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DOLE'S VICTORY IS REAGAN'S LOSS

The already shaky prospects for the Reagan Administration's controversial tax-simplification plan may have grown dimmer with the election on Nov. 28 of Kansas Republican Bob Dole as Senate Majority Leader. Both Dole and his successor as chairman of the Finance Committee, Senator Bob Packwood (R-Ore.), are cool to the idea of expending vast amounts of political capital on a tax plan that does not raise new revenues. With moderates Dole and Packwood in key leadership positions, Senate Republicans are much more likely to concentrate on deficit reduction than on tax reform next year (page 34).

Dole campaigned for Majority Leader by promising to elevate the deficit problem to center stage, even at the cost of occasionally tilting against President Reagan. He edged out Alaska Senator Ted Stevens, who ran as a Reagan loyalist. Indiana's Richard G. Lugar, another top contender who promised to work in tandem with the White House, finished third. In the end, Dole's 1988 Presidential ambitions, which critics hoped would work against him, were not viewed as a problem.

What Senate Republicans seemed to be signaling with the selection of the acerbic, outspoken Dole was a willingness to tolerate some turbulence in relations with the Administration as the price for action on the deficit. With 22 GOP Senators facing reelection in 1986, compared with 12 Democrats, Senate Republicans see the unchecked deficit as a major threat to their control of the upper house.

Dole and Packwood are both prepared to raise taxes as part of a deal that would require congressional Democrats to cut spending for social programs. "The President has ruled tax increases off the table," says a White House official. "We are not in synch on this issue."

More ominous for the Administration, Packwood has shown a great fondness for many of the specialized tax credits and deductions that would be swept away in the Treasury Dept.'s tax plan.

"Packwood's philosophy is a little different from ours," concedes Treasury Secretary Donald T. Regan. "But we think we can work with him."

Thumbs Up for Dole

The sharp-witted Kansan leads a moderate majority.

The also-rans had been dispatched in three quick ballots, and the battle to succeed retiring Sen. Howard Baker as Senate majority leader was down to two—Bob Dole of Kansas and Ted Stevens of Alaska. On the third ballot, each had received 20 votes, 7 more than Indiana Sen. Richard Lugar. Lugar's 13 supporters thus became key to deciding who might become the second most powerful Republican in Washington.

As the 53 GOP senators hunched over their mahogany desks to mark color-coded ballots, Dole was pessimistic. His own count indicated that many of Lugar's backers favored Majority Whip Stevens. He was nervously awaiting the official tally when one sympathetic vote counter spared him further suspense and signaled thumbs up. Dole later emerged from the Old Senate Chamber—a 28-25 victor—with a thumbs-up smile for all the reporters, camera crews and Hill staffers thronging the corridor. Asked what the victory meant to his 1988 presidential ambitions, Dole quipped: "I'm not worried about '88. I'm worried about lunch."

But Dole's priorities were hardly so shortsighted. He quickly inserted himself into the building battle over taxes and spending—giving Treasury Secretary Donald Regan's supposedly revenue-neutral tax-reform plan a cool reception ("I want to give Treasury credit for doing a lot of work... certainly they get an A for effort") and committing himself above all to reducing the deficit.

'Our Agenda': The majority leader's motive in large part defensive and his political worry is 1986, when 22 Senate Republicans—including Dole himself—will be up for re-election. "We're going to retain the Republican majority in '86," he said. "That's our agenda." What was remarkable—in the wake of the Ronald Reagan landslide that many interpret as a rightward shift in the nation—was that Senate Republicans took aim on 1986 with a giant step toward the center. Not only did Dole win (the conservatives' choice, Idaho Sen. James McClure, was the first contender eliminated), but moderate John Chafee of Rhode Island nipped Utah conservative Jake Garn for the party's No. 3 leadership post and John Heinz of Pennsylvania took control of the Senate campaign committee. In the resulting shuffles, Bob Packwood of Oregon and John Danforth of Missouri became chairmen of powerful finance and commerce committees. "What is represented here is a mainstream of the Republican Party, both in the Senate

and in the country," said Danforth.

For the first time, the Reagan administration will have to contend with a Senate in which GOP moderates hold the balance of power. With House troubles already anticipated from the party's right-wing Young Turks, the potential for political cross fire is ominous. Though the new majority leader quickly called the president and pledged, "Boss, I'm ready to go to work," he had told reporters that he looked forward to supporting Reagan's program "when we can." Still, several senior White House aides were delighted with the choice of Dole—some because of his mainstream bent, others because of his proven loyalty despite it. "Every time in four years when the president raised the standard, Bob was there," said White House chief of staff James Baker. Baker and other Reagan strategists are confident Dole will be a vital ally in the war over taxes and spending.

Gadfly: Whatever obstacles the new majority leader presents to Reagan administration tax schemes may pale next to those posed by Packwood. The Oregonian lost no time expressing his skepticism about major tax-reform legislation in 1985, raising serious questions about the Treasury Department's semi-flat-tax plan. Packwood has strong gadfly tendencies and a willingness, often outspoken, to buck the president on major issues. One dismayed senior Reagan aide said that Packwood's elevation was "disastrous" for administration tax plans. Added another: "He's the kind of guy who will walk across the street to get into a fight."

Dole's early days in the Senate had earned him a similar reputation, and his ascension to the Senate top spot is the culmination of an extraordinary turnaround. The brash, mouthy freshman who arrived in 1969 delighted the Nixon White House, providing unequivocal support for its every move—from Vietnam policies to controversial Supreme Court nominations. In 1971, Dole was rewarded for his loyalty with the party's national chairmanship. But he proved too

"Lugar will become boss of the Foreign Relations Committee, conservative darling, and his ascension to the Senate top spot is the culmination of an extraordinary turnaround. The brash, mouthy freshman who arrived in 1969 delighted the Nixon White House, providing unequivocal support for its every move—from Vietnam policies to controversial Supreme Court nominations. In 1971, Dole was rewarded for his loyalty with the party's national chairmanship. But he proved too

abrasive—even for a White House with a "take no prisoners" approach to politics—and was dumped two years later (thus sparing him the tarnish of Watergate).

In 1976, Dole was a surprise choice as Gerald Ford's running mate, and his strident performance was blamed by many for the ticket's narrow defeat. The hatchetman stigma hurt Dole, who told one interviewer that, for all his supposed meanness, the only reputation he seemed to have hurt was his own. Some view the bitter lesson of '76 as Dole's turning point;

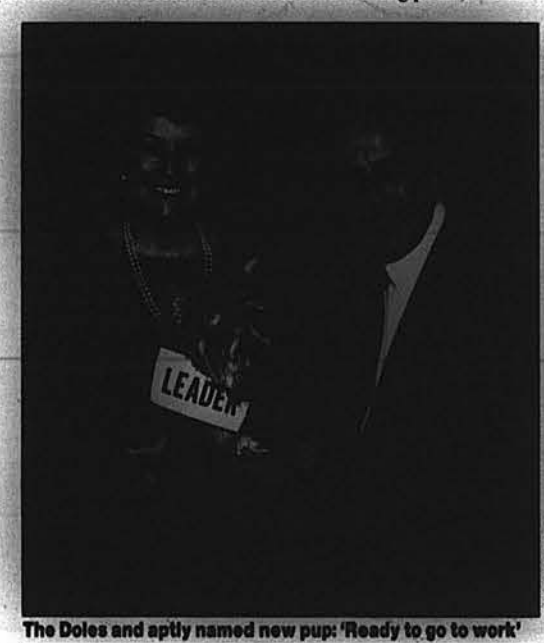
Indeed, the pairing of Dole and Majority Whip Alan Simpson of Wyoming gives the Capitol the funniest leadership team in Senate history. Says Simpson of wealthy Americans: "The rich in our society are indeed different. Among the Republicans in Beverly Hills, the IRS is known as a terrorist organization." Cracked Dole at a Gridiron Club dinner he attended with his wife: "I'm happy to be here with the country's second most powerful couple—Ron and Nancy Reagan." Asked about the limousine he gets as majority leader, he joked: "I think I promised two or three guys I'd pick 'em up every day. That was my margin of victory."

It was Reagan's election that finally gave Dole the chance to show that his wit was matched by legislative skill. Though the 97th Congress will be recalled as Ronald Reagan's heyday, it was an unabashed triumph for Dole as well. Shepherding first the Reagan tax cut, then the following year's tax increase through the Senate, Dole proved to be the consummate legislative technician. His eye for compromise was not limited to finance; it was Dole who struck the deal to pry the Voting Rights Act extension out of committee.

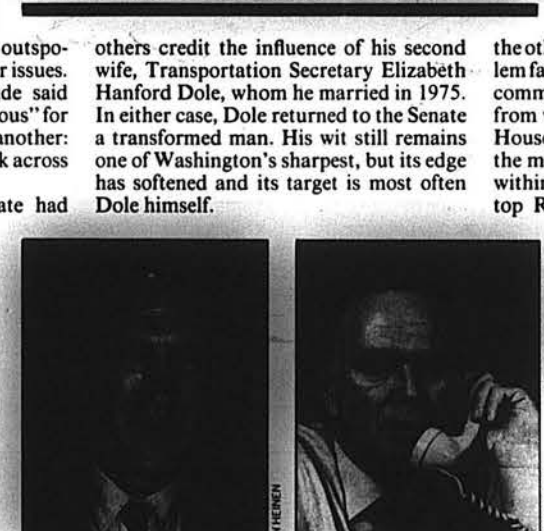
Defiant: Dole hopes the majority leader's post will be his steppingstone to the GOP presidential nomination in 1988. Ironically, Howard Baker, who also hopes to be president, became convinced during his losing bid four years ago that it was impossible to run for president while serving as majority leader. "That's Baker's analysis," said Dole. "He's gonna try it the other way." The more immediate problem facing Dole is whether he can find some common ground with the White House from which to attack deficits. "The White House has to decide whether to work with the majority in the Senate or the minority within the minority in the House," said one top Republican leadership aide, "and I think the conservatives and the Young Turks in the House are going to be the big losers." If Dole helps usher in an era of declining deficits, he could be the big winner.

But if he and the Reagan administration fail, Dole may not have to worry in 1988 about the difficulties of running for president as majority leader: if an uncontrolled deficit turns the economy sour, the GOP could lose control of the Senate, and Dole might find himself minority leader after 1986.

MARK STARR with GLORIA BORGER, THOMAS M. DEFRANK and ELEANOR CLIFT in Washington



The Dole and aptly named new pup: 'Ready to go to work'



Senators Simpson (left), Packwood: Mainstream leadership

Nation

A Declaration of Independence

G.O.P. Senators pick Dole to stand up to the White House

The setting was historically apt. Until the Civil War, the ornate and intimate Old Senate Chamber, its dark wooden desks arranged in semicircles, rang with the spirited oratory of Daniel Webster, Henry Clay and John C. Calhoun. Last week, when the Senate's 53 Republicans gathered in the museum-like room to elect their leader for the next two years, the forensics were apparently no less rousing.

Kansas Robert Dole claimed to be thoroughly persuaded by the speech his nominator, John Danforth of Missouri, made on his behalf. "It was so impressive," Dole quipped, "that I ended up voting for myself."

After an hour and a half of secret balloting, a narrow majority of his colleagues followed suit. On the fourth ballot, Dole defeated Alaska's Ted Stevens, his nearest rival, by a vote of 28 to 25. His prize: the powerful post of majority leader, held since 1981 by Tennessee's Howard Baker, who is retiring from the Senate to prepare for a presidential bid in 1988.

Dole, a self-described moderate conservative, emerged victorious from a field of five contenders. Idaho Conservative James McClure was eliminated on the first ballot. (The election rules required that the candidate receiving the fewest votes on each ballot be dropped from the next round.) Pete Domenici of New Mexico was knocked off on the second ballot, and Richard Lugar of Indiana on the third.

That left Stevens, who as majority whip was Baker's assistant during Reagan's first term, in a face-off with Dole. In Stevens' corner was Barry Goldwater of Arizona, who in an effective, if quirky, nomination speech compared the Senate to the Washington Redskins football team and cast Stevens as a man who had valuable experience playing "back-up quarterback." But the elder statesman's plug was not enough. Stevens, known for his combative temper, lost by three votes, and in a display of characteristic crochettiness, immediately threatened to renew his challenge to Dole in two years.

The majority leader is one of the most influential figures in Washington. On Capitol Hill, he sets the Senate's agenda and decides what bills come to the floor. Although Dole has often joked that "majority leader" would be a more appropriate title, many Senators chose him precisely for his ability to force compromises out of seemingly hopeless deadlocks. Said Senator Slade Gorton of Washington: "We picked the individual with the most experience in managing bills on the floor."

Dole had something else going for him: backbone. After President Reagan's landslide re-election, there was concern that the White House would try to steamroller the Senate into meekly supporting Administration policies. The 22 Republican Senators up for re-election in 1986 were worried that Reagan might force them into votes that could damage their chances. In Dole the Sena-

which has grown increasingly unruly in recent years. Within hours of his election, Dole served notice that he intended to get tough on Capitol Hill. "I do believe we spend a lot of time doing very little, and that may be an understatement," he said. "If we really want the discipline, I'm willing to help provide it."

The he had the reputation of a special bipartisan committee studying Senate procedures, met with Dole and recommended changes that would limit a legislator's committee assignments as and down on the parliamentary loopholes that allow a lone dissenter to bring the chamber to a standstill. Such internal reforms, however, could be more difficult to pass than a tax-reform package.

Dole, 61, a tall, lean man with a ready grin, spent eight years in the House before winning a Senate seat in 1968. He has a reputation as an adept legislative craftsman and a fierce competitor. His biting wit is legendary, but the vituperative remarks that earned him the "hatchet man" label as Gerald Ford's 1976 running mate are rare now. More typical is the comment he made last week when his wife presented him with a congratulatory schnauzer named Leader. Deadpanned Dole: "It's an indication of where my leadership is going. House-broken but not Senate-broken."

For the past four years, Dole has been chairman of the Senate Finance Committee, where he pushed through a major revision of the Social Security system and three tax bills. In 1982 he held weary committee members in an all-night meeting to grapple with a specific provision of a \$100 billion tax-hike bill. He then persuaded a coalition of Republicans and Democrats to pass the bill over the protests of practically every special interest in Washington.

Dole is conservative in his voting record, but he has made barbed attacks on supply-side economics and staunchly defends such traditionally liberal measures as the food stamp program and the Voting Rights Act. His eclectic stands have made him a target of the so-called young Turks, a highly vocal group of right-wing Republicans in the House. Charges Newt Gingrich of Georgia, a member of the group: "Dole is the tax collector for the welfare state." Responds Dole: "If you are in the minority, you can put out a lot of newsletters and say, 'I'm for lower taxes.' We have a little different view in the Senate because we're in the majority. We have to be totally responsible from time to time."

Dole's selection as majority leader had a domino effect on key committee chairmanships. Oregon's Bob Packwood, a frequent Reagan critic, will succeed Dole as head of the Finance Committee, wielding power over the Administration's

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