Mackinac.org.

Today we have a great presentation scheduled up for you, and just wanted to mention a couple things before we start. There's a publications table at the back of the room with some of the – some of the studies and the research that the Mackinac Center has done. Please feel free to give that a – give that a look and take whatever you're interested in. We'd love to have you learn more about the research that we do.

The program for today is called "The New Fight for the Right: Where the Conservative Movement is Going." For decades, politicians have pledged to their voters that they would not raise taxes. The most prominent taxpayer-protection pledge is one provided by Americans for Tax Reform called the Taxpayer Protection Pledge. Americans for Tax Reform works to limit the size and cost of government; opposes higher taxes on the federal, state, and local levels; and supports tax reform that moves towards taxing consumed income one time at one rate. But ATR doesn't just do taxes. The organization is helping to fight corporate welfare, move criminal justice initiatives, and strive for more freedom in the realm of science and technology.

And today we have with us the president of Americans for Tax Reform, Grover Norquist. He is – he founded Americans for Tax Reform in 1985 at President Reagan's request. He's been described as the high priest of anti-tax orthodoxy and also the high priest of Republican tax-cutting. I don't know what's up with all the religious metaphors. Arianna Huffington called him the dark wizard of the right's anti-tax cult – (laughter) – which I think was meant as a compliment. And my favorite, from our fellow Michigander Mr. Ted Nugent: "If there was a hall of fame of common sense, a huge statute of Grover Norquist would be at the front door."

So welcome our dark priest, high priest, Grover Norquist. (Applause.)

GROVER NORQUIST: Thank you. Delighted to be here.

Michigan is – first of all, I passed out for everybody here – take this home, put it on your refrigerator to cheer you up in the morning. When people talk about the strength of the modern Republican Party, some of our friends in the establishment press notice that the Republican Party was doing better when Trump won the presidential election, which was a good idea compared to the alternative. But what they missed was the long march through the institutions. When you talk about the strength of the modern Republican Party, we're looking at 26 states, red states, with a Republican governor and both houses. Down here, it points out that 164 million Americans – a majority of Americans – live in a red state.

Now, in the past Republicans had lots of states. They were all the square states out West, several of whom had three people living in them – two Republican senators and one Republican congressman. But we now actually have Republican states that are significant states, Michigan being one of those, when you look at the strength. Add to that the yellow states, which have both houses Republican but not yet the governorship – one, two, three, four, five, six, seven additional states. So red and yellow states are going to tend to be red and yellow. From time to time we'll screw up on the governor's race somewhere because in Louisiana we forgot to find somebody with fewer girlfriends than evidently Louisiana requires. (Laughter.)

And the green and blue states, there are six blue states – six states out of the 57 states in this country, only six of them have a Democratic governor and both houses: California, big one; Oregon, medium-sized; Hawaii, down here; and then, if you squint, you can see Delaware and Rhode Island and Connecticut, not exactly the largest states around. And then the green states have a Republican governor but both houses Democrat. Interestingly, only one, two, three, four states have a split in the legislature. So you can see that states are moving, red or blue, towards Republican control of both houses of the legislature versus the other.

Now, in the old days, back when the Republicans had similar numbers – not quite as high, but similar, in the 1920s – it didn't tell you much, if anything at all when somebody said, oh, so-and-so is a Republican. All you knew is that they were born north of the Mason-Dixon Line. You didn't know whether they wanted higher taxes or lower taxes. And Democrats were born south of the Mason-Dixon Line. You didn't know whether they wanted higher taxes or lower taxes or anything else. The two parties were regional. During Reagan's lifetime, the two parties sorted – political lifetime – they sorted themselves out to where Republicans will not raise your taxes and Democrats will never avoid raising your taxes. And the differences on regulations and taxes and spending moved the two parties into clarity. Which is why, when you're looking at Republican strength in the legislature – federal and house and governors and president – it matters in a way that it didn't 60 years ago.

John F. Kennedy got in and cut taxes across the board 25 percent, OK? No Democrat would do that today. Kennedy, with his views on economics, foreign policy, social issues, could never get nominated to be a junior state legislature in any state, certainly not in Massachusetts, the Democratic Party has moved so far to the left. And the Republican Party has moved to where Reagan was. And what's interesting, the establishment press never talks about how crazed the left has gotten on their – on their list, but they have just moved so much further than the – the Republicans have moved to where Reagan is. The Democrats have moved way past where any of their standard-bearers, presidential candidates over the years, would ever had been. So it's a party that's really gone off the deep end, which is one of the reasons for this.

The reason why state legislatures matter and governors matter and statewide elected officials matter is that's where congressmen and senators come from. That's where the Electoral College is. This matters a great deal. If the Republicans simply carried the red states, they get the presidency all the time.

So we're now looking at two parties that are ideologically coherent to a large extent. We have – almost every single Republican in the House and Senate has signed the pledge never to raise taxes and kept that commitment. I can't think of a Democrat who hasn't raised taxes and wouldn't at the national level, given half a chance. They all have. They all would. If there's some reason one would not, it would be a tactical reason – because there was an election in a year or so and they wanted to behave briefly, as long as their vote was not needed to raise taxes for the team.

This is why all those conversations about the good old days of bipartisan compromise – when somebody tells you that they – oh, why can't we have the good old days like bipartisan compromise, what that person has really told you is how very old they are because, one, back then the party labels meant nothing. So, back in the '40s and '50s and the '60s, the – and even into the '70s, the liberal Republicans and the liberal Democrats would argue with the conservative Republicans and the conservative Democrats, and every fight was bipartisan because there were liberal Democrats and liberal Republicans, and conservatives of both parties as well. And as for compromise, Ted Kennedy wanted to go – wanted the government to get much bigger and Richard Nixon wanted it to get somewhat bigger. Well, it's fairly easy to compromise between much bigger and somewhat bigger: you get bigger. And if you do this for year after year after year it gets a little bigger, not as big as Teddy Kennedy wanted but bigger than Nixon wanted, you're over here and the government has grown phenomenally.

And to give you some sense, when we – "we," I wasn't there – but when we founded this country during – prior to the Revolution, the average American paid – "American" – the average colonist, the average person living sort of here, OK, was paying 2 percent of their income in taxes, 2 percent. The British started thinking about 3 (percent) and we started shooting at them. Today you're talking about 30 percent. There's been some decline in our standards in terms of how competent we expect the government to be and how cost-efficient, and how self-reliant we were going to be in running our own lives. And that's because you had this foe shadowboxing, a Harlem Globetrotters versus the Washington Generals, as we pretended to fight against big government and it just got bigger, bigger, bigger, bigger, bigger, and we are where we are today.

But again, now that we have one party that wants to raise taxes and one party that wants to cut taxes, and the – and the politicians, some of them, and the press says, well, why can't we compromise? OK, you tell me, what's the compromise between higher taxes and lower taxes? If we get somewhat higher taxes, the Republicans lost. If we get somewhat lower taxes, the Democrats just lost.

I am for compromise, properly understood. I am in favor of moving towards liberty as rapidly as humanly possible, with the understanding that there are people and stuff in the way and so I can't get as quickly towards liberty as far as I would like to today. I've never been in a room when I wasn't the most radical person and the most patient person at the same time. I am all for moving towards liberty. And if we can take baby steps, we take them. If we can take giant steps, we take them. If we run really fast, we do that too. But you understand if you're saying, you know what we're going to do, we're going to come from Washington, D.C. and we're going to California. Showing up in Missouri – which is very close to – (changes pronunciation) – Missouri – is not treason; it's on the way to California. It is progress, OK? You can't get to California without going through Missouri. And so getting to Missouri after a certain period is not treason. It is a compromise. You wanted to go to California. You're still on the way to California. If, however, your feet are wet and everybody around you is speaking French, you've been heading in the wrong direction completely. You've been losing. That's not a compromise.

And the reason why some people on the right dislike the word "compromise" is because when CBS says it, what they mean is "lose." The Republican should compromise. What's the compromise? Raise taxes. You should compromise. No, that's called losing. That's not called compromising.

So we now do have two parties, and each one largely means something. There's some people around the edges that don't quite get the memo. There's some people – a lot of the Southern legislators go to church and have guns and they go, so I'm signed up, right? And they said, well, you're not allowed to steal money and bring it back to the courthouse. And they go, where was that written down? So, anyway, we've got to cycle some of those guys out and/or have them retire or get with the program. So not everybody's in. But largely, if you look at those states, a red state will be much less likely to raise taxes and infinitely more likely to cut taxes than a blue state. So we have two parties, they mean something, and they're sorting themselves out.

And in Washington, D.C., you have a Republican majority in the House, narrow; Republican majority in the Senate, narrow; a Republican president. What is going to happen now? There are two major things going on. The establishment press likes to focus on all the shiny things, some of which they throw up in the air themselves, and they go, ooh, look at that. But some of which are just tweeted out and then they point to a tweet, shiny things. Two big things: a systematic reduction in the cost of regulations put on the American people and businesses; and the second is a design to dramatically reduce the tax drag on the economy, the damage that taxes do to the American economy.

And I think that 20 years from now, when we look back and have seen some significant growth – and certainly a big shift from the Obama Democrat years, which was the lousiest recovery since World War II. It was about 2 percent a year. Reagan's was 4 percent a year. Reagan not only ended a recession, he crushed inflation from 11 percent. Obama did one of two things and acts like he had a tougher job than Reagan did. He had a tougher job because he was trying to remove your spleen with a baseball bat. And that doesn't work, it just gets blood all over the place and it's a mess. He's all, let's raise taxes and spend massively on government stuff. And oddly enough, it didn't work very well. And so, again, the lousiest recovery since World War – the end of World War II because he raised taxes and spent too much money and regulated. Reagan moved in the other direction, and the present Republican Trump administration and Congress is also moving in that direction.

Now, we're six, seven months in, and the deregulation is moving along well. And don't lose focus on that. I think the big issue going into the next election will be how the tax cut happened, and they'll credit all the economic growth to the tax cut because that's the thing they can see.

We're going to spend three months debating it and talking about it, and we're not in a hurry to pass it because we're going to set the times that it takes effect from about September 28th, when they'll drop – the Gang of Six, the two leaders in the Republican Party – the two leaders in the House, two in the Senate, and two out of the White House and Treasury – those six – Chairman Brady of the House Ways and Means Committee has helpfully suggested to refer to it as – that we refer to it as the Brady Bunch, so I suggest this if you want in conversation to get this ball rolling. But right now, Big Six is what they're going with, not Brady Bunch, as attractive as that is. They're going to come up with a proposal. It'll be written down, it'll be scored, and the tax changes will take effect from the day it gets dropped, so nobody has to wait to make any decisions or investment or buying or selling a house or a business or anything like that. And some of the stuff may be backdated more and some of the stuff may take effect later as you're trying to move around deficits and spending and tax provision changes.

Here's what's going to be in the bill. This we know. I talked to Paul Ryan a few weeks ago. He said the House had this thing that they loved. It was this beautiful three-dimensional sculpture, and it was tax reform, and it was permanent, and it was all sorts of cool stuff, and it included the border-adjustability of the corporate income tax. And the three senators from Walmart didn't like that, so that had to come out. And it had some advantages and some disadvantages. Disadvantage is it smelled like a VAT and it might grow up to be a VAT, and so a lot of people felt it was safer to put it over in the corner and step on it. But some of the House Republicans still think it's a thing of beauty and some day we may want to come back and have it. So they'll put it on a shelf, but it's not on the table now. And when we had the debate among the big six with border-adjustability, and Paul Ryan, the speaker, said we had 80 percent agreement on what we're going to do; today we're at 97 percent agreement on what we're going to do.

So here's the list of tax cuts that will be in the bill. The argument over the next several months will be how much of each ingredient, right? You know what the ingredients are going into the soup, but how much do you get? And, for this purpose, how much are permanent tax cuts and which ones are temporary tax cuts? Remember, the Bush 2001 tax cut were all 10 years long, disappeared at year 10, poof, gone, Cinderella pumpkin gone at the end of 10 years. Now, we then extended it for two and then made 85 percent of it permanent. So I would argue that even though some of these tax cuts will be "temporary," the ones that are very attractive and very pro-growth, even it may be temporary two years, three years or 10 years, and then "theoretically" they'll lapse. I think there's a very strong argument that the more effective tax cuts that people recognize as key to growth will be made permanent. You remember the research and development – R&D – tax credit, which was extended every couple of years for 20, 30 years, and then it was made permanent because the business community had to have it because they counted on it. It was important. And finally, the Republicans said, well, let's not pretend it's disappearing in two years, then we made it permanent when we had the opportunity to.

First thing is the personal deduction, standard deduction, will go from $6,000 for an individual to $12,000. So you probably don't have to itemize as an individual. Married couple goes from 12,000 (dollars) to 24,000 (dollars). First 12,000 (dollars) for an individual, 24,000 (dollars) for a married couple will not have to pay any tax at all, standard deduction. And only 5 percent of Americans will actually have to itemize. Only 5 percent of Americans have deductions and stuff like that beyond those two numbers. So for most Americans – 95 percent – you will be able to do your tax returns on a postcard. And it tremendously simplifies life and it reduces taxes for middle-income – lower- and middle-income individuals.

Then the seven personal tax rates – top rate 39.6 (percent) plus some for other things – will come – will all be reduced a little bit, so you'll have three rates. So every American will have a lower tax rate on their personal income tax next year than they do this year.

And the alternative minimum tax, which catches several million Americans and makes them fill out a whole 'nother income tax system even more complicated than the one that we all go through, that will be abolished. That was a tax – the alternative minimum tax was put in to solve a problem in 1969 that Ted Kennedy and Richard Nixon agreed was a problem – (phone rings) – I'm sorry.

(Speaking into telephone.) I'll have to call you back.

Sorry, it's Mrs. Giuliani calling again. Remember, he took the phone call from his wife in the debate. OK, forget it. (Laughter.)

(Pause.)

AUDIENCE MEMBER: '69.

MR. NORQUIST: Thank you, '69. Alternative minimum tax was put in because 115 people who made a million dollars paid no income taxes. How was that? They were little old ladies who put all their money in municipal bonds. And municipal bonds are very safe, and if you're not going to spend your time managing your money it's a safe way. You get a lower rate of return, but it's not taxed, so it's pretty cool, stick with that. And 115 people were paying no taxes at all, but on paper they were making a million dollars or a big number, and this had to be fixed. To hit that gnat, they invented this sledgehammer that would have engulfed 20 (million) to 30 million Americans if we hadn't had the Bush tax cuts, and now hit about 2 (million) to 3 million. It will hit more in the future if we don't get rid of it. That's going away – gone, permanent, done. That will be a permanent tax cut because it doesn't do you any good to get rid of briefly and let it come back again.

The other is the death tax. The death tax is when you earn a dollar, they take some; you invest a dollar, they take some; you put it in a company and they take some in the corporate income tax; if you get a capital gains, they take some; if you get a dividend, they take some; and if you're stupid enough to die, they steal 40 percent. So the last part is what we're getting rid of. I mean, there are several stages in there that I'd like to pull some of those out too, but at least it's not a bad start to end the final indignity, where they're going through to see how much gold you have in your mouth to find out what you owe them and checking through your basement.

So we're going to get rid of the death tax. We're going to get rid of the alternative minimum tax.

On the business side – and this is where the press is not covering this well, not because they're mean or evil or something, but it's just complicated. It's difficult to articulate in a short period of time. But there are two kinds of businesses.

Corporations like General Motors, C corps, OK, they pay a 35 percent tax on what they earn, a corporate income tax. And the European average is 22 (percent). We're at 35 (percent). A lot of – Sweden is at 12 ½ (percent) – I'm sorry, not Sweden, Ireland is at 12 ½ (percent). So a lot of – every country in the world has a lower corporate income tax than us, except possibly North Korea or something like that. But of all the reasonable countries that you've heard of and can spell reasonably well, they're way below 35 (percent). They all used to be higher than us, but they started moving them down when they realized how good that was for growth, and we were stuck in this fight with the Democrats and couldn't get the corporate rate down, and were focused on the individual rate. But that rate's going to go from 35 (percent) – Trump wants 15 (percent). I'm for Trump on this one. I think 15 (percent) is a lovely number.

The Republicans in the House and Senate are looking, say, we can maybe get to 20 (percent), don't know if we can get to 15 (percent), because they have other things they want in the stew. It's not that they don't want to go to 15 (percent), it's just we go to 15 (percent) it "costs" the government a certain amount of money, and they want to "spend" it with other tax cuts. Not a crazy argument. But that's going to be one of the debates: Do you go to 15 (percent), do you go to 20 (percent), do you let it slide up to 22 (percent), something like that?

But if you take it down to 15 (percent) or 20 (percent), all of the money that's stashed overseas – and that's now about $3 ½ trillion – would be able to come back because it doesn't – wouldn't then be double-taxed. American companies that earn money overseas pay French taxes, and then if they bring it back to the United States they take the difference between French taxes – slightly lower than ours – and our income tax, and we tax that money again. Now, you can leave it in France, nothing happens to it. But you bring it to the United States and we punish you for it. So we're going to say, you know what, from now on if you earn money overseas you pay the taxes to whatever country you're in and then bring your lovely money back here so all the foreigners don't touch all our money all the time. They're just touching all our money. And we bring it back to the United States and invest it here. Of the 3 ½ trillion (dollars), at least 2 trillion (dollars) plus would come back. Some of it's in buildings, but most of it's in cash or stuff that becomes cash quickly.

If I was running for election in 2018 November, I would really like the idea of 2 (trillion) to 2 ½ trillion – with a T – trillion dollars coming back to the United States, not in the hands of – remember, Obama had the $400 million – 400 billion, $400 billion stimulus year one, year two. So 800 billion (dollars), but for two years – 400 million (sic; billion) each – 400 billion (dollars) which was handed to a bunch of bureaucrats and for which – you know all the roads that they built with it, right, and all the "shovel-ready" stuff that they built with their 400 billion (dollars). And, well, I don't remember it very well, but they did spend it and the economy didn't get better. I think 2 ½ trillion (dollars) in the hands of really smart people who earned it in the first place, redeploying it in the United States, will supercharge the economy. And it means that capital will be able to be deployed with after-tax ROIs down the level. You don't require 20 percent ROI because it's all after-tax rate of returns. When you cut taxes, more projects become profitable, because what you want is after-tax income, and you're increasing the after-tax income by a third if you go from 35 (percent) to 15 percent rate. You get to keep 85 cents on the dollar, not 65 cents on the dollar. So you got all this lovely money, you're making more investment options profitable for companies, and that will be extremely helpful to economic growth.

The second part of the business tax, though, is – those are the C corps, the corporations that we think of: General Motors, IBM, that sort of thing, Yahoo. And then there are 30 million passthrough companies. These are small companies – Subchapter S corporations, partnerships, sole proprietorships. They pay their taxes through the personal income tax. So some guy or lady runs a small business, and instead of having a C corp and the money gets taxed there, they have an S corp, which means it's their personal thing and they pay personal income taxes. Top personal income tax rate's 40 percent. In some cases, depending on how you structure, it can be 44 percent. So we're going to cut that down towards 15 (percent) or 20 (percent). And of the people who pay the highest tax rate – the 39.6 percent – two-thirds to three-quarters of them are not people, they're businesses. So we're going to take all this highly-taxed business income, move it over and tax it like business income so that it doesn't get whacked at ridiculous rates that make you non-competitive. And if you've got 30 million companies out there, only a few of them have to hire one more person and you've turned the job problem around.

So the lobby for the Republican tax cut, sure, I mean, the big companies would be very happy, but 30 million people go I know what that means and I can explain to my two, three, or 20 employees exactly what it means to us. And so you're going to see very strong grassroots support for the overall tax reform package, particularly from the self-employed, entrepreneur, independent-contractor world out there. So this is a huge, huge deal. Missed, because everyone thinks businesses and corporations are one thing, but they're taxed dramatically differently, and this is being fixed. And it's – I mean, it's a little odd that a smaller company is taxed at a higher rate than a big company, but it is under our present set of rules.

So those are the changes that will take place. We'll bring all that lovely money back without double-taxing it. We'll have lower marginal tax rates on both kinds of businesses, on individuals, and we'll get rid of some of the complexity.

Then the other piece to the puzzle that the House Republicans are extremely excited about, and the Trump people are mildly excited about it, is going from long depreciation schedules when you invest in new plant and equipment to immediate expensing. So if you spend a million dollars on new equipment for all your employees to make them more productive, which is the only way to get higher pay, instead of depreciating it over 10 years, 10 percent a year, you expense it in year one. Dramatically reduces the cost of capital. The government doesn't understand the concept of the time value of money, but people do and businesses do. And so expensing in year one is much more valuable than taking it up over 10 or 20 years.

That's the outline. That's what they're looking at doing. Some of them will be made temporary originally, and then I think eventually permanent. Others, you'll get pieces of it. But those are the – those are the pieces of what goes into tax reform. It should pass before Thanksgiving. You'll be able to see it by the 28th of September, then it'll go through the House and the Senate. I like the idea of spending almost a month in both bodies discussing it, because the American people hear it and understand it. And the more people understand it, the more people hear it, the more excited the small-business community will be and the more they'll demand that we do it. And then, when we get economic growth and then we have an election, the narrative of what just happened – we turned around the lousy recovery and we got a good recovery – is very helpful.

Now, alongside that, the federal – the FCC – the Federal Communication(s) Commission – is deregulating 16 percent of the economy. We often say, oh, you know, when the Democrats mess up health care, that's 16 percent of the economy. Well, telecommunications is 16 percent of the economy, and we have one bureaucrat at the FCC who under Obama was busy turning it into a cartel, an actual utility. They used an old utility law to regulate a vibrant telecommunications system, and then we're surprised when people drop dramatically investment in broadband. You often hear Democrats go, we need more public investment in broadband because there isn't enough private investment of broadband. Because you are beating it to death with your regulations, yes, that's right. That was happening. And that decline is reversing, and now we're opening this up to put it in the normal economy and we're seeing investment in broadband go up.

Watch out for people who want to do "municipal broadband." That's like some idea out of East Germany 1957 of the government running a business. Everybody is – about 200 different cities have actually done this. Largely, they lose money and then have to sell it back to somebody at this huge loss. So I guess some of the companies must like it because they just sit there and wait for the idiot government project to fail, and then they pick it up on pennies on the dollar. And the politician who started it has died by the time that it's completely obvious that it's a failure, so he doesn't care anymore. But it's been a disaster. We'll see less of it because we're going to see more investment.

There are 14 major deregulatory laws that were passed by the House, passed by the Senate, and signed by the president. You probably didn't see them on the nightly news as the president signed each of these 14 multibillion-dollar deregulation efforts because that was not interesting news, but it's very important to the economy. I think 25 years from now we'll look back and say that half of the economic growth that flowed was from deregulation and half was from the tax cut. But in 2018 the narrative will be it's all the tax cut because that's all you can get around CNN's head, at best, in a short period of time on TV. So the tax cut becomes increasingly important to all of the players in Washington get it right.

And the writing of this bill, the scoring of it, the designing of it has been going on for months – years, actually. But more recently, the focus the last several months, while CNN talks about Russia or Charlottesville or dah-dah-dah, this, that or the other thing, this has just been going along. The work has been getting done, serious stuff. Adults have been doing real things. And the press is unlikely to focus on it until it's largely done, but we need to give the American people some time to look at it, see it, understand it. And then, as it unfolds, the growth that one can anticipate by dropping those rates and bringing 2 (trillion dollars), $2 ½ trillion back into the

United States, it's going to be rather phenomenal stuff, extremely helpful. Probably worth five Senate seats and saving the House and all sorts of stuff for state legislators and so on. So, as that moves forward, I think it changes the narrative that Washington's been trying to write, which is nothing gets done, for which – the only reason they get to do that is they have to ignore all of the deregulation successes.

People are familiar with the concept of right to try for lifesaving drugs for people who are terminally ill, you have a child who's terminally ill. The FDA would say, oh, I'm sorry your child's dying and is going to die in two years, but we have this new drug that some people think might save him, and we've now decided it's safe, but it's going to take us another four or five years to see if it's effective. So if you're around in four or five years, we could help you. People really got tired of that. So 38 states, Michigan being one of them, passed a law that said in this state it is legal to buy/use/sell any drug for a terminal illness that's been said safe; we're not waiting until it becomes – the government agrees that it's effective, OK, because it's up to you. And the risk is on you, too, I mean, but you've only got so much time and this is a chance to maybe succeed. And there are terrible stories about twins, one of whom got into the trial and is saved and the other one is permanently crippled because the FDA couldn't care.

And the FDA's scared about this. And because it went state by state and we passed it – blue states, red states, state by state. It's like parallel trenching advancing on D.C. There was a vote two weeks ago, maybe three weeks ago, that was unanimous in the Senate – unanimous – to enact right to try at the national level. Unanimous. You couldn't get 30 votes to challenge the power of the FDA 10 years ago. I know; we tried. We used to start, you know, saying maybe you could speed this process up, maybe you could take trials in Switzerland or Germany or Britain and count those and not have to redo it here as make-work for some guild here. And they go, no, can't do that, thalidomide, and everyone would run. Now we have the horror stories of people who are dead and crippled because of the FDA's lack of interest and lack of compassion and lack of smarts.

And a unanimous vote in the Senate. This is – the Democrats have a position of we're not giving the Republicans anything, we're not passing anything because we need to show how dysfunctional everything is. Every single one of those guys voted with the Republicans. And the lead on this was Ron Johnson of Wisconsin. And it'll now easily pass the Senate – House and it'll become the law of the land.

So that level of deregulation, that consensus, I doubt you have seen on any of the networks when that happened. They just – that story just doesn't exist in the world. And, again, most of the problems with the media is that they've decided this is the story, and they're incapable of stepping back and understanding what's actually happening around the world that's important, and they decide this is important. If you talk about something else, they get mad at you because this is the story, why are you talking about other things?

So, that said, questions/arguments/thoughts? Blue shirt.

MR. VAN BEEK: All right, yes. So just raise your hand. I'll bring the mic around.

MR. NORQUIST: Oh.

Q: CBO scoring.

MR. NORQUIST: Yeah.

Q: You mentioned it a number of times. Could you – is it legitimate? And would you make any comments?

MR. NORQUIST: Sure. The Congressional Budget Office scores spending and Joint Tax scores taxes, and each of them make assumptions about what's going on. One of the problems we had – and it makes it difficult for Republicans to pass certain legislation because CBO and Joint Tax are working on 20-year-old assumptions, and the person who was in charge in health care helped write Hillarycare in the first place. And her assumption was if you got rid of the mandate that made people buy health insurance, that everybody there would not buy Obamacare, but they'd also never buy any other insurance. That was – so when you start with an assumption like that, you've got 17 – 16 million people who don't – they said if you got rid of the mandate to buy – to buy Obamacare, people would get off Medicaid. How? How did you come up with that? What's the connection there, OK? But those were the scary headlines you saw about the number of people who would "lose." They counted the 16 million people who didn't want to buy Obamacare being told we are unshackling your hands, you are free to go, you may leave the prison, those people that were counted as being denied health care, or health insurance, because they didn't – weren't forced to buy what Obama required them to buy if they were going to buy health insurance at all.

And you also have millions of people who paid the penalty not to. I think 8 million people paid the penalty each year not to buy health insurance. What a great program. I always loved the idea of our friends on the left: I have a great idea; we're going to make it mandatory. If it's so great, you wouldn't have to make it mandatory. See, the guys at Burger King do not make it mandatory, they just have a good product. But the other guys go: I have a great idea, everyone's going to have to do X. If that's in the sentence, run.

So both CBO and Joint Tax at one level are trying to do the best they can. They just have blinders on, ideological blinders on. Plus, they haven't scored tax cuts dynamically, which is why all their assessments were wrong. When we cut taxes in 2003 – second Bush tax cut – for the next four years the government raised more money after cutting the capital gains and the dividend tax than they were expected to raise if they hadn't cut it. So that was a tax cut that more than paid for itself. Every once in a while you'll see some liberal go, no tax cut's ever paid for itself. Well, OK, the last one we had – (laughs) – the most recent one we had – 2003, 2007 – did, in fact, more than pay for itself. And all tax cuts give you some economic growth bounce. Reagan gave us 4 percent growth for seven years, till his vice president decided to raise taxes and give us a slight recession.

If – because he was the last Republican, by the way, to vote for a tax increase. Since 1990, when Bush talked some Republicans into joining him in raising taxes, we haven't had a Republican in the House or Senate nationally vote for a tax hike, OK? So we've done a pretty good job of – now the only times they raised taxes is when the Democrats have the House, Senate and the presidency – ’93 to ’94, 2008, 2009, 2010. They raised taxes those two periods. After that, we took the House and the Senate away from them, they got nothing, and then we took the House away from them and they got nothing. Obama was president for two years and then we didn’t let him do anything. But the first two years he did a fair amount of damage. But he wasn’t able to do more damage because he didn’t have the House and the Senate.

So Joint Tax and CBO are problematic. We have to live with what they do, to a certain extent. We can – you can legally tell Joint Tax you will make the following assumption, because otherwise they just pull it out of their backside and make an assumption. We need to reform Joint Tax and CBO and insist that the models they use be open for inspection. These are black boxes. Given our assumptions, we say X. Can you show us the assumptions and can you show us how they work? Uh, no, it’s a secret. (Laughter.) They will not tell you. I can’t – I can’t even get from the Republicans some of the numbers that Joint Tax is putting out because it’s the first time they’ve ever done some of this stuff and they’re just learning how to do it, Joint Tax is, and we’re supposed to limit our ability to cut taxes to their understanding of tax policy.

So it is, unfortunately, overly limiting. We have some understanding out of Joint Tax that when you reduce rates you have more economic growth.

Here’s what CBO will tell you: If you grow at 4 percent a year instead of 2 percent a year for a decade – Reagan versus Obama – the government nets $6 trillion because of growth, OK? That’s their number. So imagine if you allow people to take 2 ½ trillion (dollars) back, cut the corporate rates, how much growth you might get and how much revenue would flow from stronger growth and more job creation. And the Democrat answer is zero, and Joint Tax admits some, and the answer will be a fair amount. And I do hope we look back after doing this and then say to Joint Tax: Explain why you were wrong. Which they haven’t done for any of their previous errors. They haven’t explained why they were wrong.

The Joint – CBO, when they scored Obamacare coming in, were off by factors of two and three. I mean, it was just, you know, the number of people that were going to have – buy the insurance or want the insurance, they weren’t even close. They were off by millions, tens of millions. And it seems to me I would say: I don’t want to talk to you again until you explain to me how you got it so wrong coming in, and show the world the model so everybody can look at it and see what your assumptions were to see what needs to be fixed. And then we could talk about listening to you again. But they forgot to do that.

Q: My name’s Mike Farage. I’m from Grand Rapids, and I’m president of our Grand Rapids Taxpayers Association.

Two quick questions. You had mentioned several times $2 ½ trillion. Some person on some cable network, she sounded like an idiot, but she made a comment, if all that money immediately came back to the States it would throw us in a recession. And I didn’t quite understand that. Is that true or is that false?

And my next question is –

MR. NORQUIST: If I threw 2 ½ trillion (dollars) at you, would you be in a recession? (Laughter.)

Q: I'd be in a strip club, probably, but no. (Laughter.) I mean, I don't even know where that came from.

MR. NORQUIST: I have never heard that, but it's not a bad line for stopping the conversation because it's so goofy that you have to think for a moment – (laughs) – what could they possibly be thinking.

Q: Thank you.

My next question. I'm constantly talking to people about what you're talking about. And I mean, just some reason or another, when you're talking about cutting taxes or taxes, it's not politically sexy. Even my mom falls asleep when I talk about this. How can I phrase the narrative towards it interests people? My city alone per capita is in debt worse than the city of Detroit. Our public schools are worse than Detroit. But yet, I can't get people to just pay attention. How can I – what can I do or how can you help me just keep these people – grab their attention from that?

MR. NORQUIST: We have to raise people's expectations of – from government. If you say to yourself, visualize going to McDonald's and getting a hamburger; now visualize going to the Department of Motor Vehicles and getting your license. You have a sense of how long this is going to take. You have a sense of how smiling the person behind the counter's going to be, how pleasant they're going to be, how helpful they're going to be. And you have a completely different sense about going into a business than you do going into the government, and it doesn't make you mad. You just know that's the way it is. I'm going to go do – get a passport, it'll take forever. I'm going to do this, it's going to take longer than going to a store and talking to people and paying them for stuff. So we expect too little from the government, and we've accepted and gotten used to shoddy service and incompetent services.

It's like the people in the Soviet Union, Russia when the Soviet Union ceased to exist, were just amazed at the McDonald's stores because the idea – they used to go to government-run restaurants, right? (Laughs.) The person got paid whether they talked to you or not. It took forever and the food was bad and everything. And now McDonald's you have people smile at you and they talk, and they would go just for the experience of being treated somewhat nicely.

We need to expect more from government. And partly we need to have some good examples to point to, which is tough. But I do think that when Reagan cut taxes and we had growth, you saw a tremendous uptick in people's trust of government, which is a problem because then a Democrat gets elected and takes that trust and abuses it. But we do need to continue to compare.

That's why – look, the reason why 50 states are better than the federal government in making certain decisions is not because they're closer to us. I'm not any closer to the governor than I am to – or I live in D.C.; I'm not closer to the mayor than I am to the president or something. There's still bureaucrat lines in between me and either of those characters. It's that there are 50 of them. And if Vermont does something particularly stupid, people can leave Vermont. But the federal government would have to do something really awful for people to start moving to other countries, OK? So states compete with each other for people and investment and resources and jobs, and so some of them get it better than others.

The answer is, why is – why do people move to Florida and leave Illinois? Why do people move to Texas and leave Massachusetts, you know? And that's what we need to have, is better comparison shopping among states. And that's why the Republican Party's position should be block grant everything to the states, because when you have one government program screwing everything up, nobody can tell what's gone wrong. But if you block grant it to 50 states – as we did with welfare reform, which Clinton signed after vetoing twice, but he signed it the third time, and many states had tremendous reductions in cost and better services and some things got worse. Hawaii got worse, OK? Well, you can take a look. What did Hawaii do wrong? What did these other states do right?

So I like competition, and I like putting those decisions out into the states through block granting.

Q: Just two questions.

MR. NORQUIST: Yeah.

Q: First one is: If 2 (trillion dollars) to $3 trillion comes back to the U.S., what's the forecasted impact on inflation and the cost of capital? And how is the Fed or whatever going to come up with policies if there is going to be a surge in inflation? That's one question.

And the second question is: Did the Democratic Party move to the left, or has it been taken over by some oddball group of people and we're seeing the consequences of that?

MR. NORQUIST: Well, several things have happened on the Democratic Party's journey leftward. They lost the 11 states of the Confederacy, and so they don't have anybody who wasn't part of sort of a Northeastern more left-of-center worldview. They've lost rural areas. They've lost suburban areas. So they've retreated into an archipelago of cities, and that has separated themselves from the majority of the population.

And the unions and the trial lawyers have become increasingly important as financial sources for the modern Democratic Party. Coerced union dues from the private sector used to fund the modern Democratic Party. They got union dues from 35 percent of the private sector who were union members in the 1950s, and they had money taken from them – mostly coerced, non-Right to Work states – and then that was spent on politics. But as any parasite eventually damages the host, organized labor damaged the industries in the Midwest and the auto industry, and the number of employees and the market share that those companies had, and steel and all these other. They did so much damage that it was not 35 percent of the private sector, it's about 7 percent of the private sector.

So the host moved over to – the parasite moved over to more robust hosts, like government, because they tend not to go bankrupt as easily because they can go take more money. They don't have to sell a product, they just have to have enough guns. And so now they do that, and that's why state governments and local governments are so phlegmatic and don't function very well, because they have work rules like organized labor put on top of certain industries as they damaged them tremendously.

So at least when the Democratic Party was making their money using the unions to tax private-sector workers, who had to have jobs doing something. Now they get their money largely from the 35 percent of the public sector – government workers – who are unionized and get paid better than the guys in the private sector. And they don't have any interest – it doesn't matter to them how many people have jobs. They live off tax revenue. And if there's a recession, they raise taxes. So their interest in a healthy economy is less.

They get trial-lawyer money. They sue companies and drive them into bankruptcy, like Corning and others. And they live off of labor-union dues. So the sources of their resources have moved them leftward.

And the Democratic Party used to have a bunch of moderates in it, and they've become Republicans or independents. And the Democratic leadership has devolved to an increasingly hard-left collection of folks, for whom a growing economy is not an interesting question. You remember Obama's comment when somebody said, you know, if you cut the capital gains tax you get more growth, and if you raise the capital gains tax you get less growth and less jobs? He said, I don't care, I should still do it to punish rich people. He didn't care if he was hurting the economy, he was trying to make a point. He was acting out, and other people's jobs and lives and neighborhoods were being destroyed, but he didn't – he didn't care. President of the United States: I don't care.

So it's not important to the modern Democratic Party that the economy's growing. It never bothered them that it was the lousiest recovery ever. You think there would have been a debate inside the Democratic Party of what the heck are we doing. No, there wasn't. It was never about how come we don't create – have more growth. It was about how come we don't have more taxes. What's the matter with all those peasants out there? Get busy. Send cash.

They try and shut down fracking, namely one of the big successes the United States has had recently. And during the Obama years, fracking on the private-sector land and state land – which they couldn't stop – increased dramatically, and drilling for oil and natural gas on public lands – which they did have control over – fell. So they were trying to kill it. They just couldn't get to all of it, yet. The had a regulation which then got undone.

So I think that sort of explains the modern Democratic Party's lurch to the left.

And then, when you're out of power in this many places, you can be very irresponsible and you can say really goofy things because you don't have to put up or shut up. And they – and they do. They do. And the congressmen, the Senate and the House, Democrats, have no responsibility. They don't pass any bills. They just do nutty things and talk – and get – talk themselves closer to the edge in odd ways.

You had a first question.

Q: Yeah, inflation.

MR. NORQUIST: Ah.

Q: The impact of repatriation on –

MR. NORQUIST: Well, the money's in the – yeah, money's in the world, same number of dollars in the world, so you're not actually increasing the number of dollars in the world. You're bringing them here. I don't think it would have any input on inflation.

What you would – I mean, if you are printing dollars, you would inflate. But these are dollars that just happen to be somewhere else. If a dollar moves from Maine to California, it doesn't increase inflation in California. It's a fixed number of dollars. It may be too many, it may be too little, but it doesn't affect the number of dollars in circulation.

What you'll see is companies investing that money either in themselves – which some people go, they'll just buy their own stock. I would really like to know that smart people who earned a lot of money believe that, given a billion dollars, the smartest thing they can do with it is to invest in their own company. I want to be invested in that company. I'm not interested in being invested in a company that says, we have a billion, what do we do? Don't put it in our company. (Laughs.) Let's go buy something else that's working. That makes me nervous. So I don't understand these guys who go, well, they'll buy their own shares. Well, if they do, that's their investment, and when they buy the shares they bought them from someone else who has money to also invest. So I don't see the concerns. I would rather have companies that are so excited about what they're doing that they're buying their own stock and somebody else can reinvest somewhere else.

MR. VAN BEEK: Do one more brief, brief question.

Q: Hi, Grover. I'm Pat Heller (sp).

MR. NORQUIST: Hey.

Q: What effect is the unfunded liabilities for pensions and government-retiree health care benefits going to have on all of this?

MR. NORQUIST: If you close your eyes, none.

MR. VAN BEEK: It wasn't a Mackinac Center event until we asked that.

MR. NORQUIST: (Laughs.) We need to – at the national level and the state level, we have similar problems. States and local governments, you have government-worker pensions that are way out of line, unfunded liabilities from those pensions now $3-5 trillion or so. The number keeps getting worse, unfortunately.

The good news is that a number of states – Michigan's taken some bites at the apple, took one of the first when Engler took the state employees and moved it to a defined-contribution plan.

Utah has moved completely all new employees – cops, firemen, everybody, state local – a number of years ago all went to defined-contribution plans, no new unfunded liabilities in the whole state.

A number of states have moved in the right direction, and some cities. New Jersey made progress under Governor Christie, about $30 billion worth of unfunded liabilities they were able to get rid of.

Rhode Island's made progress under Democrats, left-wing Democrat governor who wants to be president who said I can't have any money to spend if I'm going to – (laughs) – put it all into pensions. So she wanted to reform pensions so she could spend it on new stuff. And the other just goes to all the people who are already voting for her, so they don't, you know, move the money to somebody new to buy a new voter.

Nationally, the unfunded liabilities stem from the entitlement programs, which if you do nothing take the cost of government, you know, and taxes up from 20 percent taxes up to 40 percent if you're going to pay for stuff. It turns into France. Paul Ryan's plan, which he's outlined and so on, which is block-granting all the welfare programs – 185 – block granting those, and setting them at inflation plus population so they don't grow faster than the rest of the electorate. And if you have economic growth, they grow less rapidly than the rest of the economy. And then reform Medicare so that you get a voucher for a certain amount of money, if you want to top it off you can – an idea that was invented by Democrats as well as Republicans, but once the Democrats got into power they denounced Alice Rivlin, who used to be their Council of Economic Advisers, brilliant person. But since they're now into reform nothing now never, they don't like Alice Rivlin anymore.

But it was actually a solution to the runaway costs of Medicare that would give you competition to bring down prices rather than rationing. There are only two ways to keep down competition – keep down prices: competition or rationing. The Europeans ration. You're at a certain old age in Europe, you don't get certain operations. And that's the alternative to competition. The Ds don't like competition. Their only answer is rationing, which eventually gets to be problematic.

So I think it's completely fixable, but it does take – and we've started it at the state and local level with reforming pensions. We've done enough pension reform that we will never get blackmailed into nationalizing the state pension debt. The smart move for Obama, who made none of the smart moves – I used to lose sleep in the first weeks of his administration going he's going to do this, this and this, and we'll never get off the mat. And instead of changing labor law, which he should have done to advantage his team, he decided to do health care. And he should have nationalized the pensions of state and local. He'd have had Republican governors up standing next to him, hugging him; Arnold Schwarzenegger going, hey, we're the team. You'd have just added $3 trillion to the national debt, and then every responsible state which had non-crazy pensions would go, what are we thinking? They'd all go crazy. And then you have 20 million state and local workers who all answer to the federal government. You'd have nationalized not their pay, but their pension and benefits, and you'd have never reformed anything ever at that point. But we now have enough states that if Illinois wants to go off the deep end, we go "Bye!" instead of hug us and we'll all do something stupid together.

So we have passed the danger zone of having to cover for failure. We can have a state turn into Detroit if they want. That's OK. But it would be a good example for other people of what not to do. But I think we'll – we are beginning to get there, and the Trump administration and the Republicans are committed to doing that. It would be helpful to have five more senators so that two or three people at a time could have a hissy fit over in a corner all by themselves and not interfere with progress, which they do if they get to three right now. They can have up to two people have a hissy fit at a given time, but not more than two. It would at least give you the leeway of somebody walking away mad because of something – legitimate or not legitimate, just somebody deciding I'm off somewhere else today.

Let me close with one thought. The – I got a moment? – the modern Republican Party, the modern conservative movement, the modern Reagan Republican Party is a movement made up of people and individuals and structures that, on their vote-moving issue, what they want from the government is to be left alone.

Taxpayers, if you vote on taxes, you want your taxes down. You don't want other people's taxes up. You want to be left alone.

If you a small-business man or -woman and that's your vote-moving issue – your profession, your job, your business – you want to be left alone: less regulation, fewer taxes. You don't want anything from anybody else. You don't want the government to go kneecap your competitors. There are businesses like that; they vote for the other team.

The homeschool movement, illegal in 48 states 30 years ago, now prospering, 2 million people homeschooling. What do they want? Leave us alone. Leave us alone. They're not asking for homeschooling stamps. Leave us alone.

The Second Amendment community. I passed out one of the more cheerful charts, the number of people with concealed-carry permits in the United States: 16.3 million Americans with a shall-issue, with a concealed-carry permit. Now, more than that carry because a lot of states – 14 states don't require a permit, but these are the ones with actual permits. What do they want? They want to be left alone. They're not asking for gun stamps. They're not asking for the government to tell them how swell they are and have gun owners appreciation weeks or something. They just want to be left alone.

The various communities of faith, people who want to be left alone to practice their faith and raise their kids, they're not asking for Baptist stamps or to have everybody be an Episcopalian or something. Leave us alone.

That's why our coalition can work together, because nobody wants anything at the expense of anybody else on a vote-moving issue. We can have arguments on tertiary issues and secondary issues and quaternary issues and whatever five is. But on the vote-moving issues that require people to show up and the reasons they vote, there aren't conflicts. And so a politician just has to be able to say: I'm going to leave your money alone, your profession alone, your kids alone, your faith alone, your education of your children alone. Oh, and the new ones: your Uber alone, your Airbnb alone, your vaping alone. There are new things being invented that the – that the government wants to crush, and every time they do that we get more of us.

So that's why our coalition is a low-maintenance coalition. And it's been growing because the government's become more annoying to people. And the more people we get to become small-business men and -women, the more Republican activists you have. And the fewer people on welfare and who are working, the more Republicans you have. Which is why the Democrats' answer to everything is more people on welfare and more people with government jobs rather than private-sector jobs, because they do better with those demographics. So we want people to be strong, independent, in control of their own lives, and able to make their own decisions. And every time you treat people that way you make more people like that, and you make for a healthier, more prosperous society, which is why we should win and they should lose.

And I think we're on track to do that. It's always disappointing that the world doesn't get it all today. If I talked louder, perhaps they would, you know? You know, but slower and louder and they'll get it. But in point of fact, we are winning, and this is a pretty good measure of how the country's moving over the last several decades. And it's in a good direction, a healthy direction. Faster is better, more is better, but this is better than what it used to look like.

Thank you very much. (Applause.)

MR. VAN BEEK: Thanks very much. I hope you enjoyed the program.

I just wanted to, before we close, thank Auto-Owners Insurance. There's a – there's a reason why there's this big sign here. They are generous, generous supporters of the Mackinac Center, and in particular for these luncheons that we host on a regular basis. So thank you, Auto-Owners, for your support of the work that we do.

If you'd like to learn more about the Mackinac Center, we have several of my colleagues around or you could talk with me afterwards. The Mackinac Center is a nonprofit, nonpartisan research institute. We rely entirely on voluntary contributions from our generous supporters. So if you'd like to learn more about how you could join us, we'd be happy to talk more with you.

Hope you have a great day, and we'll see you next time. (Applause.)

(END)