

November 7, 2012

Dear Republican Colleague:

This election was filled with good news, and bad news. The good news is that the American people responded to two years of House Republican leadership by sending us back with a strong majority. It is clear that our efforts to improve the economy and create the conditions for job growth were well-received, and I congratulate you all for sharing that message and returning to Washington to finish the job.

The bad news is that we did not get the partner in the White House that we desired. After an arduous campaign, it is disappointing, but there is still work to get done and we must achieve as many of our goals as possible working with President Obama. We now know the results of the election, but what are the results for the American people?

Our nation faces very serious challenges that cannot be postponed: millions of Americans are out of work and are supporting their families on stagnant and in many cases falling wages; our nation is drowning in a debt that is hindering economic growth; our tax system does more to punish entrepreneurs and job creators than it does to encourage them; run-away entitlements – including the recent takeover of our health care system through Obamacare -- are bankrupting us while at the same time failing to actually help those in need; regulators – empowered by the law passed by previous Congresses -- are attempting to micromanage nearly every aspect of life in our country; and we face serious threats from state and non-state actors alike while at the same time our military is facing diminished capabilities.

To state the obvious, there is a significant divide between the President's approach to these issues and ours. But, the American people expect and they deserve that we act to bridge our differences and deliver results.

The President cannot demand that every issue be resolved his preferred way. After all the President may have been reelected, but so was our majority. Likewise, we cannot expect that every issue will be resolved the way we prefer. Our task is to legislate based on our principles and forge the compromise that will be necessary to get our nation back on track.

I hope to again have the privilege of serving as your Majority Leader in the 113<sup>th</sup> Congress, and below I outline some of my initial thoughts as to how we proceed in this divided government. I hope you will share with me your thoughts.

The Pending Fiscal Cliff: We have spent the past four years fighting President Obama's attempts to raise taxes and we will continue to do so. On January 1<sup>st</sup> there will be a \$400 billion income tax increase that takes effect automatically. This tax increase will hit every single taxpayer, raising tax rates across-the-board, reinstating a punitive death tax, reimposing the marriage penalty, and even cutting the per child tax credit. Simply raising taxes won't solve our deficit problems. And many of the President's proposed tax increases will directly hit those we are counting on most to get our economy going: small businesses.

But as we have discussed over the past two years, more short-term extensions of our current tax structure isn't what is best for our economy. What would be best is a fundamental reform of the tax code that lowers rates, broadens the base, makes America's businesses competitive again, and reduces the burden imposed by taxes on work and investment. If the President is serious about getting Americans back to work and avoiding a \$400 billion tax hike on January 1<sup>st</sup>, he will join us in locking in a process for fundamental tax reform in 2013.

A stagnant economy and persistent overspending are the cause of our deficits and reversing those is where the solution is to be found. Resolving the issues surrounding the fiscal cliff, especially the replacement of the sequester, and the next debt limit increase (likely necessary in February) will require that the President get serious about real entitlement reform. While it is unrealistic for us to expect the President to embrace our vision of Medicare reform or

Obamacare repeal, it is equally unrealistic for the President to continue to insist that Obamacare is off the table, or that Medicare and Medicaid require nothing more than some additional provider cuts. We will measure entitlement savings on the basis of whether they are sustainable and whether they actually bend down the cost curve.

The American people will not accept and we will not support the plan of some in the President's party to simply raise taxes to fund failing programs they refuse to reform.

Some of our Democratic colleagues think that going over the fiscal cliff – raising taxes on every American and implementing disruptive and destructive across the board cuts, especially to our Armed Forces – is the way to show they are serious about forcing Republicans to agree to massive tax increases. I would say to those Democrats that a strategy based on punishing working Americans, undermining our national security, and threatening our economy with another recession, not only won't work, but is the exact kind of "my way or the highway" tactics that the voters rejected when reelecting a divided government.

Keep Focused on What Americans Are Focused On: As we prepare our legislative agenda for 2013, we must not forget that 12 million of our fellow Americans are out of work, another 8 million want full-time work but can only find part-time jobs, and for every new job created in the last four years nearly seven Americans have left the labor force, many simply giving up every finding a job. Those with jobs have seen their income stagnate while gas and health care prices continue to climb. The single most pressing issue facing our country is getting our economy back on track.

Throughout the 113<sup>th</sup> Congress we will prioritize legislation that can become law and help us get millions of Americans back to work. These bills will take the form of some of our larger efforts, like tax reform, but also more narrow efforts that help create the type of environment necessary for economic growth and job creation. For example, we know that our efforts earlier this year to make it easier for start-ups to access capital are already paying dividends with more than 60 companies going public under the "emerging growth" designation created in the JOBS Act. Other areas where I believe we can act include:

- Reforming our immigration system to help American-educated entrepreneurs start and build businesses here rather than abroad;
- Encouraging growth in medical research and life sciences by improving the regulatory system;
- Consolidating and improving the 47 separate government job training programs to help Americans, especially those who have been unemployed for a long period, get back to work;
- Targeting the federal investments in research and development into the hard sciences;
- Continuing to streamline regulations on capital investments;
- Giving parents greater control over the education of their children; and
- Making it easier for parents and students to make informed decisions about what type of post-high school education is right for them.

Developing Targeted Issues: There is no question that we will have to be creative in using the procedural tools available to us in order to advance our priorities through the Senate. However, we should not make too much out of the quip attributed to our colleague John Dingell, "I'll let you write the substance...you let me write the procedure, and I'll [beat] you every time."

There is no magic procedure that will make someone vote for something to which they are violently opposed. I would suggest that rather than spending our time arguing over which process is the silver bullet that unlocks the votes in the Senate, that we heed the advice of President Reagan: "When you can't make them see the light, make them feel the heat."

Our Members have the ability to communicate with people in every state and with organizations representing everyone from auto workers to farmers to doctors to teachers to veterans to zoo keepers. Winning the debate at home may apply the right pressure on our Senate colleagues. We shouldn't forget that seven Democratic Senators

are up for re-election in states that Mitt Romney and Paul Ryan just carried. If we pick the right issues, I am confident that if they don't see the light, they will feel the heat!

A model for our efforts may very well be the 1996 welfare reform where the problem and our solution were so successfully communicated to the American people that President Clinton had to reverse course and sign a bill that he had previously vetoed.

There are some issues that I suspect Senator Reid will have a difficult time compelling his Members to oppose outright. Therefore, if we successfully make the case publicly, bills that could reach the President's desk include: expanded work requirements for welfare programs, expanded domestic energy production, and repeal of IPAB. When we gather at our retreat in January, our Conference will need to further refine and agree upon this list of priorities.

Talk About People, Not About Numbers: Maybe it is because so many of us are left-brain, but for whatever reason, we as Republicans spend too much time talking about the numbers behind our policies, while Democrats talk about people. I needn't tell you which is more persuasive. As Arthur Brooks, President of AEI, reminds us, we have all the arguments and all the facts necessary to make the moral case for our agenda; we just have to do it.

The good news is we have done it before. One of our most successful critiques of Obamacare wasn't the double counting—which was accurate—it was the argument that Obamacare put the government between doctors and patients.

Similarly, we need to make the case that our Medicare reforms empower seniors, our Medicaid, Food Stamp and other welfare reforms provide a pathway out of poverty, and our tax reforms return decision making to entrepreneurs and families and away from special interests.

Like you, I am committed to making the most out of the 113<sup>th</sup> Congress. The problems facing our nation demand that we do everything possible to enact meaningful solutions for the American people.

I look forward to talking with you personally about the next Congress, how we proceed and why I hope I can earn your support for Majority Leader. As always, if I can be of any assistance, please do not hesitate to contact me.

Sincerely,

Eric Cantor