

The coming tax cuts

Republicans reach a budget compromise

John Kasich had seen enough. After three weeks of infighting between House and Senate Republicans over how to cut taxes and reduce spending, the chairman of the House Budget Committee detected no sign of a breakthrough. So, at the height of negotiations last Thursday, the frustrated Ohio Republican decided to leave town for the weekend. A staff member drove



Skeptic. Clinton blasts GOP cuts.

him to Washington's National Airport, where he prepared to board a 6 p.m. flight home to Columbus, Ohio. But when he checked one last time with House Speaker Newt Gingrich, Kasich got some good news: During the ride to the airport, Gingrich and Senate Majority Leader Bob Dole had agreed to a delicate political compromise that would cut taxes by \$245 billion, scale back key domestic programs and balance the federal budget by 2002. Kasich grabbed a cab and was back at the Capitol in time for a press conference announcing the deal, which could amount to one of the most important conservative victories in a generation.

The Republican plan, which assumes a

rosy economic future, promises to reduce the deficit by about \$900 billion over seven years and generate a surplus of nearly \$7 billion by 2002. Yet total federal spending would still grow from \$1.5 trillion in 1995 to nearly \$1.9 trillion in 2002.

At the same time, taxes would decrease substantially. GOP leaders seem committed in particular to cutting the capital-gains rate, ending the so-called marriage penalty, creating a tax-free retirement savings account for nonworking spouses and enacting a \$500-per-child tax credit for families (see table). The House and Senate are expected to approve the leadership's budget outline this week.

President Clinton complains that the Republicans' \$245 billion package of tax cuts would increase the deficit, unfairly benefit the rich and do little to promote social goals such as encouraging education. Instead, the president favors a more modest package of tax cuts geared to middle- and low-income people, such as an expanded earned-income tax credit for the working poor. White House aides say they aren't sure how far Clinton would go to block the GOP's tax-cutting plans. That will probably not become clear until sometime in late September.

For weeks, House conservatives had vowed to accept nothing less than a \$350 billion tax cut over seven years, while many Senate Republicans agreed to only \$170 billion in tax cuts—and said they would allow that much of a reduction only if Congress first passed a legitimate plan to balance the budget. By the end of last week both camps essentially had decided to split the difference. "Republicans have been unified in fashioning a budget which keeps our promise to return money and power to the American people," Gingrich crowed. "After decades of reckless spending, we are committed to making

Tax cuts on the table

Possible Republican tax breaks

- **Individual retirement accounts**
Unemployed spouses would be allowed to open and make contributions to an IRA.
- **Marriage tax penalty**
Taxes would be slightly reduced for many couples in which both spouses work.
- **Capital-gains-tax cut**
Only half of a long-term gain would be taxed, for an effective top tax rate of 19.8 percent.
- **Child credit**
Families could subtract from their tax \$500 for each child.

government leaner, more efficient and cost effective."

For starters, however, the White House's main line of attack will be against GOP spending cuts, which Democrats say would devastate the elderly.

Medicare muddle. Under the GOP pact, the biggest budget savings would come from slowing the growth of the Medicare program for senior citizens by \$270 billion over seven years and the Medicaid program for the poor by \$182 billion. Democratic leaders insist the GOP plans are cruel when compared with the more modest cuts in the rate of Medicare growth outlined in the 10-year, balanced-budget plan that Clinton unveiled earlier this month, in an

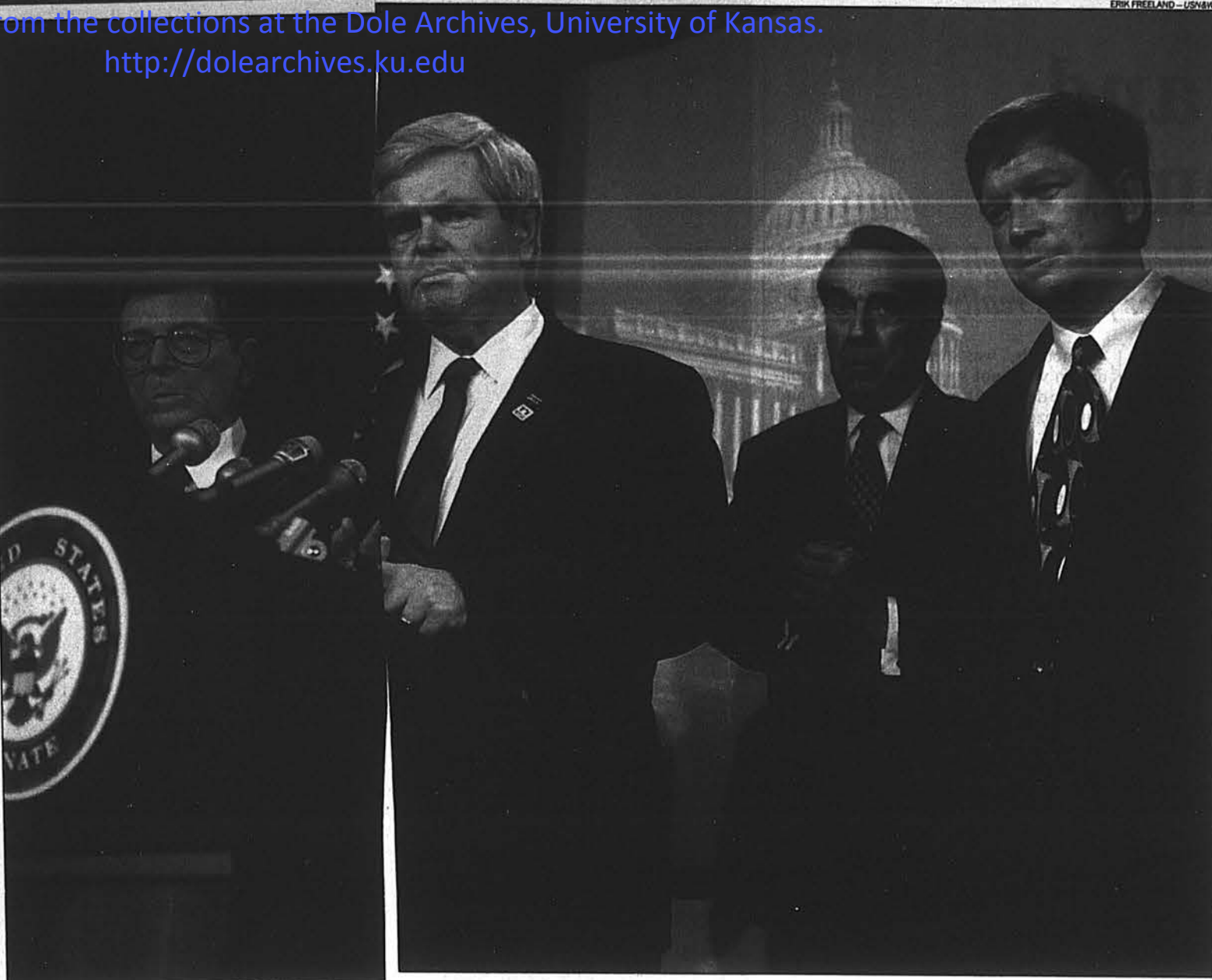
about-face that initially angered many Capitol Hill Democrats. (Clinton's plan would slow Medicare and Medicaid growth by \$127 billion and \$54 billion, respectively.)

So far, Republicans have been purposefully vague on which specific programs they'll need to cut or scale down to slow Medicare and Medicaid growth; nearly whatever method they choose will play into the hands of Democrats who will claim that the GOP is financing a tax cut for the rich on the backs of the poor and elderly. Such emotional appeals will only make the Republican leadership's job that much tougher as it tries to maintain a precarious political balance on Capitol Hill.

does not favor the wealthy. "While we agree with the Congress on the need to achieve a balanced budget, there is a right way and a wrong way to do it," says White House Chief of Staff Leon Panetta. He skewered what he said were "extreme cuts in Medicare and unwise cuts in education to pay for tax cuts for those who don't need them."

White House officials are sparingly using the "V" word—veto—but they insist that the possibility is real if Republicans don't scale back tax breaks for the wealthy or modify their Medicare and Medicaid plans.

BY JAMES POPKIN WITH MATTHEW COOPER, GLORIA BORGER AND DAVID BOWERMASTER



Budget cutters. GOP leaders Domenici, Gingrich, Dole and Kasich announce pact.

Clinton didn't waste any time going on the attack. The day after the GOP compromise, Clinton denounced the measure, saying it poses "significant risk" to the economy and to vulnerable Americans. In terms of politics, the White House recognizes that the mammoth \$270 billion cut in the rate of Medicare growth will allow the president to portray himself as the defender of senior citizens. In fact, some White House officials believe that when it actually comes time to attack Medicare, many Republicans will refuse to follow through. The White House's hope is that eventually the anger of wounded constituencies will produce a package more to the president's liking (On Politics, Page 35). "It's one thing to vote for a budget resolution and another to vote for specific deep cuts that are needed to implement a resolution," a Clinton adviser observes.

Clinton officials say that in the coming weeks, the president will try to maintain a bipartisan tone: emphasizing that he supports a balanced budget but one that is less painful and

Hutchinson News Wednesday, July 5, 1995 Page 2

Presidential candidates descend on New Hampshire

CONCORD, N.H. — As the weather heats up in New Hampshire, so do the grassroots campaigns of presidential hopefuls.

It has taken months in the spring for candidates to put together teams and make their early contacts. Now they are hitting the campaign trail, going to county fairs and parades, touring factories and taking statewide walks.

Starting with a pig roast in Dunbarton and Fourth of July parades across the state Tuesday, Republican candidates began full-scale politicking in their quest to win the nation's first primary.

"If they can put a crowd together at county fairs, county picnics, these people will be attending. This will go on through the fall," said John Stabile, interim chairman of the state Republican Party.

In Amherst Tuesday, a large crowd amassed to see presidential hopefuls Bob Dole, Phil Gramm, Patrick Buchanan and Alan Keyes march in the town's annual Fourth of July parade.

Presidential campaign stickers



Associated Press photo

Presidential hopefuls Sen. Phil Gramm, R-Texas, left, and Sen. Bob Dole, R-Kan., briefly acknowledge each other while crossing paths in Amherst, Mass., on Tuesday.

and posters competed one-to-one with the traditional red, white and blue as hundreds of onlookers craned to see the men who might be president.

"I'm not a Republican," said Lydia Greene of Amherst, "but this is pretty impressive."

Sen. Dole, the frontrunner, marched with his wife, Elizabeth, shaking an occasional hand as a girl in a Statue of Liberty costume trailed behind.

Sen. Gramm and commentator Buchanan marched behind, both followed by cars brimming with flag-waving supporters.

Jean Cummings, 53, drove in from Hooksett to cheer for Buchanan.

"I just feel like he might be honest, though I don't know if that's possible," she said. "I just feel once they go to Washington they're not going to be able to do anything."

Presidential candidates commanded a more subtle appearance at Merrimack's parade as they were sandwiched between caravans

of candy-tossing clowns, 18-wheel trucks and antique cars.

The 80-degree plus weather did not appear to faze Gramm, Dole and Buchanan, who looked cool and unwrinkled in shirts and suits. Parents lined the route to shake hands with the celebrity participants, while keeping a careful eye on children scrambling for the goodies.

"I don't like Dole because he's been there so long," said Frank Stoughton, 46, of Salem. "I like what Phil was saying and what he's coming out for."

Marie Carboneau, 33, of Bedford, brought her 5-year-old son and baby daughter to see the big trucks, not the candidates.

"I knew they were going to be here, but I didn't come out to see them," she said. "We're here to celebrate independence."

This is the stage of the campaign season most New Hampshire voters have been waiting for, Stabile said.

Although some candidates have been in the race for six months and have been courting voters in New Hampshire for up to two years, many voters wait until they've actually met the candidates face-to-face before they make up their minds.

"This phase of the campaign is going to be the most stimulating by far," said Georgi Hippauf, assistant chairman of the state Republican Party.



Associated Press

Despite the company he kept Tuesday, Sen. Bob Dole isn't clowning around in his 1996 presidential bid. He was in New Hampshire defending what many consider a front-runner's lead.

Making their case to voters

New Hampshire fete sharply conservative

Associated Press

DUNBARTON, N.H. — Republican presidential candidates used a Fourth of July celebration Tuesday to call for more independence for states and fewer federal controls.

An Independence Day pig roast on a farm outside Concord was flooded with more than 500 conservative Republican activists who had come to see three favorites in the political field and a couple of long-shot candidates.

The event, sponsored by the New Hampshire Conservative Political Victory Fund, was the ceremonial kick-off of phase two of the primary season, the grass-roots campaign, according to former U.S. Rep. Chuck Douglas, head of the fund, which backs conservative candidates.

The candidates' grass-roots campaign plays an important role in New Hampshire, where the first presidential primary is held, Douglas said.

Common themes at the afternoon affair were to cut taxes, eliminate or scale down the Internal Revenue Service, shift power from Washington to the states, and reform welfare.

Senate Majority Leader Bob Dole, widely regarded as the clear front-

runner, spoke for the shortest amount of time, calling for lower taxes and politely joking about his fellow candidates.

"We've got a lot of good candidates. They're all friends of mine, and I say in jest I hope we find a place for them in the Dole administration," Dole quipped.

But Sen. Phil Gramm of Texas positioned himself as the best candidate, promising to balance the federal budget by the year 2000, fight crime, replace the current graduated income tax system with a flat tax, and reform welfare.

Holding former President Reagan as a model, Gramm promised to continue the conservative president's legacy.

"I was a foot soldier in the Reagan revolution, and as president I want to finish the Reagan revolution," he said.

Supporters, however, for Gramm and Dole were overshadowed by those cheering for commentator Patrick Buchanan, who drew 37 percent of the vote against President Bush in the 1992 New Hampshire primary.

Buchanan, who has shown up in recent polls as running second to Dole, did not avoid the abortion issue, unlike Dole and Gramm.

Pointing to an enlarged copy of the Declaration of Independence on the stage, Buchanan said the historic

document guarantees everyone certain rights, and he said one of those rights should be the right to life.

"If I am elected to the Oval Office, I will be the most pro-life president in the history of the republic," Buchanan said.

Buchanan also attacked the IRS, saying it and other segments of the federal government need to be made smaller, and he attacked the United Nations, promising not to send American soldiers to fight for the "global world order."

Buchanan's position on abortion was backed by Rep. Bob Dornan of California and talk show host Alan Keyes, who served as a mid-level Reagan administration State Department official.

The pig roast topped off a day of Fourth of July celebrations and parades for the candidates.

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