

INTRODUCTION

Who Is Steve Laffey?

I was forty-four years old when I ran for the U.S. Senate. The story of how I got there is the story of the American Dream. There is no other way to explain how a kid like me, the son of a toolmaker from Cranston, Rhode Island, who wasn't supposed to go to college, ended up running in the most-watched primary campaign of the 2006 midterm election cycle.

Unlike my opponent, Senator Lincoln Chafee, I had nothing handed to me simply because of my last name. The Chafees were one of the first five families in Rhode Island; mine was one of the last to get off the boat. My father wasn't a U.S. senator or a governor, but a blue-collar worker who sometimes worked two jobs to keep us fed and clothed. My great-uncle wasn't a constitutional scholar at Harvard University; my grandfather was gassed during World War I and later became an alcoholic. I didn't grow up in the best prep schools, but on Cranston's streets, while my mother watered down the shampoo to make it last longer.

When it came to tragedy in the Laffey household, it sometimes seemed like the old Morton salt slogan applied: When it rains it

pours. I grew up in the Edgewood section of Cranston, sandwiched between two brothers and two sisters in a traditional Irish Catholic household. My oldest brother, John, who was gay, spent his teenage years experimenting with drugs and alcohol, and would later die of AIDS. My other older brother, Michael, developed schizophrenia when I was a teenager and has spent much of his life in a locked ward at the Institute of Mental Health. One of my younger sisters, Mary, followed suit. She has spent her adult life in a series of group homes.

Our house at 193 Shaw Avenue was a difficult place to grow up, with one brother trying to bang me over the head with a frying pan—and not in a friendly sibling-rivalry kind of way—and the other pushing me down the stairs. Before I went to sleep at night, I tied my door shut with a jump rope and piled my books at the foot of it as protective measures. To those who don't know me, it must seem like I wasn't very lucky at all. But in other ways, I was extraordinarily blessed.

HEROES

Given the instability of my home life, I looked for role models elsewhere. I found them, sometimes in the strangest of places: across the street, in the hockey-playing Bennett brothers, each one bigger than the next and almost all future NHL players; in the Ivy League-educated Norman Orodener, who lived around the corner; in my high school economics teacher; in Ronald Reagan and Milton Friedman.

I was thirteen when I heard Mr. Orodener on the phone yelling at a public official: "I really don't care what you think . . . We're doing it this way!" Listening to him, I thought to myself, *I can do that. I can go to college, get a job, and yell at people.* Thirty years later, this lifelong Democrat served as one of my chief advisers

during my tenure as the Republican mayor of Cranston and on my Senate campaign.

I was seventeen when my high school economics teacher, Paul Zisseron, showed us Milton Friedman's ten-part television series *Free to Choose*, and I thought: I can do this. I can be a Nobel Prize-winning economist. Twenty-two years later, Paul became my campaign manager for my first two campaigns, and Milton was the name I gave our overly friendly black Lab.

I was eighteen when Ronald Reagan was elected president of the United States, ushering in a wave of conservative thought and policy. I remember Ronald Reagan promising to bring the American hostages in Iran home and living up to that promise. I remember thinking, *Here is a guy who isn't afraid of being strong*. I remember Reagan joking—"My fellow Americans, I'm pleased to tell you today that I've signed legislation that will outlaw Russia forever. We begin bombing in five minutes"—and thinking, *Here is a guy who makes America laugh*. I remember thinking that if Ronald Reagan—a kid from Dixon, Illinois, with an alcoholic father—could make it, I could make it too.

Throughout my life, people told me I couldn't do things. I couldn't go to college. I couldn't get in to Harvard Business School directly from college. I couldn't become president of a southern-based investment banking firm because I was a Yankee. I couldn't run for mayor in Cranston. I couldn't fight the special interests in Cranston and win. And I couldn't run for the U.S. Senate.

When you grow up being told what your future holds for you, you can react in one of two ways. For some, people's expectations become a self-fulfilling prophecy. For others, they become a motivation for success, the fuel of a burning desire to prove the world wrong.

I guess you can say I fall into the second category.

After four years at Bowdoin College (scholarship, loans, jobs) and two years at Harvard Business School, I forged a successful career for myself in the world of investment banking, becoming the president and chief operating officer of Morgan Keegan, an investment banking firm in the deep South. At Morgan Keegan, I found new heroes: Allen Morgan, the founder and CEO, and his alter ego, vice chairman John Stokes.

Morgan is the mirror image of Reagan: principled, honest, and to the point. He had borrowed \$500,000 from a bank and turned it into over \$100 million in thirty years. His philosophy was simple: Take care of the customers first, and stick to your knitting. Stokes is a modern day version of Teddy Roosevelt and Peter the Great: all action and optimism. He was a problem solver in every sense of the word. If you had a toothache, he had a pair of pliers. Both Morgan and Stokes became major backers of my Senate campaign.

In 2001 we sold the firm to Regions Financial, and I came home to Cranston, in search of another mission. While my experience in Tennessee was phenomenal and I loved living in Memphis, I missed Rhode Island and decided to move home and raise my family.

HOME COMING

Upon my return to Cranston, the third largest city in Rhode Island (or second largest if you include the prisoners, and I do)¹, the city went broke before my eyes. So I took the plunge and ran for mayor to help fix the city that raised me. I had never been involved in politics save a short stint as president of the student council at Cranston High School East and another at Bowdoin College, but I felt I owed the city a debt.

By the time I was elected, Cranston's bond rating had dropped

to the lowest in all of America. Things got so bad that the state's only major newspaper ran a front-page story under the headline "Junk Bond City—East Chicago Lost a Steel Mill—Cranston, What's Your Excuse?" On the day I took office, the city was a month away from defaulting on \$18 million of debt and missing payroll. This is not a book about how we fixed the city, but fix it we did.

When I was running for mayor, I had no idea just how strong the special interests in Cranston and Rhode Island were. The public sector unions and the previous mayors had run my city into the ground, much like they're probably destroying yours. The story of how we stood up to the special interests and fixed Cranston can best be summed up in one anecdote: the Cranston crossing guards.

Crossing guards, you say—they're just volunteers, some teachers, some kids, and so on. But no. Not in Rhode Island.

The day after I was elected, my phone started ringing off the hook. "Hey, Steve, my wife's been trying to be a crossing guard for ten years." Next call: "Hey, Mr. Laffey. The last mayor bypassed my wife for a crossing guard job. Can you help me out?"

It was the most baffling series of phone calls I had ever received. What was so great about being a crossing guard? It was like a bunch of obsessed fans trying to get Green Bay Packers season tickets. Turns out, being a crossing guard was even better.

Picture this—how about a job where you show up for half an hour in the morning, another half an hour in the afternoon, 180 days a year, and you get \$129 per hour. That's \$129 per hour, including \$45 in cash, free health insurance for the entire family, sick days, holiday pay, and unemployment on the city dime all summer long. Sounds good, right? Where do I sign?

But these crossing guards, backed by the one of the largest labor unions in the country, the Laborers International Union of North America, were raking it in on the backs of Cranston's beleaguered

taxpayers. So what did I do? I talked with my advisers. Many told me to let it go, that there was nothing that could be done because this was the way things worked in Cranston. Then I thought about the people I had met on the campaign trail, some of whom had no health insurance, some of whom paid for all their health insurance, and some of whom paid for half, but nobody who got it free for one hour's worth of work. And then I said: Enough is enough.

I fired the crossing guards.

All hell broke loose in Rhode Island. Over the next two years, a front-page legal battle ensued. In the end, we won, saving the city and its taxpayers \$500,000 a year. Later, when I ran for the U.S. Senate, my opponent, Lincoln Chafee, belittled this accomplishment, but Senator Chafee, our "junior senator from Virginia," as one local radio host liked to refer to him,² wasn't in Rhode Island at the time and didn't lift a finger to help Cranston's taxpayers. While \$500,000 out of a \$200 million-plus budget wasn't the largest line item, firing the crossing guards was the first sign that business as usual in Rhode Island had run its course. As I toured the state to give talks, the Cranston crossing guards became a rallying cry for change in the state. "Ronald Reagan had the air traffic controllers," I'd often call out to groups of hungry Republicans, "and I have the Cranston crossing guards!"

After I was reelected in 2004, by one of the widest margins in Cranston's history, the city's bond rating made a historic recovery to investment grade. By January 2005, another mission had been completed. The city had a healthy surplus, the audits won national awards, and the budgets were realistic. Eventually, we would renegotiate contracts to bring historic changes, like health savings accounts for Cranston's policemen and city workers. By May 2006, Cranston was the only city in all of Rhode Island reducing property taxes.

ANOTHER MISSION

When I ran for mayor, I told the citizens of Cranston that I would stay until the city was fixed and healthy. So in January 2005, with the bond rating robust, I looked for another mission. I looked at Washington, and all I could see was the Cranston crossing guards on steroids.

The Reagan Republicans who came into office in 1994 on a wave of small-government adrenaline had become puppets of the special interests. Corruption exploded: the 2005 transportation bill was overloaded with 6,371 pork-barrel projects, the tax code was sixty thousand pages and counting, and the Republicans bore responsibility for No Child Left Behind—an educational behemoth.

When the free-market-based Club for Growth endorsed my candidacy in the Senate race, its president, former Pennsylvania congressman Pat Toomey, described this race as “the first skirmish in a very important war.” He put this question to the American public in a *Wall Street Journal* op-ed: “Is Reagan’s vision of limited government—the fundamental principle that brought Republicans to power—still part of the Republican identity, or has it been abandoned in favor of the seductive power of controlling unlimited government?”

The answer, unfortunately, was the latter. Nowhere was this malaise more evident than in the Washington Republicans’ backing of liberal Lincoln Chafee. I may have lost the primary, but the Republican Party lost so much more. The party lost its reason for existence, and it lost its base. Without one, you cannot have the other.

Just a couple of weeks before the midterm elections, *Time* magazine summed up the sorry state of the GOP with this brutally honest line: “Every revolution begins with the power of an idea and ends when clinging to power is the only idea left.” The Republican

PRIMARY MISTAKE

Party came to power because it offered the country a brilliant vision for what it was capable of becoming. Ultimately, the party lost power because it betrayed its grassroots members and its own ideals. It was no longer “Elect us so we can cut spending,” but “Elect us so we can win.”

During the campaign, I received thousands of letters from supporters all across the country. One short letter from Betsy and Lyle Albaugh of Virginia moved me so much that I taped it to my wall. Read it, and then read it again. This is the Republican base. These are real Americans. These are the people we should be fighting for.

December 13, 2005

Mayor Laffey
Laffey US Senate
PO Box 8510
Cranston, RI 02920

Dear Mayor Laffey:

As free market Republicans, we're extremely disappointed with the current state of the Republican Party. Therefore, even though we're Virginia residents, you'll find enclosed a \$25.00 contribution to your campaign to defeat the fiscally irresponsible Lincoln Chafee.

Starting with the 2000 election of President Bush and with each successive election, we've been increasingly hopeful that Republicans would make progress on the following issues:

- 1) **privatizing Social Security;** 2) **reducing entitlement spending;**
- 3) **reducing non-defense discretionary spending;** 4) **making permanent capital gains, dividend and estate tax cuts;**
- 5) **reducing tariffs, quotas and subsidies that limit trade;** and
- 6) **simplifying the tax code.**

Instead, they've made no visible progress on Social Security, vastly increased entitlement and discretionary spending, passed only

temporary tax cuts, increased numerous industry subsidies and done nothing substantial to reform the tax code.

If elected to the Senate, we hope that you will work to achieve measurable success on the above issues.

Sincerely,

Betsy & Lyle Albaugh

Cc.
President Bush
1600 Pennsylvania Avenue
Washington, DC 20500

Senator Warner
225 Russell Senate Office Building
Washington, DC 20510

Senator Allen
204 Russell Senate Office Building
Washington, DC 20510

I don't know if President Bush and Senators Warner and Allen actually read this letter, but they should have. More than the voice of any overpaid consultant, these are the voices they should have listened to. These are the people who make up the Republican Party, and ultimately these are the people who will hold the party accountable.

This book is filled with many funny stories, but the message of this book isn't funny at all. There is nothing funny about millions of disappointed Republicans. There is nothing funny about hard-working taxpayers disgusted with their elected officials. There is nothing funny about Speaker of the House Nancy Pelosi.

Unless the national Republican Party changes its ways and figures

PRIMARY MISTAKE

out how to communicate with people like Betsy and Lyle (as I articulate in Chapter 10), the Republicans won't be controlling much of anything. And that's a shame, because I continue to believe, as I did when I was eighteen years old, that the party of Ronald Reagan is capable of accomplishing great things. It is a shame because the other party has become the party of Michael Moore and is capable of destroying great things. It is a shame because Reagan spoke about America as a "shining city on a hill," and right now, it looks awfully dark out there in the valley.