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Dole banking on Democrats in push for deficit cuts

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WASHINGTON—Majority Leader Robert Dole (R., Kan.), who is gambling power and prestige on his effort to push a deficit-reduction package through the Senate this year, predicts that leaders of the Democrat-controlled House eventually will swing behind some version of the plan.

Dole says the package almost inevitably will include politically sensitive proposals, such as a tax increase and restraints on Social Security benefits and defense spending, that have bitterly divided the two parties for the last four years.

"I happen to believe that the Democrats aren't going to take a walk on all this [deficit-cutting]," Dole said in an interview. "They've got a lot of credibility on the line, too. They made the same speeches last year that the Republicans made."

"I've got to believe there's some Democratic support for something," he said. "It's pretty high risk just to oppose something."

If the Republican-controlled Senate takes the lead and passes a package that has at least tacit White House approval, Dole believes, House Speaker Thomas O'Neill (D., Mass.) and other leaders, such as Rep. Dan Rostenkowski (D., Ill.), chairman of the Ways and Means Committee, will say, "Well, let's don't shoot too quickly; let's wait and see what they come up with."

DEMOCRATIC leadership sources in the House indicated that Dole

could well be right. "If Dole comes up with something," one said, "we would have a hard time not taking some action."

Though the huge federal budget deficit proved to be something less than a cutting issue in the 1984 campaign, Dole and other Republicans are concerned that the deficit, projected to be more than \$200 billion a year for years to come if no action is taken, could hurt the economic recovery that helped power President Reagan's re-election drive.

One of the few who didn't fuss about the deficit was Reagan, who blistered Democratic presidential nominee Walter Mondale for his pledge to raise taxes to reduce it. That has made Democrats gun-shy about anything resembling a tax increase.

Reagan, on the other hand, became gun-shy about Social Security cuts, an issue that Democrats have used to clobber Republicans for the last four years. The President also campaigned on the issue of a strong defense, locking himself into a position of heavy military spending.

MOST EXPERTS agree, however, that any solution to the deficit problem will have to include restraint on the growth of entitlement programs, such as Social Security, a lowering of projected defense spending and some kind of tax increase.

Dole contends that his Republican colleagues are enthusiastic about attacking the deficit, even if they have to violate some Reagan promises. That enthusiasm already resulted in their decision to use the President's 1986 budget proposals



Robert Dole

as a base for writing a Republican Senate version, cutting the deficit more than Reagan's document would.

A major reason for their eagerness is that 22 GOP senators, including Dole, stand for re-election in 1986. If the economy should falter because of the deficit, their chances could be hurt, and the Republicans could lose their slim 53-47 majority.

But if the GOP could maintain control, Dole would earn considerable credit, enhancing his presidential prospects for 1988.

is over with. Now we've got to look forward. My view is we can't do any real good in elections unless we reduce the deficit."

HE HOPES TO fashion a deficit-reduction plan by mixing politically risky proposals that already have received votes from Republicans and Democrats in past sessions. But even the buoyant, optimistic Dole admits that winning approval of the package will be difficult.

For instance, the idea of a comprehensive budget freeze that would include Social Security cost-of-living adjustments (COLAs) and defense spending is similar to past freeze proposals.

"There are a number of Senate Democrats who already voted to freeze COLAs," Dole said. "But we don't want to pass something in the Senate with bipartisan support and have somebody pull the plug on us in the House."

Despite his campaign pledge not to reduce Social Security benefits, Reagan said at his press conference Wednesday that he would consider accepting a freeze on the cost-of-living adjustments if Congress wanted it. But House Democrats said they would not let the President off the hook by going along with it.

DOLE ARGUED that the freeze would keep the money in the Social Security trust fund, adding to the strength of the system.

"It's sort of an all-American sacrifice for one year," Dole said. "We may not be able to do it, but it's certainly an option we shouldn't foreclose any more than last-resort revenues."

"Last-resort revenues" is one of the many Washington euphemisms spawned by fears of a tax increase. O'Neill has said Democrats would consider a tax increase only if Reagan led the way.

Asked if it was probable that Congress would have to do something with taxes, Dole said: "Sooner or later, it may come to that. We're going to have a vote on the spending cuts and see how much we can do."

If it came to that, Dole indicated, he would not try to raise individual tax rates and would "try to avoid tampering" with the indexing of rates to allow for inflation. Those rates just took effect.

"BUT THAT doesn't mean there aren't some base-broadening measures," he said, noting that there are some in the tax-simplification package the President is expected to propose. "But I think that's a long way off."

"I don't believe you start up front with taxes," Dole said. "We'd lose our zest for spending reduction." In a separate interview, Dole rated the chances for a tax increase this year as "zero."

As for defense spending, Dole said it might be easier to reduce the growth of the military budget because of the changes in chairmanships of both houses' Armed Services Committees. Sen. Barry Goldwater (R., Ariz.) replaced Republican John Tower of Texas, and Rep. Les Aspin (D., Wis.) took over from Rep. Mel Price (D., Ill.).

Aspin is expected to be feistier than Price in dealing with the Pen-

tagon and Defense Secretary Caspar Weinberger, and Goldwater, though a dedicated friend of the military, has said he is looking for cuts to make, including closing some military bases in the U.S. long a sacrosanct chunk of political patronage. Despite his conservative views, Goldwater is not expected to be the protector of the defense budget that Tower was before he retired.

DOLE ALSO said it would take more than the "nick" in the defense budget suggested by House Republican Leader Robert Michel (R., Ill.) to deal with the deficit. But he declined to give any specific figures for how much might be cut.

The majority leader has described the package he is working on as a "freeze plus plus," meaning a simple budget freeze that would hold 1986 spending at 1985 levels but would include reductions and even termination of some programs to reach Dole's goal of bringing the deficit down to less than \$100 billion by fiscal 1988.

Asked if Congress, which has found it easier to raise taxes in the last two years than to cut spending, could really bring itself to kill popular programs, Dole said: "I'm not certain we can do it. We may be left at the plate and go out swinging."

"When we get past the inaugural and our delegations start coming back from various states and telling us, 'I'm for a balanced budget and all that, but don't cut soil conservation or mass transit,' it's going to be tough," he said. "The longer we wait, the tougher it will be."

CAPITOL HILL

WITH DOLE IN THERE SWINGING, CAN CONGRESS K.O. THE DEFICIT?

His inability to unite unruly Republicans behind a plan to cut the deficit often left Howard H. Baker Jr. quietly fuming during his tenure as the Senate's Majority Leader. Now, the new Majority Leader, Bob Dole (R., Kan.)—considered by his peers to be tougher and more partisan than Baker—has embarked on a high-risk strategy: He is playing on GOP fears of losing Senate control in the 1986 elections to push his troops into quick and decisive action. "If we can't do it now," he told BUSINESS WEEK, "maybe we just plain can't do it."

So inside is Dole on launching a lightning strike that he is taking the almost presumptuous step of promising to present his own budget package by Feb.

to continue—with potentially disastrous consequences for the GOP.

"President Reagan doesn't have to run for reelection. We do," says Dole. "If Congress looks like it is making a mess out of the budget, and the economy is doing poorly, who will the voters have to take it out on but us?"

Republicans. Those fears were heightened when it became known that Reagan's budget plan will do little to curb defense spending and will not reach the President's professed target of reducing the deficit to \$100 billion by 1988. Dole, as a result, began work on his plan, which would reduce spending by \$152 billion over three years chiefly by imposing a one-year freeze on all appropriations and all cost-of-living increases.



—before the White House unveils its plan. Relying exclusively on spending restraints—and putting tax increases off limits—Dole wants to trim the deficit to \$98 billion by fiscal 1988 and eliminate it altogether by 1990. If he succeeds, and the harsh dose of fiscal discipline he wants doesn't damage the recovery or alienate too many voting blocs, Dole could improve his party's chances in 1986, when 22 Republican and just 12 Democratic seats are at stake. He could also enhance his own prospects at a run for the Presidency in 1988. Should he and his colleagues fail, the budget paralysis that has gripped Congress for most of the last three years is almost certain

That would save \$118 billion, with nearly half the money coming from defense. Such a deep whack out of the Pentagon's budget has already drawn vehement objections from Senate Armed Services Committee Chairman Barry M. Goldwater (R-Ariz.). But it is by no means the only explosive issue. The freeze, along with a list of \$64 billion in other program cuts drawn up by Senate Budget Chairman Pete V. Domenici (R-N.M.), is dotted with political minefields. Cost-of-living adjustments for Social Security benefits would be frozen for all but the neediest recipients; more than \$18 billion in farm subsidies and price supports would be eliminated; the strate-

gic petroleum reserve would be limited to its current size; and revenue sharing for local governments would be ended.

Agreement on all the cuts is unlikely, especially the elimination of nearly \$12 billion in education and welfare programs that even Domenici labels "less desirable reforms." But Dole's aides say he has already won tacit approval from GOP senators for the politically troublesome idea of freezing benefits for Social Security recipients. To stave off the already mounting criticism by House Democrats, Senate Republicans would provide Social Security cost-of-living increases for those below the poverty line. As for defense, Dole is expected to "work on Goldwater," according to one aide, and to get the 76-year-old retired Air Force Reserve general to back down. "Privately, Goldwater has told us he would support a defense freeze if the freeze included everything else," says a top Senate aide. "And that's exactly where we are heading."

Without Goldwater's agreement, Dole knows he faces an embarrassing stale-

The Senate Majority Leader is playing on GOP insecurities to win support for his budget

mate among Senate Republicans similar to those endured by Baker. Over the past three years, Baker was rarely able to get GOP liberals and conservatives to agree, and the liberals regularly broke ranks to support Democratic proposals to cut defense and increase taxes.

FACING INDIGNITY. "If we don't get a COLA freeze that includes Social Security, and we don't get more out of defense spending than the President is willing to offer," says Domenici, "then I don't see any alternative to get to our figure but to increase taxes." Furthermore, a freeze proposal by Senator Charles E. Grassley (R-Iowa) has already generated so much bipartisan interest that if the Majority Leader's more ambitious bid fails, he could face the indignity of being upstaged by a junior Republican.

"I think it would be a tremendous mistake to underestimate Bob Dole's resolve to get a package together," says Domenici. He and Dole both are telling their colleagues that politically difficult votes cast now will be forgotten by voters if the economy is performing strongly on Election Day in 1986. Indeed, those who know Dole—who ran for Majority Leader on a promise to deal with the deficit—know that unlike Howard Baker, he probably won't take defeat with quiet equanimity.

By Ronald Grover in Washington