Originally Processed With FOIA(s):
1998-0004-F[1]; 1998-0251-F

FOIA Number:
S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection:	George H.W. Bush Presidential Records
Collection/Office of Origin:	Chief of Staff, White House Office of
Series:	Sununu, John, Files
Subseries:	Issues Files

OA/ID Number:	29141
Folder ID Number:	29141-007

Folder Title:
Budget [1990] - Press Report #3 [3]

Stack:	Row:	Section:	Shelf:	Position:
G	15	24	6	7

The Washington Post

FRIDAY, OCTOBER 19, 1990

Senate Passes Budget Bill; Bush Eases Shutdown Stance

By John E. Yang
Washington Post Staff Writer

The marathon budget process moved one step closer to conclusion early today as the Senate approved its bipartisan deficit-reduction measure. Earlier, the House overwhelmingly approved a stopgap spending bill that would keep the government operating at full force through Wednesday.

At about 1:25 a.m., the Senate voted 54 to 46 to pass the compromise package of tax increases and benefit program cuts after spending two days and nights turning back all attempts to change it significantly.

President Bush has said he would sign legislation similar to the Senate measure, and as it advanced largely intact, administration officials softened their earlier opposition to another stopgap funding measure.

Office of Management and Budget Director Richard G. Darman told congressional leaders that President Bush would sign the short-term funding bill if lawmakers are making progress on the details of a deficit-cutting plan to save $500 billion over five years, including $40.1 billion in the fiscal year that began Oct. 1. Otherwise, the federal government will run out of spending authority early Saturday morning, resulting in the second shutdown of the government in three weeks.

This morning's Senate vote shifts the action to a House-Senate conference committee that will today begin trying to reconcile the two chambers' widely divergent versions of the legislation into one measure that Bush would sign into law.

"We need to get moving toward the conclusion of this effort," said Senate Majority Leader George J. Mitchell (D-Maine).

The Senate bill, drafted by Senate leaders and administration officials, relies heavily on higher excise taxes, which Democrats argue hit lower-income Americans harder than the rich. It also includes an unpopular increase in the 9-cents-a-gallon federal gasoline tax and envisions saving $51.6 billion from Medicare over five years.

The House deficit-reduction bill, crafted by Democrats and approved Tuesday, relies heavily on tax increases aimed at the wealthy and includes a provision that would effectively raise income taxes across the board. It contains a smaller savings in the Medicare program than the Senate measure and would leave the gasoline tax unchanged.

The House last night voted 379 to 37 to approve a short-term spending bill that would fund the government until 12:01 a.m. Thursday. The measure would also delay automatic, across-the-board spending cuts mandated by the Gramm-Rudman-Hollings law until at least then.

As recently as Monday during a speech in Dallas, Bush vowed not to accept another stopgap spending bill to extend the current temporary spending authority beyond its expiration at 12:01 a.m. Saturday if lawmakers had not agreed to a final deficit-reduction plan by then.

But yesterday, Darman told aides to House Minority Leader Robert H. Michel (R-Ill.) that Bush would sign another extension through next week. At the White House, presidential spokesman Marlin Fitzwater said Bush would consider signing a new temporary spending bill "if satisfactory progress is being made on the budget."

All day yesterday, Mitchell and Senate Minority Leader Robert J. Dole (R-Kan.) mustered their troops to turn back politically popular assaults on the delicately balanced provisions of the Senate deficit-reduction bill.

The Senate voted 55 to 45 to rebuff an attempt by Sens. Albert Gore Jr. (D-Tenn.) and Barbara A. Mikulski (D-Md.) to raise income taxes on the wealthy and use the revenue to scale back the gasoline tax increase and Medicare cuts. "The middle class have no more to give," Mikulski said. "The poor have nothing to give. So let's go and get it from those who got it."

Democratic Senate leaders were sympathetic to the proposal, but had pledged to resist changes as part of a bargain to get enough Republican votes in the Senate Finance Committee to win approval of the bill's tax component.

"It's a painful choice," said Senate Budget Committee Chairman Jim Sasser (D-Tenn.). "I agree with the amendment . . . but some of us are bound to support this deficit-reduction package."

But as they voted against the amendments, Democratic senators urged their leaders to press in negotiations with the House to increase the tax burden the package would place on the wealthy.

Mitchell, who will go to the conference committee as a member of the Senate Finance Committee, pledged to do "the very best we can to produce the most fair, progressive result that we can."

"Let's go to conference and pick the best of each," said Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.). "That has to mean increased progressivity" compared to the Senate bill.

Spreading the pain of deficit reduction across the income spectrum will be a major issue in the House-Senate conference. "That goes to the heart and soul of the dispute we've had for the last five months," said House Budget Committee Chairman Leon E. Panetta (D-Calif.).

The House bill would generate $82.4 billion in new revenue over five years by raising income tax rates on the highest income Americans from 28 percent to 33 percent, impose a 10 percent surtax on yearly taxable income in excess of $1 million and increase the amount of income subject to the 1.45 percent Medicare payroll tax from $51,300 to $100,000.

Bush has said he won't accept a package that raises income tax rates.

The Senate bill relies more heavily on higher taxes on gasoline, cigarettes and alcoholic beverages, raising a total of $57.6 billion from those items over five years. It also would generate $29.3 billion over that period by limiting the benefit of income tax deductions claimed by those earning more than $100,000. An additional $19 billion over that period would come from raising the income covered by the Medicare tax to $89,000.

Both measures contain competing plans to impose a 10 percent tax on part of the purchase price of such expensive goods as automobiles, boats, airplanes, jewelry and furs.

At a meeting of the House Democratic whip operation yesterday, lawmakers expressed enthusiasm for the political allure of their package, according to participants. Especially attractive is the surtax on millionaires. "This isn't marginal tax rates, this isn't difficult to understand—this is taxing millionaires," Panetta said. But House Speaker Thomas S. Foley (D-Wash.) and Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) stressed the importance of producing legislation Bush would sign, lawmakers said.

Senate leaders preached the same message. "The American people are fed up with it," Bentsen said. "They want us to put the country first."

Other major issues to be resolved in the House-Senate conference will be whether to raise the federal gasoline tax and how much savings to achieve from Medicare. The Senate bill would more than double the federal gasoline tax to 18½ cents-a-gallon; the House would leave it untouched.

But in order to make up the revenue lost when House leaders dropped the gasoline tax increase, the House measure would delay for one year the adjustment of income tax brackets and personal exemptions to reflect inflation.

Staff writers Dan Balz and Steven Mufson contributed to this report.

Budget Proposals Involve Array of Programs, Levies

Numerous Taxes, Fees and Fines Would Rise

By Bill McAllister
Washington Post Staff Writer

Most veterans would have to pay $2 every time they pick up a prescription from one of the nation's 172 veterans hospitals. Boat owners could face a $25-a-boat fee.

Medicare premiums would rise $1.30 a month, and students at Washington's Smith Business School and Cheverly's Diesel Institute of America may have a tougher time getting federal loans. Miners who operate unsafe mines would face much stiffer fines, as would employers who violate child labor laws. Fines would increase to $10,000 for each child labor violation from $1,000.

Those are some of the little ways the budget agreement could affect the lives of millions of Americans. Although the final details of cuts in federal programs and increases in taxes, fees and fines are yet to be set by Congress, plans proposed by the House and Senate show that lawmakers intend that a wide number of programs will be affected in virtually every department.

For example, under plans approved by the House and the Senate, veterans buying a house with a loan from the popular program run by the Department of Veterans Affairs would have to pay a bigger loan-origination fee—1.75 or 2 percent of the loan instead of the current 1.25 percent—to get the department's loan guarantee.

Motorists would be hit hardest by the increase in the gasoline tax in the Senate bill—from the current 9 cents per gallon to 18½ cents per gallon. The House bill would retain the 9-cents-a-gallon tax.

Travelers would feel the impact in other ways too. Airline ticket taxes would be increased in both the House and Senate bills—from the current 8 percent to 10 percent.

The Senate would impose about $1 billion over five years in boater fees but does not specify what type of fee should be charged. The House plan would collect $173 million over five years. Among the possibilities, however, are a $25-per-boat fee or fees for boat licensing and inspection. The legislation provides that any indirect fees, such as a per-boat fee, may be collected only from boats operating in navigable waters where the Coast Guard has an established presence.

That means a cruiser on the Intracoastal Waterway might be charged, but a rowboat on a pond could float for free.

Both the House and Senate budget packages call for a fivefold increase in the amount of fines the Labor Department can levy against employers who violate the Occupational Safety and Health Act and a three-fold increase against mine owners who violate federal mine safety laws. In addition, the House would impose mandatory minimum fines and criminal penalties against employers whose workers suffer bodily harm.

In addition, the House would amend the National Labor Relations Act, the nation's basic labor law, to assess civil fines against employers and unions each time they are charged with a labor law violation by the general counsel of the National Labor Relations Board.

While most of the budget proposals are apt to cost the average American, one of the biggest payouts is the $15 billion child-care bill being offered by the Senate. The proposal, which has the blessing of the White House, would provide earned-income tax credits for low-income workers and establish grant programs in the states to held set up child-care facilities. A child-care proposal was dropped from the House budget, but the issue will be part of the budget reconciliation package.

Both House and Senate plans would make it harder for students to use a federally guaranteed loan to attend proprietary trade schools or community colleges, which tend to attract low-income students and have higher loan default rates. Being banned from the loan program could drive some trade schools out of business and reduce enrollments or budgets of public community colleges, according to some education experts.

The House plan would bar any school whose student-loan default rate exceeded 35 percent for three years. The Senate would terminate schools whose rate in each of three years exceeded 40 percent in 1991.

In the Washington area, five trade schools would appear to be most at risk based on their 1988 default rates: Smith Business School (50 percent), Washington D.C. Beauty Academy (49 percent) and Image Makers Beauty Academy (48 percent) in the District; Diesel Institute of America in Cheverly (42 percent) and Potomac Academy of Hair Design in Lanham (40 percent).

Federal employees who counted on getting the biggest chunk of money many of them have ever had—the lump-sum pension option—would have until the end of this month to leave the government or forgo the payment.

The Senate wants to eliminate the option to save money; the House wants only to suspend it for five years and to provide a loophole that guarantees that employees who are 65 or older when they retire and have at least 30 years of service will retain the lump-sum option.

The plan allowed federal workers to receive two payments—one shortly after they retire and the second a year later—equal to the amount they have contributed to the pension plan. In the Washington area, the average payment is about $32,000.

Government personnel officials said they expect an exodus of federal workers by the deadline if the option is eliminated.

In Medicare, the health-insurance program for 33 million elderly or disabled Social Security recipients, the House bill would raise enrollees' premiums for the voluntary doctor-insurance portion of Medicare—now $28.60 a month—to $29.90 in 1991 and $46.20 in 1995.

The House bill would increase from $75 to $100 the annual deductible that Medicare patients must pay before Medicare starts paying for doctor bills under the doctor-insurance portion of the program. Under the Senate bill, the deductible would rise to $150 next year.

In the Senate bill, Medicare beneficiaries would be required to pay for 20 percent of the cost of clinical lab tests; the House bill does not include this requirement.

Staff writers Kenneth J. Cooper, Don Phillips, Dana Priest, Frank Swoboda and Spencer Rich contributed to this report.

A Different Budget Summit

THE BUDGET fight goes next to a House-Senate conference committee—that is, back to the summit by another name—and this time the parties need to be very careful. They've had two weeks since the House defeat of the last agreement to broadcast their competing views. The Republicans want the burden of deficit reduction borne more by spending cuts than by tax increases, and the Democrats want it borne more by the rich. In fact there are limits on how far the burden either can or is likely to be shifted in either direction, and the conferees need to remember why they're in the room. The deficit is a greater threat to national well-being—and to the ability of either party to govern—than are any of the means that have been proposed to reduce it.

The Democrats do seem to have regained the courage of their nominal convictions. What a difference a year can make. Last year the new House Democratic leadership tried to block, on grounds it was too regressive, a deficit reduction plan that included the president's proposed cut in the capital gains tax. They urged an increase in the top income tax rate instead—and had their heads handed to them when a fourth of their members defected.

This year the opposite occurred. The same leaders lost when they joined the president in supporting a summit agreement that the Democratic members rejected as regressive. Now the House Democrats have united instead behind an even larger income tax increase than the one that previously divided them.

We wish that in drafting their plan the Democrats had shown a litte more courage in relation to the demands of the middle class. The gasoline tax may be regressive, but an increase would be a discipline to conserve; the Democrats backed off entirely. They yielded too much to the elderly as well; the nonpoor elderly ought to be made to pay a larger share of Medicare costs (or pay income tax on a larger share of Social Security benefits).

But mainly, on the merits, the Democrats are right. There does need to be a tax increase (the Republicans have never been able to come up with all the spending cuts their rhetoric requires), and it ought to be mainly in the progressive income tax. The big income tax cuts of the 1980s, particularly at the top, were a major cause of the deficit, and their beneficiaries should have to make a comparable contribution to the cure.

The problem is that the president, who by the recent standards of his party has already come a long way on taxes, is holding out against an income tax increase—a large one in rates, in any case; he says he'll veto it. The Democrats are having a good time in the fairness meadow that this has opened up for them, and some Democrats may believe they now win either way—if he vetoes a tax increase for the rich (in which case they get the issue) or if he signs one (they get the money).

But they *don't* win if he vetoes it, and deficit reduction goes down in the process. They will share deservedly in the blame for another failure of the political system. The social deficit that they also profess to care about will continue to increase for lack of funds. Both parties have some tricky ground to cover in the next few days, and we hope they get it right.

The New York Times

FRIDAY, OCTOBER 19, 1990

BIPARTISAN BUDGET GAINS IN SENATE IN PUSH FOR VOTE

REVISIONS BEATEN BACK

Bush Vows to Sign a Measure to Keep the Government Going Till Wednesday

By DAVID E. ROSENBAUM

Special to The New York Times

WASHINGTON, Oct. 18 — The Senate turned down all amendments to a bipartisan budget package today and, as the measure neared passage, the White House said President Bush would sign legislation to keep the Government operating normally until next Wednesday.

At 9 P.M., the Senate was disposing of the final amendments and preparing to send the budget bill to conference and a final confrontation between the White House and Congress over who will pay for deficit reduction.

Senior senators and representatives were ready to start preliminary talks immediately to work out the many differences between the Senate measure and the one that Democrats rammed through the House of Representatives on party line votes on Tuesday.

Another Midnight Deadline

It is unlikely that the conference committee will finish its work by midnight Friday, when the Government's authority to spend money expires. But Marlin Fitzwater, the White House press secretary, said Mr. Bush would be willing to sign an extension of appropriations through the middle of next week if the conferees seemed to be making "satisfactory progress."

That was a reversal of the position the President took in campaign stops this week. Then, he said he was prepared to close down the Government again if Congress did not meet the deadline. Two weekends ago, Mr. Bush suspended most Government services for three days to keep pressure on Congress.

The House approved stopgap legislation tonight that would continue the Government's spending authority through Oct. 24, and the Senate is expected to follow suit.

John H. Sununu, the White House chief of staff, and Richard G. Darman, the budget director, have no vote in the conference. But they will be central figures when the negotiations get tricky over the next few days, looking over the lawmakers' shoulders at every turn.

The House bill, which President Bush has insisted he would veto, would raise the income taxes of nearly all Americans, but place the brunt of the new tax bite on the wealthy.

Effect on Taxes

The Senate bill, which the President today said he would support, would not affect the income taxes of most taxpayers, but would hit the middle class by more than doubling the Federal gasoline tax and by cutting Medicare benefits.

Senate leaders of both parties managed over two days to beat back several amendments that would have made the moderate Senate bill more like the liberal House version.

Both versions are supposed to cut the Federal deficit, now about $300 billion, by $40 billion this year and $500 billion over five years through a range of tax increases and spending reductions.

Even before the first meeting of the conferees, lawmakers were angling for position today and reaching for compromises.

Representative Dan Rostenkowski, the Illinois Democrat who is chairman of the tax-writing Ways and Means Committee and a member of the conference, said at a meeting of about 50 Democratic leaders that they should be prepared for substantial compromises to reach an outcome that could pass the more conservative Senate and that could be signed by the President.

Most Favored Compromise

According to people who were at this meeting of the Democratic whip organization, some firebrands argued that the conferees should adopt a bill that would invite a Presidential veto and force Mr. Bush to defend it two weeks before the Congressional elections. But that was said to be the minority view, and most of the Democrats favored striving for a good compromise.

Speaking to a group of White House interns, Mr. Bush said that the "soak the rich" oratory of Democrats in the House and many in the Senate was a "smoke screen to try to hide their effort to raise the income taxes of ordinary working Americans." Mr. Bush said he opposed the House bill, "not because I want to help the rich, but because I want to help everyone."

The House bill would suspend for one year the adjustment of tax brackets and personal exemptions for inflation in a step that would cost a few hundred dollars a year in extra taxes for middle-income taxpayers. But by raising the top tax rate, increasing the alternative minimum tax and levying a surtax on millionaires, the House bill would result in a cost to the wealthiest 1 percent of taxpayers — those with incomes of more than $200,000 — of about $11,000 a year in additional taxes.

A study by the nonpartisan staff of the Congressional Joint Tax Committee shows that the House bill would increase the taxes of those with incomes of more than $200,000 by 7.4 percent, compared with 3.7 percent under the Senate bill. The taxes of households with incomes between $20,000 and $40,000 would be raised 1 percent under the House bill and 2.7 percent under the Senate bill.

Just as Mr. Rostenkowski was preparing his troops for a compromise, so was Senator George J. Mitchell of Maine, the Democratic leader.

'The Best We Can'

Arguing on the Senate floor today against several Democratic amendments that would have made the Senate bill more like the House version, Mr. Mitchell said he, too, favored higher tax rates and a larger burden on the wealthy and noted that would be the outcome of the conference.

"We can't guarantee a result in conference, but we're going to do the best we can," Mr. Mitchell told the Senate.

But the majority leader went on to say, "We must recognize what the realities are," specifically that the President vowed to veto a final measure that would raise the top tax rate to 33 percent from 28 percent.

"I don't agree with the President," Mr. Mitchell said. "I think he's wrong. But that is the reality."

The most prominent of the amendments rejected by the Senate today was offered by Senator Albert Gore Jr., a Democrat from Tennessee. Defeated on a procedural vote of 55 to 45, it would have raised taxes on the rich and used the revenue to limit the increase in the gasoline tax and reduce cuts in Medicare benefits.

A Big Amendment's Fate

Thirty-seven Democrats and eight Republicans voted for Mr. Gore's amendment; 18 Democrats and 37 Republicans voted against it.

Senate leaders of both parties had promised last week that they would work to defeat all amendments, and they did so. Had they not made such a pledge, the bill would have died in the Finance Committee.

The toughest challenges to their compact probably came late Wednesday night. One amendment then was similar to Mr. Gore's. Another would simply have scrapped the part of the bill that would raise the gasoline tax. Both were defeated handily.

These are among the main elements of the Senate bill:

¶An increase in the Federal gasoline tax from 9 cents now to 18.5 cents in 1992.

¶A doubling of the annual Medicare deductible to $150 from $75. The monthly Medicare premiums the elderly pay for insurance against doctors' bills, now $28.60, would rise each year as medical costs increased.

¶An increase to $89,000 from $51,300 in the amount of wages subject to the 1.45 percent payroll tax for Medicare.

¶A 10 percent luxury tax on automobiles costing more than $30,000, boats costing more than $100,000, private planes costing more than $250,000, and furs and jewelry costing more than $5,000.

¶Tax breaks totaling $3.5 billion over five years to encourage oil and gas production. They would not become effective unless the price of oil, now more than $40 a barrel, falls below $34.

¶A limit on itemized deductions for affluent taxpayers. Those taxpayers' deductions would be reduced by 5 percent of the amount of their adjusted gross income above $100,000.

¶Requirements that all state and local employees pay Medicare taxes and that those not in a public employee retirement system pay Social Security taxes.

¶Higher taxes on alcoholic beverages and tobacco.

¶A $15 billion cut in agriculture programs.

¶An expansion of tax credits for poor workers.

The measure also would impose a variety of user fees for Government services, including a charge for commercial use of data from the National Weather Service.

Political Might of Elderly Is Felt Again in Senate

By ROBERT PEAR
Special to The New York Times

WASHINGTON, Oct. 18 — Elderly people have once again demonstrated their political power by persuading Congress to abandon proposals for sharp increases in the fees they pay for Medicare. But most of the elderly will still be obliged to pay more for their Federal health insurance coverage under legislation emerging from Capitol Hill.

There was only a brief skirmish in the long-awaited war between the generations this month. The elderly and their advocates won a swift victory, forcing Congress to scale back proposed cuts in Medicare, the health insurance program for 30 million elderly and more than 3 million disabled people.

Senator Bob Dole of Kansas, the Republican leader, complained this week that Medicare had become untouchable. "Somebody mentions the word 'Medicare,' it is like crying 'fire' in a crowded theater, and we did not do anything in Medicare that touched poor people," Mr. Dole said. "Why should the taxpayer pay the Medicare premium of millionaires in America or those making $100,000, $200,000, $300,000, $400,000? Why not means-test Medicare?"

Mr. Dole said that "if senior citizens understood what we were doing to their children and grandchildren," by increasing the burden of Federal debt, and if they could afford to pay larger premiums, "they would do it."

Premiums to Increase

Medicare beneficiaries pay premiums, now $28.60 a month, for insurance to help pay doctors' bills. The monthly premium would rise to $46.20 in 1995 under the deficit-reduction package approved Tuesday by the House of Representatives, as against $54.30 under the bipartisan budget agreement rejected by the House Oct. 5.

The rejected plan, which had been negotiated by Bush Administration officials and Congressional leaders, called for $60 billion in Medicare savings over five years, including $30 billion from beneficiaries.

By contrast, the packaged approved by the House would save Medicare $43 billion over five years and $10 billion of that would come from beneficiaries.

The remainder would come from doctors, hospitals and other health-care providers.

The Senate's deficit-reduction plan would save Medicare $49 billion over five years, of which $17 billion would come from beneficiaries.

Elderly Seek 'Fair Share'

In interviews, elderly people said they were willing to pay their "fair share" to help reduce the Federal budget deficit, but most said they were being asked to pay more than a fair share.

L. Joseph Cahn of New Orleans, who is 82 years old, said "it wouldn't bother me" to pay a little more in Medicare premiums. He lives alone in a house that he bought 43 years ago and is in good health. He said that his income, from Social Security, a private pension and investment in Government securities, was higher than at any other time in his life. "I am blessed," he said.

By contrast, Lydia B. Fischer of Miles City, Mont., who lives on $400 a month and has arthritis, emphysema, diabetes and lung cancer, said she becomes upset when she hears that Congress is "messing with Medicare."

Mrs. Fischer, 73, said that elderly people "do protect Medicare and Social Security," but she asked, "What else do we have to live on?"

Morris Lentchitsky, a retired 81-year-old meat cutter who lives in Brooklyn on $20,000 a year, said he could not easily pay higher Medicare premiums and deductibles because his income was fixed.

"If we have to pay more for medications, as we do, and if they take more from our Social Security checks to pay for Medicare, that's double jeopardy," he said.

The Government does not have a uniform system to keep track of Federal spending by the recipient's age. The Congressional Budget Office estimates that in the fiscal year 1988, the last for which complete data are available, the Government spent $301 billion for the elderly and $107 billion for various programs for families with children under 18 years old.

Social Security accounted for 54 perecent of Federal spending for the elderly while Medicare accounted for nearly 26 percent. Social Security was also the biggest single source of Federal payments to families with children, accounting for $22.8 billion in 1988.

Jeanne Scher of Marietta Ga., a former nursery school teacher who is now president of the Atlanta chapter of the Older Women's League, said: "I would caution any young person to think about what would happen if his or her parents did not have Social Security. Many more young people would be financially responsible for the care of their parents."

In debates over the budget, the American Association of Retired Persons has assumed a relatively low profile, allowing other lobbyists to denounce Medicare cutbacks in more strident terms

Eugene I. Lehrmann of Madison, Wis., vice president of the 33-million member association, said: "Older people are concerned about the Federal debt they are passing on to their children and grandchildren. We are willing to take our fair share of whatever pain is needed to reduce the budget deficit."

A Budget Status Report

PROPOSALS ALMOST CERTAIN TO EMERGE FROM CONGRESS

Cigarette Tax: Increase of 8 cents (4 cents in 1991, 4 cents in 1993), to 24 cents.

Alcohol Tax: Increase of 16 cents a six-pack, to 32 cents.

10 Percent Luxury Tax: Applies to the purchase price above these thresholds: cars, $30,000; boats, $100,000; jewelry, $5,000.

Aviation Fees: Increase in passenger ticket tax to 10 percent from 8 percent, plus increases in other fees.

Insurance: Reduced tax breaks for insurance industry.

Social Security: State and local workers not covered by a government retirement plan would pay into Social Security.

PROPOSALS IN DISPUTE AND HEADED FOR CONFERENCE

Income Tax Rates: House bill would extend the 33 percent marginal tax rate to all high-income taxpayers, who now generally pay a flat rate of 28 percent. New rate would apply to all taxable income above $78,400 for those filing jointly. House would also increase alternative minimum tax to 25 percent, from 21 percent. Senate bill has no such provisions.

Millionaires: House bill would impose 10 percent surtax on all taxable income above $1 million. Senate bill has no such provision.

Indexing: House bill would freeze inflation indexing of tax brackets and personal exemptions for one year. Senate bill has no such provision.

Deductions: Senate bill would reduce itemized deductions by 5 percent of the amount of adjusted gross income above $100,000. House bill has no such provision.

Gasoline: Senate bill would add 9.5 cents a gallon to the gasoline tax by Jan. 1, 1992, to a total of 18.5 cents a gallon. House bill would not raise gasoline taxes.

Alcohol: House would increase tax on a gallon of 100-proof alcohol by $1, to a total of $13.50; Senate proposes $1.20 increase. House would add 22 cents in taxes for a bottle of wine, to a total of 25 cents; the Senate proposes an increase of only 18 cents.

10 Percent Luxury Tax: House would impose tax on purchase of furs for the amount above $10,000; Senate threshold is $5,000. House would impose tax on airplane purchases above $100,000, the Senate would impose it above $250,000.

Medicare: House would impose 1.45 percent Medicare tax on wages up to $100,000, from a current cap of $51,300. Senate would extend cap to $89,000. Senate would extend Medicare tax to state and local employees. House would not. House would increase Medicare deductibles and premiums on the elderly, requiring them to pay $10.1 billion in new payments over five years, and would impose $33 billion in new costs on providers. The Senate would raise Medicare costs to the elderly by $14.2 billion over five years and would raise providers' costs over the same period by $32 billion.

Energy Companies: To encourage exploration and drilling, Senate would provide $3.4 billion in tax breaks over five years for small companies. House bill has no such provisions.

Capital Gains: House would exclude 50 percent of capital gains, other than securities, from taxes, up to a $200,000 lifetime limit. On the sale of securities, the House would also permit $1,000 in tax-free capital gains a year for those with taxable income under $100,000. The Senate bill has neither provision.

The Poor: The Senate bill would give a new tax credit totaling $16.8 billion over five years to help low-income workers pay for child care and to help offset higher excise taxes. The House would provide at least $11 billion for the five-year period and as much as $22 billion.

PROPOSALS ELIMINATED FROM CONSIDERATION

Heating Oil: The budget summit proposal for a 2-cents-a-gallon tax on refiners for fuel such as heating oil, gasoline and diesel.

Unemployment Insurance: The budget summit proposal to delay payment of unemployment income for two weeks.

Internal Revenue Service: The budget summit proposal to raise $9.4 billion by improving auditing and collection efforts.

Small Businesses: Most of the $12.1 billion in tax breaks for small businesses proposed by the summit negotiators.

House-Senate Panel Prepares for Endurance

By MARTIN TOLCHIN

Special to The New York Times

WASHINGTON, Oct. 18 — In the wild and woolly no-holds-barred world of House-Senate conferences, a budget reconciliation conference is in a class by itself.

"It becomes almost an endurance contest," said Senator Lloyd Bentsen, the Texas Democrat who heads the Senate Finance Committee and who will play a crucial role in the budget reconciliation conference.

Senator John C. Danforth, a Missouri Republican on the Finance Committee, said, "If you leave the room for a few minutes, you can come back and nothing is left."

A Different Kind of Conference

House-Senate conferences are round-the-clock sessions intended to meld divergent bills passed by the House and Senate. They are needed because a bill cannot be sent to the President for his signature or veto until it has been approved in identical form by the House and the Senate alike.

Unlike most conferences, attended by perhaps two dozen House and Senate members, a budget reconciliation conference has hundreds of members, and dozens of subconferences. Virtually every committee that authorizes Government programs, from Agriculture to Veterans Affairs, has programs affected by the bill, and will have a role at the conference table.

Plenty of jockeying when Congress is down to the wire.

Last year's conference had 232 members and more than 50 subconferences. But most of the negotiating is done by a few leaders in secret. House and Senate conferees caucus separately, and send each other various proposals until they reach agreement on an issue. When the doors finally open, the leaders of the subconferences merely restate the agreements already reached.

Many Tax Changes

The conference committee is expected to begin negotiations Friday on the budget for the current fiscal year, which began Oct. 1. Neither chamber has anounced the number or names of the conferees.

As much of the bill has to do with tax changes, Mr. Bentsen's committee and the House Ways and Means Committee, headed by Representative Dan Rostenkowski, Democrat of Illinois, will have jurisdiction over 60 percent of the budget reconciliation bill.

Senator Bentsen predicted that the conferees would settle much of the differences "and then they'll say, 'You and Danny work out the rest.'" He said he and Mr. Rostenkowski would then "call in our experts, and consult with our members."

Conflicts between the two men will include proposed increases in income taxes approved by the House and rejected by the Senate. The Senate also approved a 9.5-cent-a-gallon increase in gasoline taxes; the House did not approve any increase in the gasoline tax.

A conferee's overall strategy consists, in part, of concealing his true goals, lest they become hostage. "If Bentsen or Rostenkowski knows what the other guy has to have, he can name his terms," said a Senate aide who has watched the two men joust.

White House Is Present

In addition, the White House is always at the conference table, because conferees want to produce a bill that the President will sign. Although they are not formal members of the conference committee, Richard G. Darman, the White House budget director, and Treasury Secretary Nicholas F. Brady will have seats at the table.

There are few limits on what the conferees can do. They can shrink a large bill, as they did last year when they reduced a 1,000-page budget reconciliation bill to 87 pages, or they can inflate a small bill, as they did when they took a minor mass transit bill and used it to overhaul the mass transit laws. Although House and Senate rules require that conferees approve only legislation that has passed either chamber, and is within the "scope of the conference," this rule is honored in the breach.

"About the only thing the reconciliation conference can't do is produce a treaty," said Robert Dove, former Senate parliamentarian now an aide to Senator Bob Dole, the Republican leader.

Everything Is 'Relevant'

Senate rules provide that "a conference report may not include new matter entirely irrelevant to the subject matter," but Mr. Dove noted that in Congress, almost everything is somehow "relevant" to everything else. One House member observed, "With unanimous consent, these guys can make the sun rise in the west."

As Election Day approaches, the conference leaders expect increasing problems in persuading the conferees to support new taxes and program reductions. The 33 Senators campaigning for re-election and those House members in tough re-election campaigns have the tacit approval of their respective leadership to oppose these unpopular decisions.

Although conferees are supposed to uphold the position of their chambers, this also is the exception rather than the rule. Senator [illegible]

Georgia Democrat, noted that in the arts endowment conference, "We'll have some Senate conferees who feel that the House position is the better one."

Is This an Era's End?

The Anti-Tax Offensive of the 1980's Is Over, or So the Democrats Believe

By R. W. APPLE Jr.

Special to The New York Times

WASHINGTON, Oct. 18 — As Congress moved toward completion of a budget package today, the Democrats who control both the Senate and the House of Representatives cast their bets that the Reagan era was really over.

News Analysis

For six long years, from the defeat of Walter F. Mondale in the 1984 Presidential election until only a few months ago, Democratic politicians were on the defensive on taxes. "There they go again," Ronald Reagan and his fellow Republicans would say, "raising your taxes again," and the Democrats would scurry for cover.

Now Mr. Reagan is gone from the Washington scene, President Bush has abandoned his no-new-taxes pledge, oil prices are soaring, the economy is slumping, and the deficit threatens to race out of control under the impact of the savings-and-loan bailout and the Persian Gulf crisis. The Democrats feel free to utter the dread "T" word again, though they prefer to talk about "fairness," and, like Franklin D. Roosevelt and Hubert H. Humphrey and Lyndon B. Johnson, to preach that old-time religion about soaking the rich.

'No More to Give'

Are the Democrats right? Have times really changed? Or are they just deluding themselves? Are they walking into a trap that they don't see?

The Senate and House conferees who will labor to produce a bill to send to Mr. Bush will almost certainly agree, if they agree at all, on a measure that imposes new taxes of some kind on the wealthy. Representative Dan Rostenkowski of Illinois, chairman of the Ways and Means Committee, pushed that sort of bill through the House earlier this week, and although the Senate as a whole preferred milder medicine, many Democratic senators actually favored Mr. Rostenkowski's approach of making the privileged pay more.

"The middle class has no more to give," said Senator Barbara A. Mikulski of Maryland, who sponsored one of many amendments that the Senate defeated today, to her dismay and that of many of her Democratic colleagues.

"Ronald Reagan managed all through the 1980's to cast the tax debate in terms of economic policy," said Geoffrey Garin, a leading Democratic poll taker. "He said low taxes meant greater growth, and people believed him. In that context, fairness didn't matter as much. Everyone was benefiting.

"Now many more people think the question is, Who pays? In that context the old Democratic argument about fair shares is much stronger."

Is Reaganism Alive?

But a few Democrats on Capitol Hill and many who ply their trade far from Washington, believe Mr. Reagan's anti-tax fervor is still alive.

Gov. James J. Florio of New Jersey for example, is facing a fierce popular revolt against his policies, including a program of higher taxes. Representative Jill Long of Indiana, who won a special election on a no-new-taxes platform last year, is running far ahead this year by saying much the same thing. Two Democratic underdogs campaigning for governor in big Midwestern states, Neil Hartigan in Illinois and Anthony Celebrezze in Ohio, have gained a lot of ground in recent weeks by picturing their Republican foes as advocates of higher taxes.

"The landscape has changed," said Douglas Schoen, who helps plan campaigns for Democratic candidates, "but the vast majority of people still think that waste, not inadequate revenues, is the problem in Washington. So I tell my candidates that they have to establish their fiscal prudence first, then emphasize that they're taking the burden off working people. Otherwise the Republicans can make us the tax-raising party again, and we lose."

One thing that is different about the political landscape is the replacement of Mr. Reagan by Mr. Bush, who has less of a core constituency behind him and lacks Mr. Reagan's almost magical ability to make any talk of tax increases a threat to working people whatever the fiscal reality.

Another is the growing belief of large numbers of voters, reflected in many recent opinion surveys, that the 1980's were full of excesses that will have to be paid for sooner or later, by somebody or other. Relatively few people argue any longer that cutting taxes would balance the budget, as Mr. Reagan and the supply-siders argued with great success in the last decade.

"Politics does have some roots, however fragile, in reality," said Thomas Donilon, a Washington lawyer and Democratic strategist. "Bush gave up the Republicans' strongest political hammer — the no-new-taxes pledge — because he couldn't postpone the day of reckoning anymore. The budget mess couldn't be allowed to continue. That changes the political equation."

For the moment, at least, the Democrats are defining the Republicans, for political purposes, as the protectors of the rich, rather than the Republicans defining the Democrats as the tax-and-spend crowd. That, a very senior Republican senator said this week, "will cost us some seats" in the midterm elections next month, and could even imperil Mr. Bush in 1992.

'Treacherous Ground'

Mr. Mondale, who is campaigning for his son, a candidate for the Minnesota Senate, sees international forces as the engine of change.

"Reagan was saved, it seems to me, by falling oil prices and cheap foreign credit," the former Vice President said in a telephone interview. "They made big deficits tolerable, but now there's no alternative to footing the bill. No more open-field running, just straight through the line — and the Democrats have always been a bit better at that sort of politics."

Some even see Representative Richard A. Gephardt of Missouri, who has made much of the Democrats' case on taxes during the last year, emerging from the budget crisis as such a hero that he will win the party's Presidential nomination two years from now.

Maybe. But as Mr. Donilon said, the Democrats are on "treacherous ground," and a misstep could be very costly. Mr. Gephardt and many other Democrats thought they had a winner three years ago in Japan-bashing, and that faded away as Mr. Bush painted them again as the party of big government, at a time when most voters thought that government should get smaller.

It could happen again, especially at a time when public support for politicians of any stripe — indeed, for politics itself — is so slight.

WALL STREET JOURNAL.

FRIDAY, OCTOBER 19, 1990

Leaders Aim For Quick Pact On Budget Bills

Wealthiest Taxpayers Seem To Be a Certain Target; Gasoline Levy Key Issue

By JACKIE CALMES
And JEFFREY H. BIRNBAUM
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—Congressional leaders aimed for a quick compromise this weekend between House and Senate versions of the largest deficit-reduction plan ever, with the final product all but certain to raise taxes on the wealthiest Americans.

Preliminary plans were proceeding for the tough negotiations ahead even as the Senate yesterday was wrapping up action on its own package of tax increases and spending cuts, which is part of a blueprint to shrink the budget deficit by $500 billion over five years. Senate leaders of both parties showed impressive muscle during two days of debate in blocking amendments that would have threatened Republican and White House support for the plan.

Unlike the House plan passed on Tuesday, the Senate package wouldn't raise income-tax rates on the wealthy. But it would limit their deductions, which would raise their taxes by $29 billion over five years. Though the outlines of an ultimate compromise were unclear, Democrats in both chambers were committed to somehow shifting the tax burden more toward rich Americans.

The final product was widely expected to omit a House provision to delay for a year the scheduled inflation adjustments of the income-tax brackets and the personal exemption. President Bush and his fellow Republicans have spotlighted that provision—which would raise $36 billion more over five years from lower- and middle-income taxpayers—to charge that Democrats were hypocritical in claiming to be looking out for the middle class.

House Democrats, by including that so-called indexing provision in their bill, were able to drop a proposed gasoline-tax increase and hold down proposed cost increases for Medicare beneficiaries. The Senate bill, in contrast, would impose higher Medicare costs and would boost the current nine-cent-a-gallon tax on gasoline to 18.5 cents, which made it more controversial with rank-and-file Democrats.

But in a closed-door meeting with House Democratic vote-counters yesterday, Chairman Dan Rostenkowski (D., Ill.) of the Ways and Means Committee acknowledged that some gasoline-tax increase might have to be part of the final package.

The trade-off between indexing and energy taxes, along with the question of how to increase taxes on the wealthy, will be the most contentious issues facing the House-Senate conference.

Bush administration negotiators have made clear they would accept an increase in the top marginal rate on the wealthiest individuals to 31% from the current 28%. That isn't high enough for Democrats, who prefer at least 33%, especially if the increase is accompanied by any form of capital-gains tax cut, which the president wants.

The dispute could sour any effort to get even the modest and highly targeted version of capital-gains tax preferences contained in the House-passed bill. It would allow one-time capital-gains tax breaks, but mostly for middle-income people and not for stock speculators.

For days, the administration has signaled that Mr. Bush would sign a deficit-reduction measure similar to the Senate's. He continued to attack the House-passed plan yesterday, telling White House interns that "when some members of the Congress talk about 'soaking the rich' they really do mean raising taxes on everybody."

Administration officials, who have been working behind-the-scenes with congressional leaders to mold a compromise, made some progress yesterday when the Senate deleted provisions that would have increased civil fines by the Occupational Safety and Health Administration and made certain OSHA violations criminal offenses. The administration has said the president would veto any bill that included those provisions.

Even as Senate debate continued, lawmakers of both parties were increasingly optimistic that the president would approve another stopgap spending bill to keep the government operating after the current short-term bill expires at midnight tonight.

The House took the first step yesterday by voting 379-37 for a measure to extend the government's financing and its borrowing authority through Wednesday. It also would suspend the across-the-board cuts that are required by the Gramm-Rudman law because the projected 1991 deficit exceeds the law's limit. White House spokesman Marlin Fitzwater yesterday said the administration has notified congressional leaders that Mr. Bush would consider signing a stopgap bill if there was "satisfactory progress" toward a final deficit-reduction package.

Both chambers' packages would enact about half of a White House-congressional goal of reducing the deficit by $500 billion over five years. Remaining savings would come from defense cuts and reduced interest payments on a lower federal debt.

About three-fourths of each package consists of higher taxes and savings from Medicare. The rest of the savings represents cuts from projected spending in programs for veterans, college students, farmers, federal retirees and many others.

Next to taxes, the Medicare savings have been most controversial. The influential elderly lobby is likely to prevail in pushing for provisions more like those in the House plan, with its smaller cost increases for recipients. For doctors and hospitals, the House and Senate plans mandate similar cuts in Medicare reimbursements.

The Senate would double the Medicare deductible to $150 annually; the House would lift it to $100. The Senate bill would allow some doctors to charge Medicare beneficiaries more money than current law. This change, pushed by the American Medical Association, is one of the prime targets of the elderly groups. The House allocates $2 billion over five years to pay Medicare premiums for certain poor people, while the Senate version contains $425 million for such a program.

During both days of Senate debate, many rank-and-file Democrats sought to soften the hit to Medicare beneficiaries with various formulas that raised taxes on the rich, much like the House plan did. But Democratic leaders, dependent on GOP votes to pass a package in the more conservative Senate, worked with their Republican counterparts to fend off such amendments.

The bipartisan accord put Senate Democratic Leader George Mitchell of Maine in the ironic position of killing proposals for a higher tax rate on the rich, despite his lead role in unsuccessfully pushing for such changes when the tax code was overhauled in 1986.

"The president has stated clearly, consistently and unequivocally that he will veto any bill that raises the top rate to 33% on the highest-income taxpayers," Sen. Mitchell said. At the least, he argued, the Senate bill or any likely compromise with the House would be more progressive than current tax law—that is, it would hit the rich proportionately harder than those with lower incomes.

Sen. Mitchell repeatedly asked his dissident Democrats: "Do you want to make a statement, or do you want to make a law?"

In floor action yesterday, the Senate voted 55-45 against an amendment from Sens. Albert Gore (D., Tenn.) and Barbara Mikulski (D., Md.) that would have tracked the House bill's hit-the-rich tax provisions—raising the top marginal tax rate on the wealthiest Americans to 33% from 28%, imposing a 10% surtax on millionaires, and increasing the minimum tax rate for those who otherwise would slash their liability with numerous deductions.

Even a nonbinding "sense of the Senate" amendment from Sens. David Boren (D., Okla.) and Sam Nunn (D., Ga.) was beaten, 57-43. The amendment would have encouraged Senate negotiators in the budget conference to work for a capital-gains tax cut, expanded use of individual retirement accounts, and a smaller gasoline-tax increase.

Analyses of the House and Senate bills shows that the House version would hit hardest at individuals who make more than $200,000 a year. These people would have a tax increase of 7.4%, while the Senate bill would increase their taxes 3.7%.

But the Senate bill is tougher than the House bill on incomes of $75,000 to $200,000. For the $75,000-$100,000 group, the House bill's tax increase would be 1.5%, compared with the Senate's 2.5%. For the $100,000-$200,000 group, the House bill's increase would be 0.7%, compared with the Senate's increase of 3.5%.

With the emphasis on helping wage-earners at the lower end of the scale, there is a growing likelihood that the final bill will contain provisions that subsidize child care, especially for low-income people.

Based on parallel provisions in the House and Senate packages, the final measure is likely to raise the 16-cent-a-pack cigarette tax by eight cents by 1993, and to increase levies on alcoholic beverages, airline tickets, luxury items and insurance companies.

—*David Wessel and Kenneth H. Bacon contributed to this article.*

The Philadelphia Inquirer

Friday, October 19, 1990

Senate nears approval of budget bill

By Charles Green
and R.A. Zaldivar
Inquirer Washington Bureau

WASHINGTON — The Senate last night neared approval of a budget bill that would raise the gasoline tax to 18 cents a gallon as part of a broadly based collection of new taxes and spending reductions.

Once the Senate measure is approved, the five-month-long budget battle will move into its most critical stage, in which the House and Senate must agree on a single bill that resolves their differences over the gasoline tax and tax rates for the wealthy.

Lawmakers had been trying to reach a budget accord before 12:01 a.m. tomorrow, when the government's authority to operate expires. But yesterday, the White House sent word to Capitol Hill that President Bush would sign a stopgap resolution to continue federal spending into next week if lawmakers were making satisfactory progress on reaching agreement on a budget bill that would reduce the deficit by $500 billion over five years.

The bipartisan Senate bill, which Bush backs, would raise gasoline taxes by 9.5 cents a gallon, reduce deductions for people making more than $100,000 a year, increase payroll taxes for the upper-income workers and require Medicare recipients to pay more for health care.

The proposal approved by the House is strongly backed by Democrats, but the White is opposed to it. It would raise the top tax rate to 33 percent, impose a 10 percent surtax on taxable income above $1 million and raise almost everyone's taxes by delaying by one-year inflation adjustments of tax brackets and personal exemptions. It also contains a reduction in capital-gains tax rates, designed mainly for people with incomes under $100,000 a year. It would retain federal gasoline taxes at the current 9-cent-a-gallon rate.

Both the House and Senate bills would raise taxes on beer, wine, hard liquor and cigarettes and impose a luxury tax on the most expensive cars, yachts, private planes, furs and jewelry.

Finding a compromise between the two approaches promises to be the most difficult issue to resolve.

"The fundamental issues are going to be what to do with the gas tax and what to do with progressivity — dealing with rates and the surtax," said Leon E. Panetta (D., Calif.), House Budget Committee chairman. "That's where the battle is going to be fought."

Anticipating passage of the Senate bill, some lawmakers began privately discussing possible compromises between the House and Senate versions that would satisfy both Bush and the Democratic majorities in Congress.

Some lawmakers yesterday predicted that the final deficit-reduction package would raise the gasoline tax by several cents, eliminate a House provision that would push more middle-class taxpayers into higher brackets and limit deductions for those making more than $100,000.

Far less clear was whether negotiators would try to raise the income tax rate on higher-income Americans, despite veto threats from Bush.

"Once they start changing anybody's income tax rates, they can't resist everyone's tax rates," Bush said yesterday in brief remarks at the White House.

At issue is who will shoulder the burden of reducing the budget deficit by an estimated $500 billion over the next five years, the most ambitious deficit-cutting action Congress has ever attempted.

A major issue for House and Senate negotiators will be the Democrats' insistence that a deficit-reduction package hit upper-income taxpayers the hardest.

"The middle class in this country have no more to give," said Sen. Barbara A. Mikulski (D., Md.) during debate on the Senate proposal yesterday. "The poor have nothing to give. So let's go and get it from those who got it."

While both the House and Senate bills would impose higher taxes on upper-income earners, the House bill would go further in taxing those with incomes above $200,000.

Senate Finance Committee Chairman Lloyd Bentsen (D., Texas) said the Senate negotiators would agree to the best of the House provisions, but he would not be specific.

"Without question, we'll each move toward the other, and we'll improve progressivity [in the tax code] in the process," Bentsen said.

Some of the major areas of contention are likely to include:

Gasoline tax: The House would not increase the 9-cent-a-gallon gasoline tax; the Senate would raise it by 9½ cents. Legislators predicted that a gasoline tax increase would emerge from a House-Senate conference, but it will be a smaller one than in the Senate bill.

Inflation adjustment: The House would not adjust income-tax brackets and personal exemptions for inflation for one year, requiring virtually every taxpayer to pay higher taxes. The Senate has no such provision. With the White House loudly objecting to the House provision, some lawmakers said it would probably be dropped. "It's highly unlikely the Congress will send to the President that one-year delay," said Sen. Max Baucus (D., Mont.).

Payroll tax: The House would subject the first $100,000 in income to the 1.45 percent Medicare payroll tax, while the Senate would apply it to income up to $89,000. The current cap is $51,300. Lawmakers said negotiators could agree on a middle figure.

Income taxes: The House bill would raise the tax rate for upper-income earners from 28 percent to 33 percent. Joint filers with incomes above about $200,000 would be affected. The House would also slap a 10 percent surtax on income above $1 million and raise the alternative minimum tax from 21 percent to 25 percent.

The Senate measure would not change income tax rates, but it would reduce the deductions that those with incomes over $100,000 could claim. For every $10,000 in income above $100,000, a taxpayer would lose $500 in deductions.

In action yesterday, the Senate blocked attempts to raise the tax rates on upper-income earners, amid warnings that such moves would spur a veto.

Senators defeated an amendment that would have imposed higher taxes and used the money to keep down Medicare fees for the elderly. Another rejected amendment would have used some of the money to give tax breaks on capital gains, the profits from the sale of stocks, real estate and other assets.

Senate Majority Leader George J. Mitchell (D., Maine) and Republican leader Bob Dole of Kansas repeatedly told colleagues that major changes to the bill would hamper deficit-reduction efforts for the year.

The deficit-cutting bill would write into law the tax increases and spending changes in Medicare and other entitlement programs outlined in the budget resolution Congress passed last week.

Moving on a separate track in Congress are the 13 annual appropriations bills, which provide the money for government operations, such as Pentagon and Justice Department spending. None has passed Congress, although five await votes by both chambers.

Both the appropriations bills and the deficit-cutting bill, called a reconciliation bill, are necessary in order for Congress to meet the target of reducing government borrowing by $500 billion over the next five years.

Inquirer wire services contributed to this article.

Senate moves to wrap up deficit plan

By BILL MINTZ
and WILLIAM E. CLAYTON Jr.
Houston Chronicle Washington Bureau

WASHINGTON — The Senate late Thursday was moving toward final approval of a deficit-reduction bill that would double the federal gasoline tax, reduce Medicare benefits and limit income tax deductions for wealthy Americans.

Once the Senate bill gains final approval, a conference committee will be charged with working out differences with a House-passed bill that would raise income tax rates on the wealthiest Americans.

President Bush has expressed support for the Senate plan but opposes the House version, saying that a one-year freeze on inflation adjustments of tax-bracket levels would raise tax rates on middle-income earners.

Congress is working against a deadline of midnight tonight, when a resolution that temporarily funded government operations runs out.

President Bush had threatened earlier in the week to shut the government down for the second time in two weeks if no agreement to reduce the deficit by $5 billion over the next five years was on his desk by the deadline.

But Thursday, White House spokesman Steve Hart said Bush will approve a temporary spending bill "if by (Friday) afternoon satisfactory progress has been made with significant deficit reduction."

The House then passed a resolution to continue government operations at current levels through Wednesday.

But White House officials said any continuing resolution would have to reflect a deficit-reduction target of at least $40 billion next year before the president would sign it.

In the Senate, liberal Democrats failed, in a series of amendments that dominated debate Thursday, to follow House Democrats' crusade for more fairness by imposing higher taxes on wealthy Americans.

"We must represent the values of Main Street, not the values of Wall Street," said Sen. Barbara Mikulski, D-Md., a sponsor of one tax-the-wealthy plan.

Sen. Al Gore, D-Tenn., agreed: "Do we want to ask the senior citizens in hospitals to pay more so the wealthiest in our society can pay less? I don't. It is just plain wrong."

In each case, the Democratic leadership warned that tampering with tax rates would provoke a Bush veto. Each of the income tax amendments was defeated.

One that came close to approval was a proposal by Sen. Tom Harkin, D-Iowa, to impose an 18 percent surtax on people earning more than $1 million per year. Harkin proposed using the $8 billion in revenue to reduce the burden on Medicare recipients.

"Do I think the wealthy should pay more, in this country? Yes, I do," said Sen. Lloyd Bentsen, D-Texas. "But the president of the United States says he won't sign such legislation. What we are trying to do is put together a package the president will sign.

"We can go on, making partisan points against each other . . . but I must tell you, I think the American people are fed up with it. We will be playing a high-stakes game if we have a veto," Bentsen said.

The Senate also rejected, by a 67-33 vote, a last-minute effort by Sen. Howard Metzenbaum, D-Ohio, to add a windfall profits tax on crude oil to the deficit bill. Metzenbaum said the recent increase in crude oil prices means the oil companies "are raking it in."

The Senate bill would limit deductions for people earning more than $100,000, impose the 1.45 percent Medicare tax on the paychecks of many upper-middle-class people for the first time, and boost levies on yachts and furs.

It also would raise the 9.1-cent-a-gallon federal gasoline tax to 18.6 cents by 1992 — a measure that will raise $43 billion in new revenue over five years.

Bush said, "I prefer the Senate version of the budget because it keeps the 28 percent (top income tax) rate and it doesn't raise the income tax on any middle-class or lower-income Americans — not because I want to help the rich, but because I want to help everyone."

Bush said that tax indexing — the annual adjustment of income tax brackets for inflation — prevented the middle class from being pushed up into higher brackets.

"Elimination of indexing does not affect the rich because they are already in the top bracket," Bush said in remarks to a group of White House interns.

"Indexing is a protective shield for the middle class, and tell your parents and families that I am not going to permit this protective shield for working Americans to be pierced, to be broken," the president said.

"I will hold everyone's feet to the fire and make them do the right thing."

He said talk of making the tax code more progressive "is just a smokescreen."

The House bill, which was approved Tuesday, would raise the income-tax rate on the richest Americans from 28 percent to 33 percent and add a 10 percent tax on people earning $1 million annually. It also would raise the minimum tax paid by people with tax shelters.

While efforts to impose higher taxes on wealthy Americans failed in the Senate, the fairness question is sure to be a pivotal issue in the conference committee, which is expected to begin reconciling the House and Senate bills today.

"The major issue with us in the House is hanging onto some notion of progressivity," said Rep. Byron Dorgan, D-N.D., a member of the tax-writing Ways and Means Committee.

House Budget Committee Chairman Leon Panetta, D-Calif., said he believed the House would drop its provision to freeze indexing for one year.

Both the House and Senate versions of the deficit-reduction bill reduce Medicare benefits for 33 million senior citizens, although by different amounts. Both versions of the bill contain similar tax increases on alcohol, tobacco and luxury items such as furs, expensive cars, private airplanes and jewelry.

The House bill would grant a modest tax break to middle-class people who sell property and would not raise the gasoline tax.

Bush backs off on govt. shutdown threat

By JOE BATTENFELD

WASHINGTON — President Bush last night abandoned a threat to impose another weekend government shutdown as the Senate crept toward approving its own deficit reduction package.

Bush signaled he will keep the government running until next Wednesday at the latest to allow Congress to end the bitter budget impasse and approve a final compromise plan.

The latest Bush flip-flop came as he repeated his opposition to a "soak the rich" tax approved by the House and claimed Democrats were trying to tax working class people.

"I'm going to fight the taxers and the spenders," Bush said.

With the current spending bill set to expire at midnight tonight, the House yesterday approved a new stopgap bill and the Senate was expected to follow suit.

Bush in the last week has repeatedly vowed to veto such a temporary measure in the absence of a final budget plan.

But as the Senate yesterday moved toward approving a package that has the White House's blessing, the president changed his tune.

White House spokesman Marlin Fitzwater said Bush will sign another "short-term" continuing resolution keeping the government afloat until Wednesday provided the House and Senate were near agreement.

It was unclear last night when or if a final budget would reach Bush's desk.

"There will be an agreement," Sen. John F. Kerry (D-Mass.) predicted. "No one wants anything to shut down."

However, Senate Majority Leader George J. Mitchell (D-Maine) admitted, "We can't guarantee the result."

There is a chance that House and Senate conferees could patch together a compromise by late tonight, but congressional leaders were also preparing for a round of weekend negotiations.

The House package approved earlier this week would hit the richest Americans with hefty tax hikes and restore some proposed cuts in the Medicare program.

It also includes no hikes in the federal gas tax.

The Senate was expected to approve a markedly different $250 billion deficit reduction package late last night after more than 20 hours of often acrimonious debate.

It includes only a modest tax hike on the rich and an 18 cents per gallon tax on gasoline.

Kerry was expected to vote against the package while Sen. Edward Kennedy (D-Mass.) was expected to approve it.

Even as Senate amendment debate dragged on, House Democrats huddled yesterday to try and reach a compromise with Senate leaders on the overall package and avoid another budget stalemate.

House leaders privately admitted they will have to settle for some hike in gas taxes and a smaller tax hit on the wealthy.

But it was far from certain what the final compromise will be, partly due to confusion over whether Bush will accept any increase in income tax rates.

"We've seen the president change his mind before," said Sen. Robert W. Kasten (R-Wis.).

Democratic and Republican leaders in the Senate yesterday successfully fended off dozens of hostile amendments they claimed would have killed any fragile budget compromise.

Among those amendments was a plan to scale back a proposed 18 cents per gallon gasoline tax and impose tax hikes on the wealthy similar to those included in the House plan. It was narrowly defeated on a 55-45 vote.

"Hopefully in the conference committee that (income tax hike) will happen," Kerry said.

Also rejected was a plan to eliminate the gax tax entirely.

The Miami Herald

F FRIDAY, OCTOBER 19, 1990

Senate nears OK on deficit plan

By CHARLES GREEN
And R.A. ZALDIVAR
Herald Washington Bureau

WASHINGTON — The Senate neared approval of a sweeping deficit reduction bill Thursday night that was generally acceptable to President Bush, raising hopes that the government's paralyzing budget battle will end next week.

The bipartisan bill would increase income and payroll taxes for upper-income Americans, double the gasoline tax, require Medicare recipients to pay more for health care and raise taxes on cigarettes, beer, wine and liquor.

House and Senate negotiators are expected to begin settling differences today between the Senate bill and a House-passed measure strongly backed by Democrats but objectionable to the White House.

A key to the deliberations will be the fate of a House provision raising the income tax rate for higher-income taxpayers.

Negotiators may have more time than previously expected to craft a deal: The House on Thursday overwhelmingly approved, 379-37, a short-term spending bill to keep the government operating through Wednesday night.

The chairman of the House Appropriations Committee, Jamie Whitten, D-Miss., said Bush would sign the measure and avoid a repeat of the temporary government shutdown over the Columbus Day weekend.

And though White House spokesman Marlin Fitzwater said Bush's signature was not automatic, a spokeswoman for House Republican leader Robert Michel of Illinois said White House officials had told GOP members that the president would sign the bill.

The reports suggested another flip-flop by Bush, who changed his mind last week about trading higher income tax rates for a cut in the capital gains tax.

Earlier this week, on the campaign trail, Bush thundered against "stop-gap government" and pledged not to sign another temporary spending bill. "Lest there be any doubt, let me make clear to Congress just how serious I am about meeting that Friday deadline," Bush told a Dallas fund-raising crowd. "Twice now this year I've signed emergency legislation to add more time to the clock. Well, this Friday, time's up."

In Congress on Thursday some lawmakers predicted the final budget package would raise the gas tax several cents, eliminate a House provision that would push more middle-class people into higher tax brackets and limit deductions for those making more than $100,000.

Far less clear was whether negotiators would attempt to raise the income tax rate on higher-income Americans despite veto threats from Bush.

"Once they start changing anybody's income tax rates, they can't resist everyone's tax rates," Bush said Thursday at the White House.

At issue in the budget battle is who will shoulder the burden of reducing the federal budget deficit by an estimated $500 billion over the next five years — the most ambitious deficit-cutting action ever attempted by Congress.

At stake is the health of the economy, interest rate levels and public confidence in the ability of government leaders to govern.

"We can't demonstrate that the president and Congress are incompetent," said Rep. Byron Dorgan, D-N.D. "We've got to demonstrate that we're capable of running the country, even if we disagree philosophically."

The overriding issue in the House-Senate budget conference will be the insistence by Democrats that any deficit reduction package hit upper-income taxpayers the hardest.

"The middle class in this country have no more to give," said Sen. Barbara Mikulski, D-Md. "The poor have nothing to give. So let's go and get it from those who got it."

While both the House and Senate bills impose higher taxes on upper-income people, the House bill goes further in taxing those with incomes above $200,000.

The Senate Finance Committee chairman, Lloyd Bentsen, D-Tex., said the Senate negotiators would agree to the best of the House provisions but declined to be specific.

"Without question, we'll each move towards the other, and we'll improve progressivity [in the tax code] in the process," Bentsen said.

Here are some of the major areas of contention:

■ Gas tax: The existing 9-cent-a-gallon gas tax would not be increased in the House bill, but the Senate would raise it by 9½ cents. Legislators predicted a gas tax hike would emerge from a House-Senate conference, but a smaller one than in the Senate bill.

■ Inflation adjustment: The House would not adjust for one year income tax brackets and personal exemptions for inflation, meaning virtually every taxpayer would pay higher taxes. The Senate has no such provision.

With the White House loudly objecting to the House provision, some lawmakers said it will probably be dropped. "It's highly unlikely the Congress will send to the president that one-year delay," said Sen. Max Baucus, D-Mont.

■ Payroll tax: The House would subject the first $100,000 in income to the 1.45 percent Medicare payroll tax, while the Senate would apply it to income up to $89,000. The current cap is $51,300. Legislators said negotiators could agree on a middle figure.

■ Income taxes: The House bill would raise the tax rate for upper-income earners from 28 to 33 percent. Joint filers with incomes above $200,000 would be affected. The House would also slap a 10 percent surtax on income above $1 million and raise the alternative minimum tax from 21 to 25 percent.

The Senate measure would not change current income tax rates but would limit the deductions those with incomes over $100,000 could claim. For every $1,000 in income above $100,000, a taxpayer would lose $50 in deductions.

Finding a compromise between the two approaches promises to be the most difficult issue to resolve.

"The fundamental issues are going to be what to do with the gas tax and what to do with progressivity — dealing with rates and the surtax," said House Budget Committee Chairman Leon Panetta, D-Calif. "That's where the battle is going to be fought."

The surtax on those with taxable incomes over $1 million could survive — some Republicans said it would be politically foolish to oppose it. But many Republicans, and Bush, are committed to fighting a 33 percent tax rate for those in the upper-income brackett.

Sen. Bob Packwood, R-Ore., said increasing the rate would only increase pressure to create loopholes and tax shelters in the tax code and result in a more inefficient tax system.

In action Thursday on the Senate budget bill, the Senate blocked attempts to raise the tax rates on upper-income taxpayers amid warnings that such moves would spur a veto.

One defeated amendment would have imposed higher taxes and used the money to keep down Medicare fees for the elderly. Another would have used some of the money to give tax breaks on capital gains, the profits from the sale of stocks, real estate and other assets.

Senate Majority Leader George Mitchell, D-Maine, and Republican leader Bob Dole, R-Kansas, repeatedly told colleagues that major changes to the bill would hamper deficit reduction efforts for the year.

The deficit-cutting bill writes into law the tax increases and spending changes in Medicare and other entitlement programs outlined in the budget plan passed by Congress last week.

Moving on a separate track in Congress are the 13 annual appropriations bills that pay for ongoing government operations, such as Pentagon and Justice Department spending. None have passed Congress, though five await votes by both chambers.

Both the appropriations bills and the deficit-cutting bill, called a reconciliation bill, are necessary for Congress to meet the target of reducing government borrowing by $500 billion over the next five years.

Domestically, incompetence at the top

By CARL P. LEUBSDORF

EACH FALL, President Bush gets wistful for those sunny summer days at his seaside home in Kennebunkport. Often, he squeezes in one last visit.

This year, he was unable to make it. The reason — the protracted budget battle — can't help but increase his longing for the place that he has said is his favorite.

For not only did his sojourn last August in Kennebunkport enable the President to follow his uniquely hectic method of recharging himself, it enabled him to perform the aspect of the Presidency that he likes best, operating U.S. foreign policy without benefit of either congressional or, for the most part, staff intrusion.

Even before Bush's candid concession last week that he enjoyed foreign policy more than domestic policy, that had been obvious to those of us on the Presidential beat.

Zipping around off Kennebunkport

And it was clearly evident last August when, for days, Bush zipped around the choppy waters off the North Atlantic coastline, often accompaniedy only by National Security Adviser Brent Scowcroft as he plotted strategy and weighed options in the Persian Gulf crisis.

Tom Korologos, a veteran President-watcher who worked in the Nixon White House and has been a prominent Washington lobbyist since, has a theory that most Presidents turn to foreign travel about their third year when they get stalemated domestically.

Even Richard Nixon, who entered the White House with more of a foreign-policy agenda than most Presidents, didn't make his historic breakthrough to China until his third year in office (though one reason may have been that he was preoccupied earlier with extricating the United States from Vietnam).

Carl P. Leubsdorf is Washington-bureau chief of The Dallas Morning News.

But those close to George Bush made it clear when he entered office that he planned to be extremely active abroad. In any case, events left little choice.

The death of Japanese Emperor Hirohito prompted him to take off to the Far East just a month from taking office. And his emergence as an international leader came when he proposed a sweeping troop-reduction plan at a NATO summit in May 1989.

Since entering office, Bush has devoted untold time to developing relationships with foreign leaders. That effort paid off when he decided to organize a massive, coordinated international response to Iraq's grab of Kuwait.

As Bush noted last week, he enjoyed trying to "put the coalition together and keep it together and work toward what I think is a proper end — seeing that this aggression doesn't succeed."

"I can't say that I rejoice every time I go up and talk to [House Ways and Means Chairman] Danny Rostenkowski, my dear friend, about what he's going to do on taxes," the President added.

Aside from the fact that Bush has been mainly involved in foreign policy in the two decades since he became ambassador to the United Nations in 1970, the underlying reasons are similar to those cited by other Presidents.

Though there is a congressional role in foreign policy, it's clearly less than on domestic matters. In the case of the Persian Gulf, Bush only moved to mobilize congressional backing when domestic criticism mounted over his lengthy August vacation.

In foreign policy, a President can take and hold the spotlight alone. Even when he shares it, it's usually with such international peers as Mikhail Gorbachev or Margaret Thatcher.

And it's easier to make things happen abroad than at home. Bush found it far simpler to liberate Panama than to pass a budget or a clean-air bill. Besides, domestic policy often deals with unpleasant subjects such as taxes, which are bound to anger many voters.

But there are some downsides to the President's fascination with international policy. One is that being less interested in domestic issues, he knows less about them and has to rely more on those around him.

In the current budget battle, Bush has relied primarily on Budget Director Richard Darman and White House Chief of Staff John Sununu. While everyone respects Darman's encyclopedic knowledge of these matters, neither rates high on the diplomatic scale. And the way that Sununu's staff has failed to anticipate potential problems has renewed doubts about his managerial and political skills.

Pocketbook issues threaten re-election

Perhaps a greater problem is that the American people care more about taxes and the other pocketbook issues than about whether the coalition in the Gulf is sticking together.

With a recession at hand and his approval ratings already poor on domestic policy, the economy could pose a greater threat to Bush's 1992 re-election than the Gulf, assuming that the crisis ends without a costly war.

A Republican with close ties to the Bush White House noted a certain irony in the events of recent weeks.

"Everyone knew Bush as someone who could competently manage the government," he said. "The question was how he could react in a crisis. What we've seen, in the Persian Gulf crisis, is that he has reacted magnificently. But on the issue of competence, of managing the Government, he hasn't done very well at all."

Los Angeles Times

FRIDAY, OCTOBER 19, 1990

Federal Shutdown Averted as Senate Nears Budget OK

By WILLIAM J. EATON, TIMES STAFF WRITER

WASHINGTON—A threatened weekend shutdown of the federal government was averted Thursday as the Senate neared approval of a $500-billion deficit-cutting package endorsed by President Bush and moved toward negotiations with the House on a new compromise plan.

The White House sent word to Capitol Hill that the President would sign a stopgap resolution to continue federal spending into next week as long as the lawmakers were making satisfactory progress in the final stage of the deficit reduction talks. Congressional leaders said a new continuing resolution would assure government operations at least through next Wednesday.

Senate action on its budget legislation would open what may be the final stage of the 5-month-old effort to reach an agreement between the Bush Administration and the Democrat-controlled Congress on slashing the deficit.

Meantime, the President renewed his warning that he would not accept the House Democratic bill because, he said, it would raise income tax rates in ways that would "sock it to the middle class and working people of this country."

Appearing before White House interns, Bush defended himself against Democratic arguments that he is trying to protect the wealthiest Americans by resisting tax rate boosts.

"When tax rates get too high . . . there is no incentive to save or to invest," the President said. "When some members of Congress talk about 'soaking the rich,' they really do mean raising taxes on everybody."

House Democrats, however, said inclusion of the gas tax increase in the Senate bill would mean far higher tax hikes for middle-income and lower-income Americans than the House-approved decision to skip inflation indexing for income taxes in 1991.

The focus shifted Thursday night from the House and Senate, however, to the uncertain prospects for a Senate-House accord that the President would sign, thereby avoiding an impasse that would lead to a shutdown of federal services and furloughs for up to 1 million U.S. employees.

Democratic and Republican leaders of the Senate successfully stiff-armed attempts to alter the measure approved by its Finance Committee during daylong debate on the unprecedented election year combination of spending cuts and tax increases.

The bipartisan Senate bill would raise gasoline taxes by 9.5 cents a gallon, limit deductions for those making more than $100,000 a year and apply the 1.45% health insurance payroll tax to the first $89,000 of earnings each year instead of the $51,300 ceiling now in effect.

In contrast, the House-approved bill would raise the top tax rate to 33%, impose a 10% surtax on taxable income of more than $1 million and raise almost everyone's taxes by delaying by one year inflation adjustments of tax brackets and personal exemptions. It also contains a reduction in capital gains tax rates, designed mainly for people with incomes of less than $100,000 a year. It would retain federal gasoline taxes at the current 9 cents a gallon. Both bills would raise taxes on beer, wine, hard liquor and cigarettes and impose a luxury tax on the most expensive cars, yachts, private planes, furs and jewelry.

Both also would make a wide variety of spending reductions for farm subsidies, veterans' benefits, federal lump-sum retirement payments and other government services, while raising dozens of user fees and penalties for violations of federal laws.

The Senate rejected several attempts to raise top-bracket income tax rates, soften the impact of Medicare cuts on the elderly and enact a 10% surtax on those earning $1 million or more a year.

Majority Leader George J. Mitchell (D-Me.), who said he agreed with many of the proposals, argued that their passage would certainly lead to a Bush veto of the legislation and therefore should be defeated to avoid a continued deadlock between Congress and the White House.

Sen. Lloyd Bentsen (D-Tex.), chairman of the Finance Committee, said he personally favors an increase in top tax rates but he strongly opposed efforts to revise the bill, approved by a 15-5 vote of his committee with bipartisan backing.

But Bentsen indicated that he would seek during Senate-House bargaining to reconcile the two measures to place a greater burden on the wealthy than the Senate bill provides.

"Let us go to conference and pick the best of each" of the Senate and House bills, "and put together a package that Democrats and Republicans can get behind," Bentsen said. "That has to mean an increase in progressivity as far as I am concerned—it will be the objective."

The Senate narrowly rejected, 51 to 49, an attempt to adopt the House-passed "millionaires' surtax" and use the revenue to eliminate a proposed increase in the deductible for doctor bills paid by Medicare beneficiaries. Under the rules for consideration of the budget act, however, it would have required 60 votes to pass the amendment introduced by Sen. Tom Harkin (D-Iowa).

Another plan to raise the top income tax rate to 33%, cut the proposed gas tax increase to 6 cents a gallon and soften the bill's impact on Medicare patients was rejected, 55 to 45.

Sen. David L. Boren (D-Okla.) tried but failed to include a trade-off between lower capital gains rates for long-held assets and a 33% top rate. He lost, 57 to 42.

On each of the so-called "deal busters," Mitchell, Minority Leader Bob Dole (R-Kan.) and their lieutenants combined forces to block major changes in the committee package.

"We've got to get this job done," Mitchell thundered at one point. "Do we want to make a statement or do we want to make a law?"

The senators, who each had a foot-high copy of the 1,064-page budget reconciliation bill on their desks, began the debate in mid-morning and continued late into the evening on what for them was an extremely fast track.

Overall, the Senate bill would cut the deficit by $28.4 billion in this fiscal year and by $252.5 billion over the next five years. Additional cuts in appropriations, mainly for defense, would trim red-ink spending by another $12 billion in the next year and by $180 billion between now and 1995. Savings in interest payments on the debt would make up the balance of the $500-billion package.

Meanwhile, Rep. Jamie L. Whitten (D-Miss.), chairman of the House Appropriations Committee, introduced at the request of Democratic leaders another resolution to continue spending from Friday midnight through Wednesday to prevent a shutdown of the government. The measure passed on a vote of 379 to 37 and was sent to the Senate, where approval was expected today.

"The leadership has been advised that the President will agree to such an extension," Whitten announced.

Without the continuing resolution, massive spending cuts of $85.3 billion would be imposed, Whitten said, amounting to a one-third reduction that he said would be catastrophic.

Staff writer David Lauter contributed to this story.

THE SUN

FRIDAY
OCTOBER 19, 1990

Budget bill on verge of Senate OK

Bush may delay second shutdown

By Peter Osterlund
Washington Bureau of The Sun

WASHINGTON — Republicans and Democrats in the Senate prepared to adopt a sweeping deficit-reduction bill last night as the White House said it might rescind a threatened shutdown of the federal government at midnight tonight.

The Senate bill, which would raise a variety of taxes and cut Medicare and agriculture programs, is the keystone of a plan to cut the deficit by $500 billion over five years. It must, however, be melded with a sharply different version adopted Tuesday by the House before it can be sent to the White House for President Bush's signature.

Today, lawmakers from both chambers are expected to begin crafting a compromise bill.

The president has said that he would veto the House's legislation, which would shift the bulk of the cost of deficit reduction onto the better-off, and that he would sign the Senate's bill, which would spread the burden of cutting the deficit more evenly between the middle and upper classes.

Congressional leaders expressed hope that they would be able to strike a compromise between the two versions by midnight tonight, at which point stopgap legislation providing the government with operating funds is to expire.

White House officials said yesterday, however, that Mr. Bush would be willing to sign new legislation to keep the government operating through Wednesday, if lawmakers were making headway today.

"Closing down the government is something you do only as a last resort," said White House spokesman Marlin Fitzwater. "The point is, we want a budget agreement, and we want to put a little pressure on them to get the job done."

The Senate's impending action yesterday came as little surprise, since, during two days of floor consideration, the bill had survived repeated efforts by rank-and-file lawmakers to change it.

A Republican effort to strip the legislation of its 9.5-cent-per-gallon increase in the federal gas tax failed Thursday, as did a Democratic attempt to redraw the bill along the lines of the House plan.

Yesterday, the package survived another attempted overhaul when lawmakers voted 55-45 to defeat an effort by Sens. Albert Gore Jr., D-Tenn., and Barbara A. Mikulski, D-Md., to increase taxes on the well-off and lessen the plan's proposed Medicare premium increase.

The Gore-Mikulski proposal would have reduced the Senate package's proposed gasoline tax increase to 6 cents a gallon. It would have increased the tax paid by the highest income earners from 28 percent to 33 percent and would have imposed a 10 percent surtax on taxable incomes over $1 million, both terms in the House bill.

At the same time, it would have increased the alternative minimum tax — constructed to ensure that well-off investors with many deductions pay some amount of federal tax — from 21 percent to 25 percent.

"We've heard a lot about fairness," said Senator Mikulski. "Fairness means we give the American people a budget that makes sense and not one that makes the middle poorer and the rich richer.

"Let's go and get it from those who've got it," she said.

Democratic leaders praised the intent behind the amendment but contended that it would have transformed the package into a bill that the president would veto.

"What we have tried to do is put together a package the president will sign," said Sen. Lloyd Bentsen, D-Texas, Finance Committee chairman.

"There is substantial divergence with what came out of the House. . . . We will end up with something that is in between."

The package before the Senate would raise $250 billion through tax increases and reductions in Medicare and other benefits — about half of the $500 billion in deficit reduction promised during the next five years. The rest of the savings would come mostly through reductions in defense spending from previously contemplated levels and reduced interest payments on the national debt.

House Democrats were scheduled to meet this morning to consider their negotiating strategy with the Senate. Democratic leaders, still smarting from the rejection of the budget summit agreement at the hands of both Democrats and Republicans in the House, were wary of speculating about what could or could not be dropped from their bill in the name of compromise.

"I would hesitate to say anything is a must item," said House Majority Leader Richard A. Gephardt, D-Mo. "What is important to us is the overall fairness of the package.

"I said from the beginning this is going to be hard to do. I was right then, and I'm sure I'm right now."

Karen Hosler of The Sun's Washington Bureau contributed to this article.

Budget Endgame

Political posturing by combatants in the budget battle has been all the rage — and outrageous — since election-minded members of Congress gunned down the deficit reduction package negotiated by their own leaders and the Bush administration. Now the whole mess is being dumped on a Senate-House conference committee, which will try again to put together a deal that can pass muster at both ends of Pennsylvania Avenue.

Democrats and Republicans alike have been so intent on pledging their allegiance to the great American middle class, where the votes are, that the unwary might overlook the fact that this is where the bucks are, too. Seizing an opening provided by a right-wing GOP mutiny against George Bush in the House, Democrats have had a high old time trotting out slogans like "Soak the Rich."

Populism can be good politics, as the New Deal well proved, especially when fat-cat eras give way to tough times. But whether populism is the proper economic formula for a nation drowning in debt is a matter that should concern responsible budget conferees when they get behind closed doors.

What momentarily doomed the summit formula was the painful medicine it prescribed for a society that had been told to "be happy, don't worry" as foreign investors financed runaway U.S. deficits. Lawmakers intent on re-election dispensed soothing syrup. Anti-tax Republicans and welfare-state Democrats attacked the formula from opposite ends, with Democrats for the most part scoring points against a vacillating Republican president.

As conferees go to work, however, something very close to the summit formula is likely to appear under appropriate bipartisan political cover.

This newspaper sees little advantage in altering 1986 tax reforms which attempted to treat all income alike, whether from earnings, dividends, interest or sale of assets. A reiteration of the summit decision not to change income tax rates or give preferential treatment to capital gains would be welcome. If there is a compromise, it should be modest — an increase in the top rate to perhaps 31½ percent and preferential treatment only for gains on long-held assets.

Assuming the aim is to create an impression of "fairness" after a decade of upward redistribution of wealth, a surtax on high incomes or limitations on deductions or an increase in the alternative minimum tax would be a better approach.

If this long, demeaning budget struggle is to produce any long-term benefit, it may come on the spending side. Even populist lawmakers seem poised to approve a budget enforcement mechanism — the so-called "categorical sequester" — that will mandate automatic cuts in specific areas of government activity whenever specific budget ceilings are punctured. It's about time.

Bush relents on shutdown

By Jerome Idaszak
Washington Bureau / Chicago Sun-Times

WASHINGTON—The White House Thursday backed off its threat to shut down the government at midnight tonight and gave Congress five more days to make a budget deal.

White House spokesman Marlin Fitzwater said President Bush would sign a stopgap funding bill that Congress is expected to pass today. There has been sufficient progress in budget negotiations to justify the extension, Fitzwater said.

Bush's decision was announced as the Senate rejected efforts to slap more taxes on the wealthy and prepared to pass its own version of a bill that would raise taxes by about $170 billion. It would be part of a five-year plan to cut the federal budget deficit.

"We're trying to take care of a decade of indulgence, a decade when we wrote $150 billion in hot checks year after year. Now those hot checks are coming due," said Senate Finance Committee Chairman Lloyd Bentsen (D-Texas).

Several issues were to be left to a final showdown in closed-door negotiations with the House: whether to raise rates on high-income families, whether to increase taxes on gasoline, whether to lower the tax rate on capital gains and how much to increase Medicare premiums.

Resolving differences between the Senate and the House usually takes weeks.

But this year is unusual. The federal government was shut down two weeks ago for a few days and Bush had vowed another shutdown of non-vital services if there were no progress toward a budget deal.

The White House renewed a veto threat from Bush of any bill that would set a 33 percent tax rate on the highest-income families. Those earning more than $200,000 a year now pay 28 percent.

Some Senate Democrats tried to force Bush to agree to higher rates or shut down the government by proposing an increase in the top rate to 33 percent and a surcharge of 10 percent on millionaires.

"Do we want to ask senior citizens in the hospital to pay more so the wealthiest in our society can pay less?" asked Sen. Albert Gore Jr. (D-Tenn.).

But Democratic leaders joined with Republicans to defeat that plan with a 55-45 vote.

"It's a painful choice for many of us to make. Hopefully, more equity can be put into the package in conference," said Senate Budget Committee Chairman James R. Sasser (D-Tenn.)

Senate OKs bipartisan budget bill

By Terry Atlas
Chicago Tribune

WASHINGTON—After turning down tax-the-rich proposals favored by many Democrats and opposed by President Bush, the Senate early Friday narrowly passed its massive bipartisan deficit-reduction package of higher taxes and spending cuts.

With less than 24 hours to avert another government shutdown, the Senate voted 54 to 46 in favor of the five-year, $500 billion deficit-reduction plan.

Illinois' two Democratic senators split on the issue, with Alan Dixon supporting the bill and Paul Simon voting against it.

Senate passage of the budget bill followed adoption of a bipartisan leadership amendment intended to enforce budget discipline over the next five years through federal spending caps and other strict provisions.

Bush had sought to keep the pressure on Congress by publicly threatening to let the government run out of money, as happened two weeks ago.

But late Thursday, White House spokesman Marlin Fitzwater said Bush would sign an emergency bill to keep the government going through next Wednesday if "satisfactory progress" on the budget was made.

The House voted 379-37 Thursday to keep the government operating through Wednesday night. The Senate has not voted on that yet, but is expected to do so Friday.

A House-Senate conference committee must reconcile the Senate version of the budget bill with the House version, a Democratic plan that has drawn the threat of a Bush veto because it would sharply raise income tax rates for the wealthiest Americans.

The conference committee is unlikely to finish by midnight Friday, when the current government spending authority expires. Bargaining over a final budget bill may take all weekend or longer.

"It will not be easy to settle the differences in the time period we have left," said Sen. Lloyd Bentsen (D-Texas).

Under both plans, families in most income groups would pay more in various kinds of federal taxes.

Democrats have seized on the issue of tax fairness to paint Bush and his fellow Republicans as defenders of the rich at the expense of middle-class and lower-income Americans.

On Thursday, Bush countered that the House bill is a Democratic first step toward higher income taxes for everyone.

"Once they start changing anybody's income tax rates, they cannot resist changing everyone's tax rates," the president said.

The House bill, approved Tuesday night by a 227-203 vote split largely along party lines, would raise the income tax rate on the richest Americans to 33 percent from 28 percent and impose a 10 percent tax surcharge on those earning more than $1 million a year.

The House plan, written by Rep. Dan Rostenkowski (D-Ill.), chairman of the Ways and Means Committee, would raise taxes for upper-income Americans more than for others.

"I prefer the Senate version of the budget because it keeps the 28 percent rate and it doesn't raise the income tax on any middle-class or low-income Americans," Bush said. "Not because I want to help the rich, but because I want to help everyone."

The Senate version limits tax deductions for upper-income people but would not raise the top tax rate. It also includes a 9.5-cent-a-gallon increase in the federal gasoline tax, which the House version does not. And, like the House version, the Senate measure includes higher taxes on alcohol, tobacco products and luxury items such as jewelry, recreational boats and private aircraft.

Bentsen, chairman of the Senate Finance Committee, said he was sympathetic to the mood among many Democratic colleagues to increase the income tax rate on the wealthiest families. But he said the consequence of doing that would be a presidential veto and another deadlock.

"What we have tried to do is put together a package that the president will sign," Bentsen said.

That sentiment, accompanied by some strong appeals by Democratic and Republican leaders, blocked a number of proposed changes in the leadership-drafted legislation.

On a vote of 55-45, the Senate rejected an amendment by Democrats Albert Gore of Tennessee and Barbara Mikulski of Maryland that would raise the tax rate paid by the wealthiest families, reduce the proposed gasoline tax increase to 6 cents a gallon and leave unchanged the current out-of-pocket costs for Medicare.

Gore said he hoped that a strong vote for his amendment would send a signal to the conference committee to include a higher income tax rate for the wealthy in the final legislation despite Bush's veto threat.

"President Bush is capable of changing his mind about the kind of outcome he will deem acceptable," Gore said.

Congress nears budget agreement

Senate rejects Nunn's plan to hike taxes on rich

Government facing midnight crunch

By Mike Christensen
Journal-Constitution Washington Bureau

WASHINGTON — House and Senate negotiators were expected to begin meeting today on the final five-year package of spending cuts and tax increases Congress will send to President Bush.

The Senate was attempting to complete action on its deficit-reduction package by early today, after rejecting a series of amendments during a day and a half of debate.

One of them was a proposal by Sens. Sam Nunn (D-Ga.) and David Boren (D-Okla.) to raise taxes on the wealthy to cut capital gains taxes and allow a new kind of individual retirement account.

The Senate bill doubles the gasoline tax, from 9 to 18 cents a gallon, limits income tax deductions for those earning more than $100,000 a year, imposes a 10 percent tax on portions of some luxury items, raises taxes on cigarettes and alcohol and extends the 1.45 percent Medicare payroll tax to cover upper-middle-class incomes.

A combination of modest premium increases and benefit cuts would reduce Medicare spending $48.9 billion over five years under the Senate plan.

Congressional leaders hoped to iron out differences between the Senate and House versions of the "reconciliation" bill before tonight, when an emergency spending measure expires and the government again runs out of money.

The House on Thursday evening passed a new "continuing resolution" that would keep the government running until midnight Wednesday.

Mr. Bush has threatened to veto any extension of temporary spending, saying he wanted to impose "some discipline" on lawmakers, but White House officials now say he would give Congress more time if an agreement is near.

Resentful Democratic leaders have pointed out that Congress has been working night and day to reach a compromise on the budget package, which along with defense cuts and interest savings is designed to reduce the deficit $40 billion this year and $500 billion over five years.

Although preliminary conversations between key House and Senate leaders already have begun, formal talks were not expected to start until this morning.

Negotiators from the House will be looking for a "progressive" tax package, one that leans more heavily on the wealthy. Democrats there have passed a plan that boosted the rate in the top income tax bracket to 33 percent, imposes a luxury tax and a 10 percent surtax on incomes above $1 million a year, while granting a $100,000 lifetime capital gains exclusion.

The House package would delay income tax inflation indexing for one year, and cut $43.1 billion for the Medicare program over five years.

The indexing proposal, which would hit middle-class taxpayers hardest, is considered politically vulnerable. In addition, Mr. Bush has strongly opposed the 5 percent income tax increase the House would levy on high-income taxpayers.

The president has changed his mind several times on a more modest increase in the top tax rates — to 31 percent or 32 percent. All three proposals would eliminate the current tax "bubble," a range of upper-middle income, below the top bracket, with a 5 percent surcharge.

Based on floor action Wednesday and Thursday, the Senate package seems most vulnerable on its gasoline tax. Opponents say the tax penalizes middle-class workers and those living in the large Western states where distances for routine travel are often greater.

An amendment to strip the gas tax from the Senate package was defeated by a parliamentary maneuver Wednesday night, but sentiment against the tax runs deep.

Mr. Nunn also is convinced there is strong sentiment for his plan linking a high-income tax increase to a capital gains tax cut and "super IRA."

But "we got caught in the squeeze," Mr. Nunn said after the Senate defeated his measure 57-43. Liberal Democrats, he said, would not consider a capital gains cut, and conservative Republicans dug in against the tax increase.

A capital gains tax cut could emerge from the House-Senate conference, Mr. Nunn said, but only "if the president will take the lead. Without the president, it won't happen."

When it was clear their amendment would not pass the parliamentary hurdles Senate leaders had built to protect their plan, Mr. Nunn and Mr. Boren phrased their proposal as instructions to Senate conferees on the bill.

"We must do something to restore and rebuild the economic strength of this country," Mr. Nunn said. His would allow people a $750,000 lifetime exclusion from capital gains taxes and would permit them to invest in IRAs they could use to buy a first home, pay for college or a major illness.

The middle class, Mr. Nunn said, has been "forgotten. . . . It's time that we did something for them."

Budget battle reveals the glory of U.S. democracy

WASHINGTON — These are glory days for American democracy. Congress is in an uproar, the wavering White House is acquiring a new sense of direction, and the American voter may soon be treated to a real campaign.

The Democrats are acting like old-fashioned Democrats. "Soak the rich" — a phrase born in 1934 to blast Franklin D. Roosevelt's embrace of Huey Long populism — is the new battle cry of suddenly unabashed liberals.

Having suckered President Bush into abandoning his no-tax firewall, Democrats have shifted the focus of the budget debate away from spending and onto the source of more taxes.

They call this "the fairness issue." A central tenet of liberalism is government's guarantee that everyone, working or not, needy or not, is entitled to what politicians decide is a fair share of what the nation produces.

Republicans traditionally grumble that this classic, straightforward demagoguery encourages "class warfare," turning rich against poor. They get defensive when charged with standing for vested property interests by opponents who claim to belong to "the party of the people."

But these self-conscious conservatives miss the point of politics in an age of affluence. The fairness issue has been turned on its head. Most people think of themselves as closer to being rich than to being poor, and consider it unfair to carry all those unproductive others on their backs.

When these more-rich-than-poor Americans utter such sentiments, old-fashioned liberals deride them not only for being selfish but racist to boot. This swells the ranks of conservatives, because most voters are not so motivated and resent politicians who make them feel guilty.

Therefore, Republicans should not fear class warfare; the almost-rich far outnumber the almost-poor, and most of the people in the middle tend to identify with the almost-rich, whom they want to become.

Moreover, most people now know that the target of taxers has to be the middle-class pocket; squeezing the richies may be egalitarian fun but is not where the big money is.

What happens if you surtax millionaire incomes by 10 percent and add a 10 percent tax on furs, boats and jewelry, as the House liberals suggested? The budget deficit might be reduced by 2 percent, not counting the losses to the Treasury of taxes from people prevented from selling luxury items.

The hidden tax increase in that liberal budget proposal is to reinstate "tax bracket creep" — using inflation to automatically increase tax rates.

That's $36 billion out of middle-class pockets for one year's creep; prevent indexing for five years, as would surely follow, and you achieve the liberal dream of "fairness" — redistributing income on a grand scale.

The Republican president, chastened by a whopping drop in support after waffling on the central promise of his campaign, says he would veto that bill. That fat and easy target will never reach his desk; Senate Democrats are taking a slightly more sober route of taxing booze and gas.

But whatever budget the Democratic Congress passes, its philosophical approach to the deficit will be new taxes in this "in" year and pious promises of reduced rates of spending in the "out" years.

This liberal approach will pass over the objections of most of the Republican minority in Congress. Such dissent is healthy.

The only way the minority will become a majority is to draw an issue of principle. Within the administration, Mr. Bush's Stolypin, Jack F. Kemp, soldiers on in loyal silence, but in Congress, the Republican minority must hold the Bob Packwood line on tax rates and align itself with the majority opinion in the nation.

Where will it all end? Isn't compromise the name of the game?

The game's name is political purpose. Compromise should be struck after the will of the people has been expressed. Let Mr. Bush veto the taxation budget, let the Republicans uphold the veto, and let us use this election as a referendum on taxing vs. spending. □

Mr. Safire writes for The New York Times.

House OKs stopgap measure

The Dallas Morning News
Friday, October 19, 1990

Senate action is delayed by debate

By Robert Dodge
and Susan Feeney
Washington Bureau of The Dallas Morning News

WASHINGTON — The House hastily passed a stopgap funding measure to keep the government afloat Thursday while the Senate inched closer to approving its $500 billion deficit-reduction package.

Senate debate droned on after midnight as Democratic and Republican leaders fought off about a dozen attempts to alter the bipartisan package. A series of efforts to raise the taxes of the wealthy or include a cut in the capital gains tax wore on the patience of testy Senate leaders.

"Do we want to make a statement, or do we want to make a law?" asked a frustrated Majority Leader George Mitchell, D-Maine.

Such proposals came a day after Mr. Mitchell and Senate Minority Leader Bob Dole, R-Kan., used a series of parliamentary maneuvers to thwart an attempt to ditch the package's controversial gasoline tax increase.

The House quickly approved the funding measure, 379-37, after leaders learned that President Bush would approve it. The White House reversed its earlier position not to extend funding because lawmakers appeared to be making progress on the budget. But despite such incremental movement, some of the most difficult issues remain to be resolved when a joint House-Senate committee begins work on differences in the two tax-and-spending packages.

"Every step of it is hard to do," said House Majority Leader Dick Gephardt, D-Mo. "The next step will be hard to do because we don't agree on how to do this. We're papering over fundamental differences. We both believe doing something is very important to the country."

The Senate version, which the Bush administration supports, would raise $142.1 billion in taxes. A principal feature is a controversial 9½-cent-a-gallon increase in the federal gasoline tax that would raise $42.6 billion over five years.

The package also contains increases in excise taxes for beer, wine, liquor and cigarettes. In addition, it would hit high-income earners with a 10 percent luxury tax on jewelry, furs, expensive cars, boats and aircraft, as well as limit itemized deductions to 5 percent on income above $100,000.

Senate aides said negotiators would begin work Friday. They said House and Senate aides have been "clearing the underbrush" to help resolve as many issues as possible ahead of time.

Changes worked out by House-Senate negotiators must be ratified by both chambers before the final budget is sent to the president.

Many of the unsettled tax issues are expected to test the divergent philosophies of Democrats and Republicans in both houses. Moreover, it is likely to bring a showdown with Mr. Bush, who holds the ultimate negotiating weapon — a presidential veto.

"Do they want a bill or a confrontation with the president?" Sen. Phil Gramm, R-Texas, asked rhetorically. "They can't be splitting the difference. They're two totally different philosophies."

At the heart of the debate on taxes is who will pay the most.

Most Democrats, including those in the Senate, favor the House version because it places a great deal of the burden on high-income Americans and does not contain a gasoline tax. It raises the 28 percent tax rate paid by the wealthy to the 33 percent rate that is paid by the middle class, and includes a 10 percent surtax on income over $1 million.

But Republicans such as Mr. Gramm and Rep. Bill Archer of Houston, the ranking Republican on the tax-writing House Ways and Means Committee, said that if negotiators wander too far from the Senate version, the measure will draw a veto by Mr. Bush.

"I don't see much negotiating room beyond the Senate bill," said Mr. Gramm.

An administration aide added, "I don't know how you cut the baby in half."

The president, speaking to White House interns, reinforced his preference for the Senate version, saying that once lawmakers raise the taxes of the wealthy, "they cannot resist changing everyone's tax rates."

"It keeps the 28 percent rate," Mr. Bush said of the Senate proposal, "and it does not raise the income tax of any middle-class or lower-income Americans — not because I want to help the rich but because I want to help everyone."

Mr. Archer is worried that Democratic House leaders face a difficult task in retaining the votes of their liberal rank and file while constructing a final package that pleases Mr. Bush.

Liberal Democrats, whose votes are needed for final passage, prefer the House version and do not want to see it changed.

"There is a real possibility they will not get enough votes to pass it on the floor," Mr. Archer said. "And if they have the votes, the president might veto it."

That view was shared by Mr. Gephardt, who doubted that Democratic leaders can deliver the votes of the overwhelming Democratic majority that ensured approval of the House measure on Tuesday.

It was unclear whether the Senate also would vote Thursday night on the measure to extend government funding through Wednesday. Without the stopgap initiative, an existing temporary funding measure would lapse at midnight Friday and the government would be shut down.

Rep. Jamie Whitten, D-Miss., chairman of the House Appropriations Committee, began preparing the emergency measure for House consideration after leaders received word that the president would sign it if enough progress was made on the budget.

BUDGET PLANS COMPARED

Plans are latest versions

	Senate Finance Committee plan	House Democratic plan
Income tax		
Top rate on wealthy	28%	33%
Alternative minimum tax	21%	25%
Capital gains treatment	No change	Cut to 28%*
Millionaire surtax	None	10%
Excise taxes		
Gas tax increase	9.5¢ per gal.	None
Petroleum tax increase	None	None
10% luxury tax	Yes	Yes
Alcohol tax increase	Liquor, 24¢/fifth Beer, 16¢/6-pack Wine, 18¢/bottle	Liquor, 20¢/fifth Beer, 16¢/6-pack Wine, 22¢/bottle
Tobacco tax increase	8¢	8¢
Medicare		
Added cost to recipients	$18 billion	$10 billion
Deductible	$150	$100
Physicians services premium**	$47.00 (1995)	$46.20 (1995)
Income subject to tax	$89,000	$100,000

*Plus $100,000 lifetime limit on exclusion from the tax, plus another $1,000/yr. exclusion

**Current Medicare premiums of $28.60 are due to reach $35.40 by 1995

The Dallas Morning News/AP

NEW YORK POST
FRIDAY, OCTOBER 19, 1990

Congress faces budget gridlock at midnight

By ELI TEIBER
Post Correspondent

WASHINGTON — The federal government runs out of money at midnight tonight as Congress struggles to come up with a budget — but it's unclear whether Washington's wheels will actually grind to a halt.

President Bush has apparently flip-flopped on his vow to shut down the government without a spending plan.

White House spokesman Marlin Fitzwater said Bush is now willing to sign a "short-term agreement covering two or three days" to allow Congress to finish work if there is "satisfactory progress" by midnight.

"We believe that the conference committee . . . can do its business [by tonight] and we can get a budget," Fitzwater said as the Senate tried for a second day to approve a budget proposal favored by Bush.

"On that basis, the president agreed to sign a continuing resolution if satisfactory progress has been made in conference with significant savings comparable to the amount for the first year, or $40 billion," Fitzwater said.

But Bush as recently as Monday said he would not sign another stopgap bill like the one he approved two weeks ago after a three-day government shutdown during the Columbus Day weekend.

Earlier, Bush lashed out at congressional Democrats who accused him of favoring the wealthy, and the president scoffed at provisions in the Democratic House bill that would alter the tax-indexing program used to adjust income-tax rates for inflation.

"I'm not going to let the politicians who speak so passionately about 'soaking the rich' get away with killing the indexing, the very indexing which preserves incentives and protects the family budget," Bush said.

"So I will hold everyone's feet to the fire and make them up there, to the best of my ability, do the right thing," the president said.

"I'm going to fight the taxers and the spenders because it is right.

"The opposition is trying to say [I'm] favoring the rich and I'm saying I'm favoring jobs, incentive, investment," the president added.

Toll-free hotline for tourists

WASHINGTON (AP) — Help for tourists will be just a toll-free phone call away if President Bush again shuts down parts of the federal government if Congress and the White House fail to agree on a deficit-reduction plan.

The National Tour Association said yesterday travelers may call for information on which tourists sites — including the Statue of Liberty, Washington museums and national parks — are affected.

The phone number is 1-800-755-TOUR.

FRIDAY, OCTOBER 19, 1990 The Washington Times

Bush says he'll sign stopgap spending bill

By Major Garrett and Paul Bedard
THE WASHINGTON TIMES

Congress and the White House appeared willing to dodge another government shutdown this weekend as work neared completion yesterday on a five-year $500 billion budget deal.

President Bush said he would sign an emergency spending bill passed yesterday by the House and destined for passage in the Senate late last night or early today. The stopgap bill — known as a continuing resolution — extends government funding and raises the debt ceiling until midnight Wednesday.

"We have let the leadership know that we would be willing to consider signing a continuing resolution Friday night if satisfactory progress is made on the budget," White House Press Secretary Marlin Fitzwater told reporters huddled outside his office.

For weary lawmakers, it was a welcome act of compromise. Lawmakers feared Mr. Bush would veto the funding bill, forcing them to complete work on the voluminous budget bill by midnight tonight — a near impossiblity.

The House passed its Democratic plan 379-37.

Meanwhile, the Senate rejected more than a dozen amendments to a bipartisan budget bill, which appeared headed for passage late last night or early today. Except for minor adjustments, the Senate bill probably will emerge unscathed.

That would be a victory for the Senate leadership and possibly the White House. Mr. Bush prefers the Senate version to the competing House bill. A conference committee was to convene today to resolve profound differences in tax policy.

Lawmakers were expected to haggle over proposed taxes on gasoline, higher income tax rates on wealthy and middle-income Americans and some potentially painful increases in Medicare premiums.

Congressional sources said the proposed 9½-cent-per-gallon gasoline tax in the Senate version would be reduced or eliminated. In its place, lawmakers might include a House-passed surtax of 10 percent on income above $1 million.

Less clear was the fate of the House bill's two so-called "silver bullet" provisions, key elements in raising $149 billion in new taxes over five years.

One raises the top income tax rate to 33 percent on the wealthiest taxpayers, which would raise $50 billion over five years. The other delays the indexing for one year, raising $36 billion over five years from mostly middle-income taxpayers.

The Senate bill relies on the gasoline tax, a limit on deductions for individuals and families earning more than $100,000 annually and extending current telephone taxes. The gasoline taxes raise $42.6 billion, the deduction limits $29.5 billion and the telephone taxes $13.1 billion.

Mr. Fitzwater said the White House would accept only a package that resembles the Senate plan, which conforms to the "budget summit" agreement rejected by the House on Oct. 5.

The continuing resolution did not include a White House request for limited across-the-board spending cuts totaling $40 billion for the fiscal year. The Office of Management and Budget retracted the request after learning that imposing the cuts from Friday to Wednesday would cost more than it would save.

At campaign appearances earlier this week, Mr. Bush said he would not sign a continuing resolution under any conditions.

"Enough is enough," Mr. Bush said in Des Moines, Iowa, on Tuesday. "This Friday the Congress must face the budget deadline once again, but this time, let them face up to their responsibility as well."

In a rare move yesterday, Mr. Bush allowed television cameras to record a session with White House interns where he gave a lecture on the ills of the House budget deal. He criticized the higher income tax rates and a move to postpone indexing, which adjusts tax brackets with annual inflation rates.

He said delaying indexing would impose a 5 percent to 6 percent tax increase on middle-income earners.

"Elimination of indexing does not affect the rich because they are already in the top bracket," he said.

"Indexing is a protective shield for the middle class. And tell your parents and families that I am not going to permit this shield, this protective shield for working Americans, to be pierced, to be broken."

Mr. Bush also spelled out Republican fears that once income tax rates are changed, further increases could follow.

The president said he would continue to take his message bashing Democrats on the tax issue to "the people" in campaign appearances over the next 20 days leading up to Election Day, Nov. 6.

The appearance was seen as an attempt to counteract the largely successful Democratic message that Mr. Bush's position on taxes generally favors the wealthy.

"I'm saying I'm favoring jobs, incentive, investment and [I am] through battling against what the House has done on indexing, protecting the working men and women of the country," Mr. Bush said.

The White House, meanwhile, was the site of a small anti-tax protest, a scene that will be repeated outside the Pennsylvania Avenue gate again today.

"I'm telling the Congress to come get this," said Tony Dominguez, waving a $100 bill. The president of the Prince William Young Republicans added, "It's what I'd pay under the budget plan."

Big budget bill's fine print still not ready for reading

By Major Garrett
THE WASHINGTON TIMES

It's been three days since the House passed the massive budget bill with $149 billlion in new taxes.

Ordinarily, the fine print of this landmark legislation would already be available to members of Congress, the press and the public.

But it's not.

It's not in the Congressional Record, which is the official government version of floor action and a regular resource for press and public. And it's not in the congressional documents ordinarily made available to lawmakers.

In fact, the Congressional Record will not have the information until Monday — although proceedings from Wednesday and Thursday's House actions will be available sooner.

The only other source, the Budget Committee report, will not be available publicly until Monday, either.

Late yesterday lawmakers began to wonder why.

"Members have sought to get copies and have been told they are not available," said Rep. Robert Walker, Pennsylvania Republican and junior member of the House GOP leadership. "It is very disturbing."

According to a spokeswoman with Minority Leader Robert Michel's office, GOP legislative staffers have been looking for the bill since Wednesday morning.

After asking the Government Printing Office for an explanation yesterday, House Republicans received a few photocopied versions of the bill — mere hours before a House-Senate conference committee was going to begin work on it. That caused some grousing since the fine print is what conferees hash out when they attempt to reconcile the different versions.

But the bill still was not available to the press or public, as it ordinarily would be.

A GPO spokeswoman said delays were inevitable when Congress, nearing recess, churns out volumes of legislative action daily. She said other documents were being printed ahead of the budget bill.

"We set our priorities as the congressional leadership dictates," said GPO spokeswoman Carlyn Krout. "They simply ask for things as they need them."

Jeff Biggs, a spokesman for House Speaker Thomas S. Foley, Washington Democrat, said the leadership did not ask to delay publication of the budget bill.

Mr. Walker said he learned late yesterday that the GPO had received a "cut and paste" version of the bill and that printers held up publication until they were sure what certain passages were meant to say.

It took until late last night for the questions to be answered so printers could give it to lawmkers.

It did not appear the bill had been altered since Tuesday, Mr. Walker said, adding: "I'm satisfied."

Arnaud de Borchgrave Editor-in-Chief
Wesley Pruden Managing Editor
Josette Shiner Deputy Managing Editor

Ronald S. Godwin Senior Vice President
H. William Paul Jr. General Manager

The Washington Times
Founded 1982
America's Newspaper

Woody West Associate Editor
Tony Snow Editor, Editorial Page
Mary Lou Forbes Editor, Commentary

Assistant Managing Editors:
P.E. Innerst
Ted Agres
Tom Diaz
John Wilson
Joseph W. Scopin
John Podhoretz
Michael Keating

The speech not given

President Bush's indecision on the federal budget has sent Washington and the world into a panic. The only thing falling more rapidly than Mr. Bush's popularity rating is the stock market, where bewildered traders, seeing their lives and fortunes crumble, have taken to chanting of the Bush presidency, "Two more years!"

Pundits, employing the skills that weak, articulate professionals so assiduously groom, have been hammering away at Mr. Bush and his advisers. In the process, Yeats' line rings true: "The best lack all conviction, while the worst are full of passionate intensity."

As the budget slouches toward Bethesda, waiting to be born, the president has an opportunity to calm the economy and hearten the American public. But he can exploit that chance only if he stops concentrating solely on the techniques of government, on trying to mollify the supplicants, sycophants and parasites whose importance ultimately depends upon his recognition, and begins to deal directly with the great and anonymous public. He ought to give a speech, which could go something like this:

"My fellow Americans, I come before you tonight to make a confession. I have made a mighty botch of things. For two years I tried to heal animosities cultivated during the presidency of my predecessor, Ronald Reagan. I tried to befriend Democrats, calm Republicans and do the tough business of governing a nation.

"That strategy worked until we ran into an issue that can't be solved through deals or compromises, the issue of choosing a future for this country. This issue lies at the heart of our present budget deadlock.

"The choice is simple: You must decide whether you want this nation to proceed on the assumption that it is a defeated, declining power, or on the assumption that we can accomplish great things if only someone gives us the chance.

"If you believe in retrenchment, retreat and class warfare; if you believe in turning the bulk of your lives over to regulators, judges and politicians, call your local member of Congress and demand passage of the budgets passed by the House and Senate. The Democratic budgets, with their claims of 'fairness,' are nothing but documents of defeatism and surrender.

"If you still believe in the American Dream, however, consider an alternative I should have proposed months ago. Consider the notion of a budget that contains spending cuts and no tax increases, not even on beer or gasoline or luxuries. Republicans proposed a no-tax budget this week, and Democratic leaders of the House wouldn't even let Congress vote on it.

"By turning budget talks into tax talks, Democratic leaders have repeated the mistakes of the Carter era. They have declared that it is more important to feed Washington's government machine than to let you keep your hard-earned pay. This approach threw us into economic decline once, and it surely will do so again.

"You know and I know that any tax increases designed to 'soak the rich' will invariably crush the poor. It always has worked that way, and the taxes proposed by Democrats in Congress would do far more damage to a family struggling to make ends meet than it would to the rich and famous. Washington has betrayed you too often with its talk of balancing budgets; what we really need to do is balance our priorities. Our first priority ought to be getting this nation in a position to express its greatness through thousands of points of light in homes and shops and streets.

"To that end, I will veto any budget bill that raises taxes. I will veto any bill that does not cut spending. I will veto any bill in which Congress imposes new spending and taxation burdens on state and local governments. I will veto any bill that adds anything to the federal Leviathan.

"In response to a new and freer world, Germans dismantled the Berlin Wall. Soviet leaders decided to reform their economy. The communist world finally has left the '60s and looked forward to the 21st century. Isn't it time we did the same? Isn't it time we followed the trend we began a decade ago, a trend in favor of leaner, more efficient government, for government that truly serves the people — and not just those who get paychecks from Uncle Sam?

"If we want to keep up with the world, we have to change with it. I apologize for not stepping in sooner, but perhaps I, too, had been infected by Washington's preoccupation with itself. Your cards, letters and phone calls have gotten me back on track, and I thank you for that.

"To repeat: If Congress gives me a lean budget with no new taxes, I will sign it. If it does not, I will veto it.And if you agree with this approach, call your representative. Call your senator. Demand that Washington stop extinguishing points of light in order to satisfy its own selfish needs. Demand that your representatives show as much respect for you as they demand for themselves. With your help, we can regain our senses. We can build a future built not upon orders handed down from Washington, but on your many and independent dreams for a better tomorrow."

Senate closer to plan

By SUSAN MILLIGAN
News Washington Bureau

WASHINGTON — Senate leaders yesterday beat back efforts to increase taxes for the rich as lawmakers struggled to complete a five-year $500 billion deficit reduction package that would be acceptable to President Bush.

The Senate package would raise the gasoline tax by 9.5 cents, trim Medicare benefits, limit deductions for people earning more than $100,000 a year and give tax breaks to encourage oil and gas production.

But the Senate plan must be squared with a vastly different House-passed bill, which raises taxes on the rich, leaves the gasoline tax alone and cuts Medicare by less than the Senate would.

Congressional leaders were pessimistic about the prospects of getting a House-Senate agreement by tonight's deadline, when a stopgap bill funding the government expires. They said they would try to get breathing room by offering a new stopgap measure to keep the government in business through Wednesday.

The House passed its stopgap measure 379 to 37.

White House spokesman Steve Hart said President Bush would consider signing a short-term measure as long as there is "satisfactory progress" on the budget and if the package included substantial budget cuts aimed at reducing the deficit by $40 billion this year.

Bush believes it is possible for the House and Senate to finish its work by tonight, and he will decide then whether to approve another stopgap funding bill, Hart said.

As the Senate worked towards final action on its package, several lawmakers tried to bring it closer to the House Democratic version with an amendment to increase tax rates on the rich from 28% to 33%.

"Let's go and get it from those who've got it," said Sen. Barbara Mikulski (D-Md.), sponsor of an amendment.

Senate leaders argued that the Senate package, with no increase in income tax rates, was the clearest path to an agreement with Bush, who prefers the Senate bill and has threatened to veto the House plan.

Bush yesterday struck back at Democrats who tried to portray him as a President of the rich for opposing an increase in the top tax rate.

"When some members of the Congress talk about 'soaking the rich,' they really do mean raising taxes on everybody," Bush told a group of White House interns.

Halls are just crawlin' with 'em

By FRANK JACKMAN
News Washington Bureau

WASHINGTON — Lobbyists are working the hallways, the phones and any other angles they can think of to get stuff into — or out of — the big budget package.

"Jewelers, wine people, boat people, insurance people — you name it, we've heard from them," said an aide to Rep. Raymond McGrath (R-Long Island).

"All those people standing in the hallways," said Rep. Charles Rangel (D-Manhattan), a note of disbelief in his voice.

Rangel and McGrath are major targets for lobbyists because both are members of the House Ways and Means Committee, which wrote the combination of tax increases and benefit cuts the House approved earlier this week.

Jewelers polish Green

The House-passed bill as well as the one nearing final action last night in the Senate would boost taxes on cigarets and booze and clamp a 10% luxury tax on high-priced cars, boats, planes, jewelry and furs.

New York City boasts some of the world's most expensive shops so it was no surprise that the lobbyists most active in bugging Manhattan Rep. William Green were jewelers.

"The jewelers complained that it was unfair that they were going to be hit with a tax on jewelry over $5,000 but would only go into effect on furs over $10,000," said Barrie Joseph, a Green aide.

Some of the fiercest lobbying campaigns have been mounted by states and cities that have much at stake in how the final budget deal affects federal programs and tax policies.

Bringing in lobbyists

Brad Johnson, Gov. Cuomo's man in Washington, has been pulling strings in a frantic effort to eliminate a provision in the Senate package that would limit federal tax deductions — including those for state and local taxes — for those with incomes of over $100,000.

The provision would reduce these deductions by 5% of the amount of a taxpayer's income that exceeded $100,000. The change would hurt New York because it would pinch its taxpayers and their ability to keep up with the state's already high taxes.

One of the tactics Johnson has used throughout the budget fight is to find advocates for his positions from other parts of the country so that it does not look like a case of special pleading for New York.

"We brought in a Republican county executive from Nevada and Republican state legislators from Indiana, (and) mayors of both parties from Pennsylvania" to lobby their representatives on the deduction issue, Johnson said.

This week, during the Senate battle, Cuomo called a fellow governor, George Sinner of North Dakota, asking him to pressure North Dakota Sen. Kent Conrad to write a ban on the deduction limit into his proposed alternative package.

New York City lobbyist Judy Chesser's efforts also center on "forming coalitions" with other cities and states.

"Right now, we're concentrating on trying to have the Social Security mandate eliminated" when House and Senate negotiators meet to iron out differences between their versions of a budget package, she said.

"This provision would require 49,000 city employes to join Social Security and would cost New York $200 million in contributions to the federal Social Security trust fund and our own pension fund," Chesser said.

"The city government just cannot accommodate an additional $200 million burden right now," she said.

DAILY NEWS

220 E. 42d St. New York, N.Y. 10017

JAMES HOGE, *Publisher and President* JAMES P. WILLSE, *Editor*
MICHAEL PAKENHAM, *Editorial Page Editor* MATTHEW V. STORIN, *Managing Editor*

What the budget must include

AS CONGRESS AND THE PRESIDENT race to beat tonight's deadline for budget action, the nation once again braces for a nerve-wracking showdown. At the stroke of midnight, America may face one of four possibilities: a government shutdown, across-the-board Gramm-Rudman cuts, a stopgap measure postponing the crisis or passage of a final 1991 budget. Fingers are crossed for the last option, but the President must agree to no budget plan unless it truly meets America's most critical needs:

■ ***Meaningful deficit reduction.*** The feds must get a grip, once and for all, on America's runaway national debt. At a whopping $4 trillion, the debt has crowded out private borrowing, kept interest rates high, stifled private investment and fueled inflationary forces. More important, with international financiers like Japan growing ever more reluctant to finance ongoing deficits, America's day of reckoning is rapidly approaching.

■ ***Meaningful spending cuts.*** Bottomless expenditure programs must end. Congress must stand up and make difficult choices on which to trim. Open-ended entitlements, such as Medicare, and large farm subsidies make good candidates.

■ ***Meaningful — and equitable — revenue enhancements.*** Deficit spending cannot be curbed through budget cuts alone. Taxes will have to go up. But Americans should share the burden fairly. A gas tax, for example, hits everyone, while encouraging conservation during the current oil crisis. The wealthy should be forced to pitch in, too. Higher tax rates on upper incomes — the bubble-busting plan, as it's called — could insure that. But only if tax loopholes were simultaneously closed.

SHOULD CONGRESS FAIL to produce a budget that meets these critical needs, the President should not hesitate to use his veto and trigger another government shutdown. Let the chips fall where they may. Americans could then voice their displeasure at the voting booths on Nov. 6.

Those who play Chicken Little and scream about a government shutdown mustn't be allowed to prompt a bad deal. The President, they should remember, has full power to authorize spending for essential services even without Congress' okay. In budget crises during the '80s, President Reagan ordered meat inspectors, air traffic controllers, hospital workers, federal prosecutors and a wide range of other "essential" government officials to remain on the job.

True, even a limited shutdown would be painful. And it's certainly not the No. 1 option. But if the less-than-disastrous suffering it causes nudges Congress into real deficit reductions, a government "slowdown" would be worth the price.

USA TODAY
NO. 1 IN THE USA . . . NEARLY 6 MILLION READERS A DAY

FRI./SAT./SUN., OCTOBER 19-21, 1990

Conflicting deficit plans on the table this weekend

By Richard Wolf
USA TODAY

The heat is off but Congress is still in the pressure cooker.

Free from the threat of another government shutdown, the House and Senate knock heads this weekend over conflicting packages of tax hikes and spending cuts.

The way for final negotiations was cleared Thursday:

▶ President Bush agreed to sign the 19-day-old fiscal year's third stopgap spending bill, keeping the government in business through Wednesday.

▶ The Senate early today approved, 54-46, its five-year, $500 billion deficit-cutting bill after rejecting efforts to boost income tax rates on the wealthy on Thursday.

House Democrats who've pushed through $93.6 billion in income tax hikes vowed to fight for some of those provisions over the weekend.

Before Congress can escape for the campaign trail, a series of tax and spending bills must be reconciled, passed again by both houses, and then signed by the president.

"We'll have give and take, and we'll end up with something in between these two pieces of legislation," said Senate Finance Committee Chairman Lloyd Bentsen, D-Texas. "It will not be easy."

After blocking a Republican effort to wipe out a 9½-cent-a-gallon gasoline tax increase Wednesday, Senate leaders Thursday defeated Democratic efforts to hit the rich with income tax rate hikes.

Bush, backing Senate leaders, vowed "to fight the taxers and the spenders" and "hold everyone's feet to the fire."

Some Democrats took up the challenge, insisting that only altering income tax rates would make the tax plan fairer to the middle class.

But Republicans warned that Bush would veto the final product if it moves toward the House version.

"Let him veto it," said Sen. Howard Metzenbaum, D-Ohio. "People will understand what the issue's all about. He wants to protect the wealthy."

Democrats must decide "do they want a bill or ... a confrontation" with Bush, said Sen. Phil Gramm, R-Texas.

House Dems pursue millionaires

By Richard Wolf
USA TODAY

House Democrats seeking to "soak the rich" to cut the deficit have a new fallback position: soak the very rich.

Millionaires, in particular. All 65,000 of them.

As they start negotiations today with the Senate — which excluded $58 billion worth of income tax increases on the wealthy in the House bill — many House Democrats are drawing a line in the sand at the million-dollar mark.

"This isn't marginal rates. This isn't difficult to understand," said House Budget Committee Chairman Leon Panetta, D-Calif. "This is taxing millionaires."

The House plan would impose a 10% surcharge on those with taxable income of $1 million or more after exemptions and deductions. The five-year government take: $8 billion.

But Democrats say the final deal must aid the middle class at the expense of the rich for it to pass the House.

"It would be a very important symbol for the House Democrats to have," said Rep. Victor Fazio, D-Calif.

The surcharge is the work of Rep. Dan Rostenkowski, D-Ill., and his Ways and Means Committee, which rebelled against a compromise worked out by White House and congressional negotiators last month.

By proposing to raise income taxes, the House eliminated the gasoline tax boost and cut a $60 billion Medicare reduction to $43 billion.

The Senate bill includes a 9½-cent-a-gallon gas tax hike and a $50 billion Medicare reduction — unpopular items, expected to be pared back.

Both sides face problems:

▶ President Bush vowed Thursday to oppose higher income taxes, "not because I want to help the rich, but because I want to help everyone."

▶ House leaders will have trouble selling a final deal to Democrats if they don't extract income tax concessions from the Senate and White House.

"As we're pouring gas into our tanks and watching the meter run up, we can say we're getting the millionaires, too," said Rep. Robert Wise, D-W.Va.

But in a Senate dominated by millionaires, the surtax may not fly.

On Thursday, an amendment to impose an 18% surtax on millionaires to hold down Medicare recipients' deductibles was blocked 51-49.

"What we're talking about here are the super-rich," said Sen. Tom Harkin, D-Iowa, rattling off corporate salaries.

Unimpressed by the Democrats' last-ditch effort on income taxes is Bruce Fisher, research director for the liberal Citizens for Tax Justice, which favors a new 33% rate on income over $200,000.

"To be more than a token," he said, a surcharge "has to cover more people. This is just a political gimmick."

▶ **Budget pressures, 1A**
▶ **Congress is glum, 4A**
▶ **Richest man's opinion, 1B**

How the Senate voted

Here is the 54-46 roll call vote by which the Senate early today passed its deficit reduction bill. Senate and House conferees now must forge a compromise of tax hikes and spending cuts. Meanwhile, a stopgap spending bill will keep the federal government in business through Wednesday.

KEY: Y means for the motion, N means against it, X is not voting

Ala.	Heflin (D)	N
	Shelby (D)	N
Alaska	Murkowski (R)	Y
	Stevens (R)	Y
Ariz.	DeConcini (D)	N
	McCain (R)	N
Ark.	Bumpers (D)	Y
	Pryor (D)	Y
Calif.	Cranston (D)	Y
	Wilson (R)	N
Colo.	Armstrong (R)	N
	Wirth (D)	Y
Conn.	Dodd (D)	Y
	Lieberman (D)	N
Del.	Biden (D)	N
	Roth (R)	N
Fla.	Graham (D)	N
	Mack (R)	N
Ga.	Fowler (D)	Y
	Nunn (D)	Y
Hawaii	Inouye (D)	Y
	Akaka (D)	N
Idaho	McClure (R)	Y
	Symms (R)	N
Ill.	Dixon (D)	Y
	Simon (D)	N
Ind.	Lugar (R)	Y
	Coats (R)	N
Iowa	Grassley (R)	N
	Harkin (D)	N
Kan.	Dole (R)	Y
	Kassebaum (R)	Y
Ky.	Ford (D)	Y
	McConnell (R)	N
La.	Breaux (D)	Y
	Johnston (D)	N
Maine	Cohen (R)	N
	Mitchell (D)	Y
Md.	Mikulski (D)	Y
	Sarbanes (D)	Y
Mass.	Kennedy (D)	Y
	Kerry (D)	N
Mich.	Levin (D)	N
	Riegle (D)	N
Minn.	Boshwitz (R)	Y
	Durenberger (R)	Y
Miss.	Cochran (R)	Y
	Lott (R)	N
Mo.	Bond (R)	Y
	Danforth (R)	Y
Mont.	Burns (R)	N
	Baucus (D)	N
Neb.	Exon (D)	N
	Kerrey (D)	N
Nev.	Bryan (D)	Y
	Reid (D)	Y
N.H.	Humphrey (R)	N
	Rudman (R)	Y
N.J.	Bradley (D)	N
	Lautenberg (D)	N
N.M.	Bingaman (D)	Y
	Domenici (R)	Y
N.Y.	D'Amato (R)	N
	Moynihan (D)	Y
N.C.	Helms (R)	N
	Sanford (D)	N
N.D.	Burdick (D)	Y
	Conrad (D)	N
Ohio	Glenn (D)	Y
	Metzenbaum (D)	N
Okla.	Boren (D)	Y
	Nickles (R)	N
Ore.	Hatfield (R)	N
	Packwood (R)	Y
Pa.	Heinz (R)	Y
	Specter (R)	Y
R.I.	Chafee (R)	Y
	Pell (D)	N
S.C.	Hollings (D)	N
	Thurmond (R)	Y
S.D	Daschle (D)	Y
	Pressler (R)	N
Tenn.	Gore (D)	Y
	Sasser (D)	Y
Texas	Bentsen (D)	Y
	Gramm (R)	N
Utah	Garn (R)	Y
	Hatch (R)	Y
Vt.	Jeffords (R)	Y
	Leahy (D)	Y
Va.	Robb (D)	Y
	Warner (R)	Y
Wash.	Adams (D)	N
	Gorton (R)	N
W.Va.	Byrd (D)	Y
	Rockefeller (D)	Y
Wis.	Kasten (R)	N
	Kohl (D)	Y
Wyo.	Simpson (R)	Y
	Wallop (R)	N

Flailing Congress 'scares public'

By Leslie Phillips
USA TODAY

A new horror show has opened in Washington. It's called: The Congress that wouldn't leave.

As the Nov. 6 elections creep ominously close and major legislation remains unfinished, a sense of havoc has overcome the Capitol.

"We've gone from the outrageous to the obscene," said Sen. John McCain, R-Ariz. "We've done so much flailing about that we're scaring the American public."

As daily sessions of Congress are stretching past midnight, lawmakers scramble to satisfy constituents and lobbyists plead for last-gasp concessions.

Personal sniping is the rage, family relationships are strained, and to top it off, the Capitol Rotunda was leaking in a rainstorm Thursday.

"It seems to be leaderless in there," said Robert Coleman, of Tulsa, Okla., as he wandered from the Senate visitor gallery during a tumultuous budget debate. "And there wasn't anybody listening."

▶ The normally solemn Senate Majority Leader George Mitchell, D-Maine, paced the hallways to let off steam. In a rare outburst in the Senate chamber, he banged his fist on his desk and demanded: "Do we want to make a statement or do we want to make law?"

▶ Rep. Robert Whittaker, R-Kansas, railed against one amendment before realizing he was reading the wrong statement. Shuffling his papers, he found the right one, which he supported.

▶ Rep. David Obey, D-Wis., sported a lapel pin that reads "Panic Button."

"In my 28 years here, this is the most dismal I've seen it, and I've been here on two Christmas eves," said Rep. James Quillen, R-Tenn.

"If I were speaker, I'd send everyone home for the weekend. A good night's sleep would quell the tempers."

Gamblers are wagering on when Congress will adjourn. "They'll be gone before Oct. 27th," promised James Whittinghill, a top Republican aide. How does he know? He's getting married that day. "I've told both leaders they need to be off by then."

Farmworkers' lobbyist Mike Hancock who canceled his vacation three times and lost an $80 hotel deposit, lamented: "There's no end to this."

Rep. David McCurdy, D-Okla., insisted the Founding Fathers never meant Congress to operate smoothly.

He quoted the Federalist Papers: "Promptitude of decision in the legislature is more often an evil than a benefit."

Still, he admits no one is happy: "Internally, they know it's not working."

Legislators know art of the deal

By Richard Wolf
and Leslie Phillips
USA TODAY

The budget debate isn't just about painful tax hikes and spending cuts.

It's also about boats, planes — and deals.

Negotiations that start today will determine which powerful lawmakers protect the home-state favors they've inserted into House and Senate versions that now must be reconciled.

Many of those lawmakers will be participants in the talks — so look for these policies to survive:

▶ About $3.4 billion in tax breaks for the oil and gas industry, backed by Senate Finance Committee Chairman Lloyd Bentsen, D-Texas.

▶ A tax credit for ethanol producers and a 10% luxury tax on airplanes worth $250,000, rather than $100,000, as in the House version. These are the work of Senate Minority Leader Robert Dole, R-Kan., whose state produces both ethanol and small planes.

▶ A $100,000 luxury-tax floor on boats and yachts, rather than a $30,000 figure agreed to earlier. Key supporter: Senate Majority Leader George Mitchell, D-Maine, whose state is a major producer of boats.

Grumblings from others:

▶ "Everyone is paddling their own canoe while the nation suffers," said Rep. James Quillen, R-Tenn.

▶ "There's nothing sinister or evil about it, but prerogatives have only so long a leash," said Rep. William Thomas, R-Calif. "It was a little more egregious than I thought was proper." His advice for leaders: "Either take your pork out or put our pork in."

Is Bush's Popularity in a Nosedive? What the Polls Are Really Showing

THE huge establishment of modern American journalism repeatedly shows itself unable to bring proportion and judgment to its coverage of political controversies. Instead of providing balance, it surges from one exaggerated portrait to another, playing havoc with the nervous system and decisionmaking capacities of the body politic.

Press treatment of the Bush presidency in the wake of its slips on taxing and the budget are but the latest example of this frustrating tendency. From a point of high standing, the Bush administration has been described as having fallen over the past two weeks into near-collapse and unremitting incompetence – "disintegrating before our eyes," as one analyst put it.

Even the president's warmest admirers are likely to concede that October 1990 has not been the high point of the modern presidency. With the GOP controlling the White House and the Democrats Congress, and the two parties sharply divided, the budget issue – which is, of course, an argument over basic policies and priorities – is genuinely intractable. And, preoccupied by the crisis in the Middle East, and with a less coherent vision of domestic policy than of the new international order, the president has made mistakes of both substance and tactics on the budget.

Still, it's unlikely that anyone looking back three months hence on accounts of the plight of the Bush presidency during the first weeks of October will find them other than woefully exaggerated.

Poll interpretation, the part of public-affairs coverage I follow most closely, also evidences deficiencies of judgment and proportion. With few exceptions, recent poll stories have shown the president hit by a drastic, virtually unprecedented, drop in popular standing, to the point where his capacity to govern has been seriously impaired. In fact, survey findings don't support any of these conclusions.

The professionally sloppiest part of poll coverage of Bush and the budget involves fixing upon the comparisons of his current approval scores to those of August-September. Doing so makes for a more dramatic story, because Bush's public approval, high through most of his presidency, shot up following his vigorous response to Iraq's invasion of Kuwait.

But it's an incomplete and thus inaccurate story because – as most poll analysts noted at the time – some non-trivial part of the immediate post-invasion endorsement was evidently soft and short-term. It's safe to say from past experience that even if things had gone swimmingly for the administration in the early fall, the president would have lost 10 points or so from his inflated late summer high.

Reports on Gallup polls (for Newsweek) stressed Bush's falling from 76 percent approval (August 23-26) to 54 percent (October 11-12); they should also have noted another relevant comparison – from 60 percent approval (Gallup poll of July 19-22) to 54 percent, a change considerably less dramatic. Similarly, reports on the Yankelovich Clancy Shulman polls (for Time and CNN) led with the drop from 74 percent approval (August 23) to 59 percent (October 10). They omitted the fact that the poll had the president's approval at 61 percent on July 24-25; by this standard, the July to October decline was a less than massive 2 percentage points.

EVERETT
CARLL LADD

Polls taken nationally in the first two weeks of October show between 54 percent and 65 percent indicating approval of Bush's handling of the presidency, with the median in the upper 50s. The composite of state polls I have been able to review suggest that the president's popularity has, if anything, been holding up even better. For example, the California Poll for October 4-9 found 54 percent of Californians rating Bush's job performance as excellent or good, 30 percent as fair, and just 15 percent as poor. This is the second highest rating the Poll has shown in the 21 months of the Bush presidency – and one down just slightly from the highest, recorded in August.

Overall, then, polls show some recent decline in Bush's standing – but a decline at once moderate and predictable given the rush of budget problems. Should the administration keep encountering setbacks comparable to those of early October, it will surely find its popular base badly eroded. But the decline thus far is of the sort every administration has experienced.

The idea that with 55-60 percent of those polled approving his handling of the presidency, and 70 percent saying they have a favorable view of him personally, Bush lacks the popular support needed to govern effectively is just plain silly.

Ronald Reagan was seen, correctly, as a popular president who exerted enormous influence on US policy. But Reagan's approval scores over his first 21 months in office were lower than Bush's have been at almost every point. In the fall of 1982, with the country in recession, Reagan stood well below where Bush is now in the fall of 1990 – but this hardly signaled the failure of his presidency. (See graph at left).

Americans obviously aren't delighted with the way their political leaders are handling taxing and spending, and Mr. Bush has been dragged down some by these adverse assessments. But the politics of the budget doesn't find him operating in a vacuum. Rather, it involves a competition between the president and congressional Democrats – and the polls by no means tell us the latter are winning.

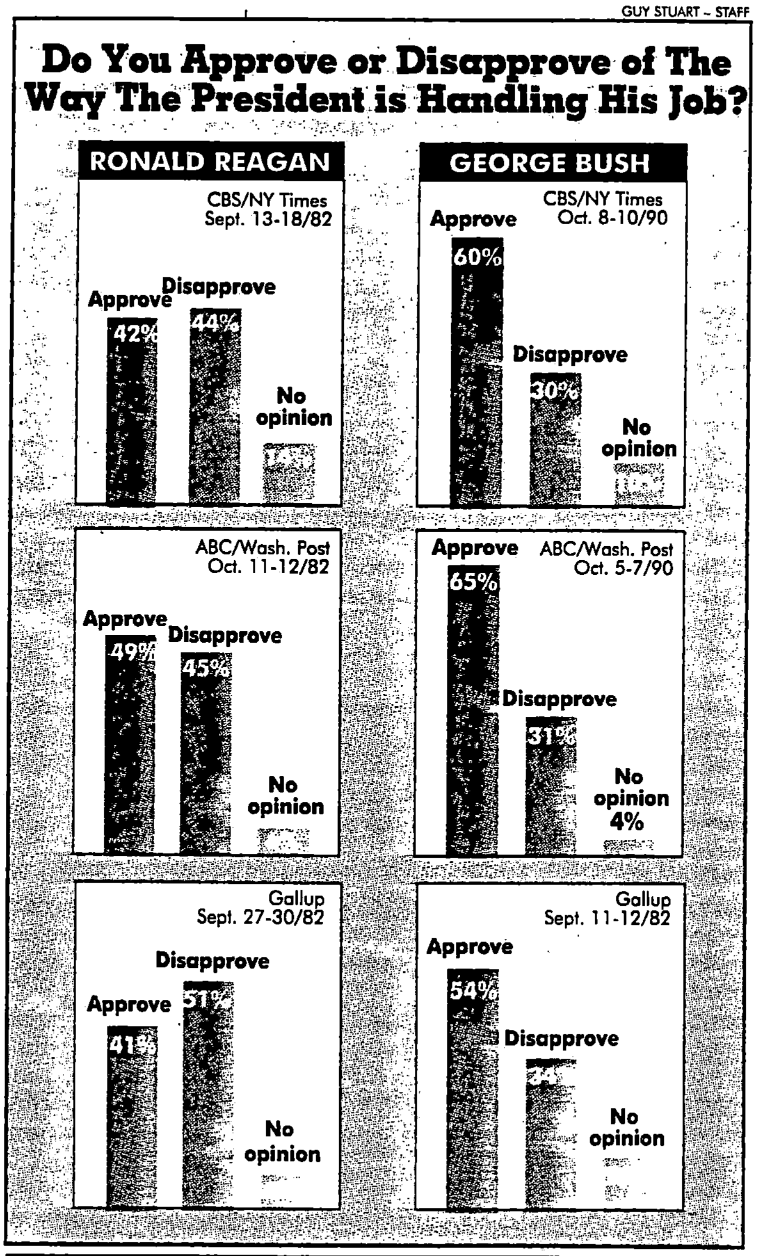
For example, asked in the Time/CNN survey of October 10 who is more responsible for the current budget difficulties, 61 percent said Congress, just 23 percent the president. The CBS News/New York Times poll of October 8-10 found 60 percent approving and 30 percent disapproving Bush's handling of the presidency, while it recorded just 27 percent approving and 60 percent disapproving Congress's performance. The ABC News/-Washington Post survey of October 10-14 asked this same pair of questions and got the same basic results. The 63 percent recorded as disapproving Congress's overall performance was the highest since the depths of public frustration during Watergate in 1974.

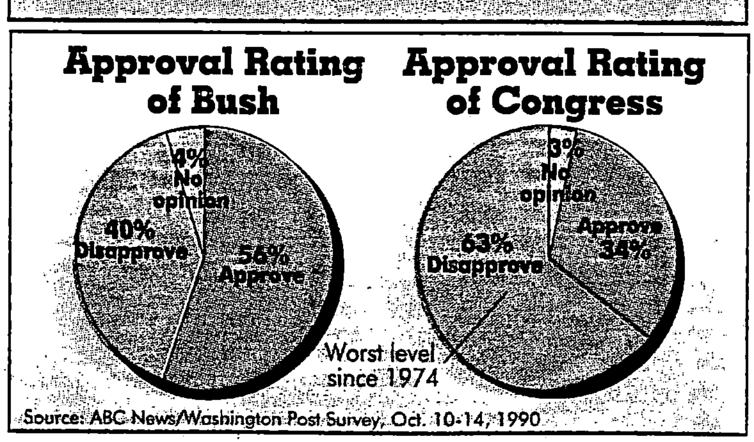
Most of us would vastly prefer a situation where both president and Congres are held in record high esteem. The polity would then be healthier.

But if the current findings should hardly give anyone satisfaction, neither should they be seen supporting the conclusion that the popular standing of the Bush presidency has plunged precipitously, or that Congress has gained the upper hand in its continuing competition with the White House.

■ *Everett Carll Ladd is executive director of the Roper Center for Public Opinion Research, University of Connecticut.*

GUY STUART – STAFF





Senate Budget Package Clears Two Big Hurdles

By John E. Yang
Washington Post Staff Writer

The Senate's bipartisan deficit-reduction package cleared major legislative hurdles last night as lawmakers refused to modify its delicately balanced provisions in two key votes.

On a procedural vote, lawmakers voted 67 to 32 to rebuff an amendment by Sen. Kent Conrad (D-N.D.) that would have increased income tax rates on the wealthiest Americans while scaling back a proposed hike in the federal gasoline tax and planned cuts in Medicare and farm programs.

Later, Senate leaders of both parties used parliamentary maneuvers to defeat a potentially greater threat on a vote of 59 to 40 an amendment by Sen. Steve Symms (R-Idaho) that would have eliminated a politically unpopular increase in the federal gasoline tax.

The Senate action came as lawmakers in the House and Senate continued racing the calendar, trying to implement by week's end the largest package of tax increases and benefit program cuts ever proposed as part of the plan to save $500 billion over five years, including $40.1 billion in the fiscal year that began Oct. 1.

The legislation still faces efforts to make politically popular changes that could imperil it before a possible Senate vote on passage later today.

Once the Senate acts on its deficit-reduction measure, a House-Senate conference committee will take on the formidable task of melding the two widely divergent bills into one.

While the Senate worked late into last night on its version of the measure, top White House officials continued their attack on a provision in the House's version of deficit-reduction legislation, passed Tuesday, that would effectively raise income taxes on all but the wealthiest Americans. But administration officials also signaled that President Bush might be willing to keep the government funded beyond the deadline of early Saturday morning, when the government's current stopgap spending authority will end.

Senate leaders appealed to their colleagues to reject any attempts to change the measure before them, even changes that might be politically popular, because they could doom any chance of reaching an acceptable compromise with the House and the administration.

"We have to tell the American people [this] if we're going to provide leadership—in some cases whether they like it or not," said Senate Minority Leader Robert J. Dole (R-Kan.). "We have some people who want to kill the package but want to do it an inch at a time."

"We must show the rest of the world that we're in charge of our economic destiny," said Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.). Any change would "put the entire deficit reduction effort in very grave peril." It took months to negotiate the package, he said, but it would "take only a few minutes to tear it down."

"You can't pick this thing apart one item at a time," said Senate Majority Leader George J. Mitchell (D-Maine). "Do we want to be responsible for destroying the first significant deficit reduction effort in these United States in 10 years?. . . This is a test for the Senate and ultimately this is a test of our nation's future."

"You don't have to worry about the political fallout from this because Congress can't get any lower than it is right now," declared Sen. Dale Bumpers (D-Ark.). "The way Congress can resurrect this is to show a little spine."

Bumpers said he would vote against the Symms amendment "not because I favor a higher gasoline tax" but because "it is the only responsible thing this body can do."

Mitchell and Dole used arcane Senate rules to preempt the Symms effort to kill the gasoline tax increase, altering the provision the Idaho lawmaker sought to delete in order to invalidate it.

Many Senate Democratic leaders were sympathetic to the provisions in the Conrad amendment. But in order to garner enough Republican votes in the Finance Committee to win approval for the bill's tax component, Mitchell and Bentsen pledged to resist any changes on the Senate floor.

To pressure Congress to finish its work this week, Bush had vowed not to accept a stopgap spending bill to extend the government's funding beyond 12:01 a.m. Saturday if lawmakers had not agreed upon a final deficit-reduction plan by then.

But yesterday White House Chief of Staff John H. Sununu said the president might extend that deadline if a "good faith" effort is being made and if the stopgap bill contained some spending cuts.

"Business-as-usual spending levels are not acceptable," Sununu said in an interview. But he indicated that Bush might accept the short-term spending bill if it contained cuts proportionate to the full-year, $40.1 billion savings envisioned by the budget plan that lawmakers are working to implement.

Sununu said Bush would consider new stopgap funding legislation "in the context of the conditions at the time. If they just need a hair or two of extra time, if they just need a few more hours."

Sununu and other top administration officials continued the White House attack against the House-passed plan, which had been crafted by Democrats. They singled out a provision that would delay for one year the inflation-based adjustment of income tax brackets and personal exemptions, a move that would increase taxes on all but the wealthiest Americans.

Vice President Quayle, appearing on ABC-TV's "Good Morning America," called it "a whopping tax increase" for the average worker. "That is just soaking the middle income and soaking the average worker," he said.

The measure the Senate was considering last night contained provisions designed to generate $170.9 billion in new tax revenue over five years.

It would raise federal taxes on gasoline, cigarettes and alcoholic beverages, limit the benefit of itemized deductions claimed by all those with taxable annual incomes higher than $100,000 and increase the amount of yearly income subject to the 1.45 percent Medicare payroll tax from $53,100 to $89,000.

Income tax rates would not be changed.

It also includes $28.7 billion in a variety of tax breaks over five years. They include a $3.4 billion package of tax breaks designed to spur domestic oil production and a

$16.8 billion expansion of the earned-income tax credit to benefit the working poor.

The House-passed bill would raise the income tax rate on the wealthiest Americans from 28 percent to 33 percent and impose and 10 percent surtax on taxable incomes of more than $1 million a year. It would leave taxes on gasoline unchanged.

Both measures would impose similar excise tax increases and contain competing plans to impose a 10 percent tax on part of the purchase price of such expensive goods as automobiles, boats, airplanes, jewelry and furs.

The Senate package envisions saving $51.6 billion over five years from Medicare, $8.4 billion less than the House plan. The monthly premium beneficiaries pay for the voluntary coverage of physicians and hospital outpatient services would gradually rise from $28.60 this year to $47 by 1995, about 80 cents higher than under the House plan. The Senate would increase the annual deductible beneficiaries pay, now $75, to $150 next year, compared to the House's $100.

Administration officials yesterday were complaining about costly items buried in both the House and Senate deficit-reductions measures. The Senate bill, for instance, contains language authorizing a $300-million uranium enrichment program, added by the Senate Energy and Natural Resources Committee.

On Medicare, both plans would force the federal government to pay a bigger portion of home health care costs for the elderly, expenses now met largely by the states.

The bills would also continue to allow states to borrow money from hospitals in order to obtain federal matching funds under the Medicare program—and then return the money to the hospitals. "The state gets the federal government to put up matching money and the state never gives anything," one administration official said.

The measure would cost an estimated $1.7 billion over five years, the official said.

Staff writers Ann Devroy and Steven Mufson contributed to this report.

THE WASHINGTON POST
THURSDAY, OCTOBER 18, 1990

Michael Kinsley

James A. Baker, Please Resign

On April 1, 1982, after making several overlooked threats, Argentina invaded the British-ruled Falkland Islands. "While nobody can be sure of the circumstances in which Argentina might have desisted" from carrying out its invasion, writes Margaret Thatcher's biographer Hugo Young, "what is incontestable is that British policy offered no deterrent to her doing so."

Four days later Thatcher's foreign minister, Lord Carrington, resigned along with two deputies. Why? Ministerial responsibility. "I have been responsible for the policy. I think it is right that I resign." Although the Falklands crisis turned out well for Britain, it began with a botch, and Carrington paid for it. Why shouldn't a U.S. official whose botched policies led to the current Gulf crisis pay a similar price?

Our Iraq policy was a double failure: first, in misinterpreting Saddam's intentions; second, in failing to make clear our own intentions in advance, which might have dissuaded him. The misinterpretation of Saddam was also twofold. Not only did the United States overlook several specific signs that Iraq was going to invade Kuwait. It also utterly misjudged Saddam's general designs.

Subsequent facile comparisons to Hitler notwithstanding, until the moment of the invasion the Bush administration saw Saddam as a potential moderate and ally in the Mideast. It overlooked his nuclear program, his chemical weapons, his mass murder of his own people, his coddling of terrorists. It fought against congressional efforts to limit U.S. subsidies. All this was in service of a foolish *Realpolitik*, a soft-headed hardheadedness, a failed attempt to play geo-chess like Henry Kissinger.

U.S. Ambassador April Glaspie's notorious transcribed audience with Saddam a week before the invasion has been widely misinterpreted. It's even worse than you think. Having heard Saddam's threat to invade, Glaspie explicitly sympathized with his complaint that Kuwait was driving down oil prices, and went on: "I know you need funds. We understand that, and our opinion is that you should have the opportunity to rebuild your country. But we have no opinion on the Arab-Arab conflicts, such as your border disagreement with Kuwait." In other words, the famous "no opinion" remark was merely a qualification of her general endorsement of Iraqi war aims.

In truth, the Bush administration could not have given Saddam a serious warning about the consequences of invading Kuwait, because the administration itself didn't know how strongly it would react. With no underlying values to guide your policy, you lose the practical advantages of consistency and predictability. You also risk going too far on the momentum of shallow enthusiasm—something Bush's serial Iraq policies may have done in both directions.

If blame ranges from Bush himself to the hapless Glaspie, why should Secretary of State James Baker resign? In Carrington's words, Baker was "responsible for the policy." A Baker resignation would establish that there is accountability somewhere for monumental failures of government. It would end the ugly scapegoating of subordinates. And it would protect President Bush, just as Carrington's resignation shielded Thatcher.

But taking responsibility isn't Jim Baker's style. He has distanced himself from Glaspie. He also has mounted a damage-control campaign, both contemptible and hilarious, through his favorite medium of self-aggrandizing leaks to the press.

A Newsweek cover story (Sept. 17) revealing the "inside story of secret diplomacy between the superpowers" over Kuwait, begins: "Secretary of State James Baker brought troubling news." It was Aug. 1, and Baker was telling Soviet Foreign Minister Eduard Shevardnaze that Iraq was about to invade. Newsweek does not ask why, if Baker knew the invasion was coming, he didn't try to stop it.

A front-page Wall Street Journal article Oct. 1 reported that as long ago as last April, Baker and two top aides decided at a secret meeting that "Saddam Hussein should be put on notice . . . that his menacing behavior would not be tolerated." Baker approved tough sanctions, but—tragically—"the federal bureaucracy and members of Congress preoccupied with defending special interests" slowed it down. Baker himself was "so preoccupied with momentous events elsewhere in the world that he failed to follow up. . . ." Damn!

A column in the Economist (Oct. 13) asked: "Is there someone, anyone, in Washington who thinks that the same ghastly mistake [as Vietnam] is going to be made all over again?" The amazing answer: "If there is, his name is probably James Addison Baker III." Of course there are many people in Washington who are not afraid to publicly predict disaster in the Gulf. None of them is named James Addison Baker III. If Washington's greatest self-positioner is now stashing away a little deniability for future use, that is the best sign yet that Bush's policy may be in trouble.

And if Baker really does disagree with a policy that may yet kill thousands of Americans and others, he ought to resign now for that reason. To pursue a policy you think is wrong, while busily distancing yourself not just from past failures but from future ones, is precisely the opposite of ministerial responsibility.

ST. LOUIS POST-DISPATCH

THURSDAY, OCTOBER 18, 1990

Senate OKs Tax Accord

Bipartisan Effort Made To Pass Budget Package

By Lawrence M. O'Rourke
Post-Dispatch Washington Bureau

WASHINGTON — Rejecting appeals from left and right, the Senate Wednesday night advanced a $250 billion budget-deficit reduction package by endorsing a measure that would increase gasoline taxes by 9½ cents a gallon.

In the first major test of a Democratic-Republican leadership coalition, the Senate, through a unique parliamentary maneuver, preserved the tax proposal by a vote of 59 to 40.

In an almost-frantic effort to win President George Bush's approval and hold off a shutdown of the federal government at Friday midnight, the Senate took the critical first steps toward the largest package of tax increases and federal spending cuts in the nation's history.

Responding to a joint appeal by Senate Majority Leader George Mitchell, D-Maine, and Minority Leader Bob Dole, R-Kan., a Senate majority turned aside amendments that the leaders said were politically attractive, but which they said would destroy the effort to resolve the budget crisis without a government shutdown or a massive mandatory cutback in military and civilian spending.

"This will be the moment of truth whether or not there will be deficit reduction," Dole said as he argued against efforts by Republicans to block the gasoline tax increase. Dole's opposition to fellow Republicans was backed by Bush's aides who monitored the debate.

Scrubbing the gasoline-tax increase — which would double the current tax — would "destroy the first serious effort in a decade to reduce the federal budget deficit," Mitchell said.

In an unusual display of cooperation, Mitchell and Dole worked together to create complicated parliamentary situations that obscured politically touchy votes on raising the gasoline tax and rising individual income-tax rates for the wealthy.

"Nobody's violating the rules. We're using the rules," Dole told his GOP colleague. "I'm trying to do the best I can for President Bush and the last time I checked, I think he was a Republican.

"We're playing by the rules to preserve this package."

Dole had to work against the Republican right on the proposal by Sen. Steve Symms, R-Idaho, to cut the gasoline tax increase. The provision backed by Mitchell and Dole would increase the gasoline tax by four cents a gallon on Dec 1, by another five cents on July 1, 1991, and by another half cent on Jan. 1, 1992.

Mitchell and Dole combined to amend the Symms amendment so that it would have no practical effect. Symms denounced the move as a sham, but he could not stop it.

Pointing out that the gasoline tax would bring in $43 billion of the $142 billion in new taxes to be raised over the next five years under the bill, Dole said rejection of the gasoline tax "would be an easy vote politically."

It would "get great applause" from voters but would mock the 200,000 Americans on military duty in the Persian Gulf region to defend the Western world's access to oil, he said.

Aware that the Symms' amendment had considerable Republican support, Dole said, "If this amendment passes, count me out."

Mitchell had to struggle against Democratic populists from the prairie states who rallied behind a proposal by Sen. Kent Conrad, D-N.D., and Max Baucus, D-Mont.

They proposed cutting the gasoline tax back to five cents a gallon but to raise the top income-tax rate on the wealthy from 28 percent to 33 percent and to impose a surtax on those with taxable income of more than $1 million a year. The 33 percent tax is the heart of the budget deficit-reduction plan approved Tuesday night by the House.

The Conrad-Baucus proposal was defeated 67 to 32 through a technical maneuver to have it declared nongermane. Sens. John C. Danforth, R-Mo., and Alan J. Dixon, D-Ill., supported the maneuever, and Sens. Paul Simon, D-Ill., and Christopher S. Bond, R-Mo., opposed it.

The House bill's principal sponsor is Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee. Bush said he would veto Rostenkowski's bill if it reached his desk. The president expresed a preference for the Senate bill, and Dole came close to assuring the Senate on Wednesday that Bush would approve the Senate bill.

White House chief of staff John H. Sununu said Wednesday that Bush would rather order a government shutdown than accept more income taxes on the wealthy.

The legislation faces a tricky passage before it reaches Bush.

The leaders' plan was to have the Senate work through the night, passing its version sometime in the wee hours. Then the idea was to send the Senate bill along with the House bill to a battery of Senate-House conference committees that would work non-stop to get a single package.

That would be returned Friday morning to the Senate and House for approval in each chamber in time to reach Bush's desk before midnight so that the federal government shutdown might be averted.

Several congressional leaders doubted whether they could pull all this off. White House officials, working closely with the Senate leaders, shared the pessimistic appraisal.

The Senate debate, unlike the House debate Tuesday, did not turn into an all-out Republican vs. Democrat brawl. That was because Dole and Mitchell took the same position, as did the top members of the Budget Committee, Sens. James Sasser, D-Tenn., and Pete Domenici, R-N.M. Domenici said he hoped the Senate debate would not turn partisan."

The bipartisan approach was an effort to convince "people who see Congress as a joke that has lost its ability to govern" that the system can operate on something as controversial as a package of higher taxes and spending cuts, he said.

Fort Worth Star-Telegram

Thursday A.M., October 18, 1990

Congress races to unravel giant budget tangle

By Maria Recio
Fort Worth Star-Telegram Washington Bureau

WASHINGTON — The Senate yesterday began debate on its own version of a deficit-reduction package as lawmakers raced to complete a budget by midnight tomorrow when federal government funding runs out.

President Bush backed the bill as it emerged from the Senate Finance Committee but said he would veto a House-passed bill because it increases income-tax rates and hits middle-income taxpayers with a one-year inflation penalty.

Senate and House negotiators are expected to meet after the Senate vote in a conference committee to work out differences. Both bills aim at reducing the deficit by $500 billion over five years — but go about it differently.

Although the White House remained steadfastly against the House plan, officials yesterday backed off their hard-line threat to shut down the government. Presidential spokesman Marlin Fitzwater said that if the House and Senate were close to agreement by the deadline, the president would accede to a short-term funding bill.

The Senate bill, supported by the Democratic and Republican leadership, raises taxes on the wealthy by limiting deductions; increases the gasoline tax by 9.5 cents a gallon; increases "sin" taxes on liquor and cigarettes; imposes a new luxury tax, and reduces Medicare cuts from the failed budget agreement to $48.9 billion over five years.

An amendment proposed by Sen. Steve Symms, R-Idaho, to remove the 9.5-cent gasoline tax increase from the bill threatened to unravel the package. The amendment drew strong support from conservatives and liberals, but Senators voted 59-40 against Symms' proposal.

Sen. Lloyd Bentsen, D-Texas, chairman of the Senate Finance Committee and an architect of the tax package, said he reluctantly supported the gasoline tax as a way of keeping the entire deal together. The gas-tax increase raises $42.6 billion in revenue over five years, and opponents gave no alternative plan to raise the same amount to help reduce the deficit.

"I don't think anybody opposes a gas tax more or understands it better than a senator from Texas," Bentsen said.

The House-passed bill does not include a tax increase on gasoline but raises taxes on the wealthy in a variety of ways that the White House adamantly opposes, notably an increase in the top tax rate to 33 percent, an increase in the alternative minimum tax and a 10-percent surtax on income over $1 million. It also provides a capital-gains tax break for middle-income taxpayers.

The Senate bill raises $142 billion in taxes over five years but does not tamper with income tax rates or the capital gains tax. Instead, it would make taxpayers earning more than $100,000 pay more by reducing itemized deductions by 5 percent. This provision would generate $29 billion over five years.

The House bill was rammed through on Tuesday by Democrats who said it was time to "tax the rich." The bill was largely opposed by Republicans who decried the "tax and spend" ways of Democrats.

Yesterday, House Republicans also seized on a provision that would delay an adjustment for inflation in income tax rates and in the personal exemption for one year. Under current law, rates and the personal exemption are indexed for inflation.

White House chief of staff John Sununu said yesterday that the provision "rips off the men and women of America who are out there working and earning a living."

A study done by the Republican Research Committee, a House group, calculated that a family of four with taxable income of $44,800 would have to pay an additional $430 because of the loss of the inflation adjustment. The total tax liability for the family, including additional Medicare costs and an estimate for a variety of excise taxes, would increase taxes to $695 a year, according to Republican officials.

The unity among Republicans came after the GOP abandoned the president and the leadership and defeated a controversial bipartisan budget agreement nearly two weeks ago.

Bush subsequently refused to sign a temporary funding bill Oct. 5, effectively shutting down all but "essential" government services over the Columbus Day weekend. After the House and Senate agreed on the outlines of a new budget, Bush signed a short-term funding plan until Oct. 19 to give Congress time to "fill in the blanks."

The government was on the verge of running out of funds Oct. 1, the start of the fiscal year and now needs either a budget deal or another temporary funding measure to continue operating.

Senate leaders, both Democratic and Republican, remained committed to blocking any amendments that would undo the Senate Finance Committee package.

In a parliamentary maneuver yesterday, the Senate shot down an effort by Sen. Kent Conrad, D-N.D., for an alternative plan that would raise the top tax rate to 33 percent; impose a 25-percent surtax on taxpayers earning more than $1 million; and increase the alternative minimum tax to 25 percent from 21 percent. It would also have reduced the gasoline tax increase to 5 cents a gallon.

Senate Democratic leader George Mitchell of Maine said that it was "ironic" that he was opposing the proposal since he agreed with the rate increase. "The reality is that President Bush has stated clearly and unequivocally his intention to veto a tax rate of 33 percent on higher-income taxpayers," he said.

"We must play with the cards that are dealt us."

The Senate debate yesterday, which promised to stretch into the early morning hours, was filled with the same divisions over economic philosophy that have marked the entire budget process.

The Atlanta Journal
Covers Dixie Like the Dew
THURSDAY EVENING, OCTOBER 18, 1990

Senate nears final vote on budget plan

By Mike Christensen
Journal-Constitution Washington Bureau

WASHINGTON — The Senate heads to a showdown today in its attempt to reach agreement on a compromise budget plan that would reduce the deficit by $500 billion over five years.

The Senate is confronted with a fiscal package that would double gasoline taxes, cut Medicare and agriculture spending, and raise taxes somewhat on the wealthy.

"We're either going to come out of this with a $500 billion deficit-reduction plan or with nothing," Senate Majority Leader George J. Mitchell (D-Maine) told his colleagues as they debated the issue.

He predicted the Senate would successfully wade through dozens of pending amendments and reach final action today.

Then the Senate would go into a conference with the House, which passed its own, different approach to deficit reduction Tuesday night.

In an impassioned defense of the proposed gas tax, Sen. Wyche Fowler Jr. (D-Ga.) said Americans should be willing to sacrifice and reduce their dependence on foreign oil so the nation would not have to send thousands of troops to the Middle East.

"Isn't there some patriotism tax?" Mr. Fowler asked. "Isn't there something we can ask the American people to do that will make them participate ... in backing up Americans abroad?"

Democratic and Republican leaders in the Senate used their gothic rules of procedure Wednesday to defeat the first of several proposed budget amendments, which they feared might be politically popular but practically devastating to the fragile bipartisan deficit-cutting package fashioned by the Finance Committee.

By a vote of 32-67, the Senate refused to adjust the limits of a budget resolution passed last week to accommodate an amendment by Sen. Kent Conrad (D-N.D.).

Mr. Conrad's proposal would have cut the Finance Committee's proposed gasoline tax from 9½ cents to 5 cents, eliminated a 5 percent ceiling on tax deductions by those making more than $100,000 a year, and added provisions from the House plan — a 33 percent top income tax rate, a 25 percent alternate minimum tax, and a 10 percent surtax on millionaires.

Mr. Conrad also proposed limiting the proposed $15 billion five-year cut in agriculture programs to about $9 billion and easing a proposed increase in Medicare deductibles for doctor's care.

Senate leaders appeared ready to use procedural maneuvers to keep colleagues from having to vote directly on proposals to eliminate the gasoline or other taxes.

Emergency spending legislation, which has kept the government operating for the past week, will expire at midnight Friday.

President Bush has threatened to veto any extension unless Congress finishes an acceptable deficit-reduction measure and all 13 regular appropriations bills. However, administration officials indicated Wednesday that Mr. Bush might agree to a new "continuing resolution" if final agreement is near and includes spending cuts.

White House Chief of Staff John H. Sununu said Mr. Bush still favors the Senate package over a House bill that includes a 5 percent income tax increase on the wealthy — single people with taxable income over $97,620 and couples above $162,770 — and would delay tax indexing for a year.

"The White House is ready to receive the bipartisan package similar to the Senate package," Mr. Sununu said. "Get it to the president's desk and he'll sign it."

Senate leaders from both parties were trying to do just that Wednesday, arguing that their plan was balanced and fair. But with elections approaching and many voters, industries and interest groups disgruntled over the tax hikes and spending cuts in both the Senate and House plans, there was little enthusiasm among Senate followers.

"This package, imperfect as it is, is the best that could be done," Mr. Mitchell said. "I ask my colleagues, for once can we not keep in mind the national interest?

"You can't pick this thing apart one item at a time," Mr. Mitchell said.

At the time, Mr. Mitchell was trying to stave off an attempt by Sen. Steve Symms (R-Idaho) to strip from the package a 9½-cent increase in the gasoline tax over the next year and a half. The gas tax was at the heart of the tax side of the plan drafted by the Senate Finance Committee and is expected to raise $4.6 billion this year and $42.6 billion over five years.

As debate began, Budget Committee Chairman Jim Sasser (D-Tenn.) said, "We tell the American people that there will be some sacrifice in this package. But we tell them at the same time that it will be fair."

An alternative prepared by Democrats Sam Nunn of Georgia and David Boren of Oklahoma called for raising the income tax rate for the wealthiest Americans to 33 percent, using the $44 billion in revenue over five years to finance a capital gains tax cut, a "super" IRA plan that could be used for first homes and college tuition, and a reduction in the proposed gas tax increase.

Party rhetoric on budget rises

GOP hitting hard at Democratic plan

By Julia Malone
Journal-Constitution Washington Bureau

Chief of Staff John H. Sununu said the Democratic budget "rips off" ordinary Americans.

WASHINGTON — With the deadline only hours away for a deficit-cutting agreement, officials in the capital Wednesday were hurling partisan slogans in a bitter slugfest over taxes.

White House Chief of Staff John H. Sununu set the tone with an early-morning assault on Democrats in the House for passing a tax increase that "rips off the men and women of America who are out there working and earning a living."

Mr. Sununu's response to the House plan came as Democrats continued to beat out their own refrain: that their party wanted to cut the deficit by making the rich pay their "fair share."

"Taxocrats" countered Republicans, as both sides honed phrases more suited for campaign bumper stickers than for resolving the divisions in time to pass a deficit-cutting plan by midnight Friday, when spending authorization for the federal government expires.

The Bush administration hit on its "working Americans" theme soon after the House passed its version of the deficit-reduction plan Tuesday night.

The Democratic tax plan had some politically appealing points, since it would not raise the gasoline tax, but instead would raise rates for the most wealthy. Also, Republicans have been fighting a public perception that their party is friendlier to the rich.

However, the Bush aides focused on another part of the House plan: the provision that would suspend for one year the adjustments for inflation that are now built into tax brackets. That would cost taxpayers an estimated $36 billion over five years, according to some estimates.

The familiar buzzwords were repeated many times afterward. Mr. Sununu referred to working Americans a half-dozen times during his combative appearance on NBC's "Today" show.

White House press secretary Marlin Fitzwater drove home the point during a briefing with reporters, charging, "What the Democrats stand for . . . is higher taxes on the working men and women of this country."

The organized assault came after days of hearing Democrats claim that they are the real champions of the middle-income working Americans.

Chief author of the House plan, House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), said the debate was "about who will pay."

House Minority Leader Robert Michel (R-Ill.), responded that the Democrats were practicing "economic McCarthyism" and the politics of class warfare.

Even in the Senate, where the parties have worked together to produce a tax plan, the two parties sought to draw political lines.

Sen. James Sasser (D-Tenn.), the Budget Committee chairman, said the Senate package "seeks to make up for the fiscal excesses" by raising taxes for 700,000 wealthy Americans whose rates were reduced under the policies of the Reagan administration.

At the White House, a senior official denied that Mr. Bush is concerned that Republicans have a fairness problem. He said Mr. Bush planned to continue attacks on the Democrats over the taxes. "The president is dying to get out on the campaign trail on these issues," said the official, who declined to be named.

Richmond Times-Dispatch

JOHN STEWART BRYAN III—*Chairman and Publisher*
JOSEPH M. PORTER—*President and General Manager*
ALF GOODYKOONTZ—*Senior Vice President and Executive Editor*
ALBERT T. AUGUST III—*Vice President and Business Manager*

EDWARD GRIMSLEY
Editor of the Editorial Page

MARVIN E. GARRETTE
Managing Editor

ROGER H. CLAPP—*Vice President and Advertising Director*
ALLEN WALTON—*Circulation Director*
HAROLD WAINWRIGHT—*Production Director*
O. SCOTT LEATH—*Controller*
FRANK A. MCDONALD JR.—*Personnel Director*

Thursday, October 18, 1990

Democratic Offenses

Fraud. Class warfare. Economic sabotage.

Congressional Democrats, especially members of the House of Representatives, are guilty of engaging in all three of these repugnant activities in the process of developing a plan to reduce the federal deficit. Rarely have the nation's political leaders shown such arrogant disregard for the national welfare.

In a blatant attempt to set class against class, House Democrats have pushed through a budget plan they gleefully boast will hit "the rich" with higher taxes. This is a shameful attempt to capitalize on — and to exacerbate — the envy that many poor and middle-income Americans harbor toward their more prosperous fellow citizens. Underlying this resentment is the unfair and unrealistic notion that those who have used their skills, and their luck, to achieve outstanding economic success in this land of upward mobility deserve to be punitively taxed for having done so.

Of course, the Democrats piously insist they only want the "rich" to bear their proper share of the cost of government, as if they are now getting a free ride. So congressional Democrats would raise the income tax rate for all who earn more than $97,620 a year and impose a 10 percent surtax on all with taxable income of $1 million a year. That the 5 percent of the people in the highest income bracket already pay about 46 percent of the federal income taxes goes unacknowledged.

But the Democratic plan is not only an exercise in class warfare; it is fraudulent as well. The "rich" would not be the only victims of its tax scheme. By cancelling for one year the anti-inflation adjustments to income tax brackets and personal exemptions, the Democrats would soak taxpayers at the very lowest income levels. Their taxes would rise not only in 1991 but also in following years. And for whom would the Democrats' proposed increases in taxes on tobacco and alcohol be most painful? Certainly not the rich.

Imposing higher taxes, as the Democrats advocate, could send the economy, already reeling toward a recession, over the brink. The more money the government takes from citizens, rich or poor, the less they have to spend and invest and the more sluggish the economy is likely to become as a consequence. In pushing this plan, the Democrats clearly are sabotaging the economy at the very time it needs stimulation.

Deliver us from this kind of leadership. If this is the best plan the Democrats who control Congress can produce, forget it. Should anything resembling this scheme reach President Bush's desk, he should veto it and allow the budget-cutting provisions of the Gramm-Rudman-Hollings law to become effective and prevail until Congress developed a truly responsible deficit-reduction plan.

THE TAMPA TRIBUNE

October 13, 1990

Published by The Tribune Company
202 South Parker Street
Tampa, Florida 33606

FOUNDED IN 1895

H. DOYLE HARVILL
Chairman and Publisher

EDWIN A. ROBERTS, JR.
Editorial Page Editor

LAWRENCE L. McCONNELL
Managing Editor

JACK BUTCHER
Vice President

W. SCOTT TRUNDLE
Vice President
and Business Manager

JAMES F. URBANSKI
President and General Manager

EDITORIALS

Exposing capital gains issue for what it is: a financial fetish

Painful to report, the major obstacle delaying settlement of the deficit reduction problem in Washington is more fetishism than finance.

From the initial meeting of the "summit" between Congressional and administration leaders, continuous contention over the capital gains tax has dominated the negotiations. President Bush's flip-flopping has underscored the obsession with that single issue: Tuesday he indicated he would accept higher taxes on the wealthy in exchange for reducing the capital gains levy. A few hours later, he backed off. Thursday, he was again ready to accept the deal. Both sides are overly nervous about the political symbolism of the tax. Its proper place in the revenue spectrum is clear from the actual amount of money involved: $17.5 billion — about 4 percent of total personal income-tax revenues.

The Statistical Almanac of the United States discloses that in the last year complete figures are available (1987), net capital gains income was roughly $135 billion. Taxed at the present 28 percent marginal rate, that would bring the Treasury $37.8 billion. Taxed at President Bush's goal of 15 percent, it would collect $20.25 billion.

Democrats offered to accept the reduction if the top tax rate for the wealthy were increased from 28 to 33 percent (eliminating the controversial "bubble" in marginal rates). The highest 1 percent income ($100,000 or more) group had total adjusted gross income of $376 billion that year. Increasing the tax rate by 5 percentage points would add $18.8 billion to the Treasury — more than offsetting the reduction in the capital gains tax.

Bush advisers and Republican Congressional leaders raised a point: Only half of the wealthiest 1 per cent report capital gains earnings. That half would pay more tax on their other income without getting any offset from the capital gains cut. The prime beneficiaries of the deal would be the 20 percent of the taxpayers who report capital gains and fall below the $100,000 benchmark figure.

Later, the President said he would go along with higher tax rates in exchange for a capital gains cut, but that he doubted Congress would agree. This was in a context of a maximum tax rate of 31 percent. That would mean that those of the upper 1 percent who had capital gains would end up paying $8,000 a year less in income taxes. Other proposed adjustments would cut almost everyone's income taxes — but exact more money from excise taxes, a greater share of which are paid at lower income levels.

As the dickering continues, it would be productive if both sides would contemplate the principal argument advanced for special tax treatment of capital gains income: That it encourages investment and fuels economic growth.

If the argument means putting the tax savings into investment, it's small potatoes. That $17.5 billion savings would amount to only 3.6 percent of the $487.2 billion in private investment in 1987. Moreover, the argument is not discrete as to the form of investment.

In 1987, capital gains income was more than double income from dividends, $133.5 billion to $66.5 billion. This striking imbalance indicates more investors were churning assets in the securities markets or selling off real estate than were buying long-term equity holdings. And taxable income from interest was $164 billion, telling us that investors are netting more from bonds — many of them government rather than corporate — than from either capital gains or dividends.

The most optimistic extension of the premise that taxing capital gains less will fuel economic growth is that it will encourage the transfer of capital from other types of investment to corporate stocks. But the current economic doldrums and state of the stock market provide little incentive for such investment roll-overs. Few investors will take risks in a contracting economy.

None of the above, however, is likely to break the spell of the capital gains tax cut fetish. But it is strange that decisions vital to reducing a $200 billion deficit and slowing the rise of a national debt nearing *$3.5 trillion* should be so long so hung up on a paltry $17.5 billion.

The price of politicians' impotence

Though they deserve part of the blame, Patti Woodworth (the governor's budget chief) is intent on exculpating herself and her boss, the governor, from the charge of fiscal irresponsibility. They could use some Teflon: State agencies face troubling layoffs, dented programs, and emasculated services.

Parents are upset because their children's teachers have been reassigned. Social-service advocates are livid watching hard-won programs disintegrate. Regulators are depressed as their effectiveness is clipped.

The economy, according to Woodworth, is a thing beyond understanding. Unknown variables determine whether the state is in the pink — or in the red. Such forces defy charting. Naturally, then, the current crunch caught her unaware.

"If our economists could predict what's going to happen a year from now, they wouldn't be working for state government. We're always wrong; it's just a matter of degree. I can't predict next year, much less five years out."

Granted. Economic prognostication is a risky business, equal parts art, science, and voodoo. Whoever predicts is guessing, and sometimes those guesses become self-fulfilling prophecies.

Even so, a budget chief need not be a genius to notice that tax receipts have fallen short of projections two years in a row. Most Floridians weren't born yesterday, and neither was this budget crisis.

What's more, Martinez' reaction to fiscal dips generally makes matters worse. Read these excerpts, eerily prescient, from a paper produced by Florida TaxWatch Inc., titled *The State of Florida Is Bankrupt:* "Florida TaxWatch is extremely disappointed in the lack of concern exhibited by the Governor and Legislature in addressing the precarious fiscal situation facing the state and its citizens.

"The continued decline in general revenue receipts for the balance of the current fiscal year, and a further lowering of revenue projections for 1990-91, requires an immediate re-examination of how the state protects its citizens from a reduction in critical-need services brought about by economic decline or natural disaster....

"The all too easy answer has been across-the-board cuts when revenues decline. TaxWatch is the foremost proponent of eliminating waste, and unnecessary and inefficient programs from state government. However, by not having an adequately funded Working Capital Fund, no option other than program reductions exists."

These facts were true on the date of this document — April 20, 1990. They were true the year before. They are true now.

"The Governor and Legislature either are more concerned about their respective political fortunes, or truly don't know how to protect the state in times of emergency."

Alas, *both* assumptions are on the money.

Whoever is elected governor Nov. 6 *must* commit himself to establishment of an adequately stocked Working Capital Fund. ("Adequate" is somewhere around 5 percent of general revenue receipts; 10 percent would be better.) And the Legislature must resist temptation to squander needed reserves on turkeys.

The Governor's Office can't be faulted for not predicting exactly where the economy would wend. But the governor, his economists, and state lawmakers are accountable for their impotent response to an utterly predictable hardship.

San Francisco Examiner

★ Thursday, October 11, 1990

Budget row hurts nation in drawing foreign dollars

Crisis sending 'very bad message to world financial community'

By Miles Benson
NEWHOUSE NEWS SERVICE

WASHINGTON — Americans are not alone in their disgust at the federal budget fandango.

Foreign eyes are also watching with disdain, and that has had serious economic consequences, say many financial experts and political leaders. Among them are less foreign investment, higher interest rates, lower stock prices and sinking real estate values.

On-again, off-again deficit-cutting schemes "make our country look as though we can no longer govern ourselves," said Rep. Bill Green, R-N.Y., who represents the financial centers and the corporate towers of midtown Manhattan. "This is very damaging to the country. It's giving a very bad message to the world financial community."

Michael P. Andrews, a director at Salomon Brothers Inc., the giant international investment banking concern, said the United States' reputation as a safe haven for foreign capital was eroding every day.

"I've been in Australia, Europe and Japan, and people have been saying to me, for the first time, that they worry about whether money they put into the United States will be retrievable some day because the United States seems less and less a reliable economy," Andrews said.

The Commerce Department reports that foreigners spent 30 percent less in the first six months of this year buying existing companies or opening new ones in the United States than they did during the same period last year. Purchases of American stocks and U.S. Treasury securities by foreigners also are down sharply.

That means the U.S. government would have to pay higher interest rates to attract foreign money and to get domestic money invested in government securities. Borrowing ever-larger amounts at higher costs, in turn, would increase the federal debt, diverting funds from productive, job-creating activities such as investing in new plants and companies.

"What's going on is a loss of confidence in the ability of the U.S. government, and perhaps the system, to generate any sort of budget discipline," said Marcos Jones, first vice president of Deutsche Bank Capital Corp., a subsidiary of Germany's largest bank.

The United States finished the fiscal year that ended Sept. 30 with a $220 billion deficit, "and we're getting ready to be comfortable with a $300 billion deficit this year," said Jones.

"When you are a big borrower, it's best to show a certain image of self-discipline, because if you don't discipline yourself, then your lenders will discipline you," said Neil Soss, an economist at the First Boston Corp.

"We look like a sinkhole of public spending," said Robert Brusca, chief economist for Nikko Securities International, a large Japanese investment banking firm.

"Foreigners are becoming in some ways more disenchanted," he said. "They are less ready investors in our stocks and bonds this year. They are net sellers. That tells you more than anything else. They are voting with their pocketbooks. And Americans are going to see it in higher interest rates and possibly a deeper recession."

CHATTANOOGA NEWS-FREE PRESS

ROY McDONALD
Founder and Publisher
1936-1990

FRANK McDONALD
Chairman of the Board
and President

LEE ANDERSON
Publisher
and Editor

Tuesday, October 9, 1990

It's No Deal-It's A Blank Check!

With Congress and the president unable to do their job of coming to grips with the huge deficit problem, and with the American people irate over proposals for higher taxes and spending cuts, a new approach has been attempted to keep the government running, at least till Oct. 19. But what has been worked out is no sound solution. It's just a blank check designed to raise taxes even more and still leave a series of staggering budget deficits over the next five years.

The package that was originally proposed, and then wilted under voter heat, suggested about $135 billion in new taxes and some program cuts to result in what was claimed to be a $500 billion deficit reduction over five years. It was a fraud, because its proponents declared congressional committees would have "flexibility" in applying its terms, meaning they would shift the tax-and-cut package and dodge really effective deficit reduction.

But when the people protested in no uncertain terms — particularly opposing a 12-cent-per-gallon increase in the gasoline tax and cuts in Medicare benefits along with added costs — the House of Representatives quickly backed away.

That left the government broke and without any kind of budget for the 1991 fiscal year that began Oct. 1. So technically the government "shut down" over the long Columbus Day weekend.

But the story wasn't just inconvenience to tourists who couldn't visit the Washington Monument and the Statue of Liberty. The real story was congressional failure to do its job — not just in recent days but over many years.

Democratic Senate Majority Leader George Mitchell, who hasn't been right about much lately, was right when he said, "Tonight we reap the bitter harvest of a decade of national indulgence."

Congress can't escape the major weight of blame. But in fairness, we must note that "we, the people," deserve blame, too. The reason Congress votes to spend too much is that is the way to buy "our" votes to keep representatives and senators in office. Witness the present mess: The people protest higher taxes, rightly, but also protest spending cuts, wrongly. How can deficits be overcome without spending cuts?

The latest bill, passed by a desperate House with a vote of 363 to 3 and by the Senate in an uncounted voice vote, does not solve anything. It just keeps the government going for a while with the suggestion that the previously rejected $135 billion in tax increases be raised to $145 billion so the proposed spending cuts may be reduced by about $10 billion. Does that sound like real deficit reduction to you, especially when the same bill raises the legal debt limit to $3.195 trillion?

Sen. Phil Gramm (D-Texas), whom we should fervently thank for his Gramm-Rudman-Hollings deficit-reduction plan that, with its imperfections, at least is forcing some effort at remedial action, soundly said of the stop-gap measure adopted: "I'm not going to sign onto this fill-in-the-blanks package."

He's right. Congress needs to be told to make real budget cuts, with "No new taxes" — and the American people need to face the fact that "we" are going to have to take cuts in many of our "pet" handout and benefit programs if the deficit crisis is to be solved. Neither Congress nor the people seem ready to face the facts. Many in Congress need to be removed; many in the public need to face responsibility, too.

Congress does not tax too little. No new tax is justified. Congress does spend too much — even now proposing to raise spending beyond the deficit-ridden budget of last year.

We need to take the money that is coming in, apply it to necessities of national security and human need and cut the rest.

Now here is a tempting idea: Because a budget outline had not been agreed, the federal government was faced with the prospect of "shutting down" today. Maybe what ought to happen is to pick the many parts of federal government that are not essential and "shut them down," not temporarily but permanently.Then we might get lots of relief.