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Page 1 of 1

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NBC News

MEET THE PRESS

Sunday, February 2, 1992

GUEST: SENATOR GEORGE MITCHELL (D-Maine)
Majority Leader, U.S. Senate

MODERATOR: Tim Russert - NBC News

PANEL: David Broder - The Washington Post
Andrea Mitchell - NBC News

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MR. RUSSERT: Senator Harkin says it's nothing; former Senator Tsongas says it's pandering. We asked the American people what their priorities are. They say first spend money on health and education; two, reduce the deficit; and only 14 percent said give us a tax cut. Are you playing election-year politics?

SENATOR MITCHELL: No, I think we do provide for substantial investments in health and education. That's one of the major differences between our plan and the president's plan. The president's plan is almost entirely a short-term fix. We propose both efforts to lift the economy out of recession now, but, more importantly, investment for the long term in education, health care, and infrastructure.

MS. MITCHELL: Senator Mitchell, the president's budget, giving him his gimmicks, produces a \$1.5-trillion deficit over the next five years, all of that in new debt. What can you do to reduce the deficit if you're talking about middle-class tax cuts, you're talking about defense cuts--but how would you do this without increasing the deficit as the president does?

SENATOR MITCHELL: The plan which I presented is deficit-neutral over a five-year period principally by achieving substantially greater reductions in defense spending than have been proposed by the president.

MS. MITCHELL: How is it possible to achieve those defense savings? Secretary Cheney the other day graded Congress a C-minus on adding things, such as the reserves, that he didn't think were necessary; a C-plus on putting back weapons systems that he didn't think necessary. And I guess you get a flunking grade on pork--I don't mean you, I mean Congress--on adding the museums and the other things.

How is Congress realistically going to cut defense, number one? Number two, that's adding to unemployment. There is no feature in anyone's budget for retraining and reabsorbing those people into our economy.

SENATOR MITCHELL: I have proposed as part of any economic program an essential economic conversion plan. It seems to me that's absolutely crucial to begin to plan to make the conversion from a military-based economy to a civilian economy. I agree that we have to have that kind of proposal. The president's budget and plan contains nothing of that type. It's a conspicuous, indeed an essential absence in the president's budget.

Secondly, almost every study demonstrates that money invested in civilian enterprise--in health, in education, in infrastructure--produces more jobs than money invested in defense. When you invest in civilian goods and services, there's a much greater spin-off. A person who buys a house furnishes it; you buy a home computer for a child to learn--there's software. Military hardware, on the other hand, is purchased not to be used, in the hope that it won't be used.

MS. MITCHELL: But, Senator, fully half the budget is entitlements, those benefit programs. Are you prepared to put a ceiling on Medicare and Medicaid as the president suggests?

SENATOR MITCHELL: Well, of course, that's what's called global budgeting, which, when we included that in our health care plan, the president and his administration denounced as a terrible

thing. It's kind of ironic.

MS. MITCHELL: But he's now proposing it. Are you willing to go for these cuts in Medicare and Medicaid?

SENATOR MITCHELL: Not the cuts proposed by the president. We have made cuts, and we will make them where appropriate, but not those proposed by the president, because we think those are excessive in some areas.

MR. BRODER: Senator, as you know from your own state, people are hurting, this economy is seriously in trouble. Will the Congress act by the March 20th deadline that the president has set?

SENATOR MITCHELL: The Congress will act promptly because it's the right thing to do, not because of any deadline. The fact of the matter is, of course, that there has been a 21-month delay in action caused entirely by the president. For 18 months he said there's no recession, there's no problem; therefore he offered no solution. When it was finally obvious to every American, and the president admitted it, he then asked for three months to figure out what to say.

So we've had a long delay, 21 months, induced entirely by the president.

We're going to act, and we're going to act promptly, not because of the deadline.

MR. BRODER: Excuse me, Senator, you say induced entirely by the president.

SENATOR MITCHELL: Yes.

MR. BRODER: The president last January, a year ago, asked for a highway bill which would have put money into states and local governments to create jobs. Congress didn't pass that highway bill until the very last day of the session. That was not caused by the president, was it?

SENATOR MITCHELL: Not the highway bill's final passage. The fact of the matter is we pushed that--we passed it in the Senate prior to the deadline that he proposed.

MR. BRODER: But will the March 20th deadline be met?

SENATOR MITCHELL: It is my hope we can do it before that. We may do it before that, we may do it on that day, it may be a little bit after the deadline--is a political ploy, it has no relationship to what actually occurs in government and in the process of acting.

MR. BRODER: But you're prepared to sit here this morning and tell the American people that on your own, irregardless of anything the president may have said, you will have an economic package ready for the president to sign or veto by March 20th?

SENATOR MITCHELL: We're going to act as soon as possible. The deadline has--

MR. BRODER: What does that mean, Senator?

SENATOR MITCHELL: That means it may be before March 20th. Why should we say March 20th?

MR. BRODER: It also means it could be May 20th or June 20th.

SENATOR MITCHELL: I don't think it's likely to be that; I think it's going to be very soon. We're going to act promptly. We obviously have to proceed through the legislative process. These proposals must be considered and evaluated, some accepted, some rejected, constructive alternatives proposed.

MR. RUSSERT: Senator, you met with Boris Yeltsin yesterday afternoon. Did he make a plea for aid to the Soviet Union?

SENATOR MITCHELL: Yes, he did. He made a very strong and direct appeal, particularly for food and medicine in the next three months, which he described as a critical period for him and -- not the Soviet Union, for Russia.

MR. RUSSERT: And what will you do about that?

SENATOR MITCHELL: Well, there appeared to be a consensus among the congressional leaders there that we should respond positively. We didn't discuss it afterward, we merely left. But in the course of the discussion it appeared to be a consensus. I hope that we're going to get together very shortly, tomorrow or Tuesday, and talk about what our response should be. I hope it's a favorable response. I think we should help with food and medicine during this critical period.

MR. RUSSERT: How much?

SENATOR MITCHELL: Well, that's to be determined. He didn't ask for a specific figure.

MR. RUSSERT: He also suggested that perhaps the United States and the Soviet Union should embark upon a global shield to help prevent a nuclear war. Would you favor such a proposal?

SENATOR MITCHELL: We didn't discuss that, that didn't come up in our meeting. And we obviously will evaluate and review sympathetically any specific proposal made in that regard.

MR. RUSSERT: So you would then consider refunding Star Wars.

SENATOR MITCHELL: No, I didn't say that. We're going to consider a proposal.

MR. RUSSERT: This would be an integral part of it. You would need to fund Star Wars in order to bring about a global shield.

SENATOR MITCHELL: I have proposed funding Star Wars at the \$3.1-billion level of the previous year, substantially less than that proposed by the president. We don't know what plan the president and Mr. Yeltsin discussed, if indeed they discussed any beyond the general concept, and we'll

their record, their views.

MR. RUSSERT: He is quoted saying there's a different moral standard for someone who's single rather than married, in terms of their own personal life.

You're a single man. Do you agree with that?

SENATOR MITCHELL: Well, I've been both married and single, and I couldn't judge that. Really, I don't know. I've gotten a lot of questions about my life at all times since I've been in public office. So I'm not certain about that.

It may be that someone who has been married and is divorced isn't subject to the same type of inquiry as someone who is married, had a difficult time and stayed together. But I think each person has to make his own judgment on that.

MR. RUSSERT: There's been lots of discussion, particularly on the Hill amongst Democrats, that other people should think about entering the race now that Governor Clinton has been harmed by these revelations.

Has anyone approached you about you entering the race in '92?

SENATOR MITCHELL: Yes, I've had a number of people talk to me recently. And really over the past year and a half, a number of senators, a substantial number of senators, have urged me to run, many others.

But I've made a decision that I'm not going to run, and I don't intend to be a candidate.

MR. RUSSERT: And nothing will change your mind?

SENATOR MITCHELL: Well, I don't think anything will change my mind. When you say "nothing will change my mind," we went through this the last time I was here. I think it was the same three people.

MR. RUSSERT: Something will change your mind.

SENATOR MITCHELL: And I said then, and my view is still the same, that I'm not a candidate in 1992; I've made no decision beyond that.

MR. RUSSERT: What happened then is you declared for '96. We're talking about '92.

SENATOR MITCHELL: No, you declared me for '96.

MS. MITCHELL: I think the record will show that the senator declared for '96.

Senator, you said that you're not a candidate but that people have been approaching you. What could you make your mind?

If Governor Clinton were fatally wounded along the way and none of the others now in the field rose to the level of credibility and acceptability to the party, could you be persuaded?

SENATOR MITCHELL: No, because I don't think any of that is going to happen. I think

Governor Clinton will weather this difficult period; indeed, it appears that he has. He's a very strong and effective candidate.

I think several other candidates have already achieved the level of credibility to which you refer and are making strong, credible candidates. So I don't think any of that is going to happen.

MS. MITCHELL: Well, all these candidates have very serious disagreements with you on policy, and you with them. I'm sure that you don't feel entirely comfortable on trade issues with Senators Harkin and Kerrey. You and Senator Kerrey disagree on health care. Tsongas calls your kind of middle-class cut "pandering," as Tim suggested earlier.

Why should you, as senate leader, feel comfortable with this field of candidates?

SENATOR MITCHELL: Well, my differences with them are minimal compared to my differences with the president and with the Republican administration. I'm a Democrat; I believe strongly in the principles of the Democratic Party. I recognize that there is no individual who agrees with me on every issue. My daughter regularly gives me heck for the way I vote on certain issues and tells me how I should be right or wrong here and there. So I think if I am looking for a candidate who agrees with me on every single issue, that candidate doesn't exist.

These are very strong, effective, credible candidates. They have experience. They've got good proposals, good ideas. I accept the fact they don't agree with me. I also think that there's always the possibility they may be right and I may be wrong. We ought to think about that. Many people in politics don't. And so I'm prepared to go forward to support whoever is nominated because I think whoever is nominated by the Democrats will be the next president of the United States.

MS. MITCHELL: Do you think Congressman Gephardt or Senator Bentsen would be stronger candidates, as many of your colleagues on the Hill are suggesting?

SENATOR MITCHELL: I think Congressman Gephardt would be a very strong candidate, as would Senator Bentsen. They're capable, experienced officials. They've chosen not to run this time, and we've got a field of effective candidates.

MR. BRODER: Senator, Governor Clinton, former Governor Brown, are both attacking Senator Kerrey for having voted for what they call your midnight pay increase.

Fair tactic or demagoguery?

SENATOR MITCHELL: Well, it's up to each individual voter to make a judgment.

MR. BRODER: No. Is it fair?

SENATOR MITCHELL: To discuss pay raises?

MR. BRODER: To attack them for the pay raise?

SENATOR MITCHELL: I think any vote I cast as a senator is an appropriate subject of criticism in a campaign, and that was one of the votes. I respectfully disagree--you used the phrase "midnight." It's now become part of reality because the press repeated it so often, even though it's

false. The reality is, it was done in the regular course of business at a time when we routinely conduct business, and it was done at midnight.

That's a small quibble, but the reality is that substance of any vote cast by any senator or congressman, I believe, is an appropriate subject for criticism and discussion in a campaign.

MR. BRODER: Let me ask you about a policy question. On defense, you're saying the defense budget can be cut a hundred billion dollars in the next five years, which is exactly twice as much as the president and his team thinks is prudent.

I want to ask this respectfully, but pointedly: Why should the American people take the judgment of somebody who is opposed to the use of force in the Persian Gulf war against that of General Powell and Secretary Cheney?

SENATOR MITCHELL: Right. Well, the statement contained in the question is incorrect. The resolution which I supported specifically authorized the use of force in certain circumstances and stated specifically that we would endorse the use of force to remove Iraq from Kuwait, should that prove necessary; but suggested an alternate policy to see if that could work.

That was rejected, and we went into war, and the war proved to be successful.

Secondly, even if your question were correctly stated-- which, respectfully but pointedly, it was not--that one decision doesn't inhibit one from making constructive suggestions on defense. The reality is, of course, that what we should do and what I have tried to do is to reassess the changing nature of the threats to our nation's security, and to construct a defense force based upon those changed threats.

MR. BRODER: Senator, your judgment on this is the American people should take it more seriously than General Powell?

SENATOR MITCHELL: I hope they will, yes. What are you suggesting--that because we had a successful war, therefore we should abandon the notion of democracy?

MR. BRODER: Suggesting he may know a little bit more about this subject than you do.

SENATOR MITCHELL: Indeed, he may well. And the American people will no doubt take that into account in making their judgments.

I happen to disagree with the administration's policy on the B-2 bomber. I happen to agree with the administration's policy on the level of funding for Star Wars. Those are appropriate subjects for debate. It may well be that a majority will conclude that the president is correct and support him. The fact is, of course, that he's reversed his position on the B-2 bomber.

So the reality is these are all legitimate subjects for debate. We consider them. In a democracy, no one person's word is taken as gospel; no one person's word is unchallenged. It is subject to open debate, and that's what will happen in this case.

MR. RUSSERT: Senator, five days after the New Hampshire primary comes the Maine caucus. Who will you support in that caucus?

SENATOR MITCHELL: I will not be supporting any individual candidate in the caucus. I'm remaining neutral at this time. I will be at the caucuses; I'll participate. But my own view is that the

Democrats of Maine will make a good choice without my making an endorsement prior to then.

MR. RUSSERT: Who's the leading candidate in Maine right now?

SENATOR MITCHELL: Well, there hasn't been much attention focused on Maine, and I think that's a mistake by the candidates because I think that it's an important caucus state coming shortly after New Hampshire, as it does.

MR. RUSSERT: Do you think the nominee will be one of the five people currently running?

SENATOR MITCHELL: Yes, I do.

MR. RUSSERT: Senator Mitchell, thanks for coming by. We have to leave it there.

SENATOR MITCHELL: Thank you.

MR. RUSSERT: In a minute, Andrea Mitchell, David Broder and I will be back to talk about the fate of the Bill Clinton campaign and presidential politics.

(Announcements)

MR. RUSSERT: We're back, Andrea, David. There's been some discussion, I guess, to put it mildly, of Governor Clinton's fate. We heard Senator Mitchell say that his campaign has been hurt, but perhaps he can get it refocused. And the nominee, he says, will come from the current field.

What's the situation of Governor Clinton's campaign right now, David?

MR. BRODER: I think he's through about 90 percent of the turbulence on this issue. I think the problem for him is that this story lasted long enough and seeded enough doubts that if there should be a second round involving anyone, he is in very serious trouble. But I think he's through most of the difficulty on this one.

MR. RUSSERT: And in pretty good shape in New Hampshire?

MR. BRODER: If you want to take the reading two weeks out. But New Hampshire will make up its mind in the next two weeks. And literally thousands of people will change their minds without the slightest feeling of compunction at all about it. They still are sizing up what we have to remember is a group of strangers.

MR. RUSSERT: Andrea, you've been covering the Hill doggedly and have suggested that the Democrats have some discomfort with a potential Clinton candidacy.

MS. MITCHELL: I think the discomfort level is quite high. They really feel that something else may come out. They just don't know. They don't feel comfortable any longer with this man as the frontrunner, and they don't feel comfortable with the others in the race--particularly Kerrey and Harkin just have not clicked in New Hampshire. One of their problems has been, because of all of the

attention paid to Bill Clinton's troubles, their message has been crowded out; they've been frozen out and there hasn't been enough attention paid to them. So that's been a double-edged sword for the other candidates.

The one who is doing very well there is Paul Tsongas. He did I think the best in the debate on Friday night, and he is very persuasive to people. But of course he is--the downside of that is that he is viewed very much in Washington as a regional candidate and one who can't persuade people nationally--although he's doing well in the national polls as well now, it's interesting.

MR. RUSSERT: There's one man, a Republican, Vice President Quayle, who weighed in yesterday, David. He suggested that Mario Cuomo will be the Democratic nominee. What's he up to? Is he being mischievous?

MR. BRODER: I think there is a little mischief-making, although he has said many times that he thinks that Cuomo is the 800-pound gorilla there. And the comments on that tape alleged, and apparently accepted by Governor Clinton as legitimately his own, about Governor Cuomo and the Mafia not only offended Governor Cuomo; I think they offended a lot of people and may be the most serious residue of this thing for Clinton.

MR. RUSSERT: Well, I tell you, as one who said publicly that I do not think the governor would run, watching him over the last week respond to that charge by Governor Clinton, if in fact he gets a budget I for the first time think he may seriously consider looking at the presidency.

MR. BRODER: That is on a par with your pick of Buffalo Bills a week ago.

MS. MITCHELL: So, Tim--I may be right after all, Tim?

MR. RUSSERT: We'll see. That's all for today. Congratulations to the Washington Redskins. They proved they are the champions.

We'll be back next week. If it's Sunday, it's "Meet the Press." See you then.

Congressional Republicans Rally Behind Bush's Plan; Democrats Cautious

By Helen Dewar
and Kenneth J. Cooper
Washington Post Staff Writers

President Bush won the support of once-restive Republicans and wary pledges of cooperation from Democrats as he personally lobbied Congress yesterday on behalf of his new program for economic recovery.

Returning to Capitol Hill less than 12 hours after he finished outlining the program in his State of the Union address, a buoyant-appearing Bush met with Democratic and Republican leaders and with rank-and-file Republicans of both houses in an attempt to build pressure for prompt approval of his plan.

But there were strong signals that Democrats would continue to pursue their priorities, including higher taxes on the rich to finance more tax relief for middle-income Americans.

Many Democrats also bristled at Bush's attempt to set a March 20 deadline for action on his plan, suggesting that an arbitrary deadline could contribute to political friction and thwart compromise.

Although many lawmakers of both parties have said the political imperatives of an election-year necessitate an eventual compromise, the signs yesterday pointed down a rocky road toward any agreement.

"We will cooperate with the president, but, to some extent, there's a sense in the speech of combativeness and challenge that I think creates some sense of concern" about the president's political motives, House Speaker Thomas S. Foley (D-Wash.) told reporters at a breakfast meeting.

There was an "almost swaggering suggestion that after the 20th of March, well, if there is going to have to be a fight, then you know how I welcome fights," Foley said. "And I'm not sure that meshes with his call for cooperation."

Bush's attempt to establish a deadline for action "doesn't mean anything" because Congress already intended to act swiftly because it is "the right thing to do" in light of the country's economic distress, said Senate Majority Leader George J. Mitchell (D-Maine).

In a further indication that Congress will rush to act on an economic package, even while complaining about Bush's deadline, members of the House Budget and Ways and Means committees have been notified to be ready to work through the Feb. 8-17 Presidents' Day recess if necessary to hasten work on the plan.

Even Senate Minority Leader

Robert J. Dole (R-Kan.) said Congress "may not quite make the deadline," although he hastened to add that it should try to do so.

When Senate Appropriations Committee Chairman Robert C. Byrd (D-W.Va.) urged that defense spending be cut by more than the \$50 billion that Bush proposed for the next five years, Bush said, "No, don't do that," Dole told reporters. Moreover, Dole added, Senate Republicans can sustain a presidential veto of cuts deeper than \$50 billion. Many Democrats are pushing for cuts of \$100 billion or more, largely to finance a large-scale expansion of domestic programs that Bush opposes.

Bush's proposal for a capital gains tax cut presented another

problem. Suggestions by Democrats that a deal could be struck by linking a capital gains cut for long-term investors to higher taxes on the wealthy ran into opposition among House Republicans. House Republican Conference Chairman Jerry Lewis (R-Calif.) said he opposed the idea, and House Minority Leader Robert H. Michel (R-Ill.) said Republicans were "very, very wary and shy" of a deal that would increase marginal tax rates.

Mitchell said in an interview that there is a "common ground and overlap" in many of the tax proposals that Bush made, such as those that would put more money in the hands of average Americans, encourage first-time home purchases and spur business investment. But

Mitchell said Bush's proposals for middle-income tax relief are "inadequate to meet the problem" and must be expanded by Congress.

The fiscal 1993 budget that Bush sent yesterday to Capitol Hill added to the aggravations for some Democrats, including Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.), whose panel will have jurisdiction over most of Bush's economic program.

While the president's tax cut proposals "appear to be a good starting point for debate," the debate "can't proceed until we know how he would pay for them and the budget doesn't give us any real answers to that crucial question," Bentsen said.

In a fast-paced round of visits that started the morning after he

finished outlining his tax plan in the State of the Union address, Bush appeared to win over Republican dissidents, including some who threatened only a week ago to go their own way if they found Bush's incentives for economic growth to be insufficient.

Among them was Rep. Mickey Edwards (R-Okla.), who said yesterday that White House Chief of Staff Samuel K. Skinner had listened to Republicans in Congress "and a lot of that was reflected in last night's speech."

"We've got a lot of free spirits in our group but they were all saying this was a very good speech, the best they'd heard . . . and we're going to stick together," Dole said.

During his meeting with Senate

Republicans, Bush stepped up his pressure for passage of the program by March 20, saying, "I've offered to lay aside politics for a period of time . . . but we cannot let it drift." Without a deadline early in the year, he said, there is danger that the legislation will not be passed.

Dole and Sen. Thad Cochran (R-Miss.), head of the Senate GOP Conference, gave the president a huge "speech report card" marked with an A-plus, which drew an appreciative smile from the president, who had a lot riding on the address as he seeks to rescue his poll ratings as well as the economy.

"We all feel a lot better today," Dole told reporters later.

A plan in a political season

WT 1/30/92

Given the advance billing of the State of the Union as a grand summa of whence we have come and whither we are going — given expectations out of all proportion, in other words — President Bush acquitted himself reasonably well Tuesday night.

He was, first of all, presidential. Though the cadences of oratory do not exactly fall trippingly from his tongue — one manifestation of this Tuesday was his awkward delivery of his applause lines — he did seem firm and controlled. People who underestimate the political importance of this do so at their peril. The president is, as is well known, rather inarticulate off the cuff, and when there is a general perception of a White House adrift, as has been true recently, that inexactitude of locution contributes to the impression. (When things are going well, the fumbling language seems merely informal.) Add the public embarrassment of the Tokyo trip, and the picture is one of a president in various ways out of control. Mr. Bush went a long way toward dispelling that impression on Tuesday.

As to the substance of the speech, there were some good policy ideas and some questionable policy ideas — about as one might expect. More important, however, was the general theme the president sounded. Mr. Bush re-established himself as a great believer in America's future prospects, both at home and abroad. This optimistic note sounded somewhat dissonant in these generally gloomy times. But it is the right note, one that has a proven track record with the American people. Politicians who do not understand this cannot win national elections. The president said Tuesday, "Moods come and go, but greatness endures. Ours does." That is something most Americans believe.

This is not to say, of course, that there is no good reason to be in a bad mood just now. The on-again, off-again recession is a source of genuine pain. "This will not stand," Mr. Bush vowed, echoing his vow about Saddam Hussein's occupation of Kuwait. (It was a good

line then; what Mr. Bush needed, however, was a new good line). And he offered some useful proposals.

The most important of the unilateral executive branch moves Mr. Bush has ordered is the 90-day moratorium on new federal regulations and a review of the economic effect of existing regulations. Somewhere in the White House, somebody finally turned on the light in a room that has been dark for the first three years of the Bush administration. Regulators have been regulating merrily away, seemingly without any systematic, high-level thought about the aggregate consequences of their activities. Regulatory profusion is the death of a thousand cuts for an economy. Perhaps a beefed-up Competitiveness Council at the White House could keep an eye on the process.

The other unilateral actions are mostly in the form of demand pump-priming. To the extent that this period of economic doldrums has been driven by problems with demand, these may or may not help. The real problem, however, lies elsewhere.

This takes us to the points on which the president wants congressional action. He proposes some tinkering with Individual Retirement Account penalty rules and a tax break here and there. Most critical, however, is a proposed cut in the capital gains tax rate to 15.4 percent. This time, Mr. Bush said, "I cannot take 'no' for an answer." He lambasted the demagoguery of the opposition. Lowering this rate has to be at the heart of any serious effort to broaden people's incentives to take risks and invest. The economic payoff for a lower rate would be swift.

One might like a more ambitious Republican agenda (and one different from Mr. Bush's long-term proposals, which are a subject for another day). But Mr. Bush, even in election mode, is unlikely to produce one. He needs, however, to be as confrontational with Congress as necessary in pursuit of what he has proposed. He may get it or he may not. Either way, he will have a case to take to the people. His March 20 deadline was a good idea. There are 51 days and counting.

The Budgeteers

Beware a Bidding War As Bush and Democrats Compete on Tax Cuts

Look for Breaks by Summer
Despite Parties' Divisions,
Economists' Misgivings

Recalling the Frenzy of 1981

By JACKIE CALMES

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—President Bush's new budget is the first bid in a high-stakes gamble to spur the economy. Now, the Democrats in Congress will try to trump it. The likely outcome, legislators in both parties agree, is that a significant tax cut will be enacted by summer.

And a real danger is that a partisan bidding war could cause that tax cut to grow into a budget-busting fiasco.

The president has "already put the ball in motion for a repeat of 1981," worries House Budget Committee Chairman Leon Panetta, referring to the 1981 tax-cutting that's widely blamed for putting the U.S. \$3 trillion in debt.

Using language that recalled the deadline he set a year earlier for Saddam Hus-

What Deficit?

The president's budget largely ignores the deficit, at least for this year. The package, which will help big business but impose a huge new tax on Wall Street, also drew skepticism from economists. Stories on pages A6 and A7.

- Executives welcomed some proposals, but reviews were mixed, page B1.
- For home-buyers, it could pay to wait a couple of days, page B1.
- What you should know about capital gains, IRAs and withholding, page C1.

sein to withdraw from Kuwait, President Bush demanded that Congress enact his package by March 20. After that, he said, "the battle is joined."

Such quick action is unlikely in the highly charged atmosphere of an election year, given the significant differences both within and between the two parties. But with politics pushing both sides to act, odds are high that a bill will be passed before the legislators leave for their summer vacation—and for their national political conventions.

Friends of the Middle Class

Already, the outlines of that bill are becoming clear. There is a surprising amount of common ground between the president's proposals and those of key Democratic legislators. Among the likely components:

- A middle-class tax cut. To prove they are the true friends of the middle class, Democrats in Congress will top President Bush's proposed \$500-per-child increase in the personal exemption. But a tax credit, which provides a relatively smaller benefit to those in the top tax brackets, is more likely than an increased exemption.

- Investment incentives. Many Democrats share the president's interest in a temporary tax break for business investment. And with business lobbyists working hard, they'll be under pressure to be more generous than the White House.

- A credit for first-time home buyers. The president won't find much opposition here: Democrats already have proposed similar measures.

- New Individual Retirement Accounts. Top House tax writer Rep. Dan Rostenkowski doesn't like costly proposals to expand IRA benefits. But the top Senate tax writer, Lloyd Bentsen, is infatuated with them. Even Mr. Rostenkowski concedes that an expanded IRA is likely to be part of the final package.

- Real-estate tax breaks. Democrats have already lined up behind proposals to restore tax write-offs for "passive losses" by some people actively involved in real estate. Despite fears of a return to tax shelters, lobbyists will demand an even bigger break than the president has proposed.

Can He Take 'No'?

While the areas of broad agreement are considerable, both Congress and the president are bracing for battles over Mr. Bush's perennial proposal to cut the capital-gains tax rate and, more important, over how to pay for the whole tax package—whether by tax increases, defense cuts or simply deficit spending.

On capital gains, the president's rhetoric Tuesday night in his State of the Union address was unyielding: "This time, at this hour, I cannot take 'no' for an answer."

He's taken "no" for an answer for three years running, but this year some key Democrats say Congress will pass some capital-gains cut. "It's going to be in the bill," Rep. Rostenkowski says. A Democratic alternative, however, is likely to be far more narrow than Mr. Bush wants. And Democratic leaders vow to extract a stiff price: an offsetting tax increase on high-income Americans.

Ultimately, Mr. Bush could face a choice between signing a bill that raises taxes on the richest 1% of taxpayers—and for a second time breaking his no-new-taxes pledge—or vetoing a bill that cuts taxes for the other 99%. A recent Wall Street Journal/NBC News poll suggests the voters may line up with the Democrats in this fight. That poll shows 79% of voters favor raising taxes on people with incomes over \$200,000 a year, while only 42% favor cutting the tax rate on capital gains.

The task of keeping the tax cut within bounds will fall largely to the chairmen of the tax writing committees, Texas Demo-

Please Turn to Page A5, Column 1

The Budgeteers: A Bidding War Could Break Out Over Tax Cuts

Continued From First Page

crat Bentsen of the Senate Finance Committee and Illinois Democrat Rostenkowski of the House Ways and Means panel. Like Mr. Bush himself, both of them, knowing the dangers of tax-writing in an election year, come reluctantly to the tax-cutting battlefield this time. But also like Mr. Bush, they have come under heavy pressure as the nation's economic woes have dragged on.

For Sen. Bentsen, controlling a tax bill poses a special challenge: The Senate's wide-open rules make it difficult to contain a tax-cut bill once it comes to the floor. "We see the consequences of the 1981 bill in the deficits we have today," he says.

Rep. Rostenkowski, the rump, oversized machine politician from Chicago's blue-collar wards, is even more dubious. Now in the twilight of his congressional career, he is mindful of his legacy and wants no part in unraveling the historic 1986 tax-reform law that threw out a host of tax breaks in exchange for lower rates—a law in which he takes immense personal pride. Nor does he want to participate in a repeat of the 1981 tax-cut feeding frenzy—a battle that he recalls almost shamefully.

"I would try to weather this recession, because I'm that concerned about our deficit," he says. "But this is politics. I recognize that this train is coming."

Left to their own devices, Messrs. Bush, Bentsen and Rostenkowski might be able to resolve their differences in short order. But they won't be left to their own devices.

In the Senate, Majority Leader George Mitchell is positioned for a high-stakes confrontation with the president, forcing Mr. Bush either to adopt a tax increase for high-income Americans or to abandon his plans for a capital-gains tax cut. In the House, Majority Leader Richard Gephardt will play a similar role.

At the same time, the battles ahead within each party may well prove as tumultuous as the battles between them. Even before the president's State of the Union address, a meeting of House and Senate Democratic leaders on tax strategy exposed sharp disagreement. At one point, Sen. Mitchell suggested abandoning the 1990 bipartisan budget agreement, with its constraints on deficit spending, and passing a tax cut without paying for it. Sen. Bentsen, with the backing of Rep. Rostenkowski and House Speaker Thomas Foley of Washington, firmly disagreed.

Meanwhile, a small but increasingly vocal group of Democrats is arguing against any tax cut for fear the costs will soak up funds for more traditional Democratic economic proposals. "There is certainly no need to hurry and pass this plan," says Senate Appropriations Committee Chairman Robert Byrd of West Virginia. "It is the wrong course for America."

But even these dissenters acknowledge that a tax cut will be hard to stop. "When you put a bill out there for a tax cut," says Ohio Sen. Howard Metzenbaum, "it's pretty darn hard to defeat."

Republicans, meanwhile, face civil wars of their own. In the days before Mr. Bush unveiled his budget plan, insurgent conservatives threatened revolt if Mr. Bush wasn't bold enough about slashing taxes; they'd be "off the reservation," a House GOP leader, Oklahoma Rep. Mickey

Edwards, said at a White House meeting last week.

For now, most of the GOP firebrands are expressing support for Mr. Bush's plan as it was finally unveiled. But they will be acutely sensitive to any signs that he is backsliding in his support for their cherished goals. If that happens, "a very significant number—one-third to one-half the Republicans in Congress—would in fact push a separate bill," says Rep. Newt Gingrich of Georgia, the deputy House GOP leader and conservative champion. Some conservatives are also demanding the president dump Budget Director Richard Darman, a principal architect of the 1990 budget deal.

At bottom, the ultimate question for both sides is whether they merely want a political fight, or are willing to compromise to get something passed. Many in each party favor a fight, arguing that blame for any impasse could successfully be pinned on the other side. Also rooting for an impasse—though for different reasons—are many economists, who say this is the wrong time for a tax cut and that a stalemate would do far more good for the economy. "I cherish the hope," says Henry Aaron of the Brookings Institution.

Weighing heavily against those factors is the political calendar. If the economy stays weak, both the president and the Democrats will want to show they can produce legislation to address the problems. So both sides are likely to want something enacted before they head off to their conventions.

That is especially good news for at least one group: tax lobbyists. Already, they are mobilizing for a return to "Gucci Gulch"—the corridors near Congress's tax-writing rooms, so named for the designer shoes worn by many lobbyists as they crowd there when a tax bill is under way. "Everybody I know views this as a gravy train," says one lobbyist.

The middle-class tax cut, whatever it

turns out to be, is bound to have a huge impact on the budget. While individual families can expect no more than a few more dollars a week, the number of recipients is so huge that even a small break would cost billions of dollars.

Sen. Bentsen's proposal for a \$300 tax credit for each child, on top of the personal exemption that taxpayers already claim and regardless of income, would cost \$60 billion over five years. Rep. Rostenkowski's plan for a two-year tax credit of up to \$400 for each middle-income family, based on a working taxpayer's Social Security payroll tax liability, would cost \$46 billion.

While Sen. Bentsen's option is more generous to parents, Rep. Rostenkowski's alternative would reach more taxpayers generally—80% by his estimate. Unlike Sen. Bentsen, Rep. Rostenkowski also would make the tax credit refundable so that poor workers who have little or no tax liability still could benefit.

President Bush's proposal to raise the personal exemption, which would cost \$23.8 billion over five years, is proportionally more generous to upper-income workers, a disparity that troubles even some fellow Republicans in Congress. A simple \$300 or \$400 credit is the same for taxpayers of all incomes; by contrast, the president's proposed \$500 increase in the personal exemption would mean an additional \$140 per dependent for a taxpayer in the 28% tax

bracket, but \$75 per dependent for a lower-income taxpayer in the 15% bracket.

To pay for whatever Congress ends up doing, Rep. Rostenkowski has proposed higher income taxes on upper-income people. In the Senate, though, there's less support for raising anyone's taxes. Knowing that, Sen. Bentsen has proposed to cut defense spending instead—but again faces the opposition of colleagues like Sen. Byrd, who wants to use any such peace dividend for domestic programs.

Republicans insist they'd oppose any tax increase, but at least one suggests a possible alternative. Sen. Bob Packwood of Oregon, the senior Republican on the Finance Committee, says Congress could cap the deductions that upper-income taxpayers can take. The effect is the same as an income-tax increase, but not so obvious. "You don't necessarily have to raise the rates," he says.

Rep. Rostenkowski, meanwhile, has proposed a new top income-tax rate of 35%—on top of the current scale of 15%, 28% and 31%—and an added surcharge on people with incomes of \$1 million or more that would make their effective top tax rate about 38%. The chairman thinks Mr. Bush ultimately would accept such a tax increase, as he did in 1990.

"He's not going to be for it," says Mr. Rostenkowski, "but I'll bet you \$50 he'll go to the Oval Office and say, 'I didn't want to do this, but it's the only way.'"

Critics: It's uninspired, insufficient

By Jessica Lee
and Richard Wolf
USA TODAY

1/30/92

President Bush sent Congress a \$1.52 trillion election-year budget Wednesday — larded with tax breaks, investment incentives and spending caps intended to turn around the economy.

"We'll be able to provide these and still stay within the budget caps," Bush said.

The budget carries \$351.9 billion in red ink. And Bush-ordered cuts will send the deficit for the current year to \$399.4 billion, \$50 billion above the latest estimates.

Basically, Bush proposes about \$40 billion in tax cuts paid for with a combination of entitlement reductions and spending freezes, say analysts at the Office of Management and Budget.

Democrats criticized Bush's plan as insufficient and uninspired. They vowed to advance an anti-recession package, one that emphasizes middle-income tax cuts.

"This administration is thinking about the 10 months until election day," said Rep. Leon Panetta, D-Calif., House Budget Committee chairman.

GOP conservatives were unimpressed. "The budget is really a fraud," said Burton Pines of the Heritage Foundation.

Bush called on Congress "to lay aside partisanship and to join me in enacting this growth agenda promptly" in a brief budget message.

Speaking as presidential candidate girded for battle, Bush challenged a joint session of Congress to pass his plan by March 20.

Senate GOP leader Robert Dole, R-Kan., urged all Republicans to "roll up our sleeves and help him meet his March 20 deadline."

Democrats were hesitant.

"We want to act, we intend to act, we will act," said Senate Majority Leader George Mitchell, D-Maine, "not because of any so-called deadline, but because it's the right thing to do."

Still, Treasury Secretary Nicholas Brady vowed congressional inaction won't hold the economy back: "The president's feeling is that the recovery is on its way."

Bush Pushes Plan As Criticism Rises

WP
1/31/92

Most in Poll Fault Economic Package

By Eric Pianin and Richard Morin
Washington Post Staff Writers

President Bush sought to pump up support for his tax and economic recovery plan with a campaign-style appearance in Philadelphia yesterday, but a new survey found that a majority of Americans do not believe they would significantly benefit from his proposals.

A Washington Post-ABC News Poll also showed that seven out of 10 said Bush's economic plan does not go far enough to help the economy and that half of those questioned believe that Bush simply does not "understand the economic problems people in this country are having."

The poll found that 46 percent of those questioned said they approved of the job Bush was doing as president, virtually identical to his 45 percent approval rating two weeks ago. It marked the third consecutive time since mid-December that Bush's approval rating has been below 50 percent in Post-ABC News polls.

On Capitol Hill, the president's proposals rekindled Democratic charges that the president is more concerned about helping the rich than the middle class. House and Senate Democratic leaders yesterday stepped up their criticism of Bush's tax package and budget, contending that Bush had resorted to budget "gimmickry" to finance his proposed cut in the capital gains tax and other measures.

House Majority Leader Richard A. Gephardt (D-Mo.) charged that Bush had failed to break with Republican policy mistakes of the 1980s. "Instead, he asks that we relive the failed experiment of Reaganomics, prolong the pain felt by

See PRESIDENT, A12, Col. 1

■ *Buyers stall home closings; costs of failed banks rise. Pages C1, C3*

In Budget, The Deficit Is a Victor

By Steven Mufson
Washington Post Staff Writer

Two years ago, Bush administration budget director Richard G. Darman unveiled a tax and spending plan that he said would produce a federal government budget surplus by the 1993 fiscal year.

Now that the time has come to make budget plans for 1993, Darman estimates that the administration will miss its old target—by \$357.6 billion.

With the presentation of the fiscal 1993 budget, the Bush administration is abandoning all pretenses at wiping out the government's budget deficit.

In its new budget document, the administration projects large, continuing federal budget deficits, "as far as the eye can see," as President Reagan's first budget director, David Stockman, put it nearly a decade ago.

Bush's proposed changes in taxes will drive up the deficit in the current fiscal year to record levels by every standard—\$399.1 billion, or 6.8 percent of gross domestic product, the latter figure breaking the previous post-World War II record set in 1983. That means that every American—man, woman and

See DEFICIT, A12, Col. 5



Rep. Gephhardt said Bush had failed to break with GOP mistakes of the 1980s.

Majority in Poll Faults Bush's Economic Plan

PRESIDENT, From A1

middle-class Americans, and rely on more of the kind of budget gimmickry which is driving the deficits smothering our economy," Gephardt said.

Office of Management and Budget Director Richard G. Darman defended Bush's plan during testimony before the House Budget Committee and predicted that it would speed up the long-awaited economic recovery if enacted by Congress before the March 20 deadline set by the president. As for allegations of budget chicanery, Darman replied: "We've been very, very straight."

Bush's Philadelphia speech, the first in a series of events planned to rally support for his plans unveiled in his State of the Union address Tuesday, drew scores of demonstrators outside the hotel, some holding signs that read, "Where's the Jobs?" and "Sayonara George."

"You can affect the way Congress approaches this program," Bush told about 600 people at a luncheon of the Greater Philadelphia Chamber of Commerce. "With your help we'll get action and we will reaffirm our country's rightful place as the world's leader, for this decade and the next century."

"The pessimists are wrong," Bush declared. "We are going to pull out of these hard times."

Bush sought to reemphasize the fact that he has an economic plan in a political commercial airing in New Hampshire, where the president is being challenged by conservative Patrick J. Buchanan in the GOP primary.

Striding across the Oval Office with his hands in his pockets, Bush says in the ad that his proposal "will cut taxes for families, encourage investment so businesses can create new jobs, and restore the value of homes and real estate."

However, the Washington Post-ABC poll conducted Wednesday

night suggested that the president has done little to ease public concerns about his handling of the economy. The survey found that 28 percent of those questioned said they approved of the way Bush was handling the economy while 69 percent disapproved, virtually unchanged from December.

Those surveyed expressed enthusiasm for parts of the overall plan. For example, the poll found that three out of four persons questioned said they favored Bush's plan to cut defense spending by an additional \$50 billion over five years.

Those questioned were divided on the benefits of Bush's proposal to reduce the capital gains tax from 28 percent to about 15 percent. Forty-five percent of those questioned said the reduction would help the economy, while 50 percent said it would have little impact.

But when considered together, 69 percent of those polled said Bush's proposals to improve the economy did not go far enough. And 62 percent said Bush's plans would help the economy "just a little" or "not at all."

Yet the survey also found that, by 2 to 1, most Americans supported Bush's call for Congress to act on his economic proposal by March 20. But eight in 10 expected Congress will fail to meet the president's deadline.

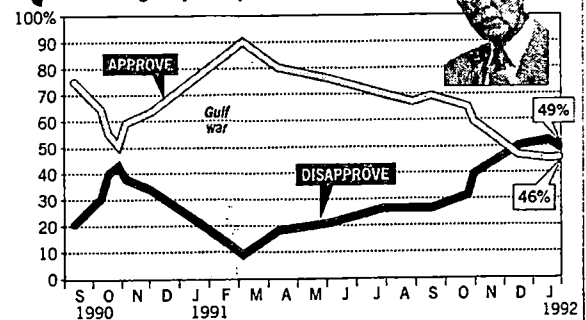
A total of 769 randomly selected adults were interviewed Wednesday night for the Washington Post-ABC News Poll. Margin of sampling error for a sample of this size is plus or minus 4 percentage points.

On Capitol Hill, Democrats contended that the administration's projections have exaggerated the revenues that the tax package will generate. In particular, they disputed the administration's claim that the government would actually boost revenue by cutting the capital gains tax by nearly half.

House Budget Committee Chairman Leon E. Panetta (D-Calif.) also voiced suspicion that the administration switched accounting meth-

WASHINGTON POST-ABC NEWS POLL

Q Do you approve of the way George Bush is handling his job as president?



Q Do you approve or disapprove of the way Bush is handling the nation's economy?

	1992		1991		1990
Approve	Jan. 29	Dec. 15	Oct. 21	June 2	Jan. 27
Disapprove	28%	24%	37%	46%	45%
Don't know	69	70	60	50	49
	3	6	3	4	6
					5

Q I'm going to mention some of the proposals Bush made in his speech. After each would you please tell me whether you think it would help the economy a great deal, a good amount, just a little or not at all?

	Jan. 29, 1992	
	Great deal/ good amount	A little/ not at all
Provide tax credits up to \$3,700 a year to help low- and middle-income families buy health insurance	60%	39%
Give first-time home buyers a tax credit of up to \$5,000 to buy homes built this year	55	43
Allow first-time home buyers to withdraw up to \$10,000 from IRA accounts without penalty	52	47
Raise the tax exemption for children by \$500 a year	47	52
Cut the capital gains tax from a maximum rate of 28 percent to a maximum rate of about 15 percent	45	50
Allow tax deductions for interest paid on student loans	45	53
Freeze federal spending on most domestic programs except those that pay benefits	40	56
Reduce federal income tax paycheck withholding by an average of \$345 a year	37	60

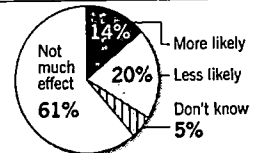
Q Do you think Bush's proposals to improve the economy go far enough or not?

Yes	26%
No	69
Too far	2
Don't know	3

Q Do you think Bush's economic proposals will help your own personal financial situation a great deal, a good amount, just a little or not at all?

Great deal/ good amount	20%
A little/ not at all	79
Don't know	1

Q Did Bush's speech make you more likely or less likely to vote for his reelection, or won't it have much of an effect on your vote?



NOTE: Numbers do not add to 100% when "don't know" is not shown. Figures are based on a Washington Post-ABC News overnight, national poll of 769 randomly selected adults conducted Jan. 29. Other poll results come from Washington Post-ABC News polls with samples averaging about 1,000. Margin of sampling error is plus or minus 4 percentage points for this poll and plus or minus 3 percentage points for the other polls. Sampling error is, however, only one of many potential sources of error in these or any public opinion polls. Interviewing was conducted by Chilton Research of Radnor, Pa.

BY TOBEY—THE WASHINGTON POST

ods to mask the true size of the deficit, which the Office of Management and Budget says will reach nearly \$400 billion this year. Darman has denied the allegation.

In the Senate, Majority Leader George J. Mitchell (D-Maine) and Appropriations Committee Chairman Robert C. Byrd (D-W.Va.) criticized the administration's budget.

"It falls short, and it's filled with gimmicks" to finance the presi-

dent's tax package, Mitchell said in pre-session comments to reporters. In a speech, Byrd accused Bush of ignoring a "window of opportunity here to divert unnecessary defense spending to critical domestic needs."

Staff writers John E. Yang in Philadelphia and Helen Dewar and Howard Kurtz in Washington contributed to this report.

WT
1/31/92

'It will work,' Bush declares

By Paul Bedard
and Frank J. Murray
THE WASHINGTON TIMES

The Bush administration launched a full-court press for its new budget plan yesterday, while congressional Democrats criticized the plan but promised to try to meet President Bush's March 20 deadline for action.

In Philadelphia, President Bush told about 600 members of the Chamber of Commerce that his economic growth plan could be summed up in three words: "It will work."

On Capitol Hill, Budget Director Richard Darman told the House Budget Committee that "clearly, the president has a plan, a comprehensive plan, ... a plan which, if enacted, we believe will work."

An unusually aggressive Treasury Secretary Nicholas Brady also went on the offensive yesterday, arguing that Mr. Bush's program will "accelerate a recovery that's on its way."

Using football metaphors and political fighting words, he told editors and reporters of The Washington Times he will join Mr. Bush on the campaign trail to promote the plan and defeat the so-called "fairness issue" in which capital gains rate cuts are portrayed as a gift to the rich.

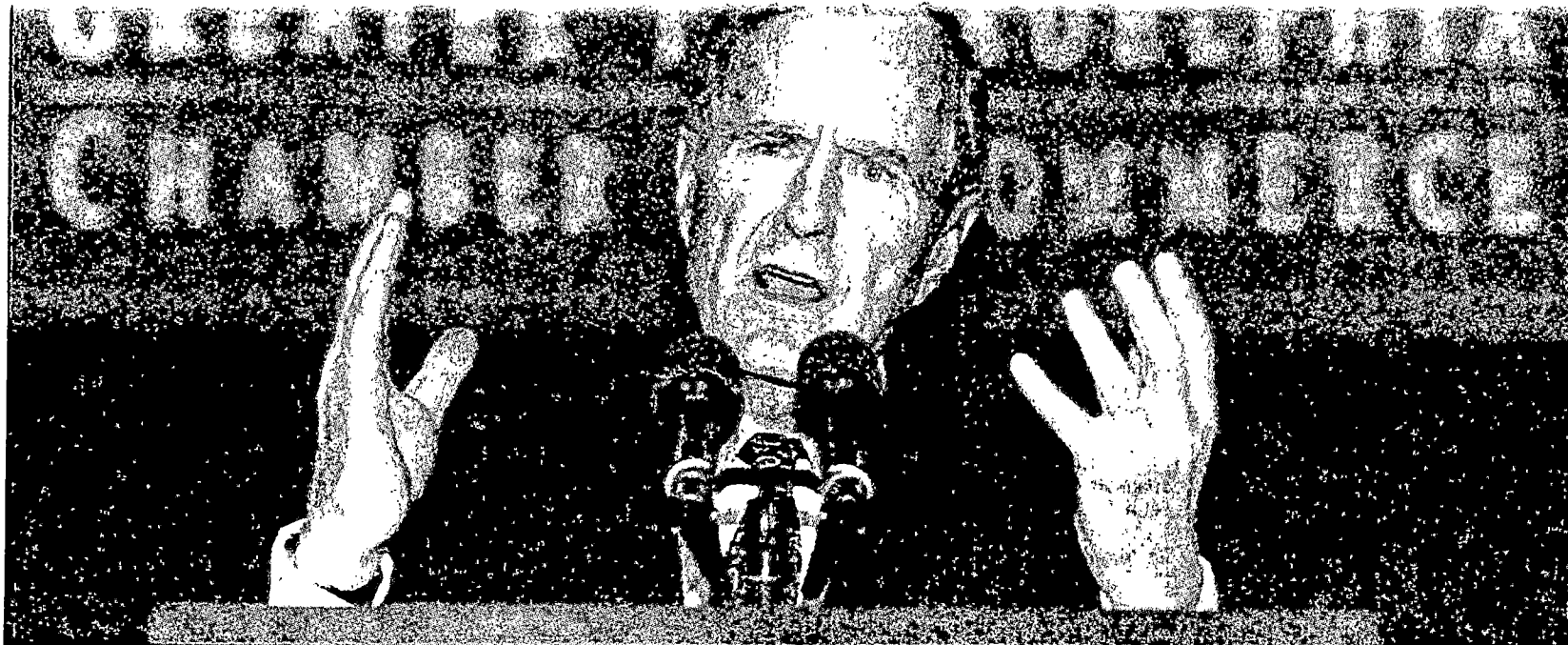
"It's time to do more campaigning, making the kind of policy points I'm making here," said Mr. Brady, who at one point predicted the budget struggle will be a "a pig rattle."

He said a strong economic turnaround will occur in the second quarter of this year but was unwilling to predict if it would be closer to April 1 or to July 1.

Mr. Brady said he has been collecting anecdotes and letters "from Middle Americans" who would benefit from the proposed capital gains tax reduction. He plans to use the anecdotes to prove the effect is beyond what he called the "Kluge and Rockefeller" factor — a reference to two of America's richest families.

He said more than 50 percent of Americans would be affected by a

see BUDGET, page A8



Reuters

President Bush tells Philadelphia's Chamber of Commerce yesterday that his economic growth plan will work if Congress gives it a fair chance.

BUDGET

From page A1

capital gains cut, "so at least 50 percent of them already understand it."

Real estate tax incentives at the core of the plan also will make a difference to industry workers "with mud on their boots and sheetrock on their shoulders," he said.

"These things have a cycle of their own. It's time for this to happen," he said.

The Treasury Department made it clear yesterday that the dramatic \$5,000 tax credit proposed for "first-time home buyers" would be more broadly available than initially recognized.

"First-time" is defined as any person or couple who has not owned a house for three years or more, a Treasury Department spokeswoman said yesterday.

Mr. Brady said the capital gains rate cut "got trapped in the fairness issue" but is ripe for passage this year. He said he and Mr. Darman argued their case to Democratic leaders, but they ignored those arguments and talked publicly only about fairness.

"We'll be a little better at it. . . . I don't think we did a very good job last year," Mr. Brady said.

He also said the Congressional Budget Office scoring system that rates capital gains tax cut as a drag on the deficit, instead of recognizing the immediate quick gains, is a "crooked way" of looking at things.

"Time and tide are with us now," he said. He recalled being told during a visit to Capitol Hill that the feeling of economic impotence in the country will provide the chance to fulfill Mr. Bush's campaign pledge on capital gains.

Budget Committee Chairman Leon Panetta said yesterday that his panel and the House Ways and Means Committee are "planning to move quickly" on the president's budget proposal and will try to meet his deadline.

"The speaker has asked [us] to meet through the Presidents Day break and to try to report a budget resolution to the floor by late February or early March, and we intend to do that," the California Democrat said.

But Mr. Panetta accused Mr. Bush of employing the "smoke and mirrors" tactics of the Reagan adminis-

tration — "rosy scenarios, massaging of numbers, cost and timing shifts [and] accounting gimmicks." The Bush plan lacks credibility or fairness, Mr. Panetta said.

Senior administration officials said Mr. Bush's visit to Philadelphia yesterday was the beginning of a nationwide effort to convince voters that the economy is recovering and that the media and Democrats are making it sound bad simply to hurt his re-election chances.

"This is no time for doom and gloom," he told the Philadelphia Chamber of Commerce, the group the White House picked to hear Mr. Bush's first speech since the State of the Union address in which he outlined his growth plan.

The president was accompanied by first lady Barbara Bush, Chief of Staff Sam Skinner, communications director David Demarest and image-maker Sig Rogich.

Mr. Bush appeared to forget his pledge Tuesday night to lay off Congress until after March 20, his deadline for action.

In an attack aimed at Democrats proposing alternative economic growth and health plans, he said, "The air back in Washington has

been thick with feel-good gimmicks that have nothing to do with true prosperity and everything to do with politics."

He added: "The American people want action. . . . Every day, individual Americans are hard working to get this economy back on its feet, and it's time for Congress to do the same thing."

According to Mr. Panetta, the president's suggestion to cut the capital gains tax would reap an average savings of \$19,000 for those taxpayers earning \$200,000 or more annually — the richest 3 percent of American families.

House Majority Leader Richard Gephardt of Missouri compared that with Mr. Bush's call to add \$500 per child to the \$2,300 personal exemption on federal income tax. The reduction will not take effect until October and will net most families with two children only \$37.50 in savings this year, he said.

Mr. Gephardt clamored for deeper cuts in defense spending, saying: "Not only is the Cold War over, as the president said, but World War II is over."

• Carleton R. Bryant contributed to this report.

Budget Redux

WST
1/31/92

Try pronouncing \$1,516,700,000,000. That's one *trillion*, five hundred sixteen *billion*, seven hundred *million* dollars, rounded to the nearest \$100 *million*. This figure represents what President Bush proposes to spend in Fiscal Year 1993.

Now usually we don't make too much of these big figures, preferring to use the much simpler concept of percent of GNP. Last year's budget disclosed that FY 1992 marked the first time that the federal government would spend more than 25% of the nation's total output as measured by GNP. Maybe the figure for FY 1993 is buried somewhere in the 2,000-page budget document, but so far we've been unable to find it. The OMB says it will be the middle of next month before it will release the previously routine historical tables that show the trend of such data as gross national product, spending and receipts.

Now it's true that the government has just announced a revision of its statistical procedures. Total output will no longer be measured by GNP but by gross domestic product. Most other nations keep books this way, and the standardization is a good thing. While the OMB could scarcely have been surprised by the changes, maybe this is an excuse. On the other hand, someone once coined the adjective "Darmanesque," and the absence of a figure on outlays as a percent of national output is certainly convenient, since this year's budget must set a new record.

We do know that Mr. Darman's OMB estimates a deficit of \$399 billion this year up from last year's record of \$269 billion. These are the results of the "budget agreement" in which Democrats and Republicans agreed to raise taxes in order to curb the deficit. This year, it seems, the Bush administration first negotiated with itself, compromising on its capital-gains proposal and offering up a \$10 billion cut in military spending. Except for defense, this is a spending chow down. Medicare alone would go up \$11 billion. Washington would continue to fund mass-transit systems, even for a city that canceled the lowest-cost contract because it happened to be won by a Japanese manufacturer. Among other big winners are Head Start and AIDS research. Regulators at the EPA and SEC also have reason to cheer. The punishment for the National Endowment for the Arts

is simply to get the same \$177 million budget next year. The \$800 billion entitlement programs remain off-limits.

All this, of course, is before the Democrats get their turn. To them, this budget is dead on arrival. "We don't operate that way," Senate Majority Leader George Mitchell said of Mr. Bush's deadline for congressional action. The March 20 date "has no meaning in terms of what and how we act." The congressional leaders are building up to a new trip to Andrews Air Force Base with what passes for negotiators from the executive branch.

There are some hopeful signs. One indication that even the Beltway understands how absurd the budget looks is that the Washington Post used its federal page this week for an excerpt from P.J. O'Rourke's "Parliament of Whores"; the headline was "Baselines and Budget Booty." Mr. Bush would cancel 246 domestic programs, including such howlers as grants to study mesquite, milkwood, asparagus yield declines, blueberry shoestring virus, grasshopper "bio-control" and problems with the prickly pear cactus.

The secret of federal budgets is that even record spending is manageable during periods of record economic growth. But instead of trying to recapture the growth of the 1980s, Mr. Bush's program aims to help the wrong targets, helping big business invest more so it needs fewer workers but doing little for the smaller, entrepreneurial firms that created the jobs in the '80s. The surprise in the budget is a provision that Wall Street houses would have to pay taxes on their holdings on an annual marked-to-market basis. This is a direct slap at firms still trying to raise funds through the equity markets during the credit crunch.

At least, we stressed yesterday, Mr. Bush gave himself a March 20 deadline to do something, and in a way the politics is more important than the specific proposals. Still, this budget is not a fighting document. In a recession families are keeping a close eye on their household budgets. Federal mandates are forcing states and localities to choose between cutting costs or risking the wrath of tax increases. The only place in America where anyone still assumes he can ignore constraints on spending is Washington.

Taking the pledge of the Bushoisie

BILL PASCOE

WT 1/31/92.

The social philosopher John Cougar Mellenkamp — known to those well-heeled in American rock 'n' roll as the Bard of Bloomington — said it best: "If you don't stand for something, you'll fall for anything."

Apparently, President Bush believes the American people don't stand for something — because his State of the Union address is clear indication he believes we'll fall for anything.

After three years of regulatory increases, tax increases and spending increases, he implicitly asks us to believe he didn't mean it, really, and he's sorry, honest, and won't we

Bill Pascoe is a political consultant and a columnist for The Washington Times.

give him another chance, please. And, besides, doesn't that Persian Gulf Thing (OK, so Saddam still has his job, and you don't have yours anymore, but so what?) and that End of Communism Thing (never mind 1.25 billion Chinese) count for something, huh?

It's a remarkable case ofchutzpah. Truly remarkable.

After all, this is the man who broke not just the No New Taxes promise, but a whole host of other promises he made to conservatives in the 1988 campaign, trying to rally their support.

And now he comes before the American people and — without a

single apology for any of his broken promises, and all the pain and suffering they've caused — asks them to rally behind him for one more campaign.

And he did it with a straight face.

Just remarkable.

The speech, delivered three nights ago after 10 weeks of hype, was billed by chief speechwriter Tony Snow as "the most important speech since God said 'Let there be light.'"



Comparing the speech to Genesis 1:3 may be overstating the case somewhat, but not by much — at least not as far as the president's chances for re-election are concerned. Ever since the staff shift at the White House at the end of November — and the concomitant willingness to admit that, yes, Virginia, there was a recession, after all — we have been waiting for the other shoe to drop. He who would say A must say B, and a president who admits there is a recession is therefore obligated to propose a way out.

And, sadly, Mr. Bush did nothing three nights ago to convince us he

was prepared to lead us out of recession.

Sure, he made several important proposals. Capital gains tax reduction, tax credits for first-time home buyers, a selective regulatory moratorium and changing the withholding schedule, to name a few. Each has its own constituency; but each also must be passed by the Congress (except for the change in withholding schedules, accomplished by Executive Order, and which — coincidentally? — will put less than \$10 a week into the average family's hands).

Now, if we are to believe Mr. Bush this time, he will go on the warpath

against Congress on March 21 if his programs have not been passed by then.

This is disingenuous, to say the least, on at no less than two counts:

First, the 50-day time limit is egregiously hypocritical. Mr. Bush's first "wait for the State of the Union" response to a question about what he planned to do about the recession came as far back as Nov. 15 — 10 weeks ago. If the recession is so serious a problem that he believes a remedy must be written into law by March 20, why did he make us wait 10 weeks to hear his plan? The logic escapes me.

Second, to believe that George Bush will actually declare war on Congress is to believe in the tooth

see PASCOE, page F4

PASCOE

From page F1

fairy and little green men on the moon.

This is a man who has made compromise and conciliation the centerpiece of his re-election strategy, which, contrary to some published reports, has actually been in place since Day One of the Bush administration.

The strategy is based on this simple premise: If we (e.g., the Bushoisie) can just remove all the contentious issues from public debate — issues such as taxes, the budget deficit, civil rights, gun control, abortion, policy toward the (now former) Soviet Union, implementation of the Supreme Court's Beck ruling that union members can be forced to pay dues only to support job-related matters, etc. — then the Democrats won't have any issues to use against Mr. Bush in the re-election campaign.

And if they don't have issues to use, he wins by default.

So goes the theory.

Hence, all the compromises made by Mr. Bush during his first three years in office. Taxes. Americans with Disabilities Act. The quota bill. Gun restrictions. No implementation of the Beck labor law decision. "Big tent" on abortion. To name a few.

The reality, sadly (for both the country now, and Mr. Bush later), is quite different.

For it is precisely those issues that separate the two parties, for a reason — because that's the way good Republican strategists have set them up, because that's how Republicans win elections on the national level.

By polarizing the country along liberal vs. conservative lines every four years, GOP presidential candidates since 1968 have won all but one election.

Yet Mr. Bush seems not to have learned this fundamental fact of po-

litical life, and so goes merrily about his business, removing from public debate the very issues he needs to use to win re-election.

The great irony is that in seeking to ensure his own re-election by compromising the principles of his party, he will actually make his re-election more difficult.

The Bush re-election campaign, to be sure, will use the Congress as a foil, and will once again paint the eventual Democratic nominee in liberal hues. Mr. Bush will accede to this because, as he informed David Frost, he "will do what it takes" to be re-elected.

But do not mistake this for deep-rooted beliefs on Mr. Bush's part. If he had them, he never would have agreed to the budget accord that got us into this mess in the first place.

Perhaps it's he who really fits the Mellenkamp line best, not us. Because he doesn't stand for something, he's fallen for anything.

But we know better.

Don't we?



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, JANUARY 29, 1992
6:00 A.M. EST EDITION

NATIONAL NEWS

BUSH TELLS NATION RECESSION 'WILL NOT STAND' -- President Bush, seeking new momentum for his presidency and a tone for his reelection campaign, tried to summon the victorious spirit of the Persian Gulf War Tuesday night and urged Americans to battle economic hard times just as U.S. forces battled Iraqi forces.

(Washington Post, AP, Copley, New York Times, Chicago Tribune, Boston Globe, Newsday, Los Angeles Times, Washington Times, Cleveland Plain Dealer, Miami Herald, Reuter)

PANEL APPROVES ADDED JOBLESS BENEFITS -- With firm backing from President Bush, the House Ways and Means Committee Tuesday approved a \$2.7 billion measure to provide an additional 13 weeks of benefits to an estimated 2 million unemployed workers.

(Washington Post)

INTERNATIONAL NEWS

JAPAN HOPES BUSH PROPOSALS WILL EASE FRICTION -- Japanese business and government officials Wednesday warmly welcomed President Bush's plans to stimulate the ailing American economy, saying they would help ease friction over trade.

(Reuter)

NETWORK NEWS (Tuesday evening)

STATE OF THE UNION -- The Bush Administration says tonight's speech is the big one, intended to launch the President's campaign.

ECONOMY -- The Conference Board says only 19 percent of consumers believe conditions will get better in the next six months.

CHILDREN -- In the face of criticism, President Bush has been spending more time on children's issues.

NATIONAL NEWS.....A-1

INTERNATIONAL NEWS...A-13

NETWORK NEWS.....B-1

NATIONAL NEWS

BUSH TELLS NATION RECESSION 'WILL NOT STAND' In State Of Union, President Evokes Spirit Of Gulf War

President Bush, seeking new momentum for his presidency and a tone for his reelection campaign, tried to summon the victorious spirit of the Persian Gulf War Tuesday night and urged Americans to battle economic hard times just as U.S. forces battled Iraqi forces.

Borrowing rhetorical flourishes from conservative icon Barry Goldwater and President Kennedy, Bush used his third State of the Union address to challenge Americans to think big in order to find big solutions to big problems....

Earlier in the evening, a senior Administration official told reporters that the idea of a tax cut was dismissed as "nonresponsive.... This is a very structured program for a very structured need," the official said....

Peggy Noonan helped write the speech. Her contributions are most notable in Bush's closing remarks, in which he called on Americans to summon the best in them to overcome the hard times. "There is a mood among us," he said. "People are worried, there has been talk of decline.... Moods come and go, but greatness endures. Ours does.... We have always risen to the occasion."

(John Yang, Washington Post, A1)

State Of The Union: Bush Proposes Tax Breaks, Military Cuts

President Bush on Tuesday night proposed election-year tax breaks and business incentives to revive America's economy and vowed, "We're going to lift his nation out of hard times." Bush also announced dramatic cuts in the U.S. nuclear arsenal.

In his State of the Union speech, the President challenged the Democrat-controlled Congress to back his economic programs by march 20 or face a political fight. Invoking Gulf War rhetoric, he vowed the recession "will not stand."...

"The American people were expecting meat and potatoes on the menu tonight, and instead they got potluck and leftovers," said Sen. Byrd. "He offered no hope to the millions of American men and women standing in the unemployment lines." (Terence Hunt, AP)

Bush Proposes Middle Class Tax Cuts, Military Spending Reductions

President Bush, paying tribute to the demise of the Cold War and last year's triumph in the Persian Gulf, proposed a sweeping agenda of middle-class tax cuts and military spending reductions Tuesday night as he sought to enlist the nation in a battle to reinvigorate its economy. Invoking the martial rhetoric of Operation Desert Storm, the President told the nation in an election-year State of the Union address, "We're going to set the economy free, for if this age of miracles and wonders has taught us anything, it's that if we can change the world, we can change America." (Finlay Lewis, Copley)

Bush Vows Economic Relief And Proposes Modest Steps

Staking his political fortunes on advice that the economy will right itself by summer, President Bush delivered a State of the Union message Tuesday night that offered modest proposals to ease the immediate pain of middle-class taxpayers and erase the impression that he is insensitive to America's economic burdens....

Declaring in his prepared text that it was time to reward the American taxpayer for decades of paying for Cold War arms programs, Bush proposed \$50 billion worth of Pentagon cuts over the next five years and outlined new arms-control measures.

(Andrew Rosenthal, New York Times, A1)

Bush Speech Breaks Little New Ground

President Bush wagered his political future Tuesday night on the belief that the economy would recover with only minimum government interference, and he offered Congress and the country repolished proposals but no major initiatives.

Urging Americans to trust in his leadership just as they did during the Persian Gulf conflict, Bush confidently used the same slogan of that battle to talk about problems with the economy. "I know we're in hard times, but I know something else: This will not stand," said Bush.... Bush spoke with the aura of presidential authority that he has summoned for his most important speeches.

(Timothy McNulty, Chicago Tribune)

Bush Says He Wants To Slash Defense Spending, Cut Taxes Modestly

President Bush, with his popularity at a record low and the nation mired in a recession, Tuesday night unveiled a modest economic recovery plan that could cut next year's taxes by a few hundred dollars for many families but would slash defense spending and eliminate 246 federal programs.

While vague on many details, Bush sought forcefully to portray himself as a president who is as determined to end the recession as he was in leading the Gulf War. Just as he once set a deadline for Iraq to withdraw from Kuwait, he insisted that Congress must pass his economic package by **March 20.**

(Michael Kranish, Boston Globe)

Bush: U.S. Could 'Look Homeward'

In a State of the Union speech aimed at reversing his political slide and launching his reelection campaign, President Bush Tuesday night declared that the U.S. could "look homeward" in the aftermath of the Cold War as he outlined a modest economic recovery package.

He borrowed the script from his last triumph, in the Persian Gulf, saying of the recession: "This will not stand." He also tried to borrow some of the soaring public mood of that time, calling on Congress to bring "the same courage and common purpose to the economy that we brought to Desert Storm."

(Susan Page, Newsday)

Hard Economic Times 'Will Not Stand,' Bush Tells Americans

President Bush, trying to rally a fearful and recession-weary nation, declared in his State of the Union address Tuesday night that hard times "will not stand" and offered economic proposals intended to put more money in the hands of American taxpayers.

The most immediate elements of Bush's plan could be felt within days: He ordered Secretary Brady to adjust federal tax withholding tables that would allow wage earners to reduce the amount of money withheld from their paychecks, in return for smaller refunds each year. (James Gerstenzang, Los Angeles Times)

Bush Targets Missiles, Recession

President Bush announced a plan Tuesday night to rid the world of land-based multiple-warhead nuclear missiles and appealed to Congress as "patriots" to pass by March 20 economic recovery proposals they have rejected time and again.... Administration officials said his proposals and the 1993 budget will not break the budget agreement but will stretch it for a time and increase this year's deficit to \$399 billion.

(Frank Murray, Washington Times, A1)

Bush's Rx: Tax, Arms Cuts

President Bush, mixing the warlike rhetoric that rallied the nation during the Persian Gulf War with a "common sense" economic plan, promised Americans Tuesday night the recession "will not stand." In his third State of the Union message, Bush sought to regain momentum for his foundering presidency by assuring that he is now taking forceful action to revive the economy.

(Tom Diemer, Cleveland Plain Dealer)

President Appeals To Nation's Pride

President Bush, in a bid to restore public confidence in his leadership, challenged Congress Tuesday night to pass his new economic recovery plan by March 20.... In a politically charged State of the Union address, Bush unveiled a consumption-spurring economic stimulus program -- financed partially by savings from sweeping reductions in the nation's nuclear arsenal.

(Charles Green & Ellen Warren, Miami Herald)

Bush Offers To Cut Taxes, Defense, Nukes

President Bush, vowing that hard economic times "will not stand," Tuesday night proposed to cut military spending \$50 billion, give tax cuts to millions and make unparalleled reductions in Cold War nuclear weapons. In a long-awaited and politically important State of the Union speech, Bush urged opposition Democrats to cast aside election-year politics and work together to enact his tax-cut package by March 20.

(Steve Holland, Reuter)

BUSH OFFERS A PLAN TO END THE RECESSION IN THIS ELECTION YEAR

For the first time in a decade, the President's State of the Union address has focused on fiscal stimulus rather than spending restraint. Politically, that may prove astute. But economically, it poses an array of risks, notably increasing the federal deficit to a projected \$339 billion in the current fiscal year, a record....

"There's a perception out there now that he isn't on top of the domestic policy agenda, in particular the economic dimensions," says RNC Chairman Clayton Yeutter. "President Bush must counter that perception. Just to be sure the President succeeded, the White House briefed business lobbyists in advance and asked them to praise the proposal to the press.

(David Wessel & Michael McQueen, Wall Street Journal, A1)

BUSH OFFERS FEW DRAMATIC NEW PROPOSALS

After months of inviting voters to "stay tuned" for his State of the Union address, President Bush Tuesday night offered a political rerun that featured few dramatic new proposals but many tried and true Republican themes.

Trying to jump-start his reelection campaign, the President put forth a characteristically cautious and conservative message for economic recovery that included many modest and marginal programs but stopped short of offering a middle-class tax cut, national health insurance or other sweeping proposals that had been debated within the Administration.

(Jerry Roberts & Susan Yoachum, San Francisco Chronicle)

TAX PLAN CALLS FOR REBATE THIS YEAR, ARRAY OF CUTS

The Bush Administration is planning to give Americans their 1993 tax rebates in 1992 by changing the IRS withholding tables and taking less out of the average weekly paycheck....

The Administration asserted that the change -- the single biggest item in the economic package -- would not break the budget agreement and did not need to be offset by other tax increases or spending cuts, adding that it falls within the scope of executive action permissible under the budget agreement....

Congressional Democrats and Republicans characterized the President's tax package as a good starting point for deliberations, although the Democrats warned that there would be strong disagreements over how to finance the tax cuts.

"There's certainly grounds for compromise," said Rep. Downey. "But I think one of the things the President must understand is some of us want to raise taxes on the people who have been enjoying themselves at the Bush-Reagan party for the past 10 years."...

Sen. Bentsen said Tuesday that he was encouraged Bush had picked up on the Democrats' theme of tax relief for the middle class. "I think the President will find some sympathy in Congress for those proposals," he said. "The Democratic leadership in both Houses has already made similar suggestions and we welcome the President's interest in tax fairness."

(Steven Mufson & Eric Pianin, Washington Post, A1)

FOLEY SAYS DEMOCRATS WILL SEEK FUNDAMENTAL CHANGES

Rep. Foley pledged Tuesday night that Democrats will seek fundamental economic changes including national health insurance and won't wait for "a national Administration...without ideas."

Foley, in the official Democratic response to President Bush's State of the Union address, rejected some of Bush's central proposals as inadequate to the nation's needs. And other Democrats brushed aside the President's March 20 deadline for Congress to enact an economic stimulus package.

Democrats "will seek common ground with the President and the Republicans," Foley said. "But we will also stand our ground when basic principles are at stake."...

Congressional Republicans, predictably, praised Bush's address. "The President displayed leadership, for the present and for the future, and now it's time for Congress to do the same," said Sen. Dole. (Steven Komarow, AP)

Democrats Say More Fundamental Changes Needed

...Sen. Mack said Bush was "inspiring" and added, "The President has done the right thing by proposing a cut in the capital gains tax to 15 percent. No other initiatives will do more to create jobs."...

Rep. Rostenkowski said "we'll support the President," but negotiations still would be necessary to reach agreement on particular programs. He indicated Congress was not bound by Bush's suggested March 20 deadline, and "we might have a package by March 20 or not."...

Sen. Lugar said Bush "is determined to be as successful in his war against the recession as he was in the war against Iraq."

Sen. Cochran said the President "struck the right tone in talking about economic recovery as our major domestic concern right now. He has described some good medicine for what ails the economy."

Sen. Bradley disagreed, saying Bush's address is "clear proof of how little attention he has paid to middle-class Americans and their concerns during his presidency. One night's speech is no substitute for three years of no policy, no vision and no progress." Sen. Roth said, "George Bush's high stakes really paid off. The President left little doubt that he is in charge and that he has a bold plan of action." (Robert Shepard, UPI)

Democratic Response To Bush Foreshadows Year Of Partisan Conflict

..."A speech that took 10 weeks to craft offers little more than 10 months of solutions -- just enough to get the President through the November election," said Rep. Fazio. "There is no 21st century foresight in this speech. There is only 1992 election cut and paste."...

"The President has asked us to wait for three months to hear his plan, and now he says he wants us to act in 45 days," Sen. Inouye said. "It's rather unreasonable."

Sen. Rockefeller said there was "a very sour feeling in the chamber" during the President's address. "I can't think of a worse way to begin the legislative year."

(Mark Barabak & Marcus Stern, Copley)

Foley Pledges To Fight Bush On Broad Front

...Rep. Moakley said, "The President talks about unemployment. I'm sure he's concerned about it -- it's his own unemployment he is worried about. This is a fellow that up to six months ago didn't even admit there is a recession. Now he wants to do all the things the Democrats have been telling him to do for his whole term. If it takes low ratings from his pollster for this President to support Democratic ideas, I hope he goes down to zero."...

Rep. Schroeder called Bush's boost for family programs "welcome and long overdue, but regrettably more caring for the campaign than caring for kids." "Four years ago, the President campaigned as Rambo; now he's campaigning like Captain Kangaroo. Four years ago, he waved American flags, now he's waving American kids."

(John Aloysius Farrell, Boston Globe)

Democrats Seek 'Common Ground' But Also Draw Line

Rep. Foley pledged Tuesday night that Congress will seek "common ground" with President Bush while insisting on "fundamental change from the unsuccessful economic policies of the past 12 years," including tax relief for average Americans financed by higher taxes on the rich. In a tough response to the President's State of the Union address, Foley made it clear that Democrats intend to "stand our ground" on high-profile issues.

(Helen Dewar, Washington Post, A16)

Democrats Say Bush An Extension Of GOP Past

Congressional Democrats echoed many of President Bush's themes Tuesday night but rejected his approaches to tax cuts and health care and blamed the country's economic ills on 12 years of Republican leadership. "This should be America's high noon," Rep. Foley said. "But instead...we face ominous, persistent recession which reminds us anew of President Kennedy's warning that 'This nation cannot be strong abroad if it is weak at home.'"

(Jennings Moss, Washington Times, A9)

BUSH, DEMOCRATS SQUARE OFF ON HEALTH INSURANCE

President Bush's flat rejection of national health insurance in favor of tax credits has framed an election-year debate and left Democrats to charge he is avoiding a health-care crisis.

"The American people can't get health-care reform without the President's leadership," Sen. Rockefeller said Tuesday night. "What stuns me is why he doesn't recognize that.... Rockefeller said Bush appeared to be "buffeted" by advisers on various sides of the issue. Bush, he said, "does not have core beliefs" on the issue.

Rep. Gephardt dismissed Bush's tax-oriented proposals as "tinkering at the margins: Not bold, not comprehensive, won't contain costs."... Rep. Russo said: "It was not even a Band-Aid. It was like pouring salt on a wound."

Rep. Gingrich said Bush was still meeting with Republicans on the health issue. "He is moving in the right direction, which is away from socialism and toward free markets," Gingrich said.

(William Welch, AP)

OPPONENTS GIVE BUSH LOW MARKS, ALTHOUGH HE BORROWS A FEW IDEAS

MANCHESTER -- The men who would replace President Bush were split on whether his State of the Union address offered too much or too little. But they were unanimous in calling its promises too late -- and from a man who can't be trusted to keep them....

"America needs a president who is ready to lead, not a president who comes to the American public with an election-year litany that gives an inaccurate perspective of the real state of the union," said Sen. Kerrey.

"We're going to read the record, and the record is four years of neglect, four years of broken promises," said Sen. Harkin....

Gov. Clinton, listening to the President's speech in Houston, heard Bush borrow his stump calls for welfare reform and improvements in race relations, but said they rang hollow.... "Can we possibly say the answer to education is to spend life savings?" Clinton said. "We were disappointed tonight. It was too little, too late."...

"It's voodoo economics continued," Paul Tsongas said. "George Bush just offered promises, promises, promises. There's hardly an interest group that wasn't offered a goodie."...

Patrick Buchanan praised Bush's script and delivery but said the speech rang familiar. "He's trying to coopt my ideas," Buchanan said. "We're going to have to measure the rhetoric of tonight with the record of the past three years." (John King, AP)

BUSH GROWTH PACKAGE SHOULD PROVIDE HELPING HAND TO ECONOMY

President Bush's new "growth package" should give the staggering U.S. economy a helping hand, but holds little in the way of fast relief for the nation's unemployed, analysts said Tuesday.

Bush's economic recovery plan should give a moderate stimulus to the economy this year and will probably be well received by the markets, several economists said.

"There's no barn-burner fiscal stimulus here, but more in the category of support for economic recovery, said Allen Sinai, chief economist for Boston Co.

"Are the proposals good enough and large enough to have some positive impact on the course of the economy? I think the answer is yes," said Paul McCracken, a former head of the Council of Economic Advisers under President Nixon. (Susan Cornwell, Reuter)

BUSINESS LEADERS GENERALLY PRAISE BUSH'S ECONOMIC PLAN

NEW YORK -- Business executives generally praised President Bush's plan to revive the economy as outlined in his State of the Union address, but some were skeptical of whether it went far enough. Economists, meanwhile, were surprised by Bush's proposal to lower income tax withholding rates and said it could provide an economic stimulus.

"The President's economic growth package is right on course. In fact, it's a road map for recovery," said William Schreyer, chairman and chief executive officer of Merrill Lynch.

AT&T Chairman Robert Allen called the speech "encouraging." "In particular, I was pleased the President has put a hold on new regulations and asked for a high-level review of current ones," Allen said in a statement. (Bart Ziegler, AP)

ECONOMISTS CALL BUSH'S IDEAS TOO LITTLE, TOO LATE, TOO COSTLY

For all the buildup about what it would contain, for all the hoopla surrounding its release, the economic recovery plan offered by President Bush Tuesday night comes down to just one thing: Wait.

The President apparently believes he can wait out the nation's troubles, confident that the economy will recover almost entirely on a diet of lower interest rates, and in time to assure his reelection in November....

To some extent, economists expressed relief the Administration had not gone further. "There's less here than meets the eye," said Harvard University economist Dale Jorgenson. "Everybody agrees that we can't afford to jump-start the economy with fiscal policy and they seem to have seen that." (Peter Gosselin, Boston Globe)

BUSH TAILORS ANTI-RECESSION PLAN TO CAMPAIGN

President Bush Tuesday night bet his reelection on an economic growth plan that analysts said was likely to fall short of stopping the slump but might let him blame Congress if hard times persist....

"I can't imagine why they went to all the effort to hype this speech," said Stephen Hess at the Brookings Institution, who added that Bush's plan was "mostly warmed-over proposals."...

David Mason, an analyst at the Heritage Foundation, called the economic proposals "incredibly tepid." "We've had three years of good speeches and bad policy from Bush and this was more of the same," Mason said.

"The middle-class tax cut, which could have been and should have been the centerpiece of Bush's plan, was stuck at the end, almost as an afterthought," said Stuart Eizenstat, who served as domestic policy adviser to President Carter....

A top Republican involved in Bush's 1988 bid for the presidency said that there "was no inspiration in this speech, and I think that's what people were looking for." "I think that if Bush were running for student council on what he said tonight, he would lose," the campaign consultant said. (Gene Gibbons, Reuter)

FOR BETTER OR WORSE, SPEECH IS 'BEGINNING'

President Bush Tuesday night lost the State of the Union expectations game but fulfilled the wishes of his senior aides to propel the 1992 reelection campaign.

"It was kind of like waiting for Christmas and finding out it's the Fourth of July," said Andy Daniels, a Tennessee political consultant. But he said the speech, while "long-winded," is the beginning of the campaign....

Robert Teeter, in a phone call to GOP officials around the nation, called the address "the kickoff" to the reelection. He implored Republicans to ignore news media reports and Democratic charges that Bush did not meet expectations. He told them instead to describe the address as a solid economic recovery blueprint.

(Paul Bedard, Washington Times, A1)

A DECLARATION OF POLITICAL WAR ON THE DEMOCRATS

A year after he summoned the nation to battle in the Persian Gulf War, President Bush tried for a comeback Tuesday night. In the name of the capital gains tax cut, alternative minimum taxes and modifying the "passive loss rule," the President borrowed the soaring language, the deadlines and the steely threats to Saddam Hussein to construct a case for political war on the Democrats....

"Our long nightmare is over," sighed one Bush partisan, arguing Tuesday night that the speech "might not be great but it gets us past the suicide stage."

(News Analysis, Ann Devroy, Washington Post, A1)

BUSH RESOLVE: TO 'DEFEAT HARD TIMES'

President Bush launched an assault on the recession Tuesday in a stirring State of the Union speech, echoing his Gulf War leadership as he declared, "This will not stand."... "The Gipper couldn't have done any better," said GOP consultant Jim Innocenzi. Said RNC Chairman Clayton Yeutter: "He needed a performance of that magnitude and he delivered." (Judy Keen, USA Today, 1A)

BUSH'S SPEECH DRAWS CHEERS

There was a positive early response Tuesday night to President Bush's nationally televised State of the Union address. In New Hampshire, Bush's speech drew energetic applause from the crowd gathered at T-Bones, a Bedford restaurant, that included many patrons who said they were on the verge of voting Democratic.

"He recaptured my vote," said David Shafman, who owns used-car dealerships in Bedford and Merrimac. "He talked tonight like a leader. He sounded like somebody who was implementing something instead of proposing something." (Washington Times, A8)

SPEECH PROMPTS PRAISE AND CONCERN

LUBBOCK, Texas -- For local residents and area politicians, President Bush's long-awaited State of the Union address was a hit-and-miss affair that prompted both praise and concern.

"It seemed as though he hit everything pretty direct in his address. But I've got mixed feelings. I believe he addressed the rights things and has good ideas, but I'd rather hold off on judgment until I see what comes about. Show me, not tell me," said Wilfred Barton, a former Lockheed employee who has been out of work since November....

Rep. Combest praised the President's address and the economic recovery plan. "I think he met all the expectations tonight. I think it was something the American people will support," he said.

(Mike Erickson, Lubbock Avalanche-Journal)

SHE'S STILL NOT SURE BUSH FULLY UNDERSTANDS

BOSTON -- A Massachusetts woman who was quoted by President Bush in his State of the Union address a year ago said Tuesday that she is still not sure the President fully appreciates how much America is suffering in this recession.

"I think last year, when he said that he understood, he really didn't understand," Kathy Blackwell said in a telephone interview from her home in Craigville, on Cape Cod. "I think being locked up in the White House with the advisers he had, he really didn't have the opportunity. He wasn't out here with the real people."

(Christopher Daly, Washington Post, A12)

POST-SPEECH POLL FINDS MIX OF GLOOM, HOPE

NEW YORK -- President Bush's State of the Union address played to a public divided much like his congressional audience of applauding Republicans and glum Democrats, a poll taken minutes after the speech indicated.

Forty-eight percent of those surveyed Tuesday night by CBS News said they were worried they or an immediate family member would lose their job this year.

Just 24 percent said they are better off than they were four years ago. Thirty-two percent said they were worse off and 44 percent said they were about the same.

But 56 percent said they were confident Bush will improve the economy, and 56 percent said they believe a tax cut the President proposed will help end the recession. (Howard Goldberg, AP)

EDITOR'S NOTE: "Budget Director Pushed To Background As Bush Focuses On Domestic Policy," by Robert Pear, appears in The New York Times, page A17.

"What The Bush Tax Plan Would Mean For You," by Ellen Schultz, appears in The Wall Street Journal, page C1.

PANEL APPROVES ADDED JOBLESS BENEFITS**Measure Would Aid About 2 Million Unemployed; Bush Backs Plan**

With firm backing from President Bush, the House Ways and Means Committee Tuesday approved a \$2.7 billion measure to provide an additional 13 weeks of benefits to an estimated 2 million unemployed workers.

The compromise measure, drafted by Reps. Rostenkowski and Michel, would be financed with about \$2.2 billion in revenues said to have gone unspent last fiscal year and \$500 million from changing the method of paying corporate estimated taxes....

The full House is expected to act on the bill next Tuesday, while Sen. Bentsen said his committee will act on the measure Thursday and send it to the Senate floor for approval late next week.

"This new agreement puts additional unemployment compensation benefits on a fast track to millions of unemployed American workers and their families," Bentsen said Tuesday. "Americans are hurting and these additional weeks of benefits can help them hang on a little longer."

(Eric Pianin, Washington Post, A4)

ECONOMY NEARED ANOTHER DOWNTURN

The economy dipped dangerously toward a renewed downturn as 1991 ended, after appearing to emerge from the first recession in a decade, economists say. But most analysts believe that although the economy slowed appreciably in the fourth quarter, it did continue growing weakly.

"On a quarterly basis, the economy hung in there, but no better than that," said economist Robert Dederick of the Northern Trust Co. in Chicago. (John McClain, AP)

NARROW RALLY BOOSTS DOW BY 32 TO NEW RECORD

NEW YORK -- While most stock indexes managed only meager gains ahead of President Bush's State of the Union address, blue chips defied the norm Tuesday by surging nearly 1 percent to their eighth closing record this year. The Dow Jones Industrial average rose 31.53 points to 3272.14, breaking the record of 3264.98 set Jan. 17. (News Services, Washington Post, G2)

CONFIDENCE INDEX SLIPS AGAIN IN JAN.

NEW YORK -- Americans turned more pessimistic about their financial and job security this month despite lower interest rates aimed at helping the weak economy, a widely followed survey on consumer confidence said Tuesday.

The Conference Board's consumer confidence index, which had leveled off in December after sharp declines the previous two months, fell again in January, largely on anxiety over future employment and business conditions. (AP, Washington Post, G2)

SENATE SNUBS BUSH ON PRIVATE SCHOOL FUNDS

The Senate Tuesday overwhelmingly approved legislation that would pump new federal funds into local school improvement efforts while denying President Bush's proposal to use some of the funds to send low-income children to private schools....

The education legislation was approved, 92-6, with most Republicans supporting the Democratic-drafted bill despite reservations about some provisions.

(Helen Dewar, Washington Post, A5)

STATES SPENDING LESS ON COLLEGES THIS SCHOOL YEAR

**Reacting To Recession And Reduced Budgets,
Public Universities Raise Tuition, Trim Faculty**

For the first time in at least 30 years, states are spending fewer dollars on their colleges and universities this academic year than in the year before, according to an analysis by Illinois State University's Center for Higher Education.

After this academic year began, colleges and universities in 28 states discovered they would receive a smaller-than-promised sum from the state as legislatures revised budgets and made spending cuts, according to preliminary findings of a report by the American Association of State Colleges and Universities.

(Mary Jordan, Washington Post, A6)

BUSH BOOSTS SSC BUDGET 34 %

President Bush's 1993 budget proposes a 34 percent funding increase, to \$650 million, for the Superconducting Super Collider, one of the nation's most expensive and controversial scientific projects. But congressional support may be wavering because Japan has not committed itself to picking up any of the cost, Rep. Brown said Tuesday.

Obtaining full funding for the atom-smasher is still "doable," said Brown, but the prospects are "not very encouraging."... Brown, who recently visited Japan, said in a briefing and a telephone interview that there is a "reasonable possibility" that Japan will commit funds after elections later this year. "Is that enough to keep it going?" Brown asked. "The SCC has a very speculative future."

(Thomas Lippman, Washington Post, A2)

POST, OTHER PAPERS ASK BYRD NOT TO SUBPOENA REPORTERS

Three major news organizations asked Sen. Byrd not to approve subpoenas for the testimony of two reporters in a leak investigation stemming from the confirmation hearings for Justice Thomas.

The New York Times, The Washington Post, and the Wall Street Journal said in letters that Nina Totenberg of NPR and Timothy Phelps of Newsday should not be asked about their confidential sources for reporting Anita Hill's allegations.

(Howard Kurtz, Washington Post, A5)

GOVERNOR TAPPED AS CO-CHAIR OF NEW TASK FORCE ON URBAN FAMILY

JEFFERSON CITY, Mo. -- President Bush reached into Missouri on Tuesday and tapped conservative Gov. John Ashcroft as co-chairman of a new task force on the urban family.... In an interview after the State of the Union speech, Ashcroft said he was "delighted" to have been chosen. He said he would try to strengthen the family by "reforming government programs that tear the family apart."

(David Aguillard, St. Louis Post-Dispatch)

AT WHITE HOUSE, DEFINING THE JOB IS HALF THE BATTLE

Negotiating job assignments in the Bush White House is starting to sound a little like negotiating a Middle East peace -- one step forward, one step back.

The latest chapter involves Samuel Skinner's announcement on Monday that Cabinet Secretary Ede Holiday would be the White House liaison to the 1992 campaign.

By Tuesday, that announcement was being re-explained, apparently after the question was raised of what Political Director Ron Kaufman does if not act as liaison to the campaign. Holiday, officials said, would be the legal liaison.

("Talking Points," Washington Post, A19)

EDITOR'S NOTE: "On Transit Bill, Negotiators Took Right Fork," by Walter Pincus & Don Phillips, appears in The Washington Post, page A19.

INTERNATIONAL NEWS

NAVY SUBS, BIG ARMY PROGRAMS FACING AX

The \$50 billion in defense savings outlined in President Bush's State of the Union speech would include canceling the \$2 billion-per-copy Seawolf submarine and indefinitely delaying the Army's next-generation "Block III" tank and RH-66 Comanche Light Helicopter, the largest weapons programs in the Army's budget, according to lawmakers briefed on the President's plan.

Secretary Cheney told key lawmakers in a closed-door briefing at the Capitol Hill Tuesday night that future defense budgets will reflect a new emphasis on developing weapons technology but will stop short of production in many cases.

(John Lancaster & Barton Gellman, Washington Post, A12)

BUSH'S PLAN WOULD CUT THE MOST MODERN, POTENT WEAPONS

President Bush's new arms control plan would reshape and sharply reduce the strategic arsenals under Washington's and Moscow's control by eliminating some of the most modern, threatening and controversial weapons of the Cold War, according to U.S. officials and independent experts....

Bush said Tuesday night that the "early response" to his initiative from President Yeltsin "has been very positive." A senior U.S. official said Yeltsin planned to present "a program of his own" at a planned meeting with Bush at Camp David this weekend.

(News Analysis, Jeffrey Smith, Washington Post, A12)

JAPAN HOPES BUSH PROPOSALS WILL EASE FRICTION

TOKYO -- Japanese business and government officials Wednesday warmly welcomed President Bush's plans to stimulate the ailing American economy, saying they would help ease friction over trade....

The officials in Tokyo said the package could have a twofold effect on trade relations by helping to prop up the weak U.S. economy and making American industry more efficient. "It is very impressive to see the President's efforts to create more competitive U.S. industry," an official at the Foreign Ministry said.

(Scott Miller, Reuter)

TOKYO HAILS BUSH INITIATIVE ON NUCLEAR DISARMAMENT

TOKYO -- Japan Wednesday hailed President Bush's plan on nuclear disarmament, unveiled in his State of the Union address, and called on the Russian Federation to respond in kind. "This initiative, following the President's initiative on nuclear disarmament in September last year, will contribute to the peace and stability of the world and the building of a new international order," Foreign Minister Michio Watanabe said.

(UPI)

**JAPANESE LEADER PLANS QUIET VISIT
Miyazawa Rules Out Interviews At U.N.**

TOKYO -- At a time of rising tension between the world's two economic superpowers, Prime Minister Miyazawa will travel to the U.S. this week -- but he will not say anything to the American people.... Though he speaks fluent English, he has turned down all requests for interviews with American television and radio networks during the trip, officials here said Tuesday.

"This is not a visit to the U.S. It is a visit to the United Nations," Foreign Ministry spokesman Masamichi Hanabusa said Tuesday. He said Miyazawa's schedule is tight and "the United Nations is a higher priority." (T.R. Reid, Washington Post, A27)

NEW AMBASSADOR TO U.S. FEARS ESCALATING FRICTIONS

TOKYO -- Japan's newly named ambassador to the U.S. said the world's top two economic powers cannot allow escalating frictions "to gnaw away" at mutual trust. Worried about the apparent growth of protectionist sentiment in the U.S., Takakazu Kuriyama said Tuesday the situation has led to an "America as No. 1" mentality.

"We must build a relationship based on competition and cooperation," said Kuriyama. "It is necessary to work together to limit as much as possible the harmful influence of trade friction." (UPI)

U.S., VIETNAM TO HOLD TALKS ON NORMALIZATION

Senior U.S. and Vietnamese officials arranged to hold talks Wednesday to discuss issues that could lead eventually to normal relations between the two countries.

Administration officials said Tuesday Deputy Assistant Secretary of State Kenneth Quinn will head the U.S. side and Amb. Trinh Xuan Lan will lead the Vietnamese delegation....

"We expect that among the issues discussed will be consular protection, financial claims and humanitarian assistance," a State Department official said. (Frank Csongos, UPI)

SOUTHEAST ASIANS MOVE TOWARD FREE-TRADE ZONE

SINGAPORE -- The leaders of six Southeast Asian nations signed accords Tuesday aimed at creating a regional free-trade zone by 2008 and forging closer ties with their longtime communist adversaries in Indochina.

However, the long lead time in setting up the common market and the limitations written into the accords suggested that the six countries could find it difficult to live up to their rhetoric about growing economic integration.

(William Branigin, Washington Post, A27)

U.S. TRADE DEFICIT OVERSTATED, REPORT SAYS
Undercounting Exports Said To
Exaggerate Gap By Up To \$20 Billion

The U.S. trade deficit is probably \$10 billion to \$20 billion a year smaller than is officially reported because the nation's exports are systematically undercounted, according to a study released Tuesday by a panel of business leaders, bankers and academics.

The group, which performed the 30-month study for the congressionally chartered National Research Council, said the true competitive position of U.S. companies is being misrepresented not only by the imprecise trade data but also by many analysts' failure to take account of the foreign manufacturing operations of U.S. firms.

The panel noted that monthly trade data does not include the sales of services abroad by U.S. enterprises, such as banks and construction firms. And the figures do not reflect the profits flowing back to the U.S. from American companies overseas. The 1991 U.S. trade deficit, without the adjustments suggested by the panel, is estimated at \$65 billion.

The report could provide comfort for the White House, which is under fire from Democrats for its handling of trade relations, especially with Japan. Protectionist sentiment in Congress has been focused mainly on negative trade statistics. The group said the timing of the report, on the eve of President Bush's State of the Union address, was a coincidence.

(John Burgess, Washington Post, G1)

PALESTINIANS BOYCOTT MOSCOW PEACE TALKS

MOSCOW -- The multilateral phase of the Middle East peace process got off to a discordant start Tuesday when Palestinian delegates boycotted the opening meeting of foreign ministers because some of the Palestinians were declared ineligible to take part.

"We did not come to Moscow to be part of a truncated delegation or to represent only one-third of the Palestinian people," Palestinian spokeswoman Hanan Ashrawi said. She charged that the rules set by the U.S. and Russia did not allow adequate representation for Palestinians scattered throughout the Middle East and other countries since the creation of Israel.

"We are disappointed of course that the Palestinian delegates chose not to attend," Secretary Baker said. He said the U.S. believes there is "merit" to the Palestinian complaint and is seeking a compromise that would allow those excluded Tuesday to join the talks when they break down into working groups.

"The Palestinians are making a mistake by not taking advantage of this opportunity," Baker said. "We're sorry that they're not here."

(John Goshko, Washington Post, A23)

WEST BANK'S HIDDEN HOUSING BOOM**Government Smoke Screen Obscures Vast Jewish Settlement Program**

ELI, West Bank -- In the last 18 months, the Jewish settlement in the occupied West Bank has been quietly transformed by Israel's government from a tiny hilltop outpost into one of the country's biggest boom towns....

How big has Eli grown in the last year, and how much more housing is on the way? For the Bush Administration and the government of Prime Minister Shamir, that information could soon become crucial: In return for granting Israel all or a portion of the \$10 billion in U.S. loan guarantees it has requested, Washington reportedly is seeking an Israeli commitment to limit construction in settlements.

Yet learning what is actually being built here, as throughout all the territories captured by Israel in 1967 has proved to be a puzzling and controversial problem. As it has pursued the biggest settlement-building program in the 24-year history of its occupation of the territories, Shamir's government has appeared to pursue a policy of obscuring the true scale and cost of its campaign.

(Jackson Diehl, Washington Post, A1)

DEFENSE IN LETELIER CASE PUTS QUESTIONS TO BUSH

SANTIAGO, Chile -- The Chilean courts have asked to question President Bush over allegations that the CIA, and not the Chilean secret policy, organized the murders in Washington in 1976 of Chilean ex-foreign minister and exile leader Orlando Letelier and his U.S. colleague, Ronni Moffitt.

Dispatch of the request was approved by the Chilean Supreme Court late Monday at the request of lawyers defending Gen. Manuel Contreras and Brig. Pedro Espinoza, respectively head and operations chief of the DINA, the secret policy. The two men were indicted in Washington in 1978 and specially appointed Supreme Court Judge Adolfo Banados is now investigating them here.

(Malcolm Coad, Washington Post, A6)

U.S. SAYS HAITIANS FLOODING REFUGEE SITE

The Bush Administration Tuesday said record numbers of Haitian boat people will soon overwhelm facilities at a U.S. Navy base in Guantanamo Bay and urged a federal appeals court to permit forced return of Haitians who do not qualify for political asylum.

Solicitor General Starr, in papers filed in Atlanta, asked for an "immediate" overturning of a district court judge's order in Miami prohibiting the forced repatriation of the Haitians....

Ira Kurzban, an attorney for the Haitian Refugee Center Inc., which sued to block repatriations, said the Administration's arguments were a "self-created crisis" and that the camps themselves have "a far greater capacity to hold people" than the Administration estimates.

(Washington Post, A2)

WEST SPLIT ON AID FOR RUBLE

The Bush Administration and its Western European allies are increasingly at odds over how quickly to move in support of President Yeltsin's financial reforms, according to diplomatic and financial sources.... The U.S. and some Europeans are split on how quickly to pledge the billions of dollars needed to stabilize the plummeting ruble. (Warren Strobel, Washington Times, A1)

YELTSIN PURSUES NUCLEAR ISSUES, VISITING FLEET

MOSCOW -- President Yeltsin sought Tuesday to demonstrate his control over the former Soviet nuclear arsenal as he prepared to announce new arms cuts prior to his visit to the Security Council later this week.

News of Yeltsin's unannounced visit to the southern Russian port of Novorossiysk, to consult with commanders of the disputed Black Sea fleet, resolved the mystery of his unexplained disappearance from Moscow Monday that had renewed rumors about his health.

Yeltsin's spokesman said the President was gathering information about the security of nuclear weapons prior to his meetings with President Bush and other Western leaders.

(Michael Dobbs, Washington Post, A23)

NETWORK NEWS

(Tuesday evening, January 28)

STATE OF THE UNION

ABC's Peter Jennings: We begin tonight with the President's annual acknowledgment of a constitutional requirement. Article II, Section Three: "The President shall, from time to time, give the Congress information of the state of the union." It was pointed out to us this morning that most Americans today can feel exactly what the State of the Union is like, and even though the President's speechwriters have been slaving for a month, not many historians can remember very many memorable lines from State of the Union speeches past. Still, the Bush Administration says tonight is the big one. It is, after all, intended to launch the President's re-election campaign.

ABC's Brit Hume:

(TV coverage: President Bush and officials in Cabinet Room)

In a Cabinet meeting this morning, the President was doing nothing to dampen expectations for his speech tonight.

(**Helen Thomas:** "Is it gonna be a good State of the Union Address tonight? A bell-ringer?" **President,** nodding: "I think it's gonna be alright." **Thomas:** "Surprising?" **President:** "Yes.")

(TV coverage: President walking to stage in Exeter, NH)

In fact, despite the intense buildup the President has given the speech on the campaign trail and elsewhere, the Address represents a decision basically to do nothing major on the economy.

(TV coverage: President touring factory)

Bush has received almost unanimous advice from economists that the economy is likely to recover on its own, and if it doesn't, no legislation will be enough to fix it. What's more, he's been advised, an ambitious recovery program requiring the scrapping of last year's budget deal with Congress would risk driving up interest rates and aborting the best chance the economy has. So tonight's speech in the House chamber will not propose abandoning the spending restrictions agreed to with Congress last year to reduce the deficit. It will propose some tax cuts to be financed by cuts in defense spending. There will be proposed increases in some domestic programs, but they will be paid for largely by proposed cuts in other domestic programs. The President will demand that Congress act on his proposals by mid-March, a deadline that Congress is unlikely to either like or meet. But as one official here put it, this is a program that could pass -- but if it doesn't, it's also a program we can run on. (ABC-Lead)

ABC's Cokie Roberts discusses what the Hill Democrats are saying about the speech. It looks like the President and Congress will reach another impasse. Some in Congress say they are coming back from their districts with pleas from constituents to do something and stop the bickering. But others say the thing to do is to show that Bush is the person holding up domestic programs, and that they should put a health care plan, a parental leave plan, and others on the President's desk and let him veto them. They say they've been doing polling which shows that Democrats should show up starkly different from the Republicans.

-more-

Roberts continues: I think you'll see tremendous progress -- surprise, surprise -- in cutting taxes, and relatively soon. But the rest of it will definitely be loggerheads for the rest of the year. The Democrats' campaign line is, We're the party that's most for people like you; stick with us and throw out the guy in the White House. The problem is, people might prefer the other line: throw them all out. (ABC-2)

CBS's Dan Rather: Tonight's the night President Bush has promised to stand and deliver. Mr. Bush has been pumping up expectations for his State of the Union speech by promising to detail his plans to, as he puts it, turn the economy around. This could also prove pivotal to the Bush-Quayle re-election campaign.

CBS's Susan Spencer reports that between extensive re-writes and teleprompter rehearsals with media gurus, Mr. Bush gave a preview of tonight's speech to his Cabinet, and did his bit to play down expectations.

(President, in Cabinet Room: "I think it's gonna be alright."
Helen Thomas: "Surprising?" President: "Yes.")

But apart from an announcement of more defense cuts saving about \$50 billion over five years, no big surprises are expected as Bush unveils his long-awaited economic plan, laden with billions in election-year tax cuts. Some economists are shaking in their boots already.

(Richard Sweeney, Georgetown University: "Many of the proposals being put forward are not a sound, consistent program for economic growth. The idea of tax cuts that are just going to raise the deficit, that isn't sound for economic growth.")

(Michael Barone, U.S. News & World Report: "There are some people among the Bush strategists that want to see him challenge an opposition party Congress the way that President Truman challenged an opposition party Congress in 1948 and came from behind in the polls to win a full term in office.")
Which may be why Democrats were attacking the plan before they even heard it.

(Rep. Schumer: "The American people are clamoring for action. They are tired of reading President Bush's lips. Lip service is all they've gotten out of Washington for too long.")

(Sen. Bentsen: "The country's in trouble. The economy's dead in the water. We don't need another political statement for the campaign.")

What the Republicans think the President does need tonight is to look presidential and reassuring, to come off as the man with the economic plan. Since great chunks of this plan are unlikely to be enacted this election year, image may have a lot going for it.

(CBS-Lead)

CBS's Ray Brady reports on the economy.

(Man: "Times are really hard. Everybody's getting laid off.")
They're just like you: some of the people who will be the judge and jury on President Bush's speech tonight. Talk to them, and you'll hear this message:

(Woman: "I think people want to hear about jobs.")

(Man: "You turn around, it's like everybody's looking for a job.")
Professional economists will tell you about the grim reality.

(David Jones, economist: "This President should level with the American people tonight and say there's very little the government can do to create jobs in 1992.")
-more-

Brady's report continues:

(Lacy Hunt, economist: "There can be a technical recovery in the economy, perhaps around mid-year, but not a recovery that the man in the street is going to feel.")

(Nancy Lazar, economist: "A tax cut for this economy would be good news. This has been the first recession we've had in the past 20, 30 years in which taxes have been actually going up.")

(Hunt: "The tax cuts are a very ill-conceived idea. They could perhaps add \$40 billion to the budget deficit.")

The problem: Since Mr. Bush's election in 1988, government spending has soared, pushing the federal deficit even higher.

[TV coverage of the President walking from Marine One with officials.]

Big tax cuts now by the President could cut government revenues, pushing Uncle Sam even deeper into the red. And that could bring on a backlash that would hurt consumers.

(Jones: "The President has to walk a very narrow line. If he in fact moves too aggressively on tax cuts it will cause interest rates to move up, even mortgage rates.")

Higher interest rates, of course, could cut off any chance of an economic recovery this year -- just one more indication of how tough the President's task will be tonight. (CBS-2)

CBS's Eric Engberg reports on the Bush style: Ask not what George Bush has done for presidential oratory. Soaring rhetoric, ala JFK and Reagan, is just not his style. In a political dogfight like the one he's in now, his oratory skitters from good guy to tough guy.

[TV coverage of the President taking a picture of himself in a crowd with an instamatic camera, then standing next to a cow.]

(President Bush, Jan. 15 in New Hampshire: "I'm a little sick and tired of being the punching bag for a lot of lightweights around this country yelling at me day in and day out.")

With patches bordering on incoherence thrown in:

(President Bush: "I said to him, you know there's another one that's a nitty ditty -- a nitty -- nitty ditty" [President starts to laugh, as does the audience.]

This State of the Union political prose note is a crisis for Mr. Bush, not just because of the recession but because his own words up to now have not inspired confidence.

[TV coverage of the President touring a sewing factory.]

(David Keene, GOP campaign strategist: "When the public senses that the country's in trouble, what they're looking for in a president is not just concern but a conviction that he knows how to get them out of it.")

The President's most recent effort drew criticism for lacking both substance and the common touch as he barnstormed New Hampshire.

(President Bush at cafeteria: "I just wanted you to know one, I know you're hurting, two I care about it, three I've been wrong about how fast this recovery would take.")

Comedian Dana Carvey from Saturday Night Live, whose portrayals often influence public perception of the President, lampooned his sincerity gaffe.

(Carvey as President Bush in New Hampshire, on SNL: "But the message today is I care. And I'm ready to listen. I'm here, I'm hands-on and I'm domestic. I'm a hands-on, domestic listener.")

Despite his reputation for malapropism and messy syntax, the President can wow an audience when he has to, as he did at the '88 convention.

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Engberg's report continues:

(Vice President Bush at the convention: "I'm a quiet man, but I hear the quiet people others don't: the ones who raise the family, pay the taxes, meet the mortgage.")

Experts say a smashing delivery won't be enough this time.

(Kathleen Hall Jamieson, University of Pennsylvania: "When the public is unhappy, the public looks at substance much more so than style, but expects that the substance will be delivered convincingly.")

It will be the most important speech of George Bush's life. But as Theodore Roosevelt noted, a president will have the upper hand in these settings if he can harness the force of his personal leadership to a vision of the nation's future. (CBS-3)

NBC's Tom Brokaw: Tonight the State of the Union: President Bush tries to repair the economy and his political fortunes. For weeks now, President Bush and White House officials have been saying tonight is the night. The President will set the nation on the course to economic recovery with a wide-ranging series of proposals and, they hope, stop -- or at least slow -- the President's free-fall in national political polls.

NBC's John Cochran: The President will set a deadline of March 20 for Congress to act on his economic package. The President met briefly with his Cabinet but spent most of the day reworking tonight's speech. Bush's advisers say he needs to hit a home run, just as he did at the '88 Republican Convention. And Bush has brought back the speechwriter responsible for "Read my Lips" and other lines that impress voters. But Bush cannot use the same tactics tonight. He will be speaking to a bipartisan audience and he will return to the themes of his inaugural address.

(President Bush, from Inaugural: "The American people await action. They didn't send us here to bicker. They asked us to rise above the merely partisan.")

Tonight, Bush will promise to begin working with Congress tomorrow to repair the economy. Bush will try to assert himself as leader on the domestic front just as he led the Desert Storm coalition.

(President Bush, addressing Congress after the Gulf War: "I can report to the nation aggression is defeated. The war is over." [Applause])

But Bush's popularity dropped as the economy sagged, and aides say his morale was low this month until he worked off his frustration campaigning in New Hampshire.

(President Bush: "I'm a little sick and tired of being the punching bag for a lot of lightweights around this country yelling at me day in and day out." [Applause, cheering] "And I'm sick of it. If they want a fight, they're gonna have one.")

That is not the George Bush we will see tonight, but he will repeat one theme: that he cares.

(President Bush: "This time, I'm going to look the American people in the eye, as I did in the past, and say all right, people are hurting more now. I've just come back from the state of New Hampshire and a lot of people are out of work. And if you really care, pass this package.")

But tonight, after three years in the White House, the President is still trying to convince voters that he cares and that he has a plan of action. (NBC-Lead)

NBC's Mike Jensen says he talked to people all over the country about some of the proposals President Bush is expected to make, and also asked economists about the effect on the country. Most families and most economists say an increase in the personal tax exemption would not really help. First-time homebuyers would welcome a tax break, but it wouldn't sell many more houses. Prices and mortgage rates are already low. People aren't buying because they are worried about their jobs. A tax break for health care coverage would help the middle class, but along with other tax credits and deductions it would increase the federal deficit, which is bad for the economy in the long run. Most economists say any tax break that encourages companies to become more efficient and productive is good for the economy. The problem for the President is that in an election year he has to do something, but the budget deficit is so huge that Washington simply doesn't have the money it would take to give the economy a shot in the arm. (NBC-2)

ECONOMY

ABC's Stephen Aug reports that the Conference Board says only 19 percent of consumers believe conditions will get better in the next six months. But the President has decided not to go for a major change in tax rates to stimulate the economy. He's going to propose a number of modest cuts instead. (ABC-9)

CHILDREN

ABC's Carole Simpson reports that in the face of criticism that he was unconcerned with domestic problems, President Bush has been spending more time highlighting children's issues -- for example, his recent visit to a Head Start center in Baltimore, where he said he was making good on a campaign promise to increase funding for Head Start.

(TV coverage: President playing with kids at Head Start center) Administration sources say the President is asking for a \$100 billion increase in spending for children's programs. But more than 80 percent of that money includes automatic increases in the cost of programs like Medicaid, Social Security and public assistance. Child welfare advocates don't believe the President's programs will significantly improve the condition of America's children. They fear that since there are no new sources of revenue to pay for additional funding, the President will take money from other children's programs. (ABC-10)

HEALTH CARE

ABC's George Strait reports that President Bush is expected to mention health care reform in only general terms tonight. He will not announce a comprehensive plan because his advisers told him the one he was considering would be political suicide. The President says his final proposal will be unveiled next week. Critics say they could have been ready for tonight's State of the Union if the Administration had realized earlier that health care was a major concern for millions of Americans and a potential make-or-break election issue. (ABC-11)

PRESIDENT/GEORGIA

NBC's Bob Kur reports from Cobb County, Georgia, where folks used to cheer as enthusiastically for George Bush as they do for their high school basketball teams. Seventy-three percent of voters here helped put him in office. For some, deciding whether to keep him in the White House begins with tonight's speech.

(Businessman: "Instead of telling us everything is going to be great, he needs to have a plan mapped out that will show us how it's going to become great.")

(Accounting clerk: "I think it's important to our nation that the President project an image like he is in control. With all this going on, I don't feel like George Bush is in control.")

On the county unemployment line just after sun-up, one-time Democrats -- now called swing voters -- jobless for the first time. The State of the Union is their state of mind.

(Truck driver: "I've got a family. I've got a 14-year-old daughter. And it is very, very hard to try to work for \$3 to \$4 an hour, which a lot of these places want you to work for.")

(Secretary: "I want security. I'm an American, and I live in the greatest land in the world. And I want some security.")

They thought they had it, but in many cases higher-paying jobs disappeared as the county economy changed from manufacturing and big business to service -- leaving most with a desire for stronger trade protectionism than President Bush wants.

(Salesman: "We turn around and say, hey Japan, whatever your tariffs are, that's what our tariffs are. And I don't care if they like it or not.")

Though most voters I met in these relatively prosperous Atlanta suburbs are not ready to reject Bush, many believe he reacted too slowly to the recession. And they do look to him and Congress for solutions that won't get bogged down in politics.

(Student: "I think it's the whole Congress, and everyone has to make decisions." Reporter: "Maybe work together more than they have?" Student: "Yes, of course.")

Locally, Lockheed, a defense contractor, has laid off 9,000 workers since the last election. Those left say a tax cut might help, but they know it's not a long-term remedy.

(Lockheed worker: "Again, you're chasing your tail. You're gonna make a tax cut, but all we're doing is just increasing our own debt -- again. Somebody's got to pay that money.")

And at the Mountain View Library pre-school reading group, parents sense more than ever that the state of the union now will affect the state of their children later.

(Housewife: "I worry that when they get out of college, that there won't be those jobs there for them, no matter what kind of education they can get. And that's kind of sad.") (NBC-13)

CONGRESS

NBC's Andrea Mitchell reports that Democrats have their best chance in three years to put through their proposals. If recent history's any guide, they'll blow it. In a recent survey of congressional aides, Speaker Foley's effectiveness rating dropped 33 points since last year, and Sen. Mitchell's rating dropped 27 points. Critics say they aren't tough enough. On the economy, Democrats are offering more than a dozen competing plans, making it that much harder to present a united front against Bush. (NBC-3)

PRESIDENTIAL LEADERSHIP

Brokaw: It is well to remember that Americans expect a lot of their President. Our latest NBC News/Wall Street Journal poll shows how voters are now grading President Bush. His overall job performance gets a B-minus, well below his earlier marks. On his handling of foreign policy and national security, the President gets a solid B. But when it comes to dealing with the economy, a C-minus. On handling health care issues, the President also gets a C-minus. When it comes to education, he barely does any better (C).

Beyond specific programs and policies, however, Americans want something more from their President. They want leadership.

NBC's Lisa Myers:

(President Bush, from Inaugural: "Some see leadership as high drama and the sound of trumpets calling. And sometimes it is that. But I see history as a book with many pages, and each day we fill a page with acts of hopefulness and meaning.")

For George Bush, there has been lots of high drama. He took the nation to war.

(TV Coverage of the President addressing troops in Saudi: "The occupation of Kuwait will not stand." [Cheering])

He dealt with the coup in the Soviet Union.

(Michael Beschloss, presidential historian: "This was a President who is extremely bold, who has done a supremely competent job of managing a very turbulent international situation.")

But boldness is not Bush's first instinct. His initial reaction is, to use his word, prudent -- when the Berlin Wall came down, when tanks rolled into Moscow, even when Saddam invaded Kuwait.

(President Bush in Cabinet Room following Iraq's invasion.

Reporter: "You're not contemplating any intervention.")

President: "I'm not contemplating such action.")

(Barbara Kellerman, presidential historian: "It's a leadership style that is by and large cautious, by and large careful, but that when triggered by animosity, particularly toward an identifiable enemy can become quite emboldened and highly competitive.")

Ask Saddam and Noriega. It's almost hard to believe a man could have so many accomplishments internationally and so few at home.

(Beschloss: "His greatest failing is this is not someone who can go to the American people and get millions of Americans to agree to make sacrifices that might in the medium or long term help the country.")

It's tough to lead when you don't know where you want to go. Call it a vision. George Bush doesn't seem to have one. Domestically, he's at best a broker, who works out deals with Congress. Beyond education, the environment and his crime bill, he hasn't really addressed major domestic problems such as health care. Even judged by the words of his own Inaugural Address, he comes up short.

(President Bush: "My friends, we have work to do. There are the homeless, lost and roaming.")

Yet Bush has never visited a homeless shelter, and homelessness continues to increase.

(President: "There are the children who have nothing.")

Today, one million more children live in poverty.

(President: "There are those who cannot free themselves of enslavement to whatever addiction -- drugs, welfare, the demoralization that rules the slums.")

Today, while casual drug use is down, hard core addiction is not.

-more-

Myers continues: Two million more Americans are on welfare, and despair rules the inner cities. This lack of domestic leadership finally has taken a heavy political toll. So the Commander-in-Chief of Desert Storm has begun to remake himself.

(President: "It was a clear, solid victory. I want to take that same sense of leadership and, again, solve the problems that have been plaguing this nation and the economy. I believe I can do it."

[Applause])

Whether George Bush can lead this country to deal with daunting domestic challenges is an open question, but it would be a mistake to underestimate him. He is capable of the unexpected, and time and again has risen to the challenge. (NBC-6)

CAMPAIGN '92

Rather: In presidential politics, Pat Buchanan got word today that he had qualified for \$100,000 in federal campaign matching funds. And supporters of so-far non-candidate Mario Cuomo filed today to put him on the Democratic primary ballot in Illinois. (CBS-4)

CLINTON

Jennings reports that at several stops today, Gov. Clinton denounced what he called "trash for cash." It appears quite a few people agree. We asked people across the country last evening if they would vote for a candidate who had an extramarital affair, and 26% said no [66% said yes]. But the polling unit points out that at least half of those people who said no are Republicans and unlikely to vote for Clinton anyway.

ABC's Jim Wooten reports on the Clinton campaign in New Hampshire. When Clinton volunteers went door-to-door today, only a few voters showed any concern for the Gennifer Flowers issue. The latest New Hampshire poll from Manchester TV station WMUR shows Clinton still leading his closest rival, Paul Tsongas, by 30% to 25%, with the rest of the Democrats far behind. And the ABC News Poll shows that most Americans, 81%, believe the media should drop the issue of adultery. Most people don't seem to care much about his personal life, but they do care about his truthfulness. That's the issue on which his campaign now seems to hang. (ABC-3)

CBS's Richard Threlkeld reports from Manchester, New Hampshire, that in a Boston Globe/WJZ-TV poll, the villain in all this is the press. By more than two-to-one, voters here think the news media has been unfair to Clinton, and that digging into a candidate's past sex life has no place in a presidential campaign. (CBS-5)

JAPAN/U.S.

Jennings reports a Japanese government spokesman said today that all the talk in the U.S. about buying American is just that -- a lot of talk. Increasingly, Japanese business leaders are talking back.

ABC's Bill Redeker reports. Yutaka Kume of Nissan said during President Bush's visit that the Japanese Big Five automakers and the U.S. Big Three should meet every year. Now he bluntly says the Japanese have no intention of doing that.

-more-

Redeker continues: Kume took special offense at the remarks Lee Iacocca made when he returned to Detroit from Tokyo.

(Iacocca, Jan. 10: "Japan has no use for free trade; it certainly has never practiced fair trade. No, what Japan practices is predatory trade.")

Kume says Iacocca is anti-Japanese, outrageous and insulting. He said it is incomprehensible that Detroit has not yet responded to Japan's offer to buy more American auto parts. The Japanese say Chrysler has aggravated the situation by announcing it will cut imports of Japanese steel by 25 percent this year and will stop buying imported steel altogether in two years. Automakers on both sides are on a collision course. (ABC-4)

ABC's Tom Forman reports on American companies which are successfully trading with the Japanese. They are worried that the new round of Japan-bashing will be bad for their business. Colorado is one of the most successful states for such trading.

(Morgan Smith, Colorado Trade Office: "Business relationships take a long time to build, and these kinds of political overtones I think can damage those relationships and hurt business.") (ABC-5)

MIDEAST PEACE TALKS

ABC's John McWethy reports on the Mideast peace talks in Moscow, where another historic barrier was overcome today: never before had the rich Arab Gulf states sat down at a conference with Israel. It was a major victory for the Israelis, because it provided a chance of recognition from those nations. This meeting was to begin a new phase of the peace process, exploring regional issues such as water shortages, pollution, arms control and economic development. If progress is made here, Secretary Baker argued, one-on-one talks will be easier. Syria and Lebanon did not attend, though, and the Palestinians refused to enter the building, complaining that they were not allowed to bring an expanded delegation to the meeting.

(Baker: "We regret that the Palestinians are not here. They have chosen not to come, and in my view they have once again passed up an important opportunity.")

But even without them, a new dimension to the peace process was launched today. (ABC-6)

NBC's John Dancy reports that at a news conference, Israel's foreign minister was ecstatic. But the Palestinians boycotted.

(Hanan Ashrawi: "We have our position very clear to the co-sponsors. We have insisted that we wanted to participate effectively, fully and legitimately.")

(Secretary Baker: "We believe that the Palestinians are making a mistake by not taking advantage of this opportunity.")

Baker did hold out an olive twig by saying Palestinians from outside the occupied territories might participate later, when refugees are being discussed. The U.S. hopes the Palestinians, having made a statement, will show up tomorrow. (NBC-4)

YELTSIN

Rather reports that after dropping out of sight yesterday, Boris Yeltsin turned up today visiting the Black Sea fleet.

(CBS-8, NBC-5)

News Summary

OFFICE OF THE PRESS SECRETARY



THURSDAY, JANUARY 30, 1992
6:00 A.M. EDITION

NATIONAL NEWS

BUSH PRESENTS \$1.52 TRILLION BUDGET -- A day after promising the American people a variety of tax benefits, President Bush Wednesday presented them with his detailed budget plan, which spelled out spending cuts, a higher budget deficit and an accounting change.
(Washington Post, Chicago Tribune, Boston Globe,
Washington Times, New York Times)

DETAILS OF HEALTH CARE PLAN FILTER OUT -- The basic shape of President Bush's still unreleased plan to solve the health care crisis became clearer Wednesday as details began filtering out from Administration officials and other sources. (Washington Post)

INTERNATIONAL NEWS

WHITE HOUSE OUTLINES VISION OF NEW MILITARY -- Bush Administration officials Wednesday outlined their vision of a new, post-Cold War military that would include sharply reduced purchases of advanced weapons but no personnel cuts beyond previously announced plans to shrink the armed forces by 25 percent. (Washington Post)

U.S. SET TO DROP SANCTION IF CHINA OBEYS MISSILE PACT -- The Bush Administration is prepared to remove a ban on exporting high-technology items to two Chinese missile manufacturers in exchange for China's pledge to abide by a non-proliferation treaty. (Washington Times)

NETWORK NEWS (Wednesday evening)

BUDGET -- President Bush sent Congress his battle plan in the war against economic hard times.

HOMEBUYERS REBATE -- President Bush's plan to give first-time homebuyers a tax credit brought cheers across the country.

STATE OF THE UNION -- After hearing President Bush's address, 56 percent of Americans polled said they believe President Bush can improve the economy.

NATIONAL NEWS.....A-1
INTERNATIONAL NEWS...A-12
NETWORK NEWS.....B-1
EDITORIALS.....C-1
FOREIGN MEDIA.....C-2

NATIONAL NEWS

BUSH PRESENTS \$1.52 TRILLION BUDGET

A day after promising the American people a variety of tax benefits, President Bush Wednesday presented them with his detailed budget plan, which spelled out spending cuts, a higher budget deficit for the current year and an accounting change to pay for the tax cuts without violating budget rules....

The Administration said its 1993 budget plan and more immediate economic measures would help prod the sluggish economy and also help growth over the longer term. Richard Darman said, "Clearly, the President has a plan, a comprehensive plan, a strong plan, a substantively responsible plan...which, if enacted, will work."

Rep. Panetta and Sen. Sasser criticized the President's budget, charging that the White House had resorted to budget "gimmickry" and "smoke and mirrors" to finance his tax package and spending initiatives....

Though the Administration has asserted that it would stick by the 1990 budget agreement, in his preface to the budget Darman suggested Congress could break down the "fire walls" between spending categories, thus allowing about half of military spending cuts to be used for something other than deficit reduction.

"If the Congress were unwilling to accept fully the President's proposed pay-as-you-go financing of tax initiatives, the President would be prepared to consider modifying the Budget Enforcement Act to allow the projected defense outlay savings to offset the proposed increase in the personal exemption," Darman said.

(Steven Mufson & Eric Pianin, Washington Post, A1)

Bush Proposes Unusual Plan To Curb Medicare, Social Security Growth

In a budget that critics denounced as unresponsive to the nation's economic woes, President Bush proposed an innovative but politically risky plan Wednesday to rein in the explosive growth of cherished social programs such as Medicare and Social Security.... "The President disappointed me by coming up with only \$50 billion in defense cuts," said Stephen Roach, economist for Morgan Stanley & Co. He said a \$100 billion cut would have been impressive in light of the collapse of the Soviet Union.

(William Neikirk & Michael Arndt, Chicago Tribune)

\$1.5 Trillion Bush Budget Shifts Some Spending, Increases Deficit

President Bush Wednesday offered a \$1.5 trillion budget for the 1993 fiscal year that reshuffles some spending to pay for slim election-year tax breaks and that all but concedes that the federal deficit will remain a fixture of American politics through the end of the century.... "The surprising thing about this budget is that it projects deficits off into the future that don't fall much below \$200 billion a year, even if all of the President's proposals are accepted," said Robert Reischauer, director of the Congressional Budget Office. "That was never acceptable before. Even President Reagan's budgets showed the lines going down."

(Peter Gosselin, Boston Globe)

Deal's Cuts Put Deficit At The Rear

President Bush drew a political line in the sane Wednesday, submitting to Congress a \$1.52 trillion "children's budget" that cuts defense and proposes the smallest spending increase of his presidency....

"We have said that we think that the peace dividend, as a matter of principle, should be available primarily for deficit reduction, but if a portion of it is needed in order to get the personal exemption through, the President would be prepared to consider it under some pretty stringent circumstances," Richard Darman conceded reluctantly. (Frank Murray, Washington Times, A1)

President Offers Cautious Changes In Spending Plan

In an election-year budget of \$1.52 trillion, President Bush called Wednesday for a modest increase in a wide range of popular domestic programs, but he avoided any major change in spending priorities to fight the recession.... Sen. Byrd said, "I saw no immediate burst for the economy in any of the tax-cut proposals" offered by Bush in either the State of the Union message or the budget request. (Robert Pear, New York Times, A1)

BUSH ASKS FEDERAL WORKERS FOR ONE-TIME DELAY IN NEXT PAY RAISE

President Bush has proposed delaying the annual pay raise for federal employees from next January until Spril and making the 1.7 million federal workers who belong to the older of two retirement systems pay more to stay in....

"I think, quite honestly, I and others are going to have to look at the proposal in the context of where the economy is now," said Rep. Hoyer. "Normally I would be a lot stronger in opposition" to the proposal, he said, but "these are tough times."

Hoyer and others pointed out that the President has the authority to decline to give any annual pay raise to civil servants when the economy has suffered two consecutive quarters of negative growth in the gross national product, which it has this year.

"I'm pleased it wasn't worse," said OPM Director Constance Newman. "There will be some fussing. I'll probably get sued," but "people understand." (Dana Priest, Washington Post, A11)

BUSH SEEKS \$35.6 MILLION FOR N.H. ANNEX

President Bush wants to give New Hampshire a \$35.6 million annex to the existing federal building and courthouse in Concord, according to his fiscal 1993 budget released Wednesday....

When told Wednesday that Bush's new budget contained construction funds for Concord, an aide for Sen. Rudman responded: "That's new to us." Rudman had not expected to ask his Senate colleagues to approve building money until the design was near completion, the aid said.

In a later interview, Rudman's aide said, "You can't consider this 'pork' for the (President's) New Hampshire primary. I'll steer you away from that.... This is a Rudman project."

(Walter Pincus, Washington Post, A11)

U.S. BUDGET LIMITS D.C. PAYMENT
Proposal Also Delays Federal Pay Raises

President Bush's budget proposes freezing the federal payment for the District of Columbia and delayed the scheduled 1993 pay raise for all federal workers, angering both city officials and employee unions.

Mayor Sharon Pratt Kelly and Del. Eleanor Holmes Norton accused the Administration of reneging on its pledge last year to provide more federal aid to the city under a new formula....

Kelly issued a statement describing the proposed freeze in the federal payment as "this executive staff-level recommendation from the Office of Management and Budget," and in an interview that it demonstrates a "kind of disrespect" for Bush's endorsement last year.

Norton said, "I was inclined to give Mr. Darman the benefit of the doubt until I learned he believed he could unilaterally alter the will of Congress.... He's going to lose badly this time."

A spokesman for Darman said Wednesday that the Administration last year "made it clear that we wouldn't necessarily recommend that the amount" set by Congress would be appropriated. The spokesman also said that "the amount on the table is not a giant amount of money."
(Kent Jenkins, Washington Post, A1)

ARTS ENDOWMENT BUDGET HELD DOWN UNDER BUSH PROPOSAL

For the second year in a row, the White House has requested increases in funding for most federal arts and humanities agencies but left the battered National Endowment for the Arts out in the budgetary cold....

"There is no written justification in the proposal so we don't really know for sure, but on the fact of it, it looks as if someone has it in for the NEA, and if that's the case I don't understand it," said Rep. Weiss.
(Elizabeth Kastor, Washington Post, C1)

BUSH LOOKING FOR PUBLIC SUPPORT OF HIS BUDGET

President Bush is quickly seeking to build public support for his challenge to Congress to pass his proposals for stimulating the economy within the next eight weeks.... Meeting Wednesday with a group of business and civic leaders at the White House, Bush heard nothing but praise for his proposals for using tax breaks to stimulate consumer spending, home buying and capital investment.

"It's a very strong package for the manufacturing sector," said Dexter Baker, chairman of the National Association of Manufacturers.... Bill Donaldson, chairman of the New York Stock Exchange, said a lower capital gains tax would "be a tremendous boost to the savings of America.... It's not just stocks and bonds." Jay Buchert, chairman of the National Association of Home Builders, said, "We think the March 20 deadline is very, very important."
(Christopher Connell, AP)

BUSH TAKES PLAN ON THE ROAD

President Bush Thursday begins the merchandising of the economic rescue plan outlined in his State of the Union speech.... The White House views the 50 days until Bush's March 20 deadline for Congress as a compact political campaign. "If we handle it like a campaign and repeat the message and drive it home every day, he'll do fine," says Charles Black. "He'll bounce back with the voters." (Judy Keen, USA Today)

BUSH PLAY COULD WIN EITHER WAY

The Bush-Quayle reelection team set out Wednesday to paint opponents of President Bush's economic recovery plan as party stooges ready to torpedo the economy for political advantage.

Working behind the scenes, GOP officials are orchestrating a campaign to force congressional Democrats to meet the President's March 20 deadline for action or face charges of slowing the economic recovery.

Robert Teeter explained the effort this way: "Democrats will be called on to pass the Bush growth plan "or bear the responsibility...for keeping our economy in a slow growth mode for political advantage." (Paul Bedard, Washington Times, A1)

**CONGRESSIONAL REPUBLICANS RALLY
BEHIND BUSH'S PLAN; DEMOCRATS CAUTIOUS**

President Bush won the support of once-restive Republicans and wary pledges of cooperation from Democrats as he personally lobbied Congress Wednesday on behalf of his new program for economic recovery.

Returning to Capitol Hill less than 12 hours after he finished outlining the program in his State of the Union address, a buoyant-appearing Bush met with Democratic and Republican leaders and with rank-and-file Republicans of both houses in an attempt to build pressure for prompt approval of his plan.

But there were strong signals that Democrats would continue to pursue their priorities, including higher taxes on the rich to finance more tax relief for middle-income Americans....

"We will cooperate with the President, but, to some extent, there's a sense in the speech of combativeness and challenge that I think creates some sense of concern" about the President's political motives, Rep. Foley told reporters at a breakfast meeting.

There was an "almost swaggering suggestion that after the 20th of March, well, if there is going to have to be a fight, then you know how I welcome fights," Foley said. "And I'm not sure that meshes with his call for cooperation."

Bush's attempt to establish a deadline for action "doesn't mean anything" because Congress already intended to act swiftly because it is "the right thing to do" in light of the country's economic distress, said Sen. Mitchell.

(Helen Dewar & Kenneth Cooper, Washington Post, A7)

DEMOCRATS POUNCE ON BUSH'S BUDGET

Democrats, pouncing on the architect of President Bush's proposed \$1.52 trillion budget, say it succors the wealthy and is unfair to working Americans. "Big tax cuts for the rich, sacrifices for everybody else," is how Rep. Panetta characterized the election-year spending plan Wednesday.... "If ever there was a reelection document, this is it," complained Sen. Sasser, echoing the skepticism of several other Democrats. (Alan Fram, AP)

HILL PHONES QUIET DESPITE BUSH PLEA

Americans weren't burning up the phone lines to Capitol Hill Wednesday to urge prompt passage of the economic recovery plan unveiled by President Bush in his State of the Union address....

"We got a grand total of two calls," said Bill Powers, spokesman for Sen. Symms.... Jack DeVoor, spokesman for Sen. Bentsen, described the number of speech-related calls that office received as "very few." (Joyce Price, Washington Times, A9)

ECONOMISTS SKEPTICAL OF BUSH PLAN

President Bush had promised that the initiatives he detailed in his budget this week will "lift the nation out of hard times inch by inch," but economists interviewed Wednesday said that with the economy advancing just one inch at a time, there will be no quick return to prosperity....

The President has proposed "a nice mix of sound policies," said economist Jerry Jasinowski, president of the National Association of Manufacturers. But the limited scope of the programs makes it clear that the Administration's main strategy for economic revival is a continued reliance on lower interest rates engineered by the Fed, he added.

"He has avoided the problem of going forward with extreme programs that would raise long-term interest rates," Jasinowski said. "Extreme" in this sense would be a much bigger package of tax cuts that could give a big boost to consumer spending, but also send prices sharply upward....

"If it doesn't work economically, it's not going to work politically," warned Fabian Linden, chief economist for the Conference Board.

(Jerry Knight & Kirstin Downey, Washington Post, A1)

Bush Confident His Economic Plan Will Work; Economists Less Sure

..."The President's program is lacking in vision and confidence-building for the long run," said David Jones, an economist at Aubrey G. Lanston & Co....

Many analysts said they believed the biggest mistake Bush made in his budget was greatly expanding the tax relief he was seeking from a reduction in capital gains rates and demanding that Congress pass it by March 20.

"By including capital gains, he is throwing open the entire process to a massive partisan squabble," said Roger Brinner, senior economist at DRI-McGraw Hill. "That is not going to leave the public or financial markets feeling good as they watch this farce unwind." (Martin Crutsinger, AP)

Experts Doubt Bush Plan Will Spur Economy

President Bush has fielded a battalion of proposals to fix the economy. Squarely in the front rank, he has planted his most beloved battle flag: a tattered banner that says, "Capital Gains Tax Cut."... "I give him an A for his stand on capital gains. It sounds like he means it this time," says Robert Eggert, economist and editor of Blue Chip Economic Indicators. "It's extremely critical to our competitiveness." (Kevin Anderson, USA Today, 1B)

**ECONOMY'S FLIGHT TO FREEDOM?
Plan Wins Praise -- As A First Step**

President Bush's rousing call to "set the economy free" isn't likely to help consumers feel better about their economic future, but most business groups said the President's new growth plan is a good first step....

Some economists were disappointed with the President's plan.... "There's a huge gap between public confidence and economic reality," said Raymond Worseck, chief economist with A.G. Edwards & Sons Inc. "From my vantage point the whole point is how to get people to be more confident. When you examine the proposals, they are very anemic."

(Anne Veigle, Washington Times, C1)

HOME-BUILDING INDUSTRY GOT EVERYTHING IT ASKED FOR AND MORE

CHICAGO -- The beleaguered home-building industry, reeling from its worst year since World War II, got everything it asked for and more in President Bush's budget proposals, and builders generally reacted with delight.

But some concern was expressed Wednesday that Bush's package might go too far in accelerating the real estate sector of the economy which has been already showing signs of recovery in response to interest rate declines.

"We're pleased," said Kent Colton, executive director of the National Association of Home Builders. "This is the stimulus that the economy and home building desperately need."

(Linn Allen, Chicago Tribune)

BUSH FIGURES ON EDUCATION BUDGET CHALLENGED

President Bush boasted Wednesday that his \$32.3 billion education budget represents a 42 percent increase over 1989. This triggered an immediate challenge by the National Education Association, the nation's largest teachers' union.

"Last year Congress approved \$32 billion for education, but Bush is using \$29 billion as a base line to indicate a greater commitment than there really is," said Michael Pons, an NEA spokesman.

Secretary Alexander defended the Bush budget as "helping to transform the nation's schools." He pointed to a \$267.5 million item that would pay for school choice plans that "put trust in the parents rather than in government." (Muriel Cohen, Boston Globe)

BOATING INDUSTRY LEADERS APPLAUD PROPOSAL TO REPEAL EXCISE TAX

CHICAGO -- President Bush's call for the repeal of the 10 percent excise tax on larger boats will go a long way toward reinflating an industry that is nearly sinking, industry leaders say.... "Our industry has been in recession for about three years," said Jeff Napier, president of the National Marine Manufacturers Association. "We are delighted to hear the President's proposal. Many large boat manufacturers are in dire straits -- some firms have gone to Chapter 11, others are on the verge."

(William Recktenwald, Chicago Tribune)

**LITTLE TO SOFTEN SQUEEZE OF RECESSION
AND STATE CUTS ON THE POOR**

For America's recession-battered families, President Bush's domestic budget offers a dollop of increases in high-visibility programs for children and a dose of tax relief aimed at the upper middle class and wealthy. But there is little to offset the combination of hard times and state budget cuts that has landed with special fury on the poor and working poor....

"The numbers don't match the rhetoric," said David Liederman, executive director of the Child Welfare League of America. "I think this budget creates more holes in the safety net than it fills."...

Sen. Rockefeller said he was "very disappointed" in the President's speech and his budget document. "If ever there was a moment when a president had the opportunity to lead on the domestic front, this was it. But he turned away from the challenge," Rockefeller said.

(Paul Taylor, Washington Post, A10)

EDITOR'S NOTE: "Bush Seeks To Set Election-Year Course," by Marshall Ingwerson, is in The Christian Science Monitor, page 1.

"Tables, Charts, Smoke And Mirrors -- Annual Budget Process Begins," is in "The Federal Page," The Washington Post, page A21.

"Bush Wins Applause But No Ovation," a roundup of reactions to the President's economic plan, is in The Wall Street Journal, page B1.

ECONOMY GREW SLIGHTLY IN LAST QUARTER OF 1991

The U.S. economy barely grew in the final three months of last year, as a surge in demand for American exports kept the nation's production of goods and services from actually shrinking, the Commerce Department reported Wednesday.

The department said the nation's gross domestic product rose at an annual rate of only 0.3 percent in the fourth quarter after adjustment for inflation, down from increases at 1.8 percent and 1.4 percent rates in the previous two quarters....

CEA Chairman Michael Boskin said the "very flat, sluggish position the economy's been in since the late summer...will continue...in the early part of 1992." If President Bush's various new proposals to stimulate the economy are quickly adopted, "people will notice a demonstrably higher rate of growth" by the middle of the year, he said.

(John Berry, Washington Post, A6)

BUSH ADMINISTRATION, GREENSPAN SEE ECONOMIC RECOVERY AHEAD

The Bush Administration Wednesday forecast modest U.S. economic improvement for later this year and said Congress could accelerate it by passing Bush's new agenda for recovery. But Fed Chairman Greenspan minimized the need for programs aimed at promoting growth, saying he could see signs of life returning to the economy already....

"It's not a question of the economy coming back on its own. Of course it's going to," Secretary Brady told a news conference at which the budget proposals were announced. "The President's feeling is that the recovery is on its way. Obviously, the proposals that he put forward are ones that will accelerate the speed of that recovery."
(Susan Cornwell, Reuter)

GREENSPAN FACES BARRAGE OF SENATORS' COMPLAINTS**Fed Chairman Says He Still Fears Inflation**

Sen. D'Amato recalled Wednesday that a year ago he asked Fed Chairman Greenspan, "What world do you live in? You were worried about inflation. Businesses are closing. We're in a recession. Cut the interest rates."

After more months of recession and a stalled recovery, D'Amato complained that rather than following his advice, the Fed "did too little too late" and the country suffered as a result. "I think a great deal of the pain that we have endured could have been minimized" with faster action by the Fed to cut interest rates, the senator said.

Greenspan, seeking confirmation to a second four-year term, listened Wednesday to a barrage of such complaints from D'Amato and other members of the Senate Banking Committee who were unhappy about the state of the American economy.

(John Berry, Washington Post, D12)

BEWARE A BIDDING WAR AS BUSH AND DEMOCRATS COMPETE ON TAX CUTS

President Bush's new budget is the first bid in a high-stakes gamble to spur the economy. Now, the Democrats in Congress will try to trump it. The likely outcome, legislators in both parties agree, is that a significant tax cut will be enacted by summer. And a real danger is that a partisan bidding war could cause that tax cut to grow into a budget-busting fiasco.

The President has "already put the ball in motion for a repeat of 1981," worries Rep. Panetta, referring to the 1981 tax-cutting that's widely blamed for putting the U.S. \$3 trillion in debt.

(Jackie Calmes, Wall Street Journal, A1)

DETAILS OF HEALTH CARE PLAN FILTER OUT**Bush Would Rely On Tax Credits, Private Insurance Reform**

The basic shape of President Bush's still unreleased plan to solve the nation's health care crisis became clearer Wednesday as details began filtering out from Administration officials and other sources.

The plan rejects the two favorite Democratic solutions -- national health insurance and a federal requirement that all employees provide health insurance to their workers -- in favor of expanding coverage through tax credits and reform of the private insurance market....

Sen. Mitchell said that on the basis of what is known, the Bush plan is "a non-solution.... It will do nothing to control costs, and does not appear in the brief summary available so far to provide insurance coverage for all Americans. The President has yet to tell us what it will cost and how he proposes to pay for it."

Sen. Kennedy said the proposal "flunks the two basic tests of real reform -- they refuse to guarantee coverage for all Americans and they pay only lip service to control health care costs."

(Spencer Rich, Washington Post, A10)

BUCHANAN SAYS BUSH CO-OPTED HIS IDEAS

MANCHESTER, N.H. -- The conservative thrust of President Bush's State of the Union address temporarily knocked the wind from the sails of Patrick Buchanan's insurgent campaign Wednesday.

Buchanan put it best: Bush co-opted many of the conservative themes and ideas of Buchanan's campaign, including his call for tax cuts, a freeze on federal spending and hiring, and a curb on federal regulation. "There is no doubt there is a little bit of intellectual property theft that has been going on here in the last few weeks," Buchanan said.

(Chris Black, Boston Globe)

KEMP STUMPS FOR PRESIDENT OUT OF LOYALTY

MANCHESTER, N.H. -- Secretary Kemp defended his campaigning here for President Bush Wednesday as an act of loyalty, while Patrick Buchanan accused Bush of running like a conservative but governing like a liberal. "The President boldly took on the forces of (income) redistribution (in his State of the Union speech)," Kemp said at a news conference at Bush-Quayle '92 headquarters....

At his own news conference, Buchanan said that although the "President delivered a strong, forceful, well-crafted speech...it seems clear that George Bush as candidate is going to run against his own record as president. He governs as a liberal but runs as a conservative.

Many conservative activists who agree with Buchanan's assessment of Bush also express dismay that leaders on the right like Kemp have come here to claim the President as a fellow conservative.

(Ralph Hallow, Washington Times, A3)

CLINTON: BUSH OUT OF TOUCH

PORTSMOUTH, N.H. -- Beleaguered Gov. Clinton said Wednesday that President Bush is out of touch with the nation's economic needs. The other four Democratic candidates also criticized Bush's State of the Union proposals....

"He was lecturing Congress as if he just showed up yesterday," said Clinton.... "Nothing the President proposed will create jobs or end the growing inequality and injustice in America," said Jerry Brown. "It is too little and too late."...

Sen. Harkin said: "The State of the Union speech was really a speech about the state of President Bush's reelection campaign -- fraught with bad economic news, absent concrete solutions...and offering too little too late."

(Ronald Taylor, Washington Times, A4)

THE DEADLINE: A TACTIC WITH POLITICAL ROOTS

The March 20 deadline that President Bush set in his State of the Union address for Congress to pass his economy growth agenda is one firmly rooted in politics, not law. There is no legal sanction if the deadline is missed, but, as Bush made clear Tuesday night, there will be a rhetorical one.

(John Yang, Washington Post, A7)

SPEECH PRAISED FOR STYLE, NOT CONTENT**Democrats Who Voted For Bush In 1988 Express Mixed Reactions**

TIMONIUM, Md. -- Before President Bush began his State of the Union address, the 11 men and women gathered here -- all of them Democrats who had backed Bush in 1988 -- said in urgent tones that they hoped he would speak to their concerns about the recession and unemployment, imports, education, health care and homelessness.

When he had finished, most of them said he hadn't really done that -- or done it as well as they had hoped. But they liked the speech and the man who gave it because he was "real positive," "confident," "very strong."...

All of them came away from the speech confirmed or strengthened in their inclination to vote for Bush again -- unless an unexpectedly attractive alternative appears. "He's my man until somebody better comes along," said Raymond, 61, a janitorial supplies salesman who asked that his last name not be used....

Mike Raetjes, a 42-year-old landscaper, had said before the speech that "unemployment and the homeless are the two big issues -- very big issues" for him. After the speech, he agreed with others who said, "I really didn't hear how we're going to take care of our people here that need food and shelter."

Yet Raetjes said, "He came off sounding very strong, very strong indeed, about his plans.... I kept expecting him to say, 'Read my lips,' but he said, 'This will not stand' instead.... His credibility is strong for me.... My opinion is he intends to do the best he can. I really believe that."

(David Broder, Washington Post, A1)

**HOUSE TO EXPAND RESEARCH-COST PROBE
Rep. Dingell Says New Audits
Show Widespread Abuse Of U.S. Funds**

A congressional oversight committee Wednesday vowed to investigate virtually every university and nonprofit organization receiving federal research money after revealing more examples of questionable spending, including an \$11,000 St. Patrick's Day party at Syracuse University....

Rep. Dingell said new audits provided "stunning findings" of widespread abuse of government funds. Dingell plans to expand the inquiry to include nonprofit organizations involved in government research, such as the National Academy of Sciences.

(Mary Jordan, Washington Post, A4)

KELLY CITES U.S. FOR PLIGHT OF D.C. HISPANICS

Mayor Sharon Pratt Kelly blamed the federal government Wednesday for many of the problems that led to three days of civil unrest in Mount Pleasant and adjacent neighborhoods last May.

"The frustrations have been festering for 12 years," Kelly told the U.S. Commission on Civil Rights, as it began three days of hearings in Georgetown. "Because of federal policy that forced immigration into this area with no programs to accommodate the new thrust and no dollars for education or jobs or social services, we have become a repository...but no beneficiary of any federal dollars."

(Carlos Sanchez, Washington Post, B1)

**WHITE HOUSE STAFF SHUFFLE WOULD MAKE
YEUTTER DOMESTIC POLICY ADVISER**

President Bush is nearing a decision on a staff shuffle that would produce a new Republican Party chairman for the election year and a new White House domestic policy chief, sources say.

Samuel Skinner is advancing proposal that would move RNC Chairman Clayton Yeutter to the White House to coordinate domestic policy, said GOP and Administration officials. The officials also said longtime Bush consultant Rich Bond was the President's first choice to succeed Yeutter at the RNC....

Yeutter confirmed in an interview that he had been approached about becoming White House domestic policy adviser. "There's no decision on it yet," he said. "I have to make the evaluation and so does the President."...

Bond said he was following the speculation but that no one had offered him the job. If Yeutter decided to leave the RNC and if the President and the party offers him the job, "then I'm certainly available," Bond said. "It sounds like a terrific thing all around. But it's something that Clayton would have to want."

(Tom Raum, AP)

EDITOR'S NOTE: "Skinner Brings New Openness And Flexibility To White House, But His Style Has Its Pitfalls," by John Harwood, appears in The Wall Street Journal, page A14.

"The First Lady, Shopping For A Second Decorator?" appears in "The Reliable Source," The Washington Post, page C3.

INTERNATIONAL NEWS

WHITE HOUSE OUTLINES VISION OF NEW MILITARY Plan Includes Sharply Reduced Purchases Of Advanced Weapons But No Added Personnel Cuts

Bush Administration officials Wednesday outlined their vision of a new, post-Cold War military that would include sharply reduced purchases of advanced weapons but no personnel cuts beyond previously announced plans to shrink the armed forces by 25 percent.

Secretary Cheney and Gen. Powell strongly defended the so-called base force plan, which would reduce the armed forces to 1.6 million active-duty personnel by the mid-1990s....

"We don't think we ought to change that plan every six months or 12 months, based upon developments either on Capitol Hill or overseas," Cheney said at a Pentagon news conference Wednesday. "It's important for us to remember that future peace and stability in the world will continue to depend in large measure upon the willingness of the United States to deploy forces overseas in Europe, the Pacific and the Middle East and to retain high-quality forces here at home." (John Lancaster, Washington Post, A10)

PENTAGON SAVINGS WON'T BE REALIZED UNTIL 1998

President Bush's proposed \$50.4 billion in military spending cuts actually would save only about half that much between now and 1997, Pentagon officials acknowledged Wednesday. The remaining \$23 billion won't be saved until at least 1998.... Even hawkish lawmakers, like Sen. Gramm, want to cut \$24 billion more than Bush has proposed for next year. "I am afraid there will be a bidding war as to who can cut defense the most," said Sen. Nunn.

(Mark Thompson, Knight-Ridder)

PRICE OF COLD WAR VICTORY IS JOBS, JOBS, JOBS

At the White House, they're calling it a bit of an economic headwind -- but post-Cold War defense budget cuts will hit with gale force at plants, bases and payrolls across the country. That's the down side of the peace dividend, and it will cost jobs just as President Bush prods Congress for a program he says will revive the economy and get people back to work....

"We're throwing a lot of people out of work," Sen. Dole noted. "Defense was never meant to be a jobs program, but it's got to be done in an orderly way."...

CEA Chairman Michael Boskin said it is a transition from "a situation in the '80s of the big defense buildup being a boost to the economy" to the prospect "of this defense downsizing being a bit of a drag." "There are a variety of those other things that are a bit of a headwind for the economy," Boskin said....

"The only way to cut the defense budget is to actually cut it," Secretary Cheney said Wednesday. "And as much as I would like to make decision based only on preserving X number of jobs out there, I can't do that." (News Analysis, Walter Mears, AP)

PENTAGON STALLS ON WOMEN PILOTS

The Pentagon's top personnel officers Wednesday built a united front in opposing a quick opening of combat pilot jobs to women. Their testimony elicited a scolding from Rep. Byron, who championed the vote in Congress last year to lift the ban on female combat pilots. "I got the feeling their feet are going to be dragged," Byron said after the hearing. "The committee is going to watch you guys.... The American public is ready to see women in units that are in harm's way." (Rowan Scarborough, Washington Times, A1)

YELTSIN OFFERS CUTS IN A-ARMS

MOSCOW -- President Yeltsin, making his debut on the international stage as a major world leader, Wednesday called for sweeping cuts in nuclear arsenals and announced that he had halted production of several long-range nuclear weapons systems.

In a television address on the eve of a visit to the U.S., Yeltsin said Russia was striving for "minimum sufficiency" in nuclear and conventional weapons. He welcomed arms control proposals made by President Bush in his State of the Union address and suggested that Moscow could join Washington in creating and jointly operating a global defense system against nuclear attack in place of SDI....

Yeltsin said he would propose deep reductions in strategic offensive weapons when he meets with President Bush in Camp David on Saturday. Under his proposal, each side would be left with only 2,000 to 2,500 strategic nuclear weapons....

Welcoming the Yeltsin initiative at a news conference in the Kremlin, Secretary Baker said that both the U.S. and Russian proposals were "worthy of consideration." He said they reflected "new political realities and the changed circumstances of relations between the United States and Russia."

(Michael Dobbs, Washington Post, A1)

BUSH, YELTSIN ADD MOMENTUM TO REDUCTION OF ATOMIC ARSENALS

New arms control proposals by Presidents Bush and Yeltsin have added substantial momentum to the dismantling of the world's most extensive nuclear weapons arsenals and industries, U.S. officials and independent experts said Wednesday. The latest U.S. offer and Russian counteroffer, exchanged in speeches by the two leaders that seemed to have been coordinated in advance, will almost certainly move both nations towards much smaller and somewhat less provocative nuclear arsenals, the sources said.

(News Analysis, Jeffrey Smith, Washington Post, A18)

BRITAIN TO EXPAND NUCLEAR SYSTEM

LONDON -- Britain Wednesday insisted it would forge ahead with expanding and modernizing its supply of nuclear warheads even while welcoming new U.S. and Russian proposals for deep cuts in their nuclear arsenals. Despite a televised plea from President Yeltsin to the world's other nuclear powers to cut back, British officials said they plan to go ahead with building four Trident submarines with multiple-warhead ballistic missiles to replace the country's aging Polaris fleet.

(Glenn Frankel, Washington Post, A19)

PALESTINIANS RECEIVE PLEDGE FROM BAKER

MOSCOW -- Secretary Baker Wednesday assured Palestinian participants in the Middle East peace process that if they end their boycott of talks on regional problems he will support their call for broadened representation when those talks involve issues such as refugees and economic development that are of concern to Palestinians. However, Israel warned anew that it would quit the talks if the rules governing which Palestinians are eligible are changed. (John Goshko, Washington Post, A17)

BAKER KEEPS SYRIA ON TERRORISM LIST DESPITE IMPROVED TIES

Despite approved U.S. relations with Syria, Secretary Baker won't remove Syria from the list of countries alleged to engage in state-sponsored terrorism, U.S. officials say. At the conclusion of the State Department's annual review, Baker has decided that there was no justification for removing Syria or any of the five other countries from the list, the officials said Wednesday. (George Gedda, AP)

**ISRAELI PARTIES AGREE ON JUNE 23 ELECTION
Campaign Seen Likely To Slow Peace Talks**

JERUSALEM -- Prime Minister Shamir's ruling Likud and the opposition Labor Party Wednesday reached a tentative agreement to move general elections up from November to June 23, setting the stage for a political campaign likely to have a crucial influence on the Middle East peace process....

The five-month campaign seems likely to slow Arab-Israeli peace negotiations, although Shamir has insisted that he wants the talks to continue. At the same time, politicians say the results of the vote may be key to determining how far Israel will be willing to go to reach an agreement with Palestinians on self-rule in the occupied territories, as well as in peace talks with Jordan, Syria and Lebanon. (Jackson Diehl, Washington Post, A16)

DATA SHOW U.S. APPROVED \$60 MILLION IN SALES TO IRAN

The Bush Administration approved \$60 million in high-tech sales to Iran over 13 months starting in September 1990, and most had potential military value, documents show. Even as the Commerce Department was approving the exports, other agencies were sounding alarms about Iran's efforts to develop nuclear weapons and its support of terrorism. (AP, Washington Post, A6)

SADDAM FORMS SPECIAL FORCE FOR PROTECTION

NICOSIA -- Saddam Hussein has formed a special military force to protect him, his palaces and key government centers against internal opposition, diplomats said Wednesday. The troops reportedly were taken from the Republican Guard.

(AP, Washington Times, A10)

U.S. SET TO DROP SANCTION IF CHINA OBEYS MISSILE PACT

The Bush Administration is prepared to remove a ban on exporting high-technology items to two Chinese missile manufacturers in exchange for China's pledge to abide by a non-proliferation treaty.

According to Administration officials, China will agree in writing to abide by the 1987 Missile Technology Control Regime.... An announcement to lift the June sanctions is expected before President Bush meets Prime Minister Li in New York and could come as early as Thursday, according to officials.

(Bill Gertz & Warren Strobel, Washington Times, A1)

**CHINESE PREMIER IN NEW YORK FRIDAY
FOR U.N. SUMMIT, TALKS WITH BUSH**

BEIJING -- Premier Li's trip to New York Friday to attend the Security Council summit with President Bush and other world leaders marks a personal victory for the Chinese official most closely identified with the crackdown on the democracy movement....

It is unclear if the Chinese would take any new measures on human rights and arms proliferation to the separate Li-Bush meeting, but Li's visit is viewed here as an unexpected opportunity to break the logjam in U.S.-Chinese relations.

(Lena Sun, Washington Post, A20)

**U.S. SEEN WITH FEW GOOD POLICY OPTIONS ON HAITI
Military Action 'Isn't Even Being Debated,'
Official Says; Blockade Called Unlikely**

The deteriorating political and economic situation in Haiti leaves the Bush Administration with thousands of boat people on its hands and very few good policy options, Administration officials said Wednesday.... Privately, increasingly frustrated officials concede there is little being proposed that would force a return to democracy in that troubled country....

Military action, which would almost certainly have to be approved by the OAS, "isn't even being debated now," one official said. "People think that because Haiti is in the Western Hemisphere and so close that it is manageable. But it's not. There is no there there. It has never had an honest or democratic government in 200 years.... If you invade you're going to be in Haiti for years.... There is a minute center and...a history of violence and polarization."

(Al Kamen, Washington Post, A15)

NETWORK NEWS

(Wednesday evening, January 29)

STATE OF THE UNION/BUDGET

ABC's Peter Jennings: We begin tonight with the fine print. In his State of the Union speech, President Bush called on Congress and the nation last night to go to war against economic hard times. In fact, he used exactly the same language he used a year ago, when he demanded that Iraq get out of Kuwait. This recession, he said, will not stand. Today Bush sent Congress the battle plan: 1,600 pages of charts and numbers that make up the budget that he wants Congress to enact. At the same time, the nation's leading bankers sounded a note of caution. Federal Reserve Chairman Greenspan says the economy may already have started to turn around, and he warned the President and the Congress not to get in the way.

ABC's Brit Hume:

(TV coverage: Senate Republicans holding up "A+ speech report card" sign behind President)

On Capitol Hill today to promote his program, the President received some assurance that his performance last night had at least rallied his own party behind him.

(TV coverage: President walking through halls of Congress with Speaker Foley)

Bush also spent some time with Speaker Foley, but there was no indication Foley and his party are prepared to accept either the Bush program or his March 20 deadline for passing it.

(**President Bush:** "I think we're preoccupied [unintelligible] stay in touch.")

Fed Chairman Greenspan, meanwhile, was telling Congress ever-so-cautiously that an economic upturn may now be at hand.

(**Greenspan:** "We are beginning to see some very subtle signs that the erosion in the economy is beginning to stabilize.")

(TV coverage: President Bush walking down Capitol steps)

Greenspan gave Bush's recovery program the most backhanded sort of endorsement by saying it wasn't big enough to do any real harm --

by enlarging the deficit and thus pushing up interest rates, for example. But he warned both the White House and Congress against cooking up anything bigger.

(**Greenspan:** "The type of negotiations that could occur could create a much larger and potentially fiscally disruptive package.")

The Administration's economic team agreed today that the economy is poised to grow again, but they argued the Bush program would make the rate of growth even stronger.

(**CEA Chairman Boskin:** "Two-point two percent this year and three percent next year. If the President's policies are not enacted, we expect the economy to do substantially worse than that.")

The Administration and the Federal Reserve chairman are saying basically the same thing in slightly different ways. The Administration thinks its modest program will help; the Fed chairman thinks it can't hurt. And both agree that the economy's main lifeline and hope for growth is now the Federal Reserve and continued low interest rates.

(ABC-Lead)

-more-

CBS's Dan Rather: President Bush delivered his State of the Union speech last night. Today he sent Congress the fine print. This is the federal budget proposal Bush says will turn the economy around this election year.

CBS's Ray Brady reports on what the budget means for taxpayers. President Bush proposed a bundle of financial goodies aimed at boosting the economy and ensuring his reelection. You get maybe \$350 a year more to spend.

(**President, during Address:** "Something tells me a number of taxpayers may take us up on this one.")

Well, maybe. But the plan cuts withholding, not taxes. The address did little to ease the main concern of many Americans.

(**Audrey Freedman, economist:** "In the long-term and even in the medium-term, none of his proposals will create jobs.")

Critics say many of the proposals are short-term fixes for an election year, not likely to promote long-term growth. (CBS-Lead)

Rather: President Bush was back on Capitol Hill today for spin control on the speech and the hard sell on his budget.

CBS's Susan Spencer:

(TV coverage: President walking through halls of Congress)

With the White House trumpeting his performance last night, Bush braced for Act 2, today explaining how he'll pay for all of his election year promises and tax cuts.

(**President, seated with congressmen:** "We do not need more domestic spending; we're cutting back on defense. And so it's a very well-thought-out package.")

The '93 budget out today makes it clear: defense savings may be the linchpin to tax cuts in what the White House called its growth package and others call smoke and mirrors.

(**OMB Director Darman:** "We would be willing to consider the use of the outlay savings from the defense cut to support the investment in families, personal exemptions. And only that.")

Details are all laid out in a five-pound budget book with a bottom line of \$1.5 trillion, a deficit estimated at over \$350 billion, a projected unemployment rate bound to upset the Bush campaign of 6.4 percent, and recovery -- well, just around the corner.

(**CEA Chairman Boskin:** "By mid-1992, if the President's proposal is passed, people will notice demonstrably higher rate of growth.") And some popular programs will have lots more money, among them highway construction, R&D, Head Start, science and math education. Among the budget's big losers are new public housing construction, community services block grants, money to remove asbestos from schools, and low-income energy assistance. Medicare takes a \$1.4 billion hit in this plan, but beyond that the budget has no real specifics on comprehensive health care reform.

(**Ron Pollack, Families USA:** "Unfortunately, what we saw with George Bush is a new medical Darwinism. Not survival of the fittest, but survival of the richest.")

Bush does promise now absolutely to detail his health care plan next week. That plan and this budget will serve as ammo against campaign charges that he really has no domestic policy. (CBS-2)

CBS's Bob Schieffer reports that on the campaign trail President Bush got hammered from the right and the left.

Schieffer's report continues:

(**Sen. Harkin**: "I heard it all before four years ago. Said he was going to be the Education President, gonna be the Environment President, gonna create millions of jobs. So we've heard it before.")

(**Pat Buchanan**: "For three years he has presided over one of the biggest spending splurges in American history, and now he's gonna freeze spending.")

But the speech accomplished one thing: at the Capitol this morning, Republicans gave him a big A-plus. Even those who had been threatening to bolt and design their own economic plan said they're back with the President.

(**Rep. Gingrich**: "I think up until 9:00 last night it was fair to ask the question, Does President Bush have a program? I think by 10:00 last night, it was clear that President Bush has a program and the key question is will the Democratic leadership cooperate.")

(**Sen. Dole**: "This plan, we're gonna stick together. And that's very important. Republicans have to stay united.")

It was the President setting a deadline that rankled Democrats here.

(**Sen. Sasser**: "The President has given us 50 days to send him a solution, when it took him 480 days to notice we had an economic problem.")

(**Rep. Panetta**: "This Administration is not thinking about 20-year plans and it's not thinking about 10-year plans. It's thinking about the 10 months between now and Election Day.")

Even so, criticism from the Democratic leadership was fairly muted. After all, they said, it was Democrats who first proposed a lot of what the President wants now.

(**Sen. Mitchell**: "The President previously opposed a middle-income tax cut and extended unemployment insurance. Now that he's come around on those, joined with us on the others, I think they form a basis for action.")

The President's popularity is down, but polls also show that voters hold Congress in even lower regard. So among legislators there is a new sense of urgency about saving jobs -- especially theirs.

(CBS-3)

NBC's Tom Brokaw: President Bush today carried through on at least one of his promises from last night's State of the Union speech: he was out selling hard. He went to Capitol Hill mindful that with a sharp recession and an election year, he now faces double jeopardy.

NBC's John Cochran: The President's budget, like his economic recovery package, is aimed at restoring confidence in two things: the economy and George Bush.

(TV coverage: President receiving "report card" from Senate Republicans)

Today the President returned to Capitol Hill, where Senate Republicans, without even blushing, gave him a grade of A-plus for last night's speech. Bush explained he set a March 20th deadline for Congress to act on his package because it is an election year.

(**President**: "I am running; many other Democrats are out there running; and it would be unrealistic to think that as we get later in this year we could get as much done as we should get done for the American people.")

Bush's budget will set a record -- the wrong kind: the biggest deficit ever, almost \$400 billion.

-more-

Cochran continues: Bush says it'll bend his 1990 budget agreement with Congress, but won't break it, mostly because he'd cut defense spending by almost \$10 billion. But spending will go up for some programs, including an increase of more than half a billion dollars to fight AIDS and \$240 million to feed poor children and pregnant women. Bush would also cut taxes for families with children, and he wants Congress to move now on tax breaks for investors and first-time homebuyers. Bush's economic advisers say the recession will end faster if Congress acts quickly.

(CEA Chairman Boskin: "By mid-1992, if the President's proposal is passed, people will notice demonstrably higher rate of growth.") Republican challenger Pat Buchanan said the tax cuts Bush announced last night were an attempt to undo the damage he did earlier by supporting tax increases.

(Buchanan: "Mr. Bush appears to have decided that as a candidate, he's gonna run against the record of George Bush, president.") Politics aside, if that is possible, Bush's aides say the key to recovery is not really his plan; the key is for interest rates to stay low and for Americans to see that the President and Congress really are capable of reaching a sensible compromise. (NBC-Lead)

Brokaw: In Congress, Democrats have a majority, and polls that tell them the President these days is not exactly operating from political strength.

NBC's Andrea Mitchell reports that even before the President arrived at the capitol, Democrats were picking apart his program.

(Rep. Gephardt: "Rather than giving a \$15,000 tax cut to the people at the very top, we should be giving a much larger tax cut than the President called for for middle-income families.")

Democrats sat on their hands last night.

(TV coverage: Vice President Quayle and Speaker Foley seated behind President; only Quayle is applauding)

They want a bigger middle-class tax cut sooner than the President's proposal, which wouldn't kick in until October. But if the President accepts higher income taxes on the rich, he may get some form of cut in the capital gains tax rate.

(Sen. Hollings: "The House is gonna pass it, and if we brought it up this afternoon in the United States Senate, it would pass in the United States Senate.")

The President said his tax cuts would not increase the deficit. But Democrats said the breaks were paid for by gimmicks adding up to \$100 billion to future deficits.

(Rep. Panetta: "It's election year, and obviously smoke and mirrors is back in style.")

And what about the President's threat to declare political war if Democrats don't pass his tax cuts right away?

(Sen. Mitchell: "We will act, not because of this so-called deadline, but because it's the right thing to do.")

(Sen. Bentsen: "I think when the President talks about getting it all done by March 20, he knows it can't be done that quickly. And that's to try to set up a political confrontation.")

He'll get a confrontation on defense. Democrats say his proposal would cut only \$4 billion in actual spending next year. They want much more. Predictably, Democratic contenders were also critical. Bush didn't propose enough for Bill Clinton:

(Clinton: "It was too little too late, band-aids where major surgery is required.")

Mitchell continues:

He'd give away too much for Paul Tsongas.

(Tsongas: "What the President did last night was drain the Treasury. Every possible group: 'Here's a goodie, folks.'") But congressional Democrats are afraid of voter backlash if they appear to drag their feet, so they'll pass a tax package in the next few months. But it may be one that the President will want to veto. (NBC-2)

Jennings: The biggest surprise from the President last night for many people was his Executive Order -- requiring no agreement with Congress -- that the IRS change the rate at which tax is withheld from nearly everybody's paycheck; to take out less so that most everyone would get a slightly fatter paycheck, and hopefully pump about two billion dollars a month back into the economy. As ABC's Jim Hickey reports, that may well be a mixed blessing.

Hickey reports on the decision. The President hopes taxpayers will spend the extra money, an extra \$15 or \$20 a month. Taxpayers can choose not to have their withholding decreased, but according to the IRS they will have to file a new tax withholding form.

(Dave Berenson, tax accountant: "You're gonna have some surprised people who will find they will owe something at the end of the year; for other people that really counted on getting a refund, it's not going to be there.")

And the government won't have temporary use of the extra money. The President is betting the loss will be worth it -- if he gets that \$25 billion shot in the arm for the economy. (ABC-2)

HOMEBUYERS REBATE

ABC's Stephen Aug reports on the President's plan to give a \$5,000 tax credit to first-time homebuyers. It brought cheers across the country.

(Virginia woman: "It's definitely an incentive to get us into a house. It's gonna make us maybe work a little harder and try to move a little faster.")

(Ohio man: "We have enough for the downpayment, but we don't have enough for the closing costs and the little incidentals that go with that.")

(Rich Porter, Richport Homes: "If in fact he can maneuver this through Congress, then we are going to be looking at adding more people and starting more homes and in fact creating some jobs.") President Bush chose housing for special tax benefits because it has lifted the nation out of past recessions.

(David Seiders, National Assoc. of Homebuilder: "It has to be a shot in the arm. We're estimating that this program could generate an additional roughly 500,000 new home transactions over the course of the program.")

That could mean 400,000 additional jobs, like roofers and carpenters. Other businesses could benefit as well. The credit will cost money, which the government will have to get from other programs, and there's no guarantee the incentive will cure consumer confidence. (ABC-3)

NBC's Mike Jensen reports on the homebuyers rebate, which set off a flurry of activity. Congress is expected to approve it.

Jensen's report continues:

(Homebuilder: "We think it's real positive for the industry. It's gonna allow us to sustain the existing growth and the existing increases that we're seeing in our business.")

As for the plan to cut withholding, a lot of people think this is a bit of a gimmick.

(Woman: "It's a placebo. It's not something that I think is going to have a great affect on the economy, on people's spending.")

(NBC-3)

STATE OF THE UNION REACTION

Rather: Right after the address, CBS News took a poll: 56 percent of the Americans who responded said they believe President Bush can improve the economy. But about the same number said they don't think Bush understands problems of the middle class.

CBS's Richard Threlkeld reports from Larry O'Neal's house in Londonderry, New Hampshire.

(O'Neal, watching speech with others, listening to President say "this will not stand": "Unbelievable that he says that.")

Four years ago, all the people in this room voted happily for Bush. Now with the recession, they feel left out and fed up, and the speech didn't make them feel much better. Fred Perry lost his job last July. He thinks Bush was too late with too little.

(Perry: "I think he could've done more sooner, like he did in Desert Storm. He didn't drag his feet, he went at it right away. I think he should've done the same thing with the recession.")

Drew Creets, a single mother who was laid off in November, thinks there was a message missing.

(Creets: "It's still bits and pieces to me: there's a little bit here to satisfy the urban area, and there's a little bit here to satisfy transportation. But what about the whole big picture?")

John Bicknell has been job-interviewing for six months now. He's decided Bush is no Ronald Reagan.

(Bicknell: "He does not do battle very well with the Congress, and they've overwhelmed him. And he has given way to their wants and whims.")

Debbie O'Neal is willing to give Bush the benefit of her doubts, but not Larry.

(Larry O'Neal: "If the election were tomorrow, I probably wouldn't vote for President Bush. I'd probably vote for one of the Democrats.")

(CBS-4)

ABC's Jim Wooten reports on one family's reaction to the State of the Union Address: the Smiths of Pembroke, New Hampshire -- middle-class Americans nearing financial disaster thanks to layoffs. Bush was their man in '88, but that was before the recession. His proposals last night meant pennies to them.

(Mrs. Smith: "I personally don't believe that President Bush has said anything that will affect us.")

(Mr. Smith: "'Rally 'round me, ladies and gentlemen; rally 'round me. I'm the President, I'm gonna pull us out of this.' How? It needs money. We don't have the money.")

Aside from the proposed increase in tax exemptions for dependents., they found nothing in the President's plan that seemed to apply to them. Mrs. Smith sent a letter to Bush last fall: "We're trying not to let our children know what might happen. But Mr. President, I'm scared." And she and her family are still scared. (ABC-13)

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NBC's Robert Hager reports on a family near Ithaca, New York, which earns about \$28,000 a year but has no health insurance because they can't afford it. A planned Bush Administration tax break for middle-class families like one family was eliminated at the last minute as a budget-buster. Instead, the Administration promises to try to make insurance less expensive by persuading people to join HMO's. The family agreed with the President on one score: (Woman: "That play-or-pay plan to me sounds like something that would just break the backs of small businesses and really prevent people from starting new businesses.") But they thought the President was short on solutions. For now, they lean toward a national health care plan. (NBC-7)

COMMENTARY

NBC's John Chancellor: ...Last night we got politics as usual.... The President said things the Republicans wanted to hear; the Speaker of the House said things the Democrats wanted to hear.... We're getting old-fashioned partisan bickering. (NBC-9)

FED

Rather reports Fed Chairman Greenspan warned both the President and Congress not to meddle too much in the economy, and he said he does not see the need for further interest rate cuts. (CBS-5)

GDP

Jennings reports the gross domestic product was up in the fourth quarter, but not by much: .3 percent. (ABC-5)

DEFENSE BUDGET

ABC's Gary Shepard reports on the reduced defense budget. Since the beginning of 1988, 70,000 jobs have been lost in the California aerospace industry. Stopping the B-2 Stealth program after only 20 planes are completed will mean another 14,000 jobs lost at the Northrop Corp. as well as 25,000 others in related industries. At Northrop today, B-2 workers said it will not be easy finding work elsewhere, especially at previous salaries or benefits. (ABC-6)

NBC's Fred Francis reports on the defense budget, which is in many ways a "guns and butter" proposal, putting the political burden on Congress to slash jobs for deeper savings on defense.

(Jeanette Smith, Northrop Corp.: "How can we forget that a year ago we were at war? How can we forget that there are still the Saddam Husseins and the Khadafys and we don't know what's gonna happen in Russia?")

(Secretary Cheney: "We are taking the force down now just as rapidly as we could take it down without breaking it, and the only people who are going to suffer if in fact you do that will be our men and women in uniform.")

The budget is strong on preserving the U.S.'s role as world policeman, however. (NBC-4)

NUKES/YELTSIN

ABC's John McWethy reports on Boris Yeltsin's reaction to President Bush's nuclear reduction proposals. -more-

McWethy continues: Yeltsin was even more ambitious than Bush expected: he gave a television speech saying Russia will stop producing cruise missiles and bombers and that he will cut the size of the army by nearly one-fourth. He outlined for Secretary Baker a sweeping proposal to speed up nuclear arms reductions already agreed-to by treaty and to cut much deeper. Yeltsin proposed that each country which now has more than 20,000 nuclear warheads be left with just 2,000.

(Yeltsin: "We no longer look upon the United States as an enemy, and therefore our missiles will not be targeted on either military or civilian facilities in the United States.")

Yeltsin's ideas may well go beyond what President Bush is willing to accept when the two meet in Camp David.

CBS's Anthony Mason reports on Yeltsin's response. Military commander Yevgeny Shapashnikov seemed confident the cuts would not undermine Soviet security when he met with Baker this morning, but other Commonwealth leaders were noticeably not included. Yeltsin seemed to be steering the ship on his own, and he reportedly impressed Baker's entourage with his technical knowledge. The U.S. team liked what it heard.

(Baker: "And I think both proposals could be characterized as broad and far-reaching.") (ABC-7, CBS-8, NBC-8)

HAITIAN REFUGEES

NBC's Jim Miklaszewski reports the Administration is considering drastic action on the Haitian refugee flood. Refugees are fleeing in record numbers, overloading the U.S. refugee system so rapidly that one U.S. official called it a national security crisis. The temporary U.S. refugee center at Guantanamo Bay in Cuba will be overloaded within days. In addition, U.S. officials say one out of every 10 of the refugees has tested positive for the AIDS virus. The Administration wants to send most of the refugees back to Haiti, but a federal court in Miami has ruled that each one must be given a full immigration hearing, taking months. Administration officials complain that the court order has encouraged refugees to flee Haiti. One official said if the order is not overturned, the Administration could take its case to the Supreme Court within 24 hours. Bush has insisted his policy does not discriminate. NAACP Director Hooks has just returned from the center.

(Hooks: "It will be hard to dispel the notion that it is not based on race unless the Justice Department acts quickly to erase any reason for that to exist.")

Late U.S. intelligence reports indicate that as many as 20,000 more Haitians are preparing to flee. (NBC-5, ABC-9)

MIDEAST PEACE TALKS

Jennings reports the latest round of Middle East peace talks came to an end in Moscow. More than 20 countries, including Israel and many Arab states, have agreed to talk again in the spring on regional issues. (ABC-8, CBS-9)

JAPAN/TRADE

Rather reports Prime Minister Miyazawa reversed gears again today. He's now saying again that Japan's pledge to buy more American auto parts was, after all, a promise and not just a target. -more-

Rather continues: He said each Japanese automaker has come up with a "firm number of imports over the next three years." (CBS-6)

SEXUAL HARASSMENT/MILITARY

CBS's David Martin reports on civilian women invited to a U.S. Navy and Marine Corps' pilots' cocktail party who say they found themselves trapped in a sexual combat zone. The men are under investigation for what the Navy says may be serious sexual criminal offenses.

(TV coverage: unidentified women give graphic representations of what they say happened that night)

So far, none of the pilots involved has been disciplined. The Navy says its investigation is continuing. in the meantime, it is considering a tougher policy under which anyone guilty of aggravated sexual harassment would be kicked out of the service.

(CBS-15)

PRISONERS/BUDGET

Jennings reports on a small item in the budget: President Bush is proposing that those prisoners in federal jails who are financially well-off should pay their own way, about \$18,000 a year. The Administration figures nearly one in ten convicts can afford it.

(ABC-4)

YOUNG VS. OLD

ABC's Rebecca Chase reports on the battle between children and the elderly for shrinking federal resources. In the budget sent to Congress, nearly half the money designated for all domestic programs is designed to be spent on the elderly. The money spent on children is less than one-fourth of that. Spending on the elderly has increased 52 percent in the past decade, while spending on children has declined four percent. The poverty rate of the elderly, once the highest of all groups, is now the lowest. Children have now become the poorest: a record one in four live in poverty. Welfare benefits for mothers and children are not protected by cost-of-living increases, while senior citizens' benefits are protected every year with no congressional debate. Also, 12 million children have no health insurance, while every rich and poor American over age 65 have Medicare. No other nation has such a spending gap between young and old. There are proposals to tax Social Security benefits, limit COLA's and raise Medicare premiums. But change will come slowly because seniors are a powerful voting bloc, while children cannot vote.

(ABC-12)

CLINTON

Rather reports that Gennifer Flowers has lost her state job in Arkansas for failing to show up or call in for three days. Her job as a secretary paid her less than \$18,000 a year. By some accounts, she received well over \$100,000 for selling her story to The Star.

(CBS-14)

EDITORIALS/COLUMNISTS

STATE OF THE UNION

The President's Speech -- "...President Bush's underlying point was on target: let the nation grow out of its economic problems mostly on its own. Indeed, Bush's call for a freeze on government hiring as well as domestic discretionary spending was a potent symbol that the President is interested in getting the deficit under control. Yet Bush marred that proper approach with proposed tax cuts that will do little for the long-term economy except increase the deficit.... Indeed, about the only Bush tax cuts that will stimulate the economy are his proposals for investment tax credits and incentives for buying real estate." (Orlando Sentinel, 1/29)

Prudence Not The Answer -- "...President Bush failed at his most important task, which was to restore a degree of America's confidence in itself as well as in its President.... If the public believes, as does Bush, that the country's problems are temporary and can be cured by small adjustments to current policy, then the speech is indeed likely to play well. But if instead voters sense that the problems are more profound and require a government willing to consider making real change, then they likely found the speech deeply disappointing, and will begin now to look elsewhere for leadership." (Atlanta Constitution, 1/29)

The Speech And The Vision -- "...Although some of the President's proposals were clear enough..., other proposals were delivered in only vague outline.... Where Bush was on solid ground indeed was his restated insistence on the need to open world trade markets and the need to fight protectionism.... The President's delivery was forceful and assured. But the message he delivered needed to outline a better sense of America's compelling domestic needs -- such as jobs." (Los Angeles Times, 1/29)

Presidency On The Line -- "George Bush bet his Presidency last night on an uptick in the economy before election day. Yet compared to what his Democratic foes are proposing, his State of the Union Address was a modest beginning to his campaign for re-election.... Bush was eager to do battle. But the struggle will do him little good, even if he wins on debating points, unless the economy turns around." (Baltimore Evening Sun, 1/29)

Bush Plan: Help For Now, But What About The Future? -- "...Serious doubts persist that the President has any meaningful long-term plan for winning war on the nation's economic woes.... Tax hikes or far deeper cuts will be needed once the recession ends. Big ones." (USA Today, 1/29)

The State Of The Union -- "...On domestic affairs, President Bush outlined a dressed-up, standstill program of more of the same. His proposals struck us as being not at all up to the challenges before him.... The speech sort of seemed to dwindle, to shrink in vision as it moved along." (Washington Post, 1/29)

FOREIGN MEDIA REACTION

STATE OF THE UNION

Address Will Not Solve President's Problem

"...Last night's address will not solve the problems of the Bush Presidency. It will reopen a war with Congress which the White House has probably neither the principle nor passion to win.... It will not create some mystic turning point on the declining graph of the President's popularity. What is worrying is that so many people thought that it might." (Times, Britain)

Ambitious Crisis Agenda

"...President Bush promised the U.S. economy was safe in his hands, and borrowed the Democrats' best ideas to revitalize his own sagging campaign." (Guardian, Britain)

A Real Triumph For Bush

"It is a real triumph Bush brought himself last night before the U.S. Congress.... His program raised great enthusiasm in the Congress, although dominated by the Democrats." (TV La 5, France)

Most Spectacular News: Military Cuts

"...Nothing indicates the President's ratings will increase in the polls. However, business circles and business owners are satisfied this morning." (Radio France Internationale, France)

Lacking: Bold, Visionary Plan

"...Reactions of political commentators, Democrats in Congress and citizens to the State of the Union so far are predominantly negative. Lacking is the great, bold and visionary plan for America, and there is nothing to remove Americans' fears about unemployment, health care and education." (BRTN, Belgium)

Bush Sounded Like A Defendant

"...Instead of a hero, the President sounded like a defendant. ...Bush's faults are generally minor, with one serious exception: ...The speech last night may be too ambiguous. In trying to please everyone, he may have pleased no one." (Il Giornale, Italy)

Bush Trying To Squeeze Funds To Stimulate Economy

"...It is questionable whether the address will serve as a positive factor to secure his bid for a second term." (NHK-TV, Japan)

Speech Did Not Fulfill Expectations

"Longer on rhetoric than on concrete proposals, Bush's speech did not fulfill the expectations created by the White House." (O Estado de Sao Paulo, Brazil)

-End of News Summary-

(March 19, 1992)

PRESIDENTIAL REMARKS: ANNOUNCEMENT OF TAX BILL VETO
THE WHITE HOUSE
FRIDAY, MARCH 20, 1992

Good afternoon and welcome to the White House.

Fifty-two days ago, in my State of the Union Address, I asked Congress to act on my agenda for economic growth. I asked for immediate action, by March 20th, on a series of proposals to help rekindle the economic recovery.

I asked the Democratic leadership to put partisanship aside, pledging to do the same, in order to enact seven sensible steps to increase investment, strengthen the value of American homes, and create jobs.

Well, March 20th has arrived. Last night, the Congressional conferees finished work on the conference report on the tax bill. It would increase taxes, and harm the economy. So today, I want to do three things.

First, I am going to sign the veto message and stop the Democrat's tax increase. Second, I am taking several additional steps on my own to help the recovery, with or without Congress. And third, while the Democrats in Congress dither, I am proposing action on the real challenges facing America -- on my long-term plans to help America compete in the global economy of the future.

I am disappointed in Congress. In fairness, some Democrats didn't want to put a tax increase in the bill. But politics prevailed. A slim majority passed the bill in the face of a certain veto. But they aren't blocking my economic recovery plan

Jim
Reane
Leg
Affairs

Counsel
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Steve
Hoffman
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because they're afraid it won't work, they're blocking it because they're afraid it will work.

I don't take this step lightly. This is the first time a President has vetoed a tax bill since Harry Truman did it in 1948.

But I submitted an economic growth package to Congress for a reason -- to promote a recovery in which every American has an interest. The bill I proposed was carefully tailored. It was paid for -- without raising taxes. It was designed to encourage and

strengthen the positive economic signs we are beginning to see --

home sales and housing starts up as interest rates ~~stay down~~ ^{are at their lowest levels}

retail sales improving, 164,000 new jobs just last month.

response, the Democratic Congress has returned to form. It has

produced a bill which will not strengthen the economy -- it will

weaken it. It has produced a bill which will not stimulate

growth -- it will retard it. As if by reflex, the Democrats in

Congress could not resist their natural impulse to raise taxes.

But I assure you of this: I will not let them do it.

With this pen, I am now going to sign the veto message for the Democrats' tax increase -- because raising taxes will not help create jobs.

The bill is not yet here -- but the conference report tells me all I need to know. When the bill is sent down tonight, this signed message will be waiting for it -- and my veto will go to the Hill the minute the bill arrives ~~here~~.

NAHB
Kend Cotton
822-0200
Bob Z. Labor
In
523-7316

OK
Lee
Lieberman
Counsel's
office

Lee
Lieberman
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Pub Affairs
Commerce
Jim
McKeena
377-1828
Desiree
546-8773
Tucker-Sorini
Treasury
Spencer
5086
CEA

Counsel

Counsel

The message is clear: my veto pen, and a block of votes ready to sustain it, stands ready to stop any tax increase on the American people.

With that clear, I ask the Democratic leadership to put aside once and for all the idea of a tax increase. And I ask the Congress again: Pass the 7 common-sense measures I've proposed to help the economy now. Do so without raising taxes, and I will sign it. Then let's get on to the long-term agenda. But stop holding the American economy hostage in a partisan game.

Passing a tax increase is bad enough. But here's what really troubles me:

The irresponsibility of Congress on this plan is part of a pattern. It reflects a more serious problem -- a deeper systemic problem that is gnawing at the strength of our nation. It is no wonder that Americans are mad. Today, looking at the accumulated evidence of several years, it must be said: our Congressional system is broken.

We have a long tradition in this country of pulling together when national need demands that we do so. Over the years, many accomplishments, large and small, have been truly bipartisan.

But Congress today is different. It is more partisan. It is financed by special interests. It has grown out of control. It has lost the ability to police itself. And, perhaps most importantly, it is no longer accountable to individual American citizens and voters.

One party has controlled the House of Representatives for 37 years. Staff has become institutionalized. Twenty-five years ago, there were 2,000 Congressional staff. Today, there are more than 12,000 staff for Congress itself -- almost 40,000 if you include the entire legislative branch. The number of committees and subcommittees has grown from 38 fifty years ago to over 300 today.

And for this -- we get a Congress incapable of passing the simple plan I presented almost two months ago. Today, the Congress can't manage a one-teller bank.

In the 1990 elections, special interest political action committees -- "PACs" -- gave about 117 million dollars to incumbent Congressmen and Senators. Only 15 million dollars were donated to challengers. With this 8-to-1 spending advantage, obvious voter discontent was smothered in a wave of PAC-financed television advertising. So, nearly every incumbent won.

The time has come for change -- because when the system is broken, you do have to fix it. I have proposed to eliminate the PACs which are poisoning our system.

I propose also to increase accountability. I am directing the Secretary of Labor to implement promptly the Supreme Court's Beck decision. No worker should be forced to have money taken out of his paycheck to fund politicians he disagrees with.

We should apply to Congress the same laws -- from employment conditions to civil rights -- which it imposes on every other business and every other citizen in this country.

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And I believe the time has come to limit the terms of Congressmen. The term of a President is limited. It is time for the terms of Congressmen to be limited.

The bottom line is that we all need a new Congress -- one that can work to do what is right.

In the meantime, I will take additional actions on my own, with every legal means at my disposal, to keep the economy moving up. I will do so in spite of the hopelessly tangled Congressional web of PACs, perks, privilege, partisanship and paralysis.

There is, of course, a serious limit on what a President can do without Congress. But I am determined to do all I can.

First, I want to underline a fundamental point: government is too big and spends too much.

I've already proposed to freeze domestic discretionary spending and federal employment next year. I've also proposed to cap the growth of "mandatory" programs (other than Social Security). These are programs that grow automatically -- without Congressional review, or even a chance for a Presidential veto. Their uncontrolled growth is fast becoming another Washington scandal.

Today I am sending to Capitol Hill the first of a package of additional measures to cut Federal spending now -- this year. These line-item rescissions, in total, will cancel about \$4 billion in unnecessary spending.

Funds for local parking garages. One hundred thousand dollars for "asparagus yield declines." Mink research. Prickly pear

research. The examples would be funny if the effect weren't so serious. This kind of wasteful spending destroys public confidence in the integrity of the government. Americans have every right to be outraged, and disgusted. It is their money.

I will work with the Republicans in the House to bring each of these items to a vote. That will bring us a step closer to the accountability and power that 43 Governors have -- the line-item veto.

Second, I have directed the Vice President to step up the assault on unnecessary regulation and paperwork. Let me give you a progress report. While Congress has spun its wheels for these past two months, we've already taken specific steps to remove the regulatory roadblocks to growth.

We've implemented plans to promote biotechnology, lower construction costs, help small business, ease the credit crunch, help clean up the air, reduce costs in transportation, and cut through the morass of regulation in agriculture. Today, we're launching a new public-private partnership to promote research and development by bringing the good ideas from our Federal labs into the marketplace.

Over the coming months, we will be announcing many more such steps to chop away at needless regulation and paperwork wherever we can. Too much regulation stifles innovation and makes America less competitive.

I realize that these are only modest steps. But they reflect a fundamental attitude.

If the Democrats who run the status quo Congress will not help us change America, we will have to change it without them. If the Democrats who run the status quo Congress will not help us reform government, we must reform it without them.

You see, change is nothing to fear. For more than two centuries, America has been a force for change. Our restlessness is legendary. Our energy boundless.

Because of this, today America is the most productive nation on earth, with the highest standard of living. We have only one-twentieth of the world's population. But we produce one-fourth of the world's output -- twice that of Japan, and four times that of Germany. Today, America's credibility and prestige in the world -- not to mention our strength -- have never been greater. But we didn't get where we are by standing still.

We got where we are by always striving to do better. That's why the current paralysis of the Congress is so troubling.

It has caused too many Americans, at the exact moment of triumph for American values around the world, to lose confidence.

Americans are understandably worried about their future. Not only about the economy right now, although that is a key problem, but about the economic competition of the future. About the central question that lies at the heart of the American dream: will our children have a better life than we do?

Make no mistake: we can compete and win in the global economy. In the last ten years, we've become more productive. Our exports have more than doubled. Manufacturing productivity has

increased. We are capturing markets around the world -- from Europe, to Africa, to Latin America.

But in order to keep succeeding in this global economic competition, we've got to change America in five key ways. We need a strategy that is confident, forward-looking, future-oriented -- and we need to be willing to change.

First, we must expand markets for American products. So I will continue to pursue open markets in the GATT. I will push for a North American Free Trade Agreement, to unlock the potential of markets in Mexico and Canada. And I will work for bilateral agreements to knock down barriers to American exports.

To win these markets, we must guarantee that America will lead the world in knowledge, in new ideas, and in making products of the highest quality. That requires specific investments -- today.

I've proposed to invest more in basic R&D, and in key technologies like high performance computing, new and advanced materials, and biotechnology. Congress should approve these investments.

And not only the government must invest more in the future. To maintain our edge by increasing private sector investment, Congress should pass the capital gains tax cut and make the R&D tax credit permanent.

Second, we must prepare our workforce to compete -- through better education and training. I've proposed a set of radical

reforms in education called America 2000, and a new approach to job training -- Job Training 2000.

The idea of America 2000 is simple -- to revolutionize American education. That means creating new kinds of schools with new technology and new ways of learning. It means measuring progress, and holding schools accountable for their performance. And it means giving all parents -- including and especially the poor -- choice in picking the schools that can do the job best for their kids.

We've put the resources behind our efforts. I've increased the Federal budget for education by 42 percent just since 1989. I've put in place a new program to train teachers in math and science, and increased funding for math and science education by over 69 percent. But more money alone won't do it -- we need reform.

Third, we must reform health care. America has provided the best quality health care in the world -- but we are plagued by two problems: too many Americans are not covered by health insurance, and health care costs too much.

I have proposed a plan to make health care more affordable, more available, and more sensible. Congress should pass it -- and that will help our competitiveness.

Fourth, we've got to fix our legal system. America is drowning in a sea of litigation. Too many lawsuits means higher prices for consumers, and reduced competitiveness for America.

In some cases, we should require the loser to pay the winner's legal fees. That will stop frivolous lawsuits.

When parents won't coach Little League teams, when obstetricians won't deliver babies, and when community pools are closed in the summertime -- all because of the fear of liability -- we know that something is wrong. Now is the time to fix it.

Fifth, we must tackle each of these challenges without higher taxes or more government spending. America doesn't need bigger government -- it needs better government.

On every one of these issues, the Democrats in Congress are standing in the way of reform. They have cut my budgets for R&D and investing in the future, and voted instead for pork. They have stripped choice and accountability out of the education bill. They are working on a government takeover as the solution to our health care problem, to be financed by a massive tax increase. And the special interests have made them afraid of legal reform.

It is time for Congress to either lead, follow, or get out of the way.

On every one of these challenges, there are two very different ways of looking at the world. One is reformist, the other protects the status quo.

That difference is driven by values. The special interests and the footdraggers do not believe in the kind of change we seek: change which respects markets more than government dictates; which recognizes fundamental American values and the difference between

right and wrong; which rewards excellence and punishes wrongdoing. They do not believe that actions should have consequences.

Well, one set of actions should have consequences. The failure of Congress to move on our program of change means only one thing: it is time for a new Congress.

Because it is precisely the strength of the values the naysayers reject that has made America the envy of the world and the engine of democracy.

Over the coming weeks, I will be speaking more about these challenges. I'll be laying out further specific plans I have for each. And I ask the American people to compare those plans to the response of the status quo Congress and the do-nothing caucus that has dominated the Democratic Party for too long.

Patrick Henry said: "I like the dreams of the future better than the history of the past."

Patrick Henry was right. Imagine the irony, as the world is beating a path to freedom's door, if we ourselves were to turn back now. If we carry the change forward, we can have a nation of productive workers and competitive companies, of healthy and secure communities, of schools that are the best in the world. America can remain a nation whose exuberant confidence and commitment to freedom are admired worldwide.

I'm ready to build such an America.

Because if we can change the world, we can change America.

Thank you and God bless you.

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WHORM Cat.:
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Michelle Frances Freid