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TIME/OCTOBER 22, 1990

Read My Hips

Bush's flip-flops add new confusion to the budget battle and raise doubts about his domestic leadership

By **DAN GOODGAME** WASHINGTON



The question is perhaps best left to psychiatrists, but last week Congressmen, Senators, White House aides and millions of Americans were trying to answer it. How could George Bush—the World War II bomber pilot, the Commander in Chief who invaded Panama and ousted its dictator, the leader who dispatched more than 200,000 U.S. troops to the Persian Gulf and ably assembled an international alliance to confront Saddam Hussein—be so wishy-washy?

As Congress squabbled in search of a budget, Bush during three dizzying days switched his position at least four times on the key question of what additional taxes the most affluent citizens should pay to help reduce the budget deficit. On Tuesday morning he declared that he might accept raising income taxes on the wealthy in exchange for his long-sought cut in taxes on capital gains. That afternoon he backpedaled under pressure from Senate Republicans: White House aides announced that Bush did not favor pursuing such a deal. Two days later, facing countervailing pressure from House Republicans, Bush reopened the possibility. Then about an hour later he closed it again.

Asked to clarify his position as he jogged in a St. Petersburg baseball park,



How could the man who confronted Saddam be so indecisive?

BOB DAUGHERTY—AP

Advantage: Chrysler.

Dodge Spirit ES

Plymouth Acclaim LX



Dodge Shadow

Plymouth Sundance



These Chrysler Americans beat Japan's best.

U.S. Testing Company* just finished a series of hands-on comparisons by 600 Ford and GM owners (12 groups of 50) who were considering a Japanese model for their next car.

The results surprised everybody. The Americans won by a combined raw score of 495 to 105.

In separate one-on-one tests of 1990 models, Dodge Spirit ES and Plymouth Acclaim LX were rated superior overall to Honda Accord EX, Toyota Camry LE and Nissan Stanza GXE.

Dodge Shadow and Plymouth Sundance were rated superior to Honda Civic DX, Toyota Tercel Deluxe and Nissan Sentra XE.

Bush pointed to his backside and gibed, "Read my hips." Then, literally and metaphorically, he abandoned the playing field. He later said he would wait for Congress to clear up the confusion he had helped engender. Bush's vacillation confounded his allies and delighted his opponents. Newspapers across the country bannered headlines studded with words like WAFFLE, RETREAT, BLINK and ZIG-ZAG. Bush's approval rating, which stood in the mid-70s only a month ago, plummeted 10 to 15 points. It was, said a senior Administration official, "the worst week of his presidency." The outpouring of criticism reflected long-held doubts about Bush's approach to domestic affairs. G.O.P. strategists complained that the President's flip-flops had weakened the widespread perception that Congress is more responsible for the budget fiasco than the White House. Complained a top adviser to the President: "We've managed to change the subject from 'Can the Congress pass a budget?' to 'Why isn't the President leading?'"

Moreover, by concentrating on cutting the capital-gains tax, which would benefit mainly the few Americans who earn more than \$200,000 a year, the President strengthened the impression that his highest domestic priority is taking care of the rich. Harrison Hickman, a Democratic pollster, gleefully observed that "George Bush has two Achilles' heels—'rich' and 'wimp'—and managed to expose both of them on the same day."

The President and his men naturally downplayed the political damage. Bush told reporters that "these things come and go. The best thing, we get a budget deal, we get a good deal, and people will forget the name calling." But when a budget deal is passed, Bush may have little influence over it, and will have trouble dispelling his image of weakness.

Another danger was that Bush's performance would rattle the confidence of allies in the anti-Saddam coalition and strengthen the Iraqi leader's resolve against an enemy he perceived as wounded. So far the European and Arab leaders in the U.S.-led coalition against Iraq believe that the President's domestic prob-

Do you approve or disapprove of the way Bush is handling his job as President?

	Aug. 23	Oct. 3	Oct. 10
Approve	74%	61%	59%

Is Bush doing a good job or a poor job:

	Good job	Poor job
Handling foreign policy?.....	67%	26%
Handling the economy?.....	34%	56%
Working with Congress on the budget deficit?.....	35%	56%

Is the U.S. in a recession now?

	Yes
	58%

From a telephone poll of 500 adult Americans taken for TIME/CNN on Oct. 10 by Yankelevich Clancy Shulman. Sampling error is plus or minus 4.5%. "Not sures" omitted.

TIME Charts

lems have little effect on his conduct of foreign policy. Bush's advisers insist that there is a "fire wall" between domestic and foreign policy, not only in the President's thinking but also in that of the Congress and the public.

So why has Bush inflicted so much unnecessary damage on himself? Part of the answer is that he has never had firm convictions on domestic issues; over the years he has altered his stance on abortion, civil rights and even supply-side economics when it was politically expedient to do so. Bush has always regarded domestic policy as "deep doo-doo," not to be stepped in if at all possible. Foreign affairs, on the other hand, he regards as his strongest suit. As Bush acknowledged at a White House press conference last week, "When you get

them—has often worked effectively on the foreign front. But it does not deliver as well in domestic policy, where myriad officials, interest groups and ordinary citizens demand to have their say, both before any proposed solution is made public and afterward. When Bush tries to communicate with a TV audience, he often lacks confidence. More important, except when he is campaigning for himself, Bush shrinks from framing options in a stark and persuasive manner that can force people to make a choice. He often speaks of using the "bully pulpit" to get his way, but to him it means little more than "telling people how deeply you feel" instead of knocking heads together to get things done.

For more than a year Rostenkowski, one of Bush's closest friends in Congress, has pleaded with the President to "tell the American people that if we don't balance our budget, we're going to be No. 2 in the world, and the American people will say 'The hell we are!' If you challenge them, they will accept whatever sacrifice you say is necessary."

TERRY ASHIE FOR TIME



Outside the Capitol, Democrat Richard Gephardt took heat from angry voters
Inside, Congress struggled to devise its own deficit-cutting plan.

Bush was unmoved by Rostenkowski's appeal, as he was last month when some advisers urged him to forcefully exploit the crisis in the gulf as an opportunity to make progress on the budget. Bush did give a televised speech linking the two problems, but rather than call on all Americans to sacrifice, he proposed nearly \$30 billion in new tax breaks and left the tough choices to Congress.

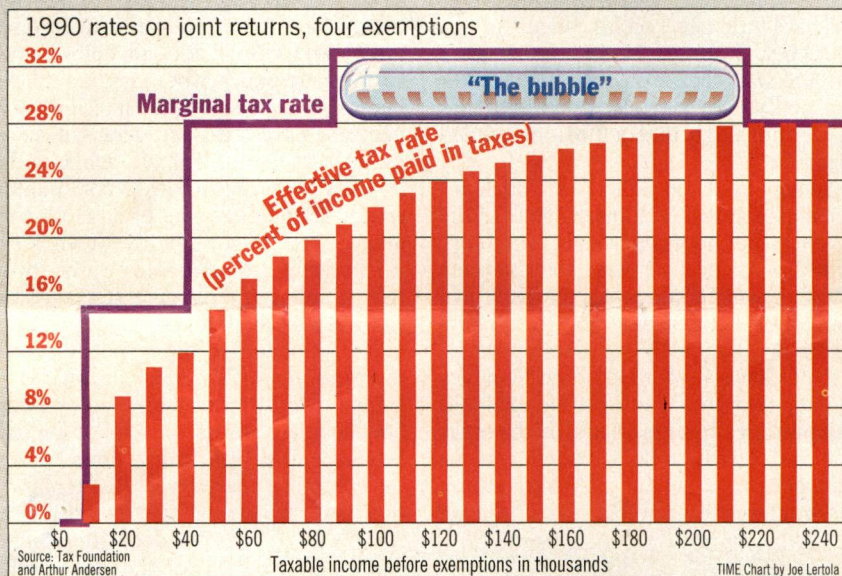
After reaching a budget agreement with congress-

Blowing Off the "Bubble"

At the heart of all the congressional squabbling over the budget is a bizarre quirk in the income tax code known as the "bubble."

The bubble was created in 1986. To simplify the tax code, the old graduated system (in which there were as many as 15 brackets, each subject to a differing marginal rate) was replaced by a new scheme with only two rates: 15% for low-income taxpayers and 28% for everyone else. But achieving that goal required some juggling. For most joint filers, for instance, income below \$32,450 is taxed at the 15% rate. To ensure that those who make more kick in 28% on all their income, the government puts a larger bite on the high end of their earnings. So for the same joint filers, the marginal tax rate jumps from 28% to 33% on taxable income between \$78,400 and \$162,770. Then comes the odd part: it drops back down to 28% on income above that level.

Is that a break for the rich? Not really, most G.O.P. lawmakers insist. Unlike low- and middle-income earners, joint filers with incomes above \$162,770 cannot claim personal exemptions. They are also taxed at the full 28% rate even on their income below \$32,450. With those considerations factored in, both middle-income and wealthy earners are supposed to wind up paying the same marginal rate of 28% on their earnings over \$32,450.



But try to explain that to people subject to the 33% marginal rate. Capitalizing on the widespread impression that the bubble gives a bonanza to the mansion-and-limousine set, House Democrats led by Ways and Means Committee chairman Dan Rostenkowski have proposed to puncture it. They would tax all income over \$200,000 at the 33% rate and levy an additional 10% surcharge on income over \$1,000,000. Though such hikes would apply to only about 740,000 taxpayers, the congressional joint tax committee reckons the change would bring in \$4.2 billion in additional revenue in the current fiscal year and \$44.3 billion by 1995. It also has the political appeal of imposing a higher rate on the rich than on the less affluent.

Most Republicans find the idea of raising income taxes anathema—unless they can get a capital-gains tax cut in exchange. That swap was contemplated during the long-running budget summit, but discarded as politically unfeasible. It resurfaced briefly last week, when Republican Congressman William Archer of Texas claimed that Bush had said "without equivocation" that he supported Archer's plan for lifting the top income tax rate to 31% while slashing the tax on capital gains to 15%. Once again the trade-off was shot down. The main reason: Archer's plan would lower taxes on incomes over \$200,000 by 6.6%. Given Democratic opposition to any formula that appears to favor the rich, Bush declared that pursuing such a compromise would be "a waste of time." Maybe so, but eventually Washington will have to find a plan that inflicts the pain of tax-paying on everyone—including the rich. ■

sional leaders, Bush delivered a tepid prime-time address on Oct. 2 asking Americans to call their lawmakers in support of the deal. Instead, the overwhelming majority of calls and letters opposed it, with many complaining that its regressive approach—with increased taxes on liquor, tobacco and gasoline, not to mention higher Medicare premiums—would hurt the poor more than the rich.

Thus when Bush last week conceded that he might be willing to raise tax rates on the wealthiest Americans, many Republicans were flabbergasted that he had done it so casually, in the course of a 40-minute press conference. If he had issued a ringing proclamation that higher taxes on the rich were needed, says a senior Republican, "he could have explained that he felt it was necessary to make the package fair, and we would have got political credit for it. Instead, now we look like we're being dragged into raising the top rates and the Democrats are beating us to death as the party of the rich."

The President's effectiveness in domestic policy has been further hampered by the ham-handedness of White House chief of staff John Sununu. The former New Hampshire Governor, complains an official, "got ahead of the boss" when he sought to kill the deal combining a capital-gains tax cut with a higher income tax rate—a mistake that did not go unnoticed by Bush. By failing to disguise his contempt for Congress, Sununu has managed to alienate even the Republicans whose support Bush desperately needs. Two weeks ago, Sununu dismissed Mississippi Senator Trent Lott's complaints about the original budget pact as "insignificant." In response Lott ordered up buttons with the words I'M INSIGNIFICANT, TOO. Sununu's remark was especially damaging because Lott has provided crucial votes to uphold three of the President's least popular vetoes. Says Lott: "They're going to need me again, real bad and real soon."

The White House budget strategy, such as it is, assumes that none of the factions that rejected the bipartisan budget accord will manage to put together a plan they like better and get it through the House and the Senate. After they fail, a senior White House official predicts, "everybody's got to be forced back to the middle"—that is, back to an outline not very different from the defeated proposal. That could happen. But many members of both parties say they would not be pushed back to the regressive approach that was so resoundingly turned down two weeks ago. They would rather pass a budget that is both more equitable and practical—if the President would only assume his responsibilities and lead them to it.

—With reporting by Michael Duffy/
Washington