

House Policy Committee

Christopher Cox, Chairman



FIRST SESSION REPORT
108TH CONGRESS

Convened January 7, 2003

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D E D I C A T I O N

In 2003, the Policy Committee lost two of its most distinguished chairmen, former Reps. John Rhodes, Jr. and Barber Conable, and Dr. Edward Teller, a brilliant scientist who served on the Committee's Congressional Policy Advisory Board.

The third House Policy Chairman, John Rhodes, died August 24, 2003. Chairman Rhodes was the longest serving Policy chairman until the GOP recaptured the House Majority, serving from 1965 until 1973. Rep. Rhodes built a GOP policy foundation that eventually yielded the policy-based Contract with America and thereby empowered the GOP to overcome 40 years of one-party House control. Even today, the Policy Committee follows the model established by Chairman Rhodes, working with all House Republicans to achieve policy consensus and putting the best interests of the nation above the politics of the day. Policy Committee files include Chairman Rhodes' papers on topics ranging from appropriations to the Peace Corps, and are still consulted for their wisdom.

The fourth House Policy Chairman, Barber Conable, died November 30, 2003. Chairman Conable served from 1973 until 1977, and his influence was felt even during 2003's last Policy Committee meeting, just a few days before his death. At that meeting, Office of Management and Budget Director Josh Bolten and the committee reviewed a Policy Statement on the budget process published by Chairman Conable in 1975. In analyzing the first test of the Budget Act of 1974, Chairman Conable wrote, "Major legislative efforts are needed to rein in 'uncontrollable' items and to establish a new pattern of legislative authorizations and appropriations. The new budget procedure is no panacea, and the First Resolution on the Budget makes it clear that our whole legislative process must be rededicated to a will to govern." The new budget process, Chairman Conable accurately predicted, would lock "us into a higher tier of uncontrollable spending for future years."

Finally, Dr. Edward Teller, one of the 20th century's most accomplished scientists, died September 9, 2003. Among his most recent contributions was service with several current Bush administration officials on the Congressional Policy Advisory Board, even when his age made travel to Washington difficult. By video-conference with Donald Rumsfeld, Paul Wolfowitz, the rest of the Committee's Advisory Board, and the House Leadership from Stanford in the late 90s, Dr. Teller helped set national security policy for the 21st century.

As the GOP celebrates its 150th Anniversary in 2004, the intellect and patriotism each of these Americans demonstrated in their Policy Committee service sets a standard to which the Committee will continue to aspire.





Policy in an Era of GOP Control

At the end of the First Session of the 108th Congress, Republican policy has achieved its greatest victories since President Reagan launched his campaigns to win the Cold War and reduce top marginal tax rates in 1981.

- Advancing a House policy initiative launched in 1991, Republicans enacted the most significant reforms in the history of Medicare. These reforms create opportunities to advance market-based care through consumer choice, more readily affordable prescription drug treatment (thereby controlling spending by reducing the need for more expensive Medicare-funded treatments), and better health for all Americans.
- Building on idea first proposed by House Policy Chairman Christopher Cox in a 1976 Harvard thesis and introduced by him in 1992 legislation, Congress cut the top marginal rate on dividend income from 60% to 45%. Results so far include the distribution of billions in profits to shareholders and much larger federal tax receipts than would have been collected absent the economic growth it created—the strongest economic growth since President Reagan’s tax relief.
- The 1998 Iraq Liberation Act, developed by the Policy Committee and House International Relations Committee Chairman Ben Gilman in 1998, was the cornerstone for 2002 authorization of and 2003 funding of Iraq regime change. Republicans worked toward Middle East democracy and government of, by, and for people of around the world.

In each area—domestic, fiscal, and foreign policy—Republican victories showed the triumph of policy over politics. Only Republican policy reforms made it possible to enact Medicare reform. Only because Republicans in Congress and the administration agreed that double taxes on savings and investment—first at the 35% corporate rate and then at the 38.6% personal rate—destroyed American jobs, depressed wages, and increased prices was the double tax reduced. Only because the administration adopted an Iraq liberation policy, advocated by members of the Policy Committee’s Congressional Policy Advisory Board in the late 90s and adopted after Policy Committee consultation with future Iraqi Governing Council members, is there hope today that Middle East democracy will help defeat terrorism.

In none of these areas, nor in countless others, is Republican policy complete. During the First Session of the 108th Congress, the Policy Committee worked to further GOP policy in each of these areas and dozens of other areas, and it will continue its work in the Second Session.



The Policy Committee in Action

Freedom in Iraq, Afghanistan, and the Near East

The policy of regime change in Iraq began in the U.S. House of Representatives in 1996 with a Policy Statement from the Policy Committee. Policy Chairman Cox and then-International Relations Chairman Ben Gilman (R-NY) subsequently drafted and Congress passed the Iraqi Freedom Act. Signed by President Clinton in October 1998, the Act officially established regime change as the policy of the United States government.

In 2003, the Policy Committee emphasized the need for a stable, democratic government in Iraq and brought increased national and international attention to the human rights atrocities committed by Saddam Hussein. It worked with the House International Relations Committee to coordinate a hearing where Conference Chair Deborah Pryce and victims of Saddam's cruelty testified. It also worked with Senate Conference Chairman Rick Santorum and others to hold a bicameral, bipartisan meeting and news conference with participants from the Iraq Memory Foundation and the Holocaust Museum.

Early in 2003, Members met with Michael Ledeen of the American Enterprise Institute about Iran and Iraq. Upon the liberation of Iraq, Under Secretary of the Treasury for International Affairs John Taylor and USAID Administrator Andrew Natsios briefed the Committee on Afghanistan and Iraq reconstruction. Members and the administration distinguished between 1990s "nation building," and the more concrete efforts underway in 2003. Defense Secretary Don Rumsfeld also met with the Committee.

Iraqi National Congress leader Ahmad Chalabi met with the Committee for the third and fourth times, following up on 1998 and 2001 meetings. The second meeting marked the end of Dr. Chalabi's month of service in the rotating presidency of the Iraqi Governing Council, and he updated Members on the pace of de-Baathification in Iraq; recent legislation enacted by the Iraqi Governing Council to establish a pro-growth, flat-tax of 15 percent tax on corporate and individual income; the progress of infrastructure reconstruction; the timetable for the adoption of a constitution and the administration of free elections; and the need to write off Saddam's debts to France, Russia, Germany, and other creditors. Dr. Chalabi also described the security environment in Iraq, emphasizing the growing stability and improved security provided by U.S. soldiers throughout Iraq.

Freedom in East Asia

Since the Policy Committee published "American Strategy and Strength," a 1960 report by then-Rep. Gerald Ford, Policy Chairman John Byrnes, and the Policy Subcommittee on Special



Projects, the Committee has taken a special interest in speaking for House Republicans to support freedom abroad. When Vice President Dick Cheney chaired the Policy Committee in the 1980s, he used it to build support for policy toward Latin America that resulted in freedom across the Americas, save Cuba.

Hong Kong and China

The Policy Committee continued its tradition of acting in behalf of freedom in 2003, first playing host to a Hong Kong publisher and later meeting with a delegation of Hong Kong legislators opposed to an anti-subversion law that the Peoples' Republic of China was attempting to impose on Hong Kong. The latter meeting included among its participants Martin Lee, the former Leader of the Hong Kong Democratic Party. Mr. Lee discussed the possibility of passing a series of laws that would provide for a safe harbor in news reporting.

The Committee drafted, introduced, and worked with the House International Relations Committee to enact H. Res. 277, on June 26, 2003, by a vote of 426-1. The legislation condemned the PRC-backed effort in Hong Kong to impose severe restrictions on the freedom of thought, expression, and association. Under "Article 23," proposed as an amendment to Hong Kong's "Basic Law," individuals and groups displaying or distributing publications critical of the government, or that "intimidate" the People's Republic of China government, would be subject to charges of "sedition," "subversion," and "treason," and subject to imprisonment or police searches without warrants. Also penalized would be people or groups writing op-eds, organizing peaceful protests, or otherwise working for change in government policy.

The resolution condemned such restrictions on freedom in Hong Kong, urged the PRC to end its insistence on the proposed implementation of Article 23, and called on the PRC to leave any revisions of Hong Kong law to a democratically elected legislature.

On the House Floor on June 26, Freedom, Civil Liberties, and Human Rights Policy Subcommittee Chairman Lincoln Diaz-Balart, noted the urgency of Congressional action:

Timeliness is critical here. Time is of the essence because of what the Chinese Communist regime is seeking to do precisely in these weeks in Hong Kong. It seems as though, Mr. Speaker, tyranny knows only one modus operandi, to repress the people by any means necessary to prevent dissent. We have seen this all too clearly with the dictator only 90 miles off our shores here, off the shores of the United States. And now a bastion of freedom in the face of one of the most tyrannical regimes in the world is facing a dire threat. Hong Kong may soon have its important freedoms destroyed by the so-called People's Republic of China, the PRC. In an act of complete cowardice and desperation, the PRC has prepared new legislation called Article 23 of the Basic Law, which seeks to severely restrict the freedoms of the people of Hong Kong. The communist government in Beijing is pressuring the local government in Hong Kong to pass this legisla-



tion before July 9. Freedom of the press and freedom of expression are in great jeopardy because of this legislation. The actions of the Chinese regime fly in the face of promise made by Beijing of “one country, two systems,” a 50-year commitment that was made to the world to preserve Hong Kong’s respect for human liberties. But a mere 6 years after the British handed Hong Kong to the Communist Chinese, we see that the totalitarianism has no patience. It cannot stand to see the failures of its regime in the very face of the shining example that Hong Kong has been of freedom and civil liberties.

In response to unprecedented Hong Kong street demonstrations, which were encouraged by U.S. support, authorities in Hong Kong and Beijing indefinitely postponed a vote on implementing Article 23. Policy Chairman Cox praised the action, but said, “Delaying this vote is only the first step. The Hong Kong Government must ensure that the freedoms enjoyed by its people are protected permanently.” Early in 2004, the PRC intervened in Hong Kong again, ordering a delay in reforms. The Policy Committee will continue to monitor the PRC’s renewed crackdown.

Chairman Cox’s other efforts for freedom in East Asia included continued service on the Board of Directors for the National Endowment for Democracy, enactment of a resolution condemning the unlawful detainment of Tiananmen Square massacre witness and U.S. resident Yang Jianli, and meeting with and publicly announcing support for exiled Chinese writer and democrat Xu Wenli. Xu was exiled from the PRC after being imprisoned for 16 of the past 21 years. He and Chairman Cox discussed the fate of the hundreds of political prisoners still being held by the PRC, including Wang Youcai and Qin Yongmin.

North Korea

Congress sought to hear from Hwang Jong-Yop, the highest-ranking defector ever to escape North Korea, since shortly after his arrival in South Korea in early 1997 to gain insight into the world’s most isolated regime. After repeated attempts to facilitate his travel to the United States, the Policy Committee succeeded in arranging for Dr. Hwang to travel to the United States and meet privately with Members in the Speaker’s Dining Room in the Capitol on October 30, 2003—31 years after Dr. Hwang began 11 years of service as the Speaker of the North Korean Supreme People’s Assembly. Dr. Hwang also met with the International Relations Committee, visited the House Floor with Chairman Cox, and met with Chairman Cox and Speaker Hastert.

Members learned about Dr. Hwang’s transformation from a loyal servant of the North Korean regime to one of the strongest advocates for democracy on the Korean peninsula. Dr. Hwang explained how Kim Jong Il ruthlessly obtained total control over the North Korean system, provided insight into the inner circle that supports Kim Jong Il, explained how Kim Jong Il uses the security services and military for internal control and overseas manipulation, and detailed the regime’s exploitation of humanitarian aid from the outside world. He concluded that the task is not to meet Kim Jong Il’s demands, or alleviate the troubles caused by his failing policies, but to bring about the end of his cruel regime.



On the Internet

The Policy Committee in 2003 initiated the Global Internet Freedom Act, which would establish an agency of the U.S. government to defeat Internet jamming around the world for purposes of promoting free speech, freedom of the press, freedom of religion, and human rights. It was included as part of the State Department Authorization Bill passed by the House, and is pending in the Senate.

Freedom in Russia

World chess champion and foreign policy strategist Garry Kasparov briefed the Policy Committee on threats to freedom in Russia on June 24, 2003. Representatives of the National Endowment for Democracy and Radio Free Europe joined Mr. Kasparov. In a second briefing arranged by the Committee, Mr. Kasparov met privately with the Elected GOP House Leadership. The briefings updated the House Majority on developments in Russia since the Policy Committee published the report of the Speaker's Advisory Group on Russia in 2000.

Political and economic freedoms in Russia continue to be compromised by government attempts to control independent media organizations and a lack of clear rules governing commercial activity. Policy Chairman Cox helped lead a bicameral, bipartisan protest of Russian government behavior, joining with House International Relations Committee Ranking Democrat Tom Lantos and Senators John McCain and Joe Lieberman in introducing legislation conditioning U.S. support for Russia's participation in the Group of Seven nations on improved rights in Russia. He also formed a group of House Members with the specific mission of working in the U.S. to deter further encroachments on liberty in Russia and encourage further reforms.

Dividend Tax Relief

In 2003, Congress enacted the principle behind legislation authored and first introduced by Policy Chairman Cox in the 102nd Congress in 1992—based on a thesis he wrote at Harvard University in 1977—cutting the double tax on dividends. The result was increased economic growth, lower unemployment, and more investment in the American economy. By December 2003, CBO reported that increased tax receipts from economic growth had roughly offset the so-called “cost” of the lower rate to the government. This was consistent with a 2003 study of Chairman Cox's proposal by the Heritage Foundation's Center for Data Analysis, which projected that full implementation of Chairman Cox's legislation would increase the size of the economy by an average of at least \$32 billion per year between 2003 and 2012, create 325,000 additional jobs by 2012, and increase the capital stock of the U.S. economy by at least \$174 billion by 2012.

The reduced dividend tax will have the added benefit of protecting savings during stock market declines and reducing the across-the-board nature of such declines. Without a penalty tax



on dividends, lower stock prices can be offset by dividend payments from healthy companies. The stock value of healthy companies will not decline as much as they would if the excess tax penalty on distributing profits to shareholders remained the law. The market stabilization effect of lower dividend taxes and the income stream made possible by reduction of the double tax will also help assist in the creation personal retirement accounts necessary to address long-term Social Security funding. (While seniors receive only 15 percent of all U.S. income, they receive roughly half of all dividend income.) As hard evidence of corporate performance, increased reliance on dividends is also expected to improve corporate accountability.

New Treasury Secretary John Snow met with the Policy Committee in early May, as the economic growth aspects of the tax relief package were being finalized, and encouraged the House to continue its work on H.R. 50, which scaled back the President's proposal to completely eliminate the double tax on dividends, but added capital gains relief. He also reiterated the administration's long-term goal "to pass the 100 percent abolition of the double-tax on dividends."

Regime Change in Scoring

The Policy Committee has endeavored to change the federal governments system of "scoring" tax and spending legislation since 1995. In 2003, evidence of initial success emerged. While efforts continued—attendees at several Policy Committee meetings where scoring was discussed included Joint Committee on Taxation chairs Rep. Bill Thomas and Sen. Charles Grassley, Budget (and CBO oversight) Chairman Jim Nussle, new CBO Director Douglas Holtz-Eakin, and new JCT Chief of Staff George Yin—CBO issued an unprecedented analysis of the President's fiscal plans showing economic growth created by lower taxes and economic contraction caused by higher spending. This was the first official institutional recognition of modern conventional wisdom in economics since the most left-wing Congress in history created today's budget process in 1974. To mark this landmark occasion, the Committee published a Policy Perspective entitled "Regime Change in Scoring:"

THURSDAY, APRIL 3, 2003

Six years ago, the House Policy Committee published a Policy Perspective entitled "Why Congress Needs Accurate Scoring of Tax Rate Reductions." Now, by considering the growth effects of tax rate reductions, the Congressional Budget Office has taken the most tangible step yet toward accurate estimating since the fall of the Democrat Congress in 1994. Accurate scoring is vital to the enactment of sound tax policy that will create jobs and grow the economy.

A Failed Model

On June 9, 1997, the Policy Committee released a Policy Perspective documenting the long history of error in calculating the revenue effects of changes in tax rates. By ignoring the effect of tax rate changes on the economy as a whole, Congressional revenue estimates have been rendered notori-



ously inaccurate. For example, capital gains tax rate adjustments in 1978, 1981, and 1986 were scored by the Joint Committee on Taxation using economic growth forecasts that were identical with or without the proposed change in tax policy. In each case, JCT's forecast was 180 degrees wrong. Where JCT predicted lower tax revenue, revenue rose; where JCT predicted higher tax revenue, revenue fell.

Finally, in 1997, revenue forecasters took exceptionally modest notice of the fact that reducing the capital gains tax could raise revenue—but badly underestimated just how much. A JCT prediction issued the same day as 1997's Policy Perspective forecast that capital gains tax revenue would rise in the first, second, and sixth years after the rate was reduced from 28% to 20%. In fact, capital gains revenue surged well beyond all expectations, growing more than 50% in the first three years after the rate was reduced, permanently elevating the economic baseline, and helping the federal government to pay down more than \$450 billion in public debt.

The huge federal budget surpluses that resulted in part from this surge in capital gains tax revenue had a negative effect as well: they initiated a spending spree that contributed to the loss of market confidence. Combined with the costs of the war against terrorism, this loss of confidence has slowed economic growth. Today, as Congress considers new legislation to reinvigorate economic growth and create new and better-paying jobs, it is vital that tax policy choices be informed by more accurate revenue forecasting.

A First Step

For the first time, on March 25, 2003, empirical data derived from previous tax rate changes was used by CBO to estimate the effects of the President's budget proposal on the American economy. This much-anticipated "dynamic" analysis estimates that economic growth, after adjusting for inflation, would be 1.3% higher next year if the President's economic growth tax proposals are enacted. Moreover, unemployment would be reduced by a full point.

As a first attempt, CBO concedes that its analysis is far from perfect. Ironically, that concession goes far toward enhancing CBO's credibility. CBO's new presentation of how and why its numbers might vary makes it possible, for the first time, to appreciate the sensitivity of the forecast to various assumptions.

Budget Committee Chairman Jim Nussle, and Ways & Means Committee Chairman Bill Thomas, have already commended CBO's effort, while pointing out ways that the analysis could be made even more useful. One shortcoming both identified was the fact that the growth-enhancing measures were lumped together with the growth-retarding measures. Chairman Nussle noted that the CBO report:

... is an analysis of the President's entire budget, not just the President's growth package. CBO examined all of the President's policies—taxes and spending—to measure the effect all of those policies in sum would have on the economy. Although the economic growth package clearly generates positive economic outcomes, some of the policies in the President's budget do not (e.g., tax credit for the uninsured), and some policies have a slight negative effect on the economy (persistent budget deficits). ... The President's job creation package will help the economy and create jobs. CBO confirms what many private forecasters have said: that the President's proposals would boost economic growth (real GDP) and employ-



ment in the near term. Unemployed workers would have jobs sooner, and workers would have higher incomes than without a proposal such as the President's.

Meanwhile, Chairman Thomas notes:

What CBO found is that smart tax relief, notably the President's dividend proposal, has real economic benefits. CBO also found that spending increases and inefficient tax cuts have economic costs. The net effect to the economy is only negative because tax cuts are eclipsed by spending increases.

Conclusion

Republican economic policy is clear: to promote economic growth through lower taxes and fiscal responsibility. The empirical data derived from previous tax rate changes is finally being used to inform wise choices in tax policy that will help achieve economic growth. The CBO's report, delivered to the House Budget Committee on March 25, 2003, is a refreshing change and a new beginning.

Class Action Fairness: Restoring the Principles of Federalism

On February 28, 1995, the Policy Committee issued a Policy Statement holding that, "because lawyers can cherry-pick the states they want to sue in, the state with the worst tort laws determines liability for commerce across the nation." As of mid-January 2004, that remained the law. However, the Senate was reportedly close to winning 60 votes to overcome a Democrat filibuster of legislation to restore principles of federalism to interstate litigation. The Policy Committee has repeatedly advocated such legislation, most recently in the following Policy Perspective published on the day the House passed class action reform:

THURSDAY, JUNE 12, 2003

Today, the House considers H.R. 1115, the Class Action Fairness Act. This important legislation rationalizes the rules governing national class actions and creates important protections for plaintiffs to ensure that class action settlements benefit victims rather than their lawyers.

Opponents have raised specious arguments against this legislation, wrongly claiming that the bill could close the courthouse door to innocent victims. Nothing could be further from the truth. The bill is procedural in nature, and does nothing to alter any law that would govern any class action. Indeed, there is no class action lawsuit that can be filed today that cannot be filed after H.R. 1115 becomes law. Class actions will still be permitted, and plaintiffs will continue to aggregate their claims to seek justice. The difference will be that a game rigged to benefit trial lawyers will be a little more honest.



The Federalism Canard

What is striking about the legislation, and the hostility it engenders, is its modest ambition. In addition to important procedural protections for plaintiffs, the legislation insures that those cases that should be heard in federal court are indeed heard in federal court. Oddly, this feature has been the source of one of the most bizarre and unexpected criticisms of the bill—that it actually is attempting to “federalize” activities reserved to the states.

The contention that H.R. 1115, or any legislative proposal, violates federalism and impinges on core state responsibilities is an argument that understandably resonates among Republicans. Likewise, it is refreshing to find Democrats arguing in favor of respecting the constitutional rights of states; Republicans ought to remind many of the “converts” of their federalism epiphanies during future legislative debates. In fact, the claim that H.R. 1115 violates federalism is absurd. Exactly the opposite is true: the legislation ensures that the requirements of Article III of the Constitution are met and actually reinforces traditional principles of federalism.

Article III vests the federal judiciary with the authority to hear disputes “between Citizens of different States.” Such disputes, where there is “diversity” of citizenship between parties, are under the Constitution unambiguously removable to the federal courts. The Founders wisely understood that the citizens of different states deserve to be protected from being dragged into foreign state courts that may, wittingly or not, tip the scale of justice in favor of citizens of their own states. The Constitution was, of course, written long before the advent of modern national class action litigation, where plaintiffs and defendants may well come from many different states, and the statute that establishes “diversity” of citizenship requires that all the plaintiffs be citizens of different states from all of the defendants. The result, of course, is that many plaintiffs and defendants, with a modest amount of artful pleading by trial lawyers, can be pulled into states to which they have no ties and have their disputes resolved by courts possibly hostile to out-of-state litigants. This is exactly the kind of problem the Article III diversity requirement was drafted to prevent.

H.R. 1115 would rationalize the problem and bring diversity requirements more in line with Article III’s mandate by allowing a class action to be removable to federal court if any plaintiff and defendant are from different states, so long as the aggregate amount of the claims was sufficient. The legislation, then, does nothing to “usurp” traditional responsibilities of the states, since the Founders wisely and explicitly assigned the responsibility of hearing claims between citizens of different states to the federal courts.

Moreover, far from undermining traditional principles of federalism, the legislation actually reinforces those principles. Because current law governing class actions effectively permits state courts to hear large national class actions, local courts have the ability to decide the laws of other states and create national policy. Such extra-territorial lawmaking by state courts undermines the ability of states to enforce and interpret their own laws, and subjects the citizens of other states to the vagaries of the forum state courts.

Under the current class action regime, a coterie of trial lawyers has gamed the current system to force national class actions into handpicked local courts. The system is unfair to the litigants, who are required to appear in far-away courts specifically selected by plaintiffs’ lawyers because of their likely hostility to out-of-state litigants. The system is unfair to the states, which find their laws interpreted and enforced by other states’ courts. The system is unfair to Americans generally, because these class actions effectively allow local courts in places like Madison County, Illinois and Jefferson County, Texas to impose national costs on consumers. The only winners are the lawyers who bring the suits.



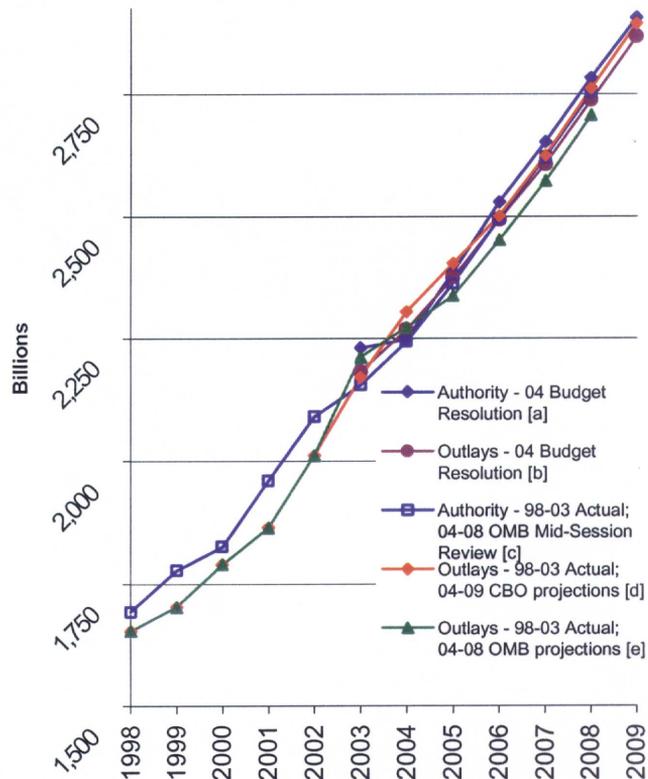
Controlling Spending

Continuing its efforts from 2002, when the Committee controlled supplemental spending by giving the president guaranteed veto protection against an over-budget bill, the Committee met and worked with both outgoing Office of Management and Budget Director Mitch Daniels and new OMB Director Josh Bolten. Early in 2003, Committee fiscal analysis showed that spending growth of 7.4%—far more than slowing economic growth—was the source of Washington’s first budget deficit in five years. Excess spending growth continued in 2003 at 6.8%, prompting administration officials to assure the Policy Committee that it would increase its attention to controlling spending.

On December 5, 2003, CBO reported that the “income tax cuts enacted in May in the Jobs and Growth Tax Relief Reconciliation Act have reduced withheld receipts, but those effects have been roughly offset by the growing economy.” As economic growth created by tax relief continues, additional revenue will help the administration meet its goal of reducing the deficit by half by 2007 and, if further growth-enhancing legislation (spending restraint or improved tax policy) is enacted, surpass that goal.

In connection with the Policy Committee’s decade-long effort to reform the scoring system, CBO in 2003 issued a report establishing the connection between increased government spending and slower economic growth. (See “Regime Change in Scoring,” p. 7.) However, the debate about federal spending remains clouded by unimportant concerns about technical distinctions between “outlays” and “budget authority.” Dramatic spending increases are expected under current plans; the FY2005 budget to be released in early February will call for controls to slow this growth.

Outlays or Authority: All Going Up





Civil Rights Policy

The Republican Party has the best civil rights record of any political party in the history of the world. To celebrate this record of achievement, and to mark a renewed focus on civil rights as a global priority, the Policy Committee will unveil the 2005 Republican Civil Rights Calendar, documenting more than 365 GOP civil rights victories, later this year. Each day will highlight a Republican achievement for racial minorities, women, or other disadvantaged Americans.

The GOP Civil Rights project originated at the Policy Committee meeting on June 19, 2003, marking the anniversary of Juneteenth. Participants included Deana Bass, the House Republican Conference Outreach Coordinator; Pamela Mantis, of the Republican National Committee; Phyllis Berry Myers, of the Centre for New Black Leadership; and Michael Zak, the author of *Back to Basics* for the Republican Party.

In addition to being the 150th anniversary of the party, 2004 also marks the 50th anniversary of the modern civil rights movement. Here are a few early dates to celebrate in 2004:

- February 2, 1856—After leaving the Democratic Party because of its pro-slavery policies, Nathaniel Banks is elected first Republican Speaker of the U.S. House of Representatives
- February 22, 1856—Republicans hold our first national meeting, in Pittsburgh, and establish the Republican National Committee
- February 25, 1870—Former slave Hiram Revels (R-MS) becomes the first African-American U.S. Senator
- February 27, 1875—California Republican Romualdo Pacheco becomes the nation's first Hispanic Governor
- March 1, 1875—Republican President U.S. Grant signs the Civil Rights Act of 1875, guaranteeing equal access to public employment for African-Americans; passed Congress with 92% Republican support and 100% Democratic opposition; struck down by Supreme Court in 1883 and reborn as the Civil Rights Act of 1964—also passed with weak Democrat and strong GOP support
- March 6, 1857—Republican Supreme Court Justice John McLean strongly dissents from decision by seven Democrats in *Dred Scott* that African-Americans have no rights and cannot be U.S. citizens
- March 20, 1854—Opponents of Democrat efforts to expand slavery into the territories establish the Republican Party, in Ripon, Wisconsin (150th Anniversary in 2004)
- May 17, 1954—*Brown v. Board of Education* (50th Anniversary in 2004)



Resuscitating Health Care

The Committee has sought to protect Americans from excess costs imposed by onerous litigation in all aspects of life. For example, it protected jobs through securities litigation reform and safety through provisions to reduce the costs of litigation associated with terrorism risk insurance. In 2003, the House acted to protect American health from the costs of excess insurance payments resulting from liability costs exceeding those necessary to fully compensate patients for their injuries suffered because of malpractice and to deter substandard medical practice. The Committee explained its work in a Policy Perspective entitled “Resuscitating Health Care:”

THURSDAY, MARCH 13, 2003

Every day, medical doctors give their patients the greatest gifts: hope and life. They mend our fractured bodies and our wounded spirits. They heal those who are suffering. Today, medical doctors are helping to heal another cause of suffering by leading the reform of our professional liability system.

Physicians, nurses, health care professionals, and their patients are leading this reform effort by telling politicians, the media, and the American people about the devastating impact of exploding liability costs on the quality, availability, and affordability of health care.

The medical liability system is a critically injured patient. But after being prepped for surgery in the House Energy and Commerce and Judiciary committees, on March 13, 2003, the House passed legislation, H.R. 5, to treat it. And with Dr. Bill Frist as Senate Majority Leader, the chances of the Senate agreeing to send this legislation to President Bush, who is anxious to sign it, are stronger than ever.

The Disease

While medical doctors care for the sick and the injured with skill and dedication, the multi-million dollar lawsuit industry represents something altogether less creative, less valuable to society, and of absolutely no help in sustaining life or relieving patient suffering. The cost of lawsuits has triggered massive increases in the cost of professional liability insurance in many specialties. America faces a nationwide crisis that isn't just driving good doctors out of the profession, but also the best and brightest of our young people out of careers in medicine. It is devastating the quality and availability of care for millions of patients.

For doctors in all fields, professional liability insurance premiums are increasing at the highest rate in decades. The driving forces are enormous jury awards and outrageous settlement demands. According to a March 2002 study by Jury Verdict Research, the national median malpractice award is increasing 43% per year. This is unsustainable. The number of malpractice suits per doctor increased 25% in the 1990s. Today, the average physician faces a new lawsuit every single year.

A visitor from another country who learns of these data and knows nothing about the U.S. medical system might conclude that Americans must be very unhealthy. With so many lawsuits and a rising tide of damage awards there must be a terrible downward trend in the quality of care and patients must be suf-



fering as never before. Certainly Americans must be dying at horrific rates as all of these incompetent doctors botch so many procedures.

The evidence shows just the opposite. Americans are healthier than ever before, enjoying the longest life expectancy in history. In the 20th century, life expectancy increased 30 years for the average American, and it continues to lengthen. The National Center for Health Statistics predicts that the average American born in 2010 will live to nearly 80—another all-time record high.

And let's be clear—this powerful trend of improvement in health and longevity is not just benefiting the elderly. In the past 50 years, according to a recent report from the Department of Health and Human Services, death rates among young people up to age 24 have fallen by half. Thanks in large part to American medicine, the rate of infant mortality, which has plunged more than 75 percent since 1950, continues its historic decline. Select almost any measure of health you wish—infant mortality rates, rates of mothers dying during childbirth, death rates from heart disease, stroke—and what you find is a powerful long-term trend of healthier Americans.

And yet this progress is now seriously threatened. Rising litigation costs, a growing incidence of lawsuits, greater damage awards, and more exorbitant settlement demands are placing an unsustainable legal tax on American healthcare.

For this reason, the House Energy and Commerce and Judiciary committees conducted hearings to explore the depths of this problem nationwide. The Congress has found a grave threat to patients' ability to get the care that they need:

- On June 30, 2002, Methodist Hospital in South Philadelphia, which had been delivering babies since 1892, closed its maternity ward and stopped delivering babies due to the rising costs of medical liability insurance.
- Last July in Nevada, physicians gave new meaning to the movie title “Leaving Las Vegas.” Liability costs forced Southern Nevada's only trauma center to close its doors, temporarily leaving Las Vegas as the only city of its size in the entire country without such a life-saving facility.
- More recently, surgeons in Wheeling, West Virginia walked off the job to protest the crushing burden of liability insurance. One of the surgeons, Dr. Gregory Saracco, told CNN that he had to borrow money twice last year to afford his insurance bills. His coverage will cost \$100,000 this year in West Virginia, where average physician wages are among the lowest in the nation.

The Cure

Congress will act to an end this crisis so that patients are not denied the care they need. Doctors who want to serve their fellow citizens will no longer find it financially impossible to do so because of out-of-control liability insurance rates.

In fact, the House legislation is based on the solution enacted in California by a Democratic legislature and a Democratic Governor, Jerry Brown: the Medical Injury Compensation Reform Act of 1975, or



MICRA. This legislation was first introduced by Chairman Cox in the 103rd Congress in 1993, and has been passed three times by the House—only to be stalled by Democrats in the Senate. In the current Congress, it is sponsored by Rep. Jim Greenwood (R-PA), and is titled the Help Efficient, Accessible, Low Cost, Timely Health Care (HEALTH) Act. The HEALTH Act includes the most successful provisions of MICRA and additional remedial provisions based on the past quarter century of experience.

MICRA has successfully limited increases in physician liability costs. Measured in constant dollars, the average California liability insurance premiums actually fell by more than 40% from 1976 to 2001. Just like MICRA, the HEALTH Act:

- Allows unlimited recovery of economic losses; that is, any medical cost, rehabilitation expenses, future lost wages, or anything else that can be measured in dollars. And it allows up to an additional quarter million dollars in non-economic damages—for “pain and suffering” or “injured feelings.”
- Puts reasonable limits on the amount of dollars that lawyers can take out of an injured patient’s recovery.
- Permits payment of future damages based on actual harm, rather than requiring a lump sum payment relying on uncertain forecasts of future harm.

Congress has built upon its experience in the quarter century since passage of MICRA to include additional provisions in the HEALTH Act to rein in reckless punitive damages and improve the availability of high quality health care throughout the country:

- Sensible standards for punitive damages. California’s law contains a laundry list of vague and ill-defined offenses for which punitive damages can be awarded—and the standards for punitive damages are conflicting. There is even greater conflict among all 50 states. The HEALTH Act clarifies that the standard for punitive damages is either malicious intent or deliberate failure to avoid unnecessary injury. In other words, a doctor who makes a completely innocent mistake may be spared punitive damages in addition to all the other damages if a jury finds the mistake was unintentional.
- Punitive damages must bear some relationship to actual harm caused. Under the HEALTH Act, punitive damages can be up to two times the amount of economic damages, which are unlimited. The HEALTH Act doesn’t cap punitive damages; it does give them at least some mooring to earth.
- No punitive damages if there are no actual damages. Finally, the HEALTH Act stops the practice of lawyers using the court to “send a message” or to strike out against “the system” when there is no actual harm to any of the parties in the lawsuit. In those cases, no punitive damages can be awarded.

Rationalizing the use of punitive damages—which more than any other aspect of the civil justice system are responsible for our lawsuit lottery—brings us closer to a system where patient health is the number one concern.



Delivering Treatment

The Association of Trial Lawyers of America and its 56,000 members stand athwart the cure for excessive litigation costs that would be delivered by the HEALTH Act. ATLA has convinced itself that the best place to make split-second medical judgments is in the courtroom—after months and years of depositions and interrogatories. They believe the phenomenon of billionaire lawyers is a reflection of social justice.

Notwithstanding ATLA rhetoric, America is poised to win the war against abusive lawsuits and skyrocketing medical costs that are a result of lawsuit abuse. In the ten years since the HEALTH Act was first introduced by Chairman Cox, its support has grown from a handful of cosponsors to the enthusiastic backing of the House and Senate Leadership and the White House. The efforts of its current lead sponsor, Rep. James Greenwood of the House Energy and Commerce Committee, and the Speaker of the House, Dennis Hastert, have earned the HEALTH Act designation as a “Speaker’s bill,” H.R. 5. The low bill number signals the importance that the House Leadership attaches to this critical reform.

The HEALTH Act is about ensuring that the U.S. health care system remains the best in the world. It is about controlling vexatious and wasteful lawsuits that have little to do with compensating victims, and everything to do with enriching an elite group of trial lawyers. It is high time for medical justice. Thankfully, that time has come.



The Continuing Agenda: Full Committee

In the 108th Congress, the House Majority enjoys a strong Republican president but faces the dual challenge of an evenly divided Senate and a federal judiciary hamstrung by a campaign to force the replacement of retiring judges with judicial activists intent to usurp legislative powers. Two House Policy Committee missions—to advance Republican principles and, during a Republican administration, to ensure that Republican ideas are enacted into law—depend upon successful cooperation between both houses of Congress and the Executive.

To meet these challenges, House Policy Chairman Cox, Senate Policy Chairman Jon Kyl, and their policy committee staffs are coordinating to advance GOP efforts. The First Session of the 108th Congress saw the institution of regular meetings between the chairmen and staff of the two policy committees and of the first Bicameral Leadership Policy Dinner.

Particular areas of House-Senate policy coordination included joint events on tax and spending policy, joint work on developing global non-proliferation policy, an event to bring attention to atrocities committed in Iraq under Saddam Hussein, and cooperation on judicial issues. Notably, when Senator Hatch met with the House Policy Committee on judicial nominations, the two chambers reaffirmed their mutual interest in promoting a federal judiciary that respects legislative intent.

In addition to building relations between the House and the Senate and the House and the executive branch, the full House Policy Committee remains focused on initiatives including:

- Fiscal policy for economic growth
- Working with the President, OMB, the Senate, and the House to control federal spending
- Growth-oriented tax relief
- Making tax relief permanent
- Restoring U.S. competitiveness
- Promoting freedom and human rights globally
- Permanently banning the transfer of nuclear technology to terrorist states and pursuing aggressive global counter-proliferation measures
- Enhancing the acclimatization of new immigrants to the United States through voluntary language and culture instruction
- Finding and supporting the enactment of good legislative ideas through the House Priority System
- Coordination with the RNC and NRCC
- Retirement security



The Continuing Agenda: Subcommittees

Policy Chairman Cox, in consultation with House Majority Leader Tom DeLay, established seven subcommittees at the outset of the 108th Congress. The House Leadership designed these subcommittees to build Conference-wide support for Republican policy initiatives and to empower their chairmen and Members to speak authoritatively on matters within their jurisdiction. Each subcommittee is contributing to the policy arsenal responsible for making the Republican Party in the United States the most successful political organization in history.

Biotechnology, Telecommunications, and Information Technology

CHAIRMAN JERRY WELLER
VICE CHAIRMAN DARRELL ISSA

While GOP tax cuts on savings and investment helped the NASDAQ rebound, technology and telecommunications lost more than a million jobs from March 2000 through October 2002. Broadband Internet connections—DSL, cable, fixed wireless, fiber-to-the-home, satellite and mobile wireless (3G)—are increasing, with subscribers expected to rise from 17 million in 2003 to 49 million in 2007, but investment in the last mile is stagnating and the outlook for ultra-fast consumer connections remains uncertain. The FCC, established to regulate media and telecom markets at a time of scarcity, has begun deregulating markets, raising new questions and creating new opportunities.

In the life sciences, America's ability to create breakthrough technologies and provide medicine and food for the world is matched only by that of European activists and bureaucrats in scaring the worldwide public. European criticism of genetically modified crops has cost African lives by blocking affordable U.S. food exports. EU policy on genetically modified foods costs U.S. agriculture millions in exports. Examples of the benefits of biotechnology include ending hunger through the use of drought resistant crop varieties for Africa, and Vitamin A enhanced rice in Vietnam, which could significantly reduce blindness. While as many as 30 million people in Africa may be in danger of starving to death, donated American food has rotted on the docks in Zambia and Zimbabwe because of the Euro-scare campaign against American products.

In Africa, nearly 30 million people have the AIDS virus—including three million children under the age of 15. Technological developments have made widespread HIV therapy possible; the price of advanced antiretroviral (ARV) drugs, which can effectively suppress the AIDS virus in infected people, has fallen from more than \$12,000 to under \$300 per year. Despite these therapy advances, the number of people actually receiving ARV treatment remains remarkably low. The United States has agreed to make \$15 billion available to fight AIDS in



Africa, a sum Congress must carefully monitor to ensure the most help possible gets to as many people as possible.

Technology is a driving force in the economy and vital to national security. Through the Biotechnology, Telecommunications, and Information Technology Subcommittee, Republicans commit to legislation that builds consumer trust, preserves and expands access and choice for the American people, develops markets for U.S. technology at home and abroad, makes government more efficient, creates private jobs, and ensures the development and deployment of technologies to enhance national security. Good public policy is critical to achieving these important goals. Working with leaders in emerging industries, the Subcommittee will educate legislators, opinion leaders, media, and consumers about the promises of innovation, competition, and consumer protection and highlight policies to achieve Republican goals.

In 2003, the Technology Subcommittee held a series of meetings to advance new GOP technology policy. It compiled a long list of policy initiatives and circulated it to every House Republican. In 2004, the Subcommittee will work to implement those aspects winning sufficient support to be come official Republican policy.

Civil Justice

CHAIRMAN MIKE PENCE

Abusive litigation benefits a small caste of trial lawyers at the expense of American taxpayers. Out-of-control punitive and non-economic damage awards and pernicious and abusive class actions stifle innovation and growth, destroying jobs and compromising the health care system. Huge damage awards that bear no relation to the harm suffered stop doctors from practicing medicine and stifle new and critical technologies. Trial lawyers use class action lawsuits to black-mail companies into settlements with huge fees, while clients, the ostensible “victims,” receive little or nothing. All of these facts, along with tacit acceptance of illegal immigration, lead to a decline in respect for the rule of law.

The Civil Justice Subcommittee is working to create jobs by redirecting resources from lawyers fees, court costs, and insurance to actual productive work and investment; to increase international competitiveness of American business; to increase access to courts to citizens with actual grievances; and to publicize the fact that Senate Democrats have blocked more judges for a year or more under President Bush than under every other President in the history—combined. The Subcommittee will continue to build on the GOP record of expanding civil justice, including securities reform, class action reform, and medical justice. It will work with Members, committees of jurisdiction, and the executive to establish a menu of reform choices and make recommendations.

At a meeting with Senate Judiciary Chairman Orrin Hatch in late 2003, the full committee



and subcommittee learned of a growing split between American workers who realize that their jobs are threatened by uncertain asbestos liability and trial lawyers, whose wealth is bolstered as long as they can sustain sufficient votes in the Senate to block a resolution. The committee will help publicize this fact.

Realistically, the House could pass significant additional civil justice reform, but virtually all of the House's efforts have been stalled by trial lawyer influence in the Senate. Nevertheless, planning continues in the hope that Senate Minority obstreperousness can be overcome. Among the ideas being considered are reform of the "winner pays" rule, which imposes high litigation costs on innocent defendants, thereby creating incentives for frivolous and wasteful lawsuits; local non-profit liability reform; ending education litigation abuses that drive up school costs and transfer tax dollars from students to trial lawyers; reform of trial lawyer practices, including contingency fee arrangements and "coupon settlements," which encourage frivolous and wasteful litigation (for example, requiring lawyers to take the same form of compensation as plaintiffs); wider application of "rocket docket" reforms; Rule 11 sanctions enhancements to protect innocents from trial lawyer abuses; and mandatory pre-filing settlement conferences. The Subcommittee will seek to unify diverse civil justice interests with an innovative reform having broad House support.

Freedom, Civil Liberties, and Human Rights

CHAIRMAN LINCOLN DIAZ-BALART

According to the most recent Freedom House survey:

- 85 "free" countries recognize basic political rights and civil liberties—representing 41% of the global population, or 2.5 billion people.
- 59 "partly free" countries have only limited respect for political rights and civil liberties—representing 24% of the world's population, or 1.5 billion people.
- 48 "not free" countries lack basic political rights and deny basic civil liberties—representing 35% of the people on earth—2.2 billion human beings.
- More than half of the world's people live under governments that do not respect freedom.

Meanwhile, a 2003 CBS News poll asked, "With Republicans in control of Congress, do you think opportunities for minorities in the United States will get better, get worse, or remain about the same as they are now?" While three-fifths of Americans thought opportunities would stay the same, 21% thought they would get worse and only 14% thought they would improve. Too many still believe that the Republican Party—which was founded on equality and brought freedom to millions of Americans in the 19th century, millions of Europeans and Asians in the



20th century, and 24 million Iraqis in April 2003—is not the best party to protect equality and freedom in the United States.

The Policy Subcommittee on Freedom, Civil Liberties, and Human Rights will continue to work to reestablish the GOP as the party of equality and opportunity. It will advance freedom at home and abroad, in particular working to defeat terrorism by finding means to simultaneously protect freedom and homeland security. Chairman Lincoln Diaz-Balart is uniquely positioned to accomplish all of these goals as the chairman of the Homeland Security Rules Subcommittee, where he will help design the process by which the House further advances these goals.

The Subcommittee is emphasizing the founding Republican principles of individual freedom, human equality, and civil rights at home and abroad, continuing the work of the Americas Subcommittee of the 107th Congress to combat dictatorship in the western hemisphere, to promote free trade among free peoples, to protect and consolidate threatened democracies, and to spread political and economic freedom around the world where democracy does not exist. It will work with all Republican Representatives to ensure that GOP legislation is fully consistent with these fundamental principles, to develop new legislation, and to recommend appropriate oversight.

In 2003, the Subcommittee met with USAID and Iraqi officials and also worked with the full committee on the visit of North Korean defector Hwang Jong-Yop, weighing the degree of U.S. intervention appropriate to promote democracy in various nations around the world. The Subcommittee will continue its review of U.S. democracy assistance programs to ensure that government efforts and monies to promote freedom and democracy are prioritized, effective, and results-oriented. It may also consider means to streamline democracy assistance-granting agencies and will continue its monitoring of U.S. policy toward Cuba with a view toward accelerating efforts to win freedom for the Cuban people and further assisting threatened democracies in Latin America. The Subcommittee may also continue an initiative launched in 2003 to establish a policy for freedom in Iran and to enhance training of Foreign Service Officers in promoting freedom.

Health

CHAIRMAN: VACANT

Former Chairman Ernie Fletcher was a strong advocate for the uninsured, noting that CBO estimates 21 million to 31 million Americans continue to lack health insurance. With health care premium costs increasing at annual double digit rates, employers—especially small businesses and the self-employed—must cut coverage. According to the Census Bureau, only 51% of low-income workers and 63% of the unemployed had health insurance in 2001.



Medicare reform accomplished by the GOP 2003 holds the potential of controlling long-term health costs and therefore improving health care for all Americans. Before reform, expenditures as a percentage of Gross Domestic Product (GDP) were projected to increase from 2.6% to 5.3% by 2035, and then to 9.3% by 2077 (meaning that \$1 of every \$10 in the economy would go to Medicare). Full implementation of GOP reforms, including close attention to the rules-making process under the reform bill, is critical.

Other health priorities include cutting waste in medical research inherent in the existence of 27 different NIH institutes and centers, each receiving its own mandate directly from Congress. One-third of these units were created in the last decade-and-a-half, creating administrative difficulties and increasing overhead costs.

The current tax code limits freedom of choice in health care. Employer-provided health insurance and medical expense coverage are tax-exempt to workers, but insurance premiums and medical expenses paid by individuals are taxed. Only 4.5% of taxpayers can claim a health expense deduction because they must spend at least 7.5% of adjusted gross income on health care to qualify. This tax discrimination limits working and retired Americans to obtaining health insurance through their jobs and denies them freedom of choice. Restoring the doctor-patient relationship, which would be one result of giving individuals the option to purchase their own insurance, would make health care safer, more effective, and more affordable and reduce the health care bureaucracy.

Despite the time required for Gov. Fletcher's successful gubernatorial candidacy, the Health Subcommittee was active in 2003. Subcommittee Chairman Fletcher's staff worked with Reps. John Boozman and Michael Burgess on improving employer-provided health care, making more options available to Americans seeking health insurance, and improving long-term care.

At a meeting chaired by Rep. Boozman on October 8, 2003, benefits administrators for large employers, other experts, and Members agreed on the need for reforms giving consumers more control over their health care.

At a meeting chaired by Rep. Burgess on October 15, 2003, former House Speaker Newt Gingrich briefed Members on his American Enterprise Institute health reform project, and a long-term care executive described challenges created by current government policies.

Notably, at the second meeting, Reps. Nancy Johnson of the Ways & Means Committee and Heather Wilson of the Commerce Committee, both of whom have jurisdiction over and are personally committed to improving policy toward long-term care, agreed to work jointly to address these and other health challenges facing the House.



National Security and Foreign Affairs

CHAIRMAN HEATHER WILSON

The United States is waging a war on terror. The nation is transforming its military capability, helping to establish democratic governments in Afghanistan and Iraq, and combating the global proliferation of weapons of mass destruction. Rarely has U.S. defense and foreign policy been so important to the welfare of the American people. Never has U.S. policy been so important to people living under authoritarian rule, totalitarian regimes, and dictatorship around the world. Congress and the Administration are continuing to review U.S. relations with allies and terms of participation in international organizations. Ensuring that U.S. relations with international organizations and alliances advance U.S. security interests is a Congressional priority.

On February 13, 2003, Subcommittee Chairman Heather Wilson published a report on U.S. nuclear weapons policy entitled “Differentiation and Defense: An Agenda for the Nuclear Weapons Program.” The report reviewed nuclear weapons policy and made recommendations to Congress for improving national security in light of a far more diverse array of nuclear threats. The report highlighted the need for the United States to improve testing of the nuclear weapons stockpile, in order to extend its life; to reduce test readiness time; and to invest in nuclear weapons research and development. The report strongly emphasized the need for robust programs to prevent proliferation of nuclear materials.

Specifically, the report recommended that the U.S.:

- Continue to support the development, testing and eventual deployment of ballistic missile defense systems as an element of deterrence.
- Accelerate the development of tools to detect, disrupt or defeat weapons of mass destruction before they can be used, including real time monitoring and detection capabilities for chemical, biological, and radiological materials.
- Retain the strategic triad with a reduced level of deployed strategic warheads.
- Extend the service life program for the nuclear stockpile and require a streamlined test readiness program to achieve an underground diagnostic test within 18 months.
- Support the modernization of the National Nuclear Security Administration complex of laboratories and manufacturing facilities, and revitalize the nuclear weapons advanced development program.
- Focus non-proliferation efforts on Soviet legacy systems, supplier controls, and the disruption of supplier networks.



Important elements of this initiative were included in the 2004 Defense Authorization Act and are now law.

In 2004, Chairman Wilson proposes additional work critical to the future of U.S. national security and, as did the subject matter of her 2003 report, crossing several House committee jurisdictional boundaries. The 2004 report will focus on nuclear proliferation, an area where House and Senate Policy Committee Chairmen Cox and Kyl have already laid initial groundwork. It will involve the Armed Services, International Relations, Intelligence, Homeland Security, and other committees, as well as the Bush administration, and help Congress support increasingly important non-proliferation priorities.

Redesigning Government

CHAIRMAN DAVID VITTER

Democrats used their long control of the House to bias House institutions toward Democrat policies. The Budget process has routinely failed to curb spending and comply with its own rules. In 2002, the process completely broke down. Even during war, social spending made up 58% of the FY2002 budget, while defense spending comprised only 13.5%. Federal regulations cost the economy \$800 billion a year—comparable to all discretionary spending. Since passage of the Congressional Review Act in 1996—allowing Congress to overrule new regulations—more than 17,000 regulations have been created, with only one disapproved. Citizens Against Government Waste uncovered more than \$20 billion in federal “pork” in 2003. Government accounting remains a shambles. GAO cannot express an opinion on the Federal Government’s books. Untold billions are lost to waste, fraud, and abuse, particularly in large programs like Medicaid. JCT and CBO, originally established to help Congress better understand tax burdens, spending, and their impact on future tax receipts and the economy, were politicized. Despite recent reforms, bills can wait years for a JCT or CBO “score.”

The Redesigning Government Subcommittee is working with Members, the committees of jurisdiction, and the executive branch to establish means to save taxpayer money, streamline taxpayer service, enhance individual freedom, and make Congressional procedure consistent with substantive policy priorities. It is reviewing Congressional-Executive relations, intra-Congressional policies and procedures, and the legislative process to discover and recommend means to reduce taxes, right-size government, and improve its core functions.

Regulatory Reform and Agency Accountability

The Subcommittee is examining means to improve the regulatory process, including procedures set forth in the Congressional Review Act. The Subcommittee is pursuing initiatives that



require sound scientific and cost-benefit analysis before authorizing new regulations, including more accurate valuations of human impact from new regulations.

The Subcommittee is also working to make the vast U.S. bureaucracy more streamlined and accountable. The Subcommittee will work with the Administration to counteract the influence of public employee unions and put commercial jobs within the government up for competition, providing tremendous savings and delivering better service to taxpayers. The Subcommittee also plans to develop more effective procedures, including sanctions, against government agencies that fail to eliminate waste and demonstrate results.

Congressional Reform

In 1995, Republicans inherited a committee organizational structure that reflected Democratic values and priorities. While Republicans have made great strides in improving the way the Congress functions, structural defects continue to make it difficult to advance Republican priorities. The Subcommittee will work with the House Leadership and the Conference to examine the Committee structure and consider changes to serve Republican policies in the 109th Congress and beyond.

The most significant—and most pernicious—priority that was built into the Democratic organizational structure of the House was an institutional bias in favor of spending. The Subcommittee will work with the committees of jurisdiction to examine significant reforms—including major budget process reform and a constitutional spending limitation—that could curtail the institutional bias towards excessive government spending. The Subcommittee will also consider oversight issues crossing jurisdictional boundaries of the committees controlling JCT, CBO and GAO, which could be improved by emphasizing the functions of each organization most in line with GOP policy to protect taxpayers from excessive taxation and federal borrowing. The Subcommittee may consider performance standards to insure that the Policy interests of the Majority are not delayed or hindered by obsolete rules and procedures.

Government Sponsored Enterprises and International Organizations

The Subcommittee will work with the committees of jurisdiction to examine the operations of Freddie Mac and Fannie Mae and the benefits that they receive through their federal charters to insure that more benefits are received by American taxpayers.

The Subcommittee will also work with the committees of jurisdiction to reconsider the involvement of the United States in the World Bank, and consider alternative but more effective international assistance programs. Chairman Vitter has also been active on election reform and continuity of Congress and is expected to continue his leadership in those areas.



Tax Reform

CHAIRMAN KENNY HULSHOF

The mission of the Tax Reform Policy Subcommittee is to work with Members, the committees of jurisdiction, and the executive to conduct a comprehensive and ongoing review of the means by which taxpayers finance the federal government. The subcommittee is working to identify areas of current law that are overly complex, detrimental to economic growth, or unacceptably burdensome, and to advance solutions. The subcommittee's long-term goal is to reinvent the means by which the federal government is financed, and it is moving toward this goal through a Policy Statement establishing the Republican approach to tax reform.

Taxpayers spend more than \$6 billion a year merely to fill out tax forms. Tax compliance costs total \$200 billion a year. Federal tax rules fill 50,000 pages, with more than 7,000 changes since 1986. Deadweight costs from double and triple taxation of savings and investment are hundreds of billions. Onerous U.S. business taxes destroy U.S. jobs by putting American companies at an international disadvantage. A recent Democrat poll reported that 2% of Americans want Congress to raise taxes, 12% want no changes, 22% want lower taxes, and 62% say “reforming the tax code” should be the highest priority for Congress. Half of Americans have little apparent personal stake in controlling income taxes because they are not directly subject to income taxes—although the indirect effects of high marginal rates inflict disproportional harm on lower-income Americans.

The Policy Committee is working with the Majority Leader, the Ways and Means Committee, the Joint Economic Committee, the Senate Republican Policy Committee and the administration to advance tax reform. Ways & Means Chairman Bill Thomas, Secretary of the Treasury John Snow, and Joint Committee on Taxation Chief of Staff George Yin each met with the Committee to undertake urgent business to reduce the tax drag on the economy, control unfunded future liabilities, improve international competitiveness, and help the Majority move toward consensus in considering the myriad issues raised by tax reform proposals.



Selected Meetings and Events

January 21, 2003	Bipartisan staff briefing, Department of Defense FY04 priorities
January 28, 2003	Freedom and democracy in Hong Kong, Kin-Ming Liu
February 4, 2003	Bipartisan staff briefing, Pentagon transformation
February 13, 2003	Bicameral Executive Session, U.S. policy toward Iran
February 27, 2003	Executive Session with incoming CBO Director Douglas Holtz-Eakin
March 6, 2003	Executive Session with Budget Committee Chairman Jim Nussle (FY04 Budget) and Sallai Meridor, Chairman, Jewish Agency for Israel (U.S. immigration policy initiatives)
March 20, 2003	Organization of the Committee in the 108th Congress; House Priority System; Indian gaming; Houses of Worship Free Speech Restoration Act
March 27, 2003	Executive Session with Ways & Means Chairman Bill Thomas, GOP tax policy; President's economic growth plan
April 3, 2003	Executive Session with Majority Leader Tom DeLay and Secretary of Energy Spencer Abraham on House energy bill; impact of the war on energy; President's hydrogen initiative; Policy Committee 108th Congress priorities
April 10, 2003	Subcommittee goals
May 1, 2003	Secretary of the Treasury John Snow on tax relief for economic growth, including whether to eliminate or reduce the double tax on dividends and the acceleration of personal tax rate relief
May 6, 2003	Dr. C. Paul Robinson, President and Director of Sandia National Laboratories; proliferation; lab security; weapons policy
May 8, 2003	Office of Management and Budget Director Mitch Daniels on controlling spending
May 15, 2003	Under Secretary of the Treasury for International Affairs John Taylor and USAID Administrator Andrew Natsios; Iraq finances and reconstruction
May 21, 2003	Secretary of Defense Don Rumsfeld
June 5, 2003	Continuation of the January 28th meeting on Peoples' Republic of China media control in Hong Kong, with Martin Lee, former Leader of the Hong Kong Democratic Party, and a delegation of democratic activists from Hong Kong



June 12, 2003	Iraqi National Congress leader Ahmad Chalabi on Policy Committee efforts to achieve regime change in Iraq since 1996
June 19, 2003	On the anniversary of Juneteenth, the Policy Committee discussed the GOP Civil Rights Agenda with Deana Bass, of the House Republican Conference; Pamela Mantis, of the Republican National Committee; Phyllis Berry Myers, of the Centre for New Black Leadership; and Michael Zak, the author of Back to Basics for the Republican Party
June 24, 2003	U.S.-Russia policy with world chess champion and foreign policy strategist Garry Kasparov and representatives of the National Endowment for Democracy and Radio Free Europe
July 10, 2003	Republican National Committee Chairman-elect, Ed Gillespie
July 17, 2003	International tax policy with Ways & Means Chairman Bill Thomas
July 24, 2003	U.S.-Iran policy with top GOP House Members and Iranian exiles
September 8, 2003	Staff Briefing with Senate GOP Policy Committee on Tax Policy for the 21st Century
September 9, 2003	Biotechnology, Telecommunications, and Information Technology Subcommittee on the technology agenda
September 11, 2003	Minimum Uniform Standards for U.S. Driver's Licenses
September 24, 2003	Vice President Dick Cheney
September 25, 2003	George Yin, Chief of Staff for the Joint Committee, on scoring and tax reform
October 1, 2003	Iraqi Governing Council member Ahmed Chalabi on efforts to establish a Constitution
October 8, 2003	Health Policy Subcommittee meeting on policy for affordable health care
October 15, 2003	Health Policy Subcommittee meeting on long-term care with former Speaker Newt Gingrich and Rep. Nancy Johnson
October 21, 2003	Biotechnology, Telecommunications, and Information Technology Subcommittee on the technology agenda
October 30, 2003	Hwang Jang-yeop, North Korea's highest-ranking defector, on means to improve relations with North Korea and nuclear proliferation
November 6, 2003	Senate Judiciary Chairman Orrin Hatch on pending judicial nominations, continuity of Congress, and strategies for legal reform
November 21, 2003	Office of Management and Budget Director Josh Bolten on tax relief, the economy, and Medicare reform



About the Committee

The first of eight major recommendations of the 1946 Joint Committee on the Organization of Congress was the consolidation of 81 legislative committees into 34. The second major recommendation was the creation of the Policy Committee.

The Joint Committee, which included among its 12 Members Sen. Robert La Follette, Sen. Claude Pepper, Sen. Richard Russell, and Rep. Everett Dirksen, envisioned the Policy Committee as the principal forum for the consideration of forward-looking legislative initiatives, the enunciation of official party policies, and the resolution of inter-jurisdictional policy disputes. The Joint Committee recommended that the Policy Committee “serve as a formal council to meet regularly with the Executive, to facilitate the formulation and carrying out of national policy, and to improve relationships between the executive and legislative branches of the Government.” The Policy Committee serves all of those missions, as described in detail at <http://policy.house.gov>.

Republicans established the Policy Committee by Conference Resolution on January 26, 1949. For its first ten years, Republican Leader Joe Martin (MA) served as chairman. In 1959, the Conference unanimously elected Rep. John Byrnes (WI), the ranking Republican on the Ways & Means Committee, as chairman after junior Members sought to strengthen the Committee to modernize GOP policy. In 1963, under Conference Chairman Gerald Ford, the Conference amended its rules to increase the number of newer Members on the Committee so that it more broadly represented “forward-looking Republican thinking.” With the support of Rep. Don Rumsfeld (IL), future House Republican Leader Rep. John Rhodes (AZ) succeeded Rep. Byrnes in 1965, and served until 1973. Subsequent chairmen were future World Bank President Barber Conable (NY, 1973-77); Rep. Del Clawson (CA, 1977-79); Rep. Bud Shuster (PA, 1979-81); the current Vice President, Dick Cheney (WY, 1981-87); future Conference Chairman Jerry Lewis (CA, 1987-89); Rep. Mickey Edwards (OK, 1989-93); and current International Relations Chairman Henry Hyde (IL, 1993-95). Rep. Christopher Cox (CA) was elected Policy Chairman when Republicans won the House Majority in 1994.

The Policy Committee is comprised of the elected and appointed Republican Leadership; the chairmen of five key committees (Appropriations, Budget, Commerce, Rules, and Ways and Means); Representatives elected from each of the Nation’s regions; three Representatives elected by the two newest classes of Members; and at-large members appointed by the Speaker.

Newly-elected Representatives have four opportunities to serve on the Policy Committee: as a Member elected by other newly-elected Members to represent them on the Committee; as a Class representative to the House Leadership; as one of the regional representatives elected to serve on the Committee; or as an at-large Member appointed by the Speaker.



Committee Membership

The success of the Policy subcommittees established in the 107th Congress prompted a record level of interest in Policy Committee service in the 108th Congress. The GOP Conference unanimously agreed to expand the committee to a record 47 Members:

Leadership

Dennis Hastert, IL
Tom DeLay, TX
Roy Blunt, MO
Deborah Pryce, OH
Christopher Cox, CA
Jack Kingston, GA
John Doolittle, CA
Tom Reynolds, NY
Eric Cantor, VA
John Culberson, TX
John Carter, TX
David Dreier, CA
Bill Thomas, CA
C.W. Bill Young, FL
Jim Nussle, IA
Billy Tauzin, LA

Elected by Steering Region

Kevin Brady, TX
Jim DeMint, SC
Lincoln Diaz-Balart, FL
Wayne T. Gilchrest, MD
Bob Goodlatte, VA
Darrell E. Issa, CA
Tom Latham, IA
Mike Pence, IN
Jon C. Porter, NV
Patrick J. Toomey, PA
David Vitter, LA
Roger Wicker, MS
Heather Wilson, NM

Appointed by Speaker

Michael Burgess, TX
Shelley Moore Capito, WV
Ander Crenshaw, FL
Ernie Fletcher, KY*
Phil Gingery, GA
Katherine Harris, FL
Melissa Hart, PA
Kenny Hulshof, MO
Joe Knollenberg, MI
Ron Lewis, KY
Robert Ney, OH
Rob Portman, OH
John Shadegg, AZ
Nick Smith, MI
Jerry Weller, IL
Joe Wilson, SC

Elected by Class

Bob Beauprez, CO
Todd Platts, PA
Adam Putnam, FL

*Elected Governor of Kentucky;
resigned from the House December 9, 2003



Subcommittee Membership

In the 108th Congress, the Policy Committee continued to advance the vision of the House Majority. The seven subcommittees will build on the Policy Committee's record of forward-looking achievement, which has run the gamut from tax scoring reform, the establishment of North Korea and Russia policy, and spending control, to making education, tax relief, national security, and retirement security national GOP priorities. We have enhanced the Policy subcommittee structure to address the priorities for our nation's future. The new subcommittees reflect the vision of the House Majority for the current and future Congresses.

Biotechnology, Telecommunications & Information Technology

Chairman Jerry Weller
Vice Chairman Darrell Issa

1. Roy Blunt
2. Michael Burgess
3. Eric Cantor
4. John Carter
5. John Doolittle
6. Wayne Gilchrest
7. Bob Goodlatte
8. Kenny Hulshof
9. Tom Latham
10. Bob Ney
11. Mike Pence
12. Jon C. Porter
13. Rob Portman
14. Deborah Pryce
15. Adam Putnam
16. Tom Reynolds
17. Nick Smith
18. Billy Tauzin

Civil Justice

Chairman Mike Pence

1. Roy Blunt
2. Eric Cantor
3. Shelley Moore Capito
4. John Carter
5. John Culberson
6. Jim DeMint
7. Lincoln Diaz-Balart

8. Phil Gingrey
9. Melissa A. Hart
10. Robert W. Ney
11. Jon C. Porter
12. Deborah Pryce
13. Tom Reynolds
14. Billy Tauzin
15. David Vitter
16. Roger Wicker

Freedom, Civil Liberties, & Human Rights

Chairman Lincoln Diaz-Balart

1. Roy Blunt
2. Tom DeLay
3. David Dreier
4. Shelley Moore Capito
5. Eric Cantor
6. Ander Crenshaw
7. John Doolittle
8. Melissa A. Hart
9. Dennis Hastert
10. Darrell Issa
11. Jack Kingston
12. Tom Latham
13. Jon C. Porter
14. Tom Reynolds
15. Patrick Toomey
16. David Vitter
17. Jerry Weller
18. Roger Wicker
19. Heather Wilson
20. C.W. Bill Young



Health

Chairman: Vacant

1. Bob Beauprez
2. Michael Burgess
3. Shelley Moore Capito
4. David Dreier
5. Wayne Gilchrest
6. Phil Gingrey
7. Bob Goodlatte
8. Melissa A. Hart
9. Dennis Hastert
10. Kenny Hulshof
11. Jack Kingston
12. Jim Nussle
13. John Shadegg
14. Nick Smith
15. Billy Tauzin
16. Bill Thomas
17. Pat Toomey
18. Heather Wilson

National Security & Foreign Affairs

Chairman Heather Wilson

Vice Chairman Ron Lewis

1. Bob Beauprez
2. Kevin Brady
3. John Carter
4. Ander Crenshaw
5. Lincoln Diaz-Balart
6. Phil Gingrey
7. Bob Goodlatte
8. Jack Kingston
9. Adam Putnam
10. Katherine Harris
11. Darrell Issa
12. Joe Knollenberg
13. Todd Platts
14. Mike Pence
15. John Shadegg
16. Roger Wicker
17. Joe Wilson
18. C.W. Bill Young

Redesigning Government

Chairman David Vitter

1. Kevin Brady
2. John Culberson
3. Tom DeLay
4. Jim DeMint
5. John Doolittle
6. Katherine Harris
7. Dennis Hastert
8. Joe Knollenberg
9. Tom Latham
10. Ron Lewis
11. Bob Ney
12. Jim Nussle
13. Todd Platts
14. Rob Portman
15. Deborah Pryce
16. Adam Putnam
17. Bill Thomas
18. Joe Wilson
19. C.W. Bill Young

Tax Reform

Chairman Kenny Hulshof

1. Bob Beauprez
2. Kevin Brady
3. Michael Burgess
4. Ander Crenshaw
5. John Culberson
6. Tom DeLay
7. Jim DeMint
8. David Dreier
9. Katherine Harris
10. Joe Knollenberg
11. Ron Lewis
12. Jim Nussle
13. Todd Platts
14. Rob Portman
15. John Shadegg
16. Nick Smith
17. Bill Thomas
18. Pat Toomey
19. Jerry Weller
20. Joe Wilson

Policy Committee Chairmen

Chairman	Born	Died	Term
Joe Martin (MA)	Nov. 3, 1884	Mar. 6, 1968	1949-1959
John Byrnes (WI)	Jun. 12, 1913	Jan. 12, 1985	1959-1965
John Rhodes (AZ)	Sep. 18, 1916	Aug. 24, 2003	1965-1973
Barber Conable (NY)	Nov. 2, 1922	Nov. 30, 2003	1973-1977
Del Clawson (CA)	Jan. 11, 1914	May 5, 1992	1977-1979
Bud Shuster (PA)	Jan. 23, 1932		1979-1981
Dick Cheney (WY)	Jan. 30, 1941		1981-1987
Jerry Lewis (CA)	Oct. 21, 1934		1987-1989
Mickey Edwards (OK)	Jul. 12, 1937		1989-1993
Henry Hyde (IL)	Apr. 18, 1924		1993-1995
Christopher Cox (CA)	Oct. 16, 1952		1995-

House Policy Committee

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