

**STATEMENT OF**  
**FORMER SPEAKER OF THE HOUSE NEWT GINGRICH**  
**BEFORE THE**  
**HOUSE COMMITTEE ON WAYS AND MEANS**

**WEDNESDAY, JULY 19, 2006**

*“[the] leading object [of government] is to elevate the condition of men -- to lift artificial weights from all shoulders; to clear the paths of laudable pursuit for all; to afford all an unfettered start and a fair chance in the race of life.”*

**-- Abraham Lincoln, Message to Congress, July 4, 1861**

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Chairman Thomas, Ranking Member Rangel, and members of the committee:

I appreciate the opportunity to testify today about the outcome of the historic welfare legislation that was passed ten years ago. The national debate leading up to the enactment of welfare reform in August 1996 and the results of its implementation since then afford the country a set of profound lessons about how “we the people” can bring about profound change that dramatically improves the lives of millions of our fellow citizens.

In the last several months I have been drawn to reading a number of books about Abraham Lincoln. I was particularly struck by the message that Lincoln delivered to Congress four short months after he took office and on the first Independence Day during an unfolding Civil War.

The civil division in the country no doubt prompted Lincoln to reflect deeply on the essential nature and purposes of government. His historic

task was to define the form and ends of the Union for which he would ultimately rally and lead his countrymen to preserve. In one section of the speech he wrote that the leading of object of government “is to elevate the condition of men -- to lift artificial weights from all shoulders; to clear the paths of laudable pursuit for all; to afford all an unfettered start and a fair chance in the race of life.”

I cite this passage because I believe it to be not only an eloquent statement of the republican principles upon which the nation was founded but also a fair description of the spirit that animated those leaders in the states and the Congress who led a three decade long effort to reform the welfare system.

We were determined to lift the “artificial weights” of a bureaucratic system of welfare that drained individual initiative and energy and hurt the very people it was designed to help. In its place, we were determined to clear a path of work and opportunity that would develop the habits of success that would lead to self-sufficiency.

This effort has been largely successful. Welfare rolls have declined nearly 60% in the past ten years and fewer families are on welfare than at any time since 1969. Nearly a million and a half fewer children live in poverty than ten years ago, with child poverty rates among African Americans and Hispanics down markedly. At the same time, employment among single mothers has increased dramatically, reaching 63 percent today, the highest ever.

There are many other measurable outcomes from this reform legislation that warrant your close assessment. We should make every effort to see what has worked well -- so we can continue it - and what has worked less well -- so we can make adjustments and improve it. But I leave the bulk of this statistical assessment of the outcomes to the very talented scholars whom you have assembled for your panel who have labored far more than I in measuring the precise impact of welfare reform from a myriad of angles.

Instead, I would like to share the 10 big lessons that I have drawn from the successful effort to design and implement welfare reform and suggest that we should apply these lessons to developing a next wave of reforms in

order to lift the artificial weights from -- and elevate the condition of -- our fellow citizens.

## TEN LESSONS FROM WELFARE REFORM

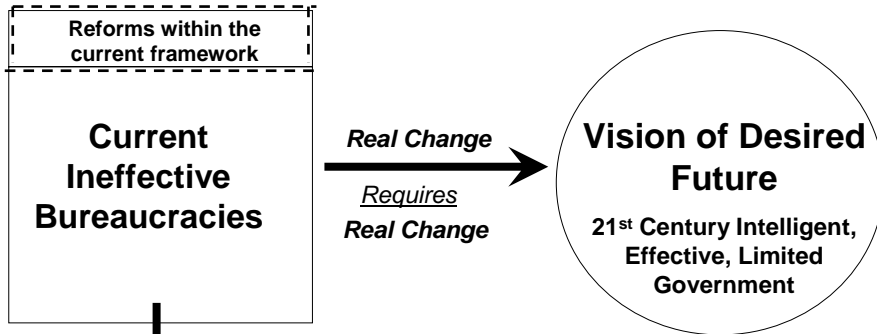
1. **Successful Reform Always Starts with a Big Idea of How to Improve the Lives of Individuals.** It has been said that nothing is more powerful than an idea whose time has come. Often a powerful idea can take many years before it is accepted and adopted. In the case of welfare reform, the powerful idea of replacing dependence and welfare with personal responsibility and work took 30 years before it became the law of the land. The idea was first put forward by candidate Ronald Reagan running for Governor of California in 1966. In a memorable campaign speech, Reagan called for replacing the Great Society with the Creative Society and ensuring that we had not settled on a welfare policy that was perpetuating poverty with a “permanent dole”. Then in 1970, Reagan proposed welfare reform at the National Governor’s Association. No one supported him. It would take another 26 years before the big idea of replacing welfare with work finally became a reality.
2. **Then Key Step is Deciding Whether to Repair or Replace.** The first and absolutely unavoidable step in designing large scale domestic policy reform legislation is to decide whether to dedicate energies to marginally improving the current system or whether to develop a series of replacements for the laws, the regulations, and the bureaucratic culture and governmental structures.

Our current system of bureaucratic public administration is incapable of meeting the delivery requirements of the 21<sup>st</sup> century. The male clerk with a quill pen and an open inkwell sitting on a high stool at a high desk was the standard when the civil service laws were codified in the 1880s. That process oriented, red tape ridden system is now mutated through 125 years of further laws and regulations. It is impossible for it to match the expectations of speed, accuracy, flexibility and efficiency inherent in the world of UPS and FedEx. Successful reformers will have to replace bureaucratic public administration with entrepreneurial public management as a new system of rules, regulations, incentives, and metrics.

The difference in orientation between what we are currently focused on and the real change we should be advancing can be illustrated vividly.

## Building a 21<sup>st</sup> Century Intelligent, Effective, Limited Government Versus Marginally Reforming Current Ineffective Bureaucracies

*"Insanity is doing more of what you are already doing and expecting a different result." – Albert Einstein*



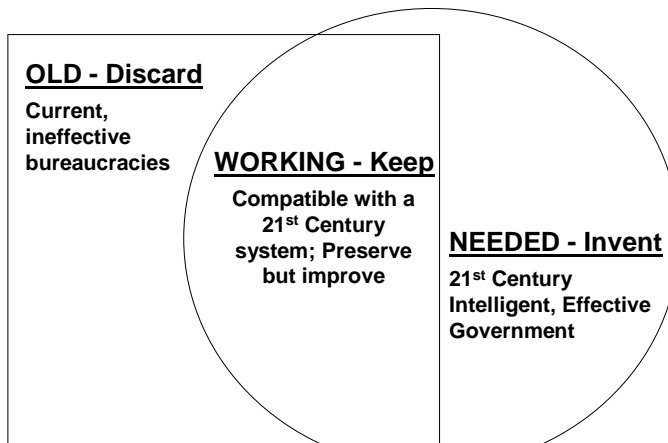
Failure to change will lead to decay

Rather than change, most bureaucracies prefer the comfortable routine of explaining failure.

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Of course, it is not possible to reach the desired future in one step. It will involve a series of transitions, which can also be illustrated.

## Transitioning to a 21<sup>st</sup> Century Intelligent, Effective, Limited Government Will Necessarily Mix the Old and the New



*(with thanks to Senator Bob Kerrey for developing this model)*

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Every aspect of Washington (and for state government of the state capital; and for local governments of city hall, the county building or the board of education building) tends to focus on marginal “reforms” of the current bureaucratic systems with which they are comfortable. The news media, the lobbyists, the bureaucracies themselves all are chanting “be reasonable”, “be responsible”, “be practical”; the pressure to sustain the status quo will always be overwhelming.

If we had followed that advice in 1994 we would not have developed The Contract with America, we would not have insisted on voting on the entire contract in the first 93 days of taking office, we would not have insisted on welfare reform, we would not have driven through the first consecutive large balanced budgets since the 1920s.

Similarly, if President Reagan had been ‘reasonable’, ‘responsible’, ‘practical’ and ‘prudent’ he would not have said his vision of the outcome of the Cold War was ‘we win, they lose’, he would not have called the Soviet Empire ‘the evil empire’ and he would not have said “Mr. Gorbachev tear down this Wall” (which required the President to personally write it back in three times after the State Department bureaucracy took it out each time).

3. **Great Change Always Comes from Outside Washington, DC.**

Great changes come from the country to the capital and are imposed by the American people on the politician-lobbyist-bureaucracy-news media system despite their resistance. Governing systems always focus on and cue off the American people. They begin to decline when they start shifting their focus to the power structures of the capital (state or federal). As one Reagan official said in 1972, “when people in Sacramento start saying ‘we’ and mean California state government we know they have been here too long. ‘We’ means the people of California.” And in fact it was the American voter who insisted on real change in 1994. Nine million more Americans turned out in 1994 (from 1990) to support a positive agenda of reform, including 1994’s crowning achievement of welfare reform. It was the American people who demanded welfare reform by 92% (including 88% of those on welfare). It was not the experts, the bureaucracy, or the lobbyists.

4. **Cheerful Persistence is Required.** To successfully deliver large scale reform in a free society, it is necessary to have cheerful persistence. It is necessary to have a positive vision of a better future. Americans have always been stunningly optimistic and the optimistic positive leadership has almost always beaten the negative pessimistic leadership. It is also important to describe this better future in personal terms. It is necessary to describe what it will mean for you, your family, your children, and your grandchildren.
  
5. **Far Reaching Collaboration is Critical.** Developing politically popular, philosophically correct, implementable in reality reform is very complex. It takes a longer time horizon, a more decentralized process of parallel effort, and a more collaborative system for the Executive-Legislative branches (including members of the Ways and Means, Agriculture, and Education and Work Force Committees) and the Federal-State systems to work together. The 1995 involvement of key Governors and their staffs in drafting the welfare reform bill is a classic case study in a collaborative approach that reached across formal boundaries to build an informal team for a specific purpose. This approach was absolutely necessary for the practical reason that it was the Governors themselves, and through them state governments, that would actually implement the policy reforms. Moreover, several key Governors, like Tommy Thompson (Wisconsin), John Engler (Michigan), and Mike Leavitt (Utah), had already started to lead the way in figuring out the type of welfare reforms that would work. It made complete sense to involve those who knew who to practically accomplish results. Their staffers were in the room with Congressional staffers bringing practical solutions to turn public policy ideas into reality. It was important to get the ideas from among the fifty laboratories of democracy in order to diffuse the best approaches across the country. It would have been impossible to craft a system which helped 60 percent of the people on welfare move into jobs or classes without the active help of the governors and those in their states who knew the realities of getting the job done at the local level.
  
6. **Big Change Always Requires Winning the Argument.** Successful reformers understand the Margaret Thatcher rule that “first you win the argument, then you win the vote.” They understand that defining the argument, choosing the right words, organizing the effort to educate

and rally the country makes possible victories in elections or in Congress that would not otherwise be possible. Conversely, successful reformers are very sensitive to starting to lose arguments because they know that their votes will then be put at risk. From 1966 when Reagan first proposed it to 1996 when we passed it we had won the argument. Intellectual effort mattered. Charles Murray's *Losing Ground* and Marvin Olasky's *The Tragedy of American Compassion* were especially important in creating that victory.

7. **Words Matter.** Successful reformers know that words really matter. Successful reformers MUST acquire the skills to communicate good policy. Any large scale reform initiative involves learning a new glossary and grammar. The new approach has to be outlined in words which the public either understands or has to learn. Then the words are connected together with a grammar which enables the new language to be used to communicate the reform vision.

Again and again the right words to evoke the right images and the right choices make a big difference in the ability to win the argument. It is important that successful reformers define words that describe the desired future that people already understand and desire. Our vision for welfare reform was one where independence replaced dependency, where opportunity replaced poverty, where responsibility replaced irresponsibility, where self-sufficiency replaced helplessness, where caring replaced caretaking. Over time more and more Americans heard and believed in that vision.

8. **The Reforms Sought Must Be Consistent with Broad American Values.** Successful reform can only be achieved if the goals advanced are consistent with broad American values.
  - a. **America is an Incentive Based Society.** Americans are very responsive to incentives and very hostile to penalties or punishments. In America when your leaders make your life more difficult or more expensive your first reaction is to fire them. This intense opposition to being 'put upon' runs deep in the American psyche. The Revolutionary War flag with a rattlesnake the slogan, "don't tread on me" is typical of this self reliant, populist suspicion of authority. It is a major reason tax increases as a

strategy has done so badly since 1978 (when Proposition 13 in California first signaled a broad middle class resentment). In the absence of an undisputed crisis it is essential for successful reformers to find incentives to pull people into new behaviors and to avoid penalizing or punishing people out of the undesired behavior. To put the principle simply: Americans elect leaders to make their lives better and they will fire leaders who make their lives worse.

- b. **America is an Entrepreneurial Society.** The potential to have an incentive led program of reform is increased dramatically by the core nature of American society. It is the nature of America's entrepreneurial free market system based on science and technology to create MORE choices of HIGHER quality at LOWER cost. This historic fact is one reason rationing has never been a problem in America except when government interfered. This principle is also a great opportunity for successful reformers to provide better learning, better health, a better environment, and a more effective general system of government than any bureaucratic centralized red tape ridden model could produce.

- 9. **Opponents of Reform Must Be Forced To Carry the Burden of Their Positions.** It is necessary to put opponents of popular reform on the defense, forced to explain the logic of their position. In the case of welfare reform, it meant that opponents had to defend a system that kept recipients of welfare in a hopeless system of poverty in which they were told not to help themselves, not to look for work, but to sit there and be quiet and wait for the next check. At some point, the opponents could no longer bear the burdens of their own position. So much so that by 1996, polls showed that 92% of the country favored welfare reform, including 88% of the people on welfare. When only 8% of the country agrees with you, it is hard to sustain a position even if a large part of that 8% is in the news media, the academic world, and the bureaucracy. By then, it was virtually impossible for the Congress to avoid passing it or the President to avoid signing it, which he did after vetoing it twice.

10. **Successful Reform Must be Citizen Centered.** Successful reform on the scale of the 1996 welfare reform has to be citizen centered and movement driven. People have to decide it is “their plan” improving “their future”. Social Security in 1935 was not about FDR. It was about the American people. Welfare Reform was not about the Republican Party. It was about giving the poor a much better future. People in power have to constantly remind themselves that they are advocating the interests of the American people and not merely their own interest, If something is not working at the grassroots it may be that we need to rethink what we are doing. To repeat Joseph Napolitano’s injunction “Never underestimate the intelligence of the American people nor overestimate how much information they have.”

### **APPLYING THESE SUCCESSFUL LESSONS TO SAVING THOSE WHO ARE STILL POOR, POWERLESS, AND LEFT OUT OF THE AMERICAN DREAM**

The 1996 welfare reforms marked a dramatic change in American social policy. Yet, we cannot stop there if we are to advance the real change required to help the poor, the powerless and those who have been left out of the American Dream. Our Declaration of Independence declares “All ... are created equal ... and endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.” It is clear that tragically too many Americans today lack the education, the personal skills, the habits, and the opportunities to pursue happiness, to be productive and therefore be prosperous.

First, we must continue the successful welfare reform policies and pass any required modifications and extensions.

We must then apply the successful lessons of welfare reform to two areas that people absolutely rely on government to get right: education and health. Without a proper education and without adequate health and health care, people simply cannot achieve success.

## **We Must Save Our Children From Failing Schools.**

We must face our crisis in education. A study sponsored by the Bill and Melinda Gates Foundation recently reported results that are deeply troubling.

The study looked at graduation rates on a district-by-district level and found that they are shockingly lower than previously reported by the education bureaucracy. In big-city public school districts like Cleveland, Los Angeles, Miami, Dallas and Denver, fewer than 50 percent of high school students graduate on time. In three districts, the public schools graduate fewer than 40 percent of their students: In New York City, the graduation rate is 38.9 percent; in Baltimore, it's 38.5 percent; and in Detroit, incredibly, only 21.7 percent of students who enter public high schools will graduate.

Consider this finding for a moment. If only 21.7 percent of students graduate from Detroit schools on time, that means that 78.3 percent of students fail to graduate. Almost 80 percent of students -- four out of five -- are failed by our educational system. Why do we tolerate this level of failure? Cheating the children is wrong. The fact is, in most aspects of life, we don't. If a private company took the money from its customers and then failed 80 percent of them, it would be closed in a day.

One of the most basic measures of the success of our school system is high school graduation. A high school diploma is the minimum requirement for successful participation in American life. The failure of our high schools to graduate their students isn't limited to Detroit or to our big cities. Nationwide, it is estimated that three of every 10 students who start high school won't graduate on time. For minorities, these numbers are far worse. One of every two African-American and Latino students won't graduate on time or graduate at all. So dramatic is the failure that today it is estimated that there are more African American males in prison than there are in college -- a fact that is a national disgrace.

We've all heard the rallying cries of "Save the Whales" and "Save the Rainforest." My view is that reports on our public schools like this latest

one should have us all shouting "Save the Children." Every time we allow policies that favor the education bureaucracy over our children, we not only hurt our children, we hurt our country and our prospects for future safety and prosperity.

America abounds with more energy, resourcefulness and innovation than any nation in the history of mankind. We deserve an education system that nurtures and develops these qualities. "Save the children" isn't just a slogan, it's a call to win the future for all Americans, starting with our children. Let's not wait to get started.

### **We Must Save Lives and Save Money by Transforming Medicaid.**

Medicaid is a mess. It is an obsolete 1965 welfare state system with an assumption of irresponsibility and dependency on the part of the recipients and a micromanaged centralized bureaucratic control system with both state and federal layers of bureaucracy. Its thousands of pages of state and federal complexity are impossible to manage and make innovation very difficult and very slow.

For forty years the combination of the U.S. Congress, the Federal CMMS bureaucracy and fifty state legislatures have interacted to produce a dance of loophole exploitation by states followed by loophole closings by the federal government followed by clever consultants finding new ways to cost shift.

The result has been a money oriented red tape ridden culture which is a major contributor to health disparities, a significant source of cost shifting to private payers, and a significant burden on doctors and hospitals.

As Medicaid has grown in size and cost, its implications for both the federal and state budgets have grown. We are entering a period when Medicaid will be an unavoidable major issue in our political-governmental system.

Today, 26 percent of the federal government's budget is spent on health-related programs. Healthcare spending will continue to rise disproportionately relative to other federal and state budget priorities.

We simply cannot balance the federal budget over the long term if we do not deal intelligently with health. There will not be enough dollars or doctors to take care of us on our current trajectory. State budgets will not be able to cope either.

A properly transformed Medicaid system should have at its core the principles of individual ownership, personal health, and the right to know price and quality of health and healthcare services. These would form the basis of a system centered on wellness, prevention, early testing, and incentives for healthy behaviors before, during, and after any illness.

We must develop a genuine momentum for creating a 21st Century Responsible Citizen Medicaid System which will truly eliminate health disparities, improve health for the poor, maximize independent living and quality of life for people with disabilities, improve the satisfaction and lives of providers, and lower long term costs for the taxpayer.

Finally, we must continue to assert the basic American values that have made this country a unique center of freedom and opportunity for people everywhere. Welfare reform was an important first step. We must continue to unleash the genius of free men and women, encourage dreamers, and create incentives for greatness.

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