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Reader's Digest
7/90

TAKE A WALK on Capitol Hill these days, and notice the strangers. Mingling with the bustling young Congressional aides and gawking tourists are intellectuals from Poland, Hungary and Czechoslovakia. Eastern European politicians have descended on Congress intent on adapting American democratic principles to their fledgling governments. But if the visitors seem perplexed at times, it's more than just cultural differences.

Here are some examples of what has been happening on Capitol Hill this year:

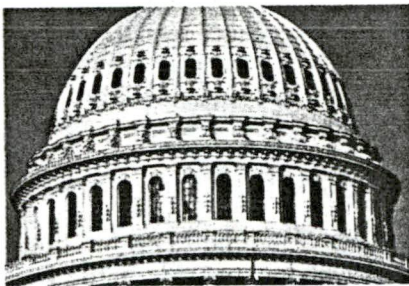
Just four days after Nicaraguans voted out their Sandinista government, the Senate is locked in furious debate over a resolution deploring Daniel Ortega's slowness to relinquish power. The resolution is non-binding and, outside the insular world of Washington, utterly irrelevant. As the haranguing builds to fever pitch, exasperated Sen. John C. Danforth (R., Mo.) rises to ask his battling colleagues, "Why cannot we just shut up for a change?"

Later, the Senate considers a nonbinding resolution calling for a settlement in the baseball players' lockout. Enraged by the windy speeches, Sen. Warren B. Rudman (R., N.H.) complains, "We're wasting everybody's time, and we look like fools." The measure passes 82-15.

During the same week in the House, members authorize the Agriculture Department to produce sterile screwworms for sale over-



There ought to be
a law against this kind of
lawmaking



Why Congress Doesn't Work



Condensed from BUSINESS WEEK

PAULA DWYER AND
DOUGLAS HARBRECHT

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seas, change the name of a lake in Kansas and vote yet another national education study, the umpteenth such survey in recent years.

Congress produces very little of tangible value. This once-proud institution is paralyzed by cynicism and a corrupting quest for campaign dollars. Since 1976 the cost of the average winning House campaign has risen from \$87,000 to \$359,000. A heated contest can run almost \$3 million. The cost of an average Senate race has jumped from \$600,000 to \$3.9 million per winning candidate. A big-time duel, such as the 1984 battle between Jesse Helms (R., N.C.) and Democrat James B. Hunt, Jr., can total \$25 million.

Political action committees (PACs) representing powerful special interests increasingly dominate Congressional elections. Dependence on interest-group money is at the core of Congressional ethics scandals such as last year's toppling of House Speaker Jim Wright (D., Texas) and this year's inquiry into the role five prominent Senators played in aiding controversial savings-and-loan operator Charles H. Keating, Jr.

PAC contributions serve as an unnatural prop for incumbents, denying Congress new blood. In 1988, PACs gave \$115 million to incumbents, only \$17 million to challengers. Some 98 percent of House members now win re-election. "I question why we even have elections anymore," says Fred Wertheimer, president of Common Cause,

a Washington-based campaign-reform group.

So, apparently, do voters. Since 1960, participation in Congressional elections has dropped from 58 percent to 45 percent during Presidential election years. In midterm elections, the figure is now an abysmal 33 percent.

With its rich history of logrolling, pettifoggery and corruption, Congress has never exactly been at the top of Americans' ethical hit parade. But more recently, its ratings have plunged. A survey taken by pollster Louis Harris found that the percentage of Americans expressing a "great deal" of confidence in Congress has tumbled to 16 percent, down from 28 percent in 1984.

What's puzzling to many is that Capitol Hill has become steadily less responsive to national needs even as legislators have become more qualified. "Congress has a spectacular amount of individual talent," laments former House Rules Committee Chairman Richard Bolling (D., Mo.). "But institutionally it has great difficulty performing."

On the eve of a new century, the United States is saddled with the problems of a superpower and the legislature of a banana republic. Says Representative Lee H. Hamilton (D., Ind.), "We face a crisis of democracy." If that sounds like hyperbole, consider the following:

- *Shaking down business.* In every Congress since 1978, the House and Senate banking committees

WHY CONGRESS DOESN'T WORK

have made a fitful run at restructuring the financial industry. But reform is hopelessly deadlocked because of the conflicting interests of big banks, small banks, insurance companies and securities firms. Yet the committees go through the motions year after year—and then squeeze contributions from jittery PACs. Other favorite scams: the effort to reform product-liability laws, now 13 years old, and the perennial hint that tax-writing committees may limit the mortgage-interest deduction, which brings anguished shrieks from real-estate agents and home-builders.

• *Ducking the issues.* With the rise of negative campaigning, many members are concluding that it's safer to duck hard issues than to make unpopular choices. Increasingly, they lob difficult decisions to outside contractors. The model was the 1982 Social Security commission. Confronting an explosive Social Security funding shortfall, the panel came up with a solution that gave Congress the political cover it needed to raise payroll taxes and trim benefits.

While committees are busy shunting their responsibilities to commissions and task forces, individual members increasingly dodge problems by falling back on boosterism. A favorite pastime is passing commemorative resolutions, such as "National Dairy Goat Awareness Week." These valentines have risen to about 200 a year. Representative Claudine Schneider (R.,

R.I.) reckons that Hill staffers spent more than 30,000 hours working on resolutions during the 99th Congress.

• *Too little, too late.* The Hill has always responded more to crises than to reasoned debate. The result is periodic stampedes that lawmakers later regret. The nation's thrift industry has been going bust for a decade, pushed under by a combination of uneven deregulation, poor business practices and inadequate supervision. By 1987 it was apparent that the Federal Savings & Loan Insurance Corp. would go broke unless it got a quick infusion of funds.

But some key lawmakers were hooked on contributions from S&L owners. The thrift operators didn't want FSLIC to get enough money to shut them down. So their friends in Congress stalled funding legislation for a year. When Congress and the Bush Administration finally dealt with the problem, it required the costliest bailout in American history. In 1989 the Hill struggled to enact a \$50-billion rescue plan that will shut down nearly 30 percent of the nation's thrifts. But industry experts estimate the actual cost of the mess at \$300 billion.

• *Punting on the budget.* In 1985 lawmakers frustrated by huge Reagan-era deficits passed the Gramm-Rudman-Hollings Act, which mandated annual reductions in red ink and a balanced budget by fiscal 1991. But Congress either revises looming targets or decides that cer-

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Research Service

tain spending, such as part of last year's S&L bailout, won't count against the ceiling.

Most years, lawmakers spend much of their time on inconclusive budget debates and then, at year-end, stuff pending legislation into a huge catchall spending bill. This year's budget shenanigans aren't deviating much from the script. Several months after receiving the President's budget, Congress had yet to begin serious work on a fiscal 1991 tax-and-spending blueprint. The prospect is for another year of budget chaos.

• *Bureaucratic empire.* In 1946, the last time the Hill underwent sweeping reorganization, 34 House and Senate committees were run by powerful senior members. Today Congress has 47 committees and 232 subcommittees, each with its own staff and territorial imperatives.

Drug-policy director William J. Bennett, to cite one example, must answer to 90 committees and subcommittees. In 1987 a conference committee on omnibus trade legislation included nearly 200 House and Senate members. "On major bills involving several committees, the House can't come to the conference table anymore with fewer than 100 members," says former White House Counsel Lloyd N. Cutler.

Congress's bureaucratic empire is maintained by an army of invisible aides—about 32,000 in all. As lawmakers focus more on raising re-election money, their subordinates have been ceded wide latitude to draft legislation, plot strategy, handle lobbyists and even decide how to vote. Top salary for a Senate committee staff director is now \$95,715. "Too much is being done by anonymous people," says former Senate Majority Leader Howard H. Baker, Jr. "Congress needs to return to its role as a policy-making agency. It must stop acting like an aggregation of bureaucrats, pseudo-Presidents and pseudo-Secretaries of State."

UNLIKE underperforming corporate-board members, Congress's insular plutocrats are in no fear of a corporate raider such as T. Boone Pickens or Carl Icahn shaking things up. For that, only a howl of rage from the voters will make Congress sit up and listen. The same folks the can't-do Congress is alienating in droves must demand accountability and restructuring.

Until then, the visitors from Eastern Europe will learn more about empty gestures, budget gimmickry and political evasion than about the stuff of which great democracies are made.

Reprints of this article are available. See page 206.

Beware of all enterprises that require new clothes. —Henry David Thoreau

Reader's Digest
9/90

Let's Get Serious About Cutting the Budget

Forget raising taxes. We can slash the deficit by at least \$50 billion if we just face up to needless, wasteful expenditures

BY RACHEL FLICK

THE UNITED STATES has two choices, says House Ways and Means Committee Chairman Dan Rostenkowski (D., Ill.). We can either raise taxes or "hope the government wins the sweepstakes so we can pay our debts." Senate Republican whip Alan Simpson (Wyo.) offers up a whole panoply of potential new levies to combat the \$169-billion deficit—"value-added taxes, additional user fees, taxes on booze and cigarettes . . . all sorts of things!" Even President Bush has yielded to the tax temptation.

But Washington's Establishment has it wrong. "Raising taxes will not reduce the deficit," says Nobel Prize-winning economist Milton Friedman. "It will simply increase

government spending." Further, high taxes hurt business growth. "Raising taxes would be counterproductive," says T. J. Rodgers, founder of one of America's fastest-growing high-tech companies. "The government just needs to stop spending so much money."

He's right. The way to reduce the deficit is to cut spending. There are plenty of ways to do it. Here are eight:

1. **Sell federal assets.** In 1986, one of America's biggest petroleum dealers made a bad deal. Oil was fetching \$12.60 a barrel, but he had locked himself into contracts to sell for \$4.90 per barrel. Losses amounted to \$300,000 per day.

Nonetheless, the dealer is still in business. That's because he is Uncle

Sam, and the oil he squandered was from the Naval Petroleum Reserves (NPRs) at Elk Hills, Calif., and Teapot Dome, Wyo.

Set aside early this century as emergency supplies for the Navy, the NPRs have long since been supplanted by the more accessible Strategic Petroleum Reserve. "For all practical purposes, the NPRs are not reserves and they have nothing to do with the Navy," admits a Congressional aide. "They're just a federal business." And as the 1986 fiasco made clear, the government does not belong in the oil business. Getting out could cut the deficit \$2.5 billion.

The government also owns one-third of the nation's coal reserves, and leases the right to mine them. But it does not manage the reserves well. Fifty billion tons of coal are in just one holding, the Powder River Basin in Wyoming and Montana, but 80 percent is unleased. By selling this single reserve, we could reduce the deficit by \$2 billion.

Six percent of the nation's electricity is generated by 127 federal dams, and then five Power Marketing Administrations (PMAs) sell it at bargain-basement rates. For instance, the Southeastern Power Administration supplies electricity for a ten-state area, including the district of House Appropriations Committee chairman Jamie Whitten (D., Miss.), at 1.78 cents per kwh. The national wholesale average is 3.8 cents for private utility companies.

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The PMAs are worth at least \$10 billion. Yet only one—the smallest, in Alaska—has been marked for sale. In 1986, with Whitten helping to lead the charge, Congress barred the government from even studying the sale of others. Selling them, along with the NPRs and the Powder River Basin coal reserves, could produce \$14.5 billion to reduce the deficit.

2. Contract out federal services.

In 1981, the watchdog General Accounting Office found that the government could cut its custodial costs in half by letting outside contractors do the work. Nevertheless, 1400 custodians are still on the payroll of the General Services Administration (GSA), which manages government buildings. Why? In 1982, Congress forbade the GSA to "privatize" custodians—or guards, elevator operators and messengers. Altogether, 37 different statutes bar the contracting out of almost 70 percent of federal services to the private sector.

Congress requires the Defense Department to maintain its own security and firefighting personnel. The government may not even study the savings to be had from hiring private air-traffic controllers. Some civilian agencies keep their own planes for their senior officials' travel when it would be cheaper to buy commercial tickets. More amazing still, the National Park Service may not replace employees with volunteers, thus forcing Uncle Sam to pay for work he could get for free.

Across the vast federal government, the cost of protecting jobs big and small steeply mounts. The Office of Management and Budget says that by conducting privatization reviews of all qualifying federal jobs, the government could cut spending by up to \$7.2 billion.

Total savings so far: \$21.7 billion.

3. **Eliminate programs that produce more pork than beef.** From 1985 to 1988, as a ranking member and then chairman of the Senate Appropriations Committee, John Stennis (D., Miss.) forced the U.S. Economic Development Administration (EDA) to grant \$16.5 million to the Institute for Technology Development. This institute was supposed to help Mississippi businesses apply new technologies. Its expenditures included \$100,000 salaries for top executives, luxurious travel for senior staff and more than \$135,000 in consulting fees for the Stennis aide who arranged the EDA financing and then went into business for himself.

Rep. Joel Hefley (R., Colo.) says that EDA exists "primarily for members of Congress to funnel money to their friends." Shutting it down would save \$220 million.

Also ripe for the ax is the Small Business Administration (SBA), which was set up primarily to guarantee loans and secure government contracts for deserving entrepreneurs. In 1989 the SBA secured loans or contracts for only 0.12 percent (22,000) of the nation's 19 million small businesses. And

that tiny group has a poor record for repaying loans. Shutting down the agency would save \$1.1 billion.

Since 1964 the Urban Mass Transportation Administration (UMTA) has squandered billions on gold-plated transit systems. The author of a Transportation Department study of UMTA says, "There's often one single powerful Representative or Senator directing money toward each of these systems."

Miami's \$1.5-billion Metrorail is a case in point. Dubbed "Metrofail" by city wags, Metrorail owes its existence to Rep. William Lehman (D., Fla.), chairman of the House Appropriations Subcommittee on Transportation. A scant two percent of Dade County residents use Metrorail, so it loses over \$25 million per year. Despite this failure, however, Lehman has earmarked \$163 million to extend another equally underused system called the People Mover.

Nationwide, UMTA costs taxpayers \$3.9 billion a year. Shutting it down along with the SBA and EDA would save \$5.2 billion.

Total savings so far: \$26.9 billion.

4. **Let the dinosaurs die.** The Export-Import Bank was established in 1981 to finance U.S. exports to the U.S.S.R. Now it makes loans at below market rates to foreign purchasers of U.S. goods—loans that default at an astounding rate: \$4.5 billion of the \$12 billion owed the bank is more than 90 days delinquent. Few of the firms Eximbank benefits—which include gi-

ants like Boeing, Bechtel, General Electric and Westinghouse—need to have the United States subsidizing their customers. Closing Eximbank would save \$2 billion.

Consider that Depression-era relic, the Rural Electrification Administration (REA). Its original job—to electrify U.S. farms—was accomplished long ago. Then the agency began supplying telephone service. Today, nearly all U.S. farmhouses have both electricity and phones.

How does the REA justify its existence? It subsidizes utility rates by lending almost \$2 billion per year, half at five percent and less. The bulk of these loans go to 63 telephone and electrical cooperatives, including one in Aspen, Colo., playground of the super-rich. Closing the REA would save \$1.2 billion.

U.S. taxpayers also sustain hundreds of obsolete military bases. For instance, the Army's Fort Ord, established in 1917 in the rolling hills of Monterey, Calif., costs \$885 million a year to run. Yet because of its small size and proximity to civilian areas, the resident 7th light-infantry division must travel 80 miles to another base to conduct maneuvers and 100 miles to a National Guard outpost for live-ammunition drills.

Rep. Richard K. Armey (R., Texas) estimates that closing all unnecessary bases would cut spending \$2 billion per year. Added to the savings from terminating Eximbank and the REA, that would yield \$5.2 billion in dinosaur funds.

Total savings so far: \$32.1 billion.

5. Stop subsidizing agribusiness.

In 1989 corn was selling for \$2.26 per bushel on the open market. However, under the farm price-support program, the government had promised American corn growers they would get \$2.84 per bushel. Accordingly, taxpayers paid each participating farmer 58 cents per bushel to make up the difference. The tab came to \$3.5 billion.

That's not the only way the United States bolstered corn prices. To participate in the government program, each farmer agreed to take land out of production. Thus, in 1989, 10.8 million acres of farmland were not planted with corn. Less corn means higher prices worldwide.

Corn is only one of 14 commodities that taxpayers support as part of one of our costliest and most nonsensical programs. Not only do these price supports raise grocery bills by as much as \$10 billion, but their drain on the U.S. Treasury will reach \$11.7 billion this year. We should terminate all 14.

Savings now total \$43.8 billion.

6. End funding for research extravaganzas. When the Superconducting Super Collider, a new proton smasher, was proposed in 1985, its cost was estimated at \$5.9 billion. That figure has since risen to \$8 billion, with the federal government paying three-quarters.

Will taxpayers get their money's worth? In 1988, Sigma Xi, a scientific honor society, asked its members which of nine projects would

Call



Grace Commission

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make the best use of federal funding. The proton smasher came in last, behind "other."

"Economic and technological spinoffs are unlikely in the extreme," James Krumhansl, former president of the American Physical Society, says of the project. Why then is it going forward? Politics: it will be one of the largest employment schemes that Congress can support.

Another program worth terminating is the permanent manned space station. In 1984, when President Reagan launched the project, its cost was estimated at \$8 billion. Now NASA puts that figure at \$30 billion.

"We've spent \$4 billion so far," says Dr. Jerry Grey of the American Institute of Aeronautics and Astronautics, "and thanks to continuous Congressional demands, there isn't a nut or bolt to show for it." New hazards keep arising, requiring expensive solutions. Worst, with narrow exceptions, "its scientific uses are quite dubious," says Dr. James A. Van Allen, a celebrated space physicist.

Notwithstanding the station's problems, Congress continues to fund it. Political scientist Ronald D. Brunner and physicist Radford Byerly, Jr., explained why in a recent issue of the journal *Space Policy*. "This major new program," they wrote, "would move money and jobs to many Congressional constituencies." While the space program remains important, the space station was political from the word go.

Another federally funded science project—the massive \$3-billion plan to decipher man's genetic makeup—has been sold politically as a source of new treatments for inherited diseases. However, only a small part of the comprehensive project has medical value.

Ending government support for gene-mapping, the manned space station and proton smasher would save \$3 billion next year alone.

Total savings so far: \$46.8 billion.

7. Economize in Congress. Every month, the Defense Department receives about 50,000 phone and 9000 written inquiries from Capitol Hill. Someone has to respond to each request for information, so Defense employees spend a million hours a year working exclusively with Congress.

One thing Congress does in its oversight of the Pentagon is dictate equipment our military services can buy. In 1987, Armed Services chairman Les Aspin (D., Wis.) and committee member Rep. Marvin Leath (D., Texas) forced the Army to buy 3349 trucks it didn't want, at a cost of \$500 million. The vehicles were made by the Oshkosh Truck Corp. in Wisconsin. The company has donated money to Leath's campaigns and paid him to speak at its plants. Says an Army spokesman diplomatically, "Congress has the final say on what we buy and what we don't."

How do busy Congressmen find time for this expensive micromanagement? Since John F. Kennedy

became President in 1961, the number of Congressional staff has soared from 5800 to 14,757, according to the Heritage Foundation. At the end of World War II, Congress's own annual budget was \$54 million. Now it is \$2.3 billion. To climb that high, it grew at more than six times the rate of inflation. Cut Congress's budget a mere ten percent and we would save \$230 million, not counting our savings from the mischief a smaller staff couldn't start.

Total savings so far: \$47 billion.

8. Give the President a line-item veto. Last spring, when President Bush promised aid to the infant democracies of Panama and Nicaragua, Congress spied its opportunity. Knowing Bush could not veto the aid bill, they piled it high with wish-list spending. Included were \$750,000 for a ferryboat for American Samoa, and funding for 40 Housing and Urban Development Department projects that HUD Secretary Jack Kemp had previously rejected, such as a performing-arts center in New Jersey.

The Panama-Nicaragua aid bill illustrates a hard truth. We won't control spending until the President has what 43 of the nation's 50 governors have—the line-item veto. Without authority to blue-pencil waste or proposals that do not merit federal funds, the President is hostage to the whims of 535 Senators and Representatives.

Since Republicans have controlled the White House, and Democrats

the Congress, the line-item veto has been seen as a partisan issue that benefits the GOP. This year, however, the Democratic-controlled Senate Judiciary Committee approved two versions of the line-item veto. "I was opposed when I first came to the Senate," Sen. Edward Kennedy (D., Mass.) acknowledged. "Now I think the line-item veto is necessary for accountability."

President Bush says he is eager to become accountable. Let's put him to the test. Economists say a chief executive armed with the line-item veto could save \$18 billion. If President Bush found even half that much beyond the waste identified above, the deficit would fall by another \$9 billion.

Total savings: \$56 billion.

No GOVERNMENT OFFICE is a total waste. Every one of the programs described in this article helps someone. However, none of them helps enough people to be worth what it costs. And all of them—plus many others—can be eliminated without harming the economy or the nation.

But Congress will continue its spending spree unless American taxpayers *demand* that needless expenditures be halted. If you are fed up with the squandering of your hard-earned tax dollars, send the message to your representatives in Congress: Let's get serious about cutting the budget!

Reprints of this article are available. See page 222.

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IDEAS from Boyden

What is the reason for this chaos that we've all been witnessing? Why all these committees and subcommittees and a legislative process no one can understand?

The reason is the same as the explanation that accounts for the insulation that protects Congress from the realities of the real world. That reason is the demonically successful system for incumbency protection and reelection that Congress has managed to build for itself over the last two decades. The result is a 99% reelection rate -- higher than the Soviet Politburo. This, of course, has the effect of making elections nearly superfluous. Let me tick off some of the causes.

First and foremost is the special interest election financing scheme that operates free of charge inside the beltway, and that liberates incumbent congressmen from any need to compete for or even understand the views and support of the people in their districts.

This special interest PAC machine now funds -- at a rate of tens of millions of dollars every year -- incumbents over challengers at a current ratio of 30 to one. No wonder no

challenger can win. The price the country pays is a Congress insulated from the electoral process and highly responsive to the special interests.

To service these special interests and to enhance fund raising ability, Congress now employs nearly 30,000 staff persons who run what amounts to a permanent Congressional bureaucracy. Much of their time, in turn, is spent getting special favors, called "constituent services," from the Executive Branch.

One result of this secret business is the current S&L crisis. While the regulators are not entirely without blame, let me give you just one example of how Congress frustrated their efforts to prevent the crisis.

When Ed Gray, President Reagan's S&L regulator, tried to shut down one of the worst criminals in the business in 1987 -- Vernon Savings and Loan in Texas -- he was frustrated and harassed by the Speaker of the House, who also happened to be a Texan. When Gray finally succeeded, one of the biggest S&L PAC recipients in Congress (Rep. Annunzio) made the following statement:

"If this [the Vernon shutdown] is meant to be a signal to the Speaker, Ed Gray ought to be happy that the Speaker is an advocate for the homeless, because when his [government] term runs out, he will be sleeping on a grate."

We are now beginning finally to learn exactly how PAC money protected Mr. Keating -- another S&L special interest -- in the now famous Keating Five episode. But the taxpayer -- not the Keating Five -- will have to pick up the \$300 billion tab.

The taxpayer is also picking up the tab for special mailing privileges that incumbents enjoy to the tune of tens of millions of dollars per year. All of these special favors make it virtually impossible for incumbents to lose. And now we have been treated to the ultimate trick on the public -- a Congress that simply refuses to go home at all before an election -- so that neither challengers nor voters can question a Member's behavior.

The multiplication of committees and subcommittees is easy to understand in this context. They provide yet even more vehicles for individual Congressmen to gain beltway visibility in order to raise PAC reelection funds -- and at the same time thumb their noses at their own party, their own leadership, the President, and finally, the voter himself.

There's an old piece of advice in Washington about how to avoid embarrassment if you run into a Congressman whose name you can't remember or don't know. The advice is, just address him or her as Mr. Chairman, and you can't go wrong.

This system must be reformed if we are going to be able again to have a truly representative government -- a Congress that represents the voters as a whole, not the fragmenting and divisive influence of the special interests. We must all encourage the voters to tell their representatives to shape up, or ship out.

The founding fathers knew the Congress would be influenced by special interests. But they designed a two-year election cycle for the House so as to keep that body close to the voters. Now, with the combination of special interest financing and television that makes it unnecessary and even undesirable for a Congressman to go home at all, we have the founders' model turned upside down.

There are a number of things that can be done to help set the system right again. Harry Truman reminded us that only the President represents all the people. Only the President can stick up for the national interest, and stand up to special interests. Restoring the President's historic role in the budget process would be a start. This could be done by reviving the authority Presidents had for over 180 years to impound unnecessary spending, or by providing some equivalent authority to add discipline to the system beyond the veto power.

And now is the time for another real reform that is gaining currency all around the country. Yes, I mean term limitations for Members of Congress. While we are at it, let's reform the Congressional Committee system to reduce overlap, duplication and fragmentation. Let's eliminate the beltway financing of elections by special interests. Let's reduce congressional staff

--

the tenured, omnipresent and unelected power behind the scenes. Finally, let's end Congressional exemptions from all of the laws it applies to everyone else, so that Congress can get a glimmer of the real world and maybe exercise a bit more care as a result.

This is not by any means a definitive list. But it should help start the debate about the need to revive our democratic institutions, even as other parts of the world make the shift to democracy.

M.K. - FYI

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But every state will find the path to progress blocked, so long as we face government-by-gridlock at the federal level. The budget fiasco is just the latest example of the tremendous costs of divided government: stalemated by a Congress far better at protecting its prerogatives, perks and powers than promoting America's best interests. //

Let me ask those of you with strong stomachs to take a look at the sorry spectacle we call the budget process. Time after time, Congress has failed to meet it's own deadlines -- and here we are: 25 days into the new fiscal year -- sailing along without a compass on a sea of red ink. //

Time and again, Congress offers symbolism in place of substance. This is a Congress that declares it "Vocational/Technical Education Week" -- but sits on our Educational Excellence Act for more than a year. This is a Congress that would rather proclaim it "National Crime Prevention Month" -- while it wastes the past 16 months without passing a crime bill that makes life tougher on criminals. //

Unfortunately, Congress' failure to act is not surprising. After all, how can the end product be good government -- when the process is an endless maze of 300 committees and subcommittees, served by 30,000 staff members? Special interests feed and multiply -- while the national interest is trampled in the dust, lost in the rush to get re-elected. // And we know by now what to expect from a body so confident in keeping power that it rules

more by divine right than democratic mandate. Once in office:
Unable to act -- but impossible to dislodge. //

In the process, Congress has itself become the single largest special interest of all time.

As confused and chaotic as Congress is, one party rule just makes it worse. Over time, one party control creates an Alice-in-Wonderland world, where words lose their meaning: Where "cut" means "spend" -- and "soak the rich" means it's time to put the squeeze on every American who draws a paycheck. ///

I think the American people know by now: When Congress tells you it's time to tighten your belt -- taxpayers better watch their wallets. //

Some members of the majority party in the Congress say the fault's not theirs. They try to pin the blame on you -- the American people. They say you want more government, more services, than you're willing to pay for. The fact is -- in the past decade, federal spending has doubled. In 1991, the federal budget will reach \$1.2 trillion dollars. The truth is, the American taxpayer isn't stingy -- the problem is that taxpayers can't shovel money into the Treasury as fast as Congress cleans it out. //

In our system, only the President represents all the people. Only a President can stand against the special interests -- only a President can stand up for the national interest. //

This is my message to the American people: This year, don't make November 6th a mandate for more of the same. This year,

when you go to the polls, give me a Congress I can work with --
and we'll get the job done. ///

Since President Bush called for bi-partisan budget negotiations, the Democratic-controlled House of Representatives has passed ten appropriations bills adding up to \$211 billion: \$25.119 billion over 1990 appropriations levels -- 13.5 percent increase, and \$14.348 billion above the amount the President asked for. A chart is attached summarizing the bills and examples of some of the wasteful spending follows:

SUMMARY

1990 Appropriations Spending = \$186.5 billion
1991 Bush Appropriation Request = \$197.3 billion
1991 Congressional (House) Appropriation Action = \$211.6 billion

- o House Action is \$25 billion (13.5 percent) above last year's level of spending.
- o House Action is \$14 billion (7.2 percent) above the amount the President asked for.

FY 1991 APPROPRIATIONS BILLS: HOUSE-PASSED BILLS COMPARED TO
FY 1990 ENACTED AND FY 1991 BUSH BUDGET
(BUDGET AUTHORITY AND OUTLAYS IN BILLIONS OF DOLLARS)

BILL	FY 1990		FY 1991		HOUSE		HOUSE FLOOR vs.		LATEST HOUSE vs.	
	ENACTED		BUSH BUDGET		FLOOR		1990 ENACTED		1991 BUSH BUDGET	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Commerce, Justice, & State 1/..	19.527	17.932	19.145	18.869	18.417	18.651	-1.110	0.719	-0.728	-0.218
District of Columbia.....	0.538	0.578	0.540	0.539	0.550	0.550	0.012	-0.028	0.010	0.011
Energy & Water.....	18.472	17.669	20.251	19.422	20.901	19.730	2.429	2.061	0.650	0.308
Foreign Operations.....	14.739	13.382	14.843	13.741	14.971	13.605	0.232	0.223	0.128	-0.136
Labor/HHS/Education 1/.....	44.243	48.909	45.705	52.232	50.579	53.924	6.336	5.015	4.874	1.692
Military Construction.....	8.244	8.760	9.058	8.743	8.598	8.787	0.354	0.027	-0.460	0.044
Rural Development, Agriculture.....	9.184	9.009	5.796	7.397	9.997	9.670	0.813	0.661	4.201	2.273
Transportation.....	12.612	27.876	11.377	28.324	12.599	29.665	-0.013	1.789	1.222	1.341
Treasury-Postal Service 2/.....	9.836	9.733	11.468	11.002	11.476	10.926	1.640	1.193	0.008	-0.076
Veterans Affairs, HUD, Independent Agencies.....	49.133	54.647	59.116	59.927	63.559	59.052	14.426	4.405	4.443	-0.875
TOTAL.....	186.527	208.496	197.301	220.198	211.648	224.560	25.119	16.065	14.348	4.364

Note: Detail may not add to totals due to rounding.

1/ Commerce/Justice/State and Labor/HHS/Education data for House floor include OMB estimates for unauthorized programs.

2/ FY 1990 enacted BA for Treasury/Postal adjusted to exclude \$1,254 million for lease-purchase projects authorized prior to FY 1990. FY 1991 Bush Budget Request outlays increased by \$344 million to reflect outlay estimates consistent with G-R-H outlay estimates.

APPROPRIATIONS

Energy/Water

- o The House and Senate voted to continue subsidies to power marketing administrations out west in areas which already enjoy the cheapest power in America. (Hatfield, Foley)
- o In the House, \$36 million was added to keep the Fast Flux Test Facility nuclear reactor operating in Hanford, Washington, for a purpose for which the reactor was not even designed. (Foley)
- o University of Alabama: House added \$10 million for the Biomedical Research Facility. (Bevill)
- o Mississippi State University: House added \$4.0 million for Diagnostic Instrument and Analysis Laboratory. (Whitten)
- o Riverfront Park, Charleston, West Virginia: The Corps has been directed to spend \$350,000 to build a park facility that other cities use their own funds to construct. (Byrd, Rockefeller)
- o Boudinot Harbor, Oklahoma: The Corps has been directed to spend an additional \$400,000 for dock facilities usually provided by private companies.
- o Wallisville, Texas: The corps has been directed to build, over its own objections, a \$70 million single-purpose water supply project that would sacrifice over 5,000 acres of pristine wetlands, (including over 3,000 acres of virgin cypress swamps). The purpose of this new expense is to provide heavily subsidized water to a local Texas community. Meanwhile, other American cities and towns bear this expense on their own, without Federal subsidies. (Brooks)
- o Garrison Diversion, North Dakota: The President's budget proposed terminating this uneconomic and environmentally damaging project, which would require over \$1 billion to complete. The irrigation component would benefit only about 400 farmers at an investment of \$6,000 to \$8,000 per acre to grow crops that are already heavily subsidized by the government. Hence its completion will only lead to higher government payments under the farm program. The Department of the Interior's Inspector General recently found that farmers would be unable to repay even the annual operation and maintenance expenses, which they are required by law to do. (Burdick, Conrad, Dorgan)

Transportation

Federal Highway "Demonstrations": The House and Senate combined added \$523 million worth of special earmarkings. Among the pet projects are the following three that supposedly "demonstrate" road safety, but are simply road construction projects:

- o \$4 million for a highway project between Paintsville and Prestonburg, Kentucky. (Perkins)
- o \$2 million to improve U.S. Route 931 in Jackson County, Florida. (Grant)
- o \$20 million for four projects in Mississippi. The eventual costs for these projects will exceed \$320 million. (Whitten)

Treasury/P.O.

The GSA Federal Buildings Fund was established to build and renovate federal buildings. Yet Congress appropriates funds for such projects as:

- o Northern Arizona University, Flagstaff: Southwest Forestry Science Complex. Senate - \$5,000,000. (DeConcini)
- o University of Georgia: Dean Rusk Center for International and Comparative Law. Senate - \$1,000,000. (Fowler)
- o Christopher Columbus Center on Marine Research and Exploration, Baltimore, Maryland: Grant for planning and design. House - \$5,000,000. (Hoyer)

Agriculture and Rural Development

- o The bill passed by the House is \$4.2 billion over the President's request -- that's more than 72%!!
- o The House added \$250,000 for research on methods to improve the texture of sweet potatoes -- an idea proposed by an industry group. The industry group sponsor also obtained approval for research on sweet potato pox viruses by Agricultural Research Service scientists.

- o The House added \$175,000 of agriculture funds for a firm in New York to do a film on youth at risk.
- o \$500,000 for the University of Mississippi: Food Service Management Institute. (Whitten)

District of Columbia

- o Board of Education: \$15.1 million of Federal funding for a local school board. This is an unique, direct federal contribution for maintenance and improvement of the District's public schools. Since 1985, public school enrollment in the District has dropped by 6,376 students (pre-kindergarten through 12th grade). The District already receives \$56.0 million of its public school funding from Federal grants that are also available to other local school districts.

Supplemental Appropriations (For FY 1990; Passed 5/25/90)

- o In early March of 1990, President Bush sought \$800 million in emergency supplemental funds to help the world's newest democracies, Nicaragua and Panama. Nearly three months later the Democratic House and Senate perpetrated budgetary hijacking. The House and Senate waylaid the proposal and stuffed it with new spending. When they were done, the Congress added over \$1.3 billion for unrequested domestic spending.
- o By a vote of 246-160 (R 32-130; D 214-30), the House agreed to a Senate amendment to force a federal agency that is supposed to do ocean research to procure a fish farm in Arkansas. (Bumpers)
- o Congress added \$1.8 million for renovating a Great Lakes research vessel in Michigan (not in either the House- or Senate-passed bills). (Traxler)
- o The Senate added \$185 million for an FBI building in West Virginia that is not expected to be built for five years. (Byrd)
- o Congress added \$6 million for a wildlife park in Iowa (a provision that was not in either the House- or Senate-passed supplemental bills and was snuck in, in conference). (Neal Smith)
- o Congress added \$750,000 to buy a ferry vessel for American Samoa. (Inouye)

ENTITLEMENTS/AUTHORIZATIONS

Excellence in Education

- o In February 1989, President proposed the Educational Excellence Act, a bill to authorize seven educational improvement initiatives increasing flexibility in the system, at a cost of \$423 million for the first year.
- o Congressman Hawkins (D. Calif) sponsored H.R. 5115, adding dozens of new costly and bureaucratic categorical programs. Total cost: \$1.4 billion in budget authority for FY 1991.

Child Care

- o The President proposed an 8-page, \$9.4 billion bill.
- o The Senate doubled the cost. \$18 billion.
- o The House tripled the cost: \$28.9 billion and included 120 pages of child care regulation.
- o Key members: Sen. Kennedy, Sen. Dodd, Rep. Downey.

Foster Care Administrative Cost Reforms

- o Between FY 1981 and FY 1991, state claims for administrative costs have grown over 2,800 percent.
- o The Administration proposed limiting the growth to 10 percent a year, saving \$121 million in outlays.
- o Congress (Sen. Bentsen [D-Texas], Rep. Downey [D-New York] have proposed program expansion without fixing the abuses. Total cost: \$426 million in outlays for FY 1991, and \$6.4 billion over FY 1991-95.
- o In the District of Columbia, 86 percent of foster care funds goes to administrative expenses and 14 percent goes to children. In D.C., per child:
 - \$22,050 is spent on city costs.
 - \$5,000 is spent on foster care.

Railroad Retirement Tax Diversion

- o In the last 10 years, Congress subsidized the Railroad Retirement Board to the tune of \$1.2 billion.
- o These subsidies will cost the Federal government over \$100 million in FY 91.
- o Congress extended this subsidy through FY 90. Sen. Baucus (D-Mont) who has a disproportionate number of railroad retirees in Montana, proposed legislation to extend this again this year.

Housing

- o The President proposed \$23.7 billion for housing programs.
- o The House bill exceeds the President's FY 1991 Budget by over \$4.6 billion in Budget Authority due in part to an emphasis on new housing construction including the Title III Rental Housing Production Program and the Title IV Community Housing Partnership program.
- o The Senate bill exceeds the President's Budget by over \$4 billion in B.A. due to higher authorizations for existing programs and for the new Housing Opportunity Partnerships (HOP block grants to states and localities).

1990 Farm Bill

The Administration sent to Congress in February a bill which would have continued of the market-oriented farm support programs instituted by the successful 1985 farm bill. Moreover, in his FY '91 budget, the President proposed to reduce farm subsidies by \$1.5b this year. The Congress, in bills now out of both houses but not yet in conference, essentially rejected that proposal and raised subsidies above current levels.

- o Both the House and the Senate passed bills that set five year farm subsidy spending at around \$54 billion, close to \$20 billion over the amounts recommended by the President.
- o The House rejected a proposal by the Administration to eliminate government subsidies to people who earn more than \$100,000 per year. Thus, people who earn 3 times the average income for an American family of four will

keep getting income supports from the government under the farm program. Similarly, the Senate rejected a cut-off of subsidies to those very large farmers who gross more than a half million dollars a year. Either of these proposals would have saved the taxpayer on the order of \$1 billion over five years.

- o The House also rejected a proposal to tighten loopholes in the farm laws. Payments are supposed to be limited to \$50,000 per person -- but big corporate farmers reorganize to evade the limit. Some farmers made almost \$1 million each in subsidies last year. The House voted no on a Republican amendment (by Rep. Conte) to close this loophole, and in the process saved close to three-quarters of a billion dollars over five years.
- o The House and the Senate voted against any reform in sugar subsidies, which cost American consumers more than \$1.5 billion each year. The Administration had proposed a two cent per pound reduction in the sugar support price, but not even this modest adjustment was adopted. So American consumers will keep paying twice the world price to keep a handful of sugar producers wealthy.
- o The House voted "no" on an amendment to phase out honey support, even though it would have saved \$200 million between now and 1995. That's \$200 million for only a handful of beekeepers; eliminating their payments would not endanger the work of the vast majority of beekeepers.

WHAT DEFICIT CRISIS? CONGRESS CONTINUES ITS PORK-LADEN SPENDING SPREE

(Updating *Backgrounder* No.780, "While Talking About A Deficit Crisis, Congress Proposes Billions in New Spending," July 25, 1990.)

How is Congress responding to George Bush's broken no-new-tax pledge? With visions of new revenues dancing in its head, Congress has gone on a spending spree that will push the federal budget and the tax burden on the American people to record highs. While many in Congress thus publicly wring their hands and gnash their teeth about what they call the deficit crisis, what they really seem to care about is only more spending. Examples: On July 18, the House of Representatives passed a \$50.34 billion Rural Development/Agriculture appropriations bill, which is \$5.18 billion or 11.46 percent higher than the 1990 amount. On July 19 the House approved a \$170.44 billion Labor/Health and Human Services appropriations bill, which increases spending by \$17.31 billion or 11.3 percent over last year's level.

With only eight of the thirteen appropriations bills passed so far, the House already has spent \$403.09 billion, or \$41 billion over 1990 levels, an increase of 11.4 percent. This is \$68 billion over 1989 levels, an increase of 20 percent.

Table 1
Appropriations Bills
(\$billions for Fiscal Year)

BILL	1989 Approps.	1990 Approps.	1991 Bush Proposal	1991 Approps.	\$ Change 90 - 91	% Change 89 - 91	% Change 90 - 91
Commerce/ Justice	14.85	11.70	11.10	10.50	-1.20	-29.30	-10.20
Energy/Water	17.83	18.43	20.20	20.77	+2.40	+16.52	+12.70
Foreign Operations	14.29	15.52	15.52	15.78	+0.30	+10.46	+1.69
VA/HUD	59.39	71.28	78.78	83.57	+12.30	+40.72	+17.25
Transportation	25.67	28.17	26.73	30.94	+2.70	+20.54	+9.50
Treasury/P.O.	16.02	18.45	20.71	20.72	+2.27	+29.34	+12.30
Labor/HHS	140.37	153.13	166.23	170.44	+17.31	+21.42	+11.30
Agriculture	46.61	45.17	50.43	50.35	+5.18	+8.00	+11.46
TOTALS	335.03	361.85	390.00	403.09	+41.24	+20.00	+11.40

If the House continues at this record pace in the remaining five appropriations bills and if both the Senate and President approve, spending will rise by nearly \$75 billion over similar fiscal year 1990 levels. This dramatic increase is of particular concern because the 13 appropriations bills represent only about 60 percent of all federal spending. When combined with the automatic increases in entitlement programs and interest on the national debt, which comprise the remaining 40 percent of the budget, fiscal 1991 spending could top last year's levels by nearly \$110.

George Bush is partly to blame for this spending spree. He ignited it by bowing to pressure from Budget Director Richard Darman and Treasury Secretary Nicholas Brady to agree to a budget summit with Congressional leaders in which all issues, including taxes, were on the table. And taking the cue from Darman and Brady again, Bush threw open the floodgates on June 26 when he announced that it was clear to him that "tax revenue increases" would be needed to bring the deficit in line. Smelling blood in the water, the liberal-dominated House of Representatives went on a feeding frenzy. It rejected proposals by some House members to reduce the rate of spending increases on the Agriculture appropriations bill and the Labor/HHS appropriations bill. It defeated eleven such amendments by wide margins. Six amendments that would have slowed spending across the board were offered by Republican representatives William Dannemeyer, from California, and Bill Frenzel, from Minnesota, in addition to Timothy Penny, the Minnesota Democrat. The House even rejected the symbolic amendment by Robert S. Walker, the Pennsylvania Republican; it would have trimmed the overall level of spending in the Agriculture bill by just \$19.90 — a piddling 0.000000002 percent.

Table 2
(\$ billions for Fiscal Year)

Bill	1990 Approps.	Penny ¹ (9.5%)	Frenzel ²	Dannemeyer ³	Penny ⁴ (2%)	1991 Approps.
Agriculture	45.17	46.01	46.65	47.95	49.39	50.35
Labor/HHS	153.13	N/A	163.74	N/A	169.90	170.44

1. There were two amendments offered by Representative Penny to the Agriculture Bill. The first was an across-the-board 9.5 percent cut on the proposed 1991 appropriations, which was actually an amendment to Frenzel's 7.7 percent cut. This amendment contained an exemption to the cut, the Women and Infant Children program, which was not cut at all.

2. The Frenzel amendments were an across-the-board 7.7 percent cut on the Agriculture bill, and an across-the-board 15.2 percent cut on proposed HHS spending bill. This cut on the HHS bill amounts to only a little over 3 percent of the total bill when the unauthorized funds are added in.

3. The Dannemeyer amendment to the Agriculture bill was an across-the-board cut of 5 percent, but again, this percentage only would have an effect on discretionary spending. The percentage of the total bill was much less.

4. The second Penny amendment to the Agriculture bill was an across-the-board 2 percent cut. The Penny amendment to the HHS bill was also a 2 percent across-the-board cut, but it excluded certain programs such as Chapter 1 Compensatory Education, Education for the Handicapped, and Higher Education.

Other amendments were offered to prevent spending increasing above fiscal 1990 levels on specific programs. Walker proposed four amendments to test the House's resolve for holding the line on spending increases. The first amendment would have prevented a \$65,000 increase for the \$4,935,000 Law School Clinical Experience program; the second would have prevented \$10,000,000 from being spent on a new "Education Summit Follow-Up" study; the third would have prevented a \$65,000 increase in the \$3,806,000 Physician Payment Review Commission; and the fourth would

Senate appropriations panel uses back door

TUESDAY, OCTOBER 16, 1990

to OK pork-barrel projects

By David Hess
Knight-Ridder News Service

WASHINGTON — When it comes to preserving the sanctity of the congressional pork barrel, the Senate rarely lacks for ingenuity — even in this era of tight budgets and fierce arguments over spending priorities.

Making a wide turn around restrictions imposed last year on pork-barrel projects, members of the Senate Appropriations Committee added \$50 million worth of home-state items to a massive spending bill by

creating a brand new category of federal grants.

The bill, now awaiting final action by a Senate-House conference committee, appropriates \$78.6 billion in fiscal year 1991 for housing, veterans, space and environmental programs. While the total cost of the home-state projects is small compared with the overall price of the bill, the money represents only a down payment on many of them. By the time they are completed, they will cost several times more than the amount provided in this year's bill.

The home-state projects, labeled "special purpose grants," are included in the housing section of the bill and circumvent an accord reached last year between lawmakers and Housing and Urban Development Secretary Jack Kemp. HUD was been wracked by scandal because of projects awarded by Mr. Kemp's predecessor to clients of "influence peddling" former officials and political consultants.

Under the accord, there was at least a tacit pledge by Congress not to load up the housing bill with ear-

marked projects that helped members bring home the bacon.

"Our understanding in the HUD reform bill, which was intended to eliminate many of the other abuses in [our] programs, was not to use the spending bill as a vehicle for these narrowly focused projects," a HUD spokesman said. "Now look what we've got."

What HUD got was a Senate bill with 27 pet projects sponsored by members of the appropriations panel.

For example, Sen. Jake Garn, R-

Utah, got \$500,000 in "seed money" to finance high-tech business in two cities. In all, Mr. Garn got four projects, worth \$1.75 million, for his state.

In addition, a 28th project was added on the Senate floor to move a charity-feeding kitchen in Kansas City, Kan., as a favor to Sen. Nancy L. Kassebaum, R-Kan., who is running for re-election.

Several other projects also appeared to be aimed at helping hard-pressed incumbents — including Sens. Carl Levin, D-Mich.; Tom Har-

kin, D-Iowa; Paul Simon, D-Ill.; David Pryor, D-Ark.; Jim Exon, D-Neb.; and Daniel K. Akaka, D-Hawaii — win re-election. Mr. Harkin is the only member of the committee.

Mr. Akaka got his projects courtesy of the committee's third-ranking Democrat, Hawaii Sen. Daniel K. Inouye: a \$1.2 million road and sewer project and a \$500,000 water system.

Angered by the Senate's action, Mr. Kemp may get the last laugh. As the bill stands now, the Bush administration is threatening to veto it.

Davis/Blymire
Title: Harry
Date: Oct. 20, 1990
Draft: Seven

PRESIDENTIAL ADDRESS: EAST ROOM
10:30 a.m., THURSDAY, OCTOBER 25, 1990

Welcome to the White House, please be seated.

I've asked you here today to talk about something that all Americans are asking: "What on earth is wrong with Washington?" I've been in and around government for more than a third of my life. And never have I seen a Congress more gridlocked, more paralyzed and incompetent than today's.

This is a Congress that talks about taking the high road, but always takes the path of least resistance.

This is a Congress that cannot represent the national interest, because it is beholden to special-interests.

This is a Congress that cannot move forward, because it is stuck in an institutional rut. Served by 20,000 staff members, divided into an arcane structure with nearly 300 committees and subcommittees, Congress is a chaos of committees, a confusion of command, an anarchy of egos.

This is bad enough. But the institutional problem is made worse by more than forty years of rule by one party dedicated to perpetual re-election. And the one-party that rules Congress has a bias for solutions of the past -- a bias for mandates over choice; for the Capitol over City Hall; for bureaucracy over people. When you add all this up, you can see why everything this Congress does is a variation on a theme: tax and spend.

The final budget agreement is a sad example of how Congress works -- or doesn't work. Certainly, an agreement had to be reached. It was in the national interest to get this deficit down, particularly while the economy worsened during the eight months of negotiations. But I wanted to reduce the deficit with a careful balance of spending cuts. The Democrats wanted to slash defense and raise income taxes for all Americans. What we got was a compromise.

I understand why some members of my own party had to go the other way. Plenty of Members on both side of the aisle knew the necessity and urgency of this agreement. They just couldn't find the will to vote for it -- hoping that an easier vote would come along. I didn't have that choice. The choice I faced was this agreement, or no agreement. Faced with such a choice, I decided it was better to lose the saddle than the horse, and signed this bill with great reluctance. But I am certain that the American people are sick and tired of what they had to watch for eight months -- eight long, unnecessary months.

Of course, there is some good in this agreement.

We got Congress to agree to reduce the rate of growth with the first five-year curb on spending ever.\\

We put Congress on the pay-as-you-go plan, so Congress will no longer be able to fund programs on promises.\\ And, should the Congressional mood change -- and you can bet it will -- Congress will find that these cuts are already enforced by law -
- these spending cuts and spending caps are real.\\

We got \$500 billion in deficit reduction -- including \$300 billion in spending cuts -- the largest cut in history.\\\

Finally, our agreement did hold the line against reckless cuts of our Armed Forces. This Administration put a marker down early -- I will never agree to jeopardize America. And now I will not let down our servicemen and women in the Persian Gulf.\\\

So all in all, this agreement is unprecedented, long-overdue, absolutely necessary. But I will not join the Congress in a carnival of self-congratulation. After all, we discussed three kinds of proposals: the good, the bad and the ugly. I told you about the good, now let me tell you about the rest. The bad: We had to swallow \$150 billion in taxes, taxes on gasoline and alcohol. But we kept from enacting the ugliest proposal -- to raise income taxes on working Americans.

We did even out the system to make it more fair: cutting the top rate for many, while raising it for a few. But had this Administration not stood firm, the House of Representatives would have exposed families to automatic tax increases. A family of four, with a taxable income of \$34,000, would have paid an addition \$313.50 in income taxes.

This Congress -- lacking the courage of its convictions -- was eager to raise taxes using an ugly backdoor maneuver.

Well that proposal is now history.\\\

But to get the agreement, we had to keep the majority that rules Congress at the table. To do this, we did pay a price; and

that price was taxes. But the American people must know a truth: **That is the cost of divided government.**

We could have had this agreement in May, in June or in August. Congress didn't have to hunt for every last morsel of political opportunity; didn't have to wait until 24 days into the new fiscal year, about a dozen days before an election to act.

But the Democrat majority that controls Congress choked the throttle on a slowing economy -- to get higher taxes. Congress has once again busted its self-imposed deadlines and given me a budget to sign at the 11th hour; so late, in fact, that we are now at the brink of a downturn that could have been avoided.

In April, inflation was ((percent)). Last month it was ((percent)). In April, unemployment was ((percent)). Unemployment last month was ((percent)). Economic growth last April was ((GNP percent)). Last month it was ((GNP percent)). Even after the economy was threatened by higher oil prices from the Persian Gulf crisis, Congress delayed. This Congress was content to stall an agreement and stall the economy, **all in the name of politics and higher taxes.**

The Democrats talk a lot about "fairness." Well let me tell you what really isn't fair: unemployment isn't fair. And if you hear a Democratic Member of Congress bemoan a slow economy, ask your legislator why their majority blocked the people's business for half a year -- again, to raise taxes.

Some of the more self-congratulatory members of the process have compared this budget agreement to the Constitutional

Convention. That is ludicrous. How stunted the ambitions of the Capitol seem when compared to those of the Founders; how petty this budget deal seems when compared to the progressive Square Deal of Teddy Roosevelt, the New Deal of Franklin Roosevelt, or the Fair Deal of Harry Truman; how narrow our goals seem when compared to those of a generation that made home-ownership affordable for millions, built highways across a continent, and sent a man to the Moon.

But the problem isn't with the American people and their Dream. It's with our government. Why? Because for decades we've been ruled by a divided government, increasingly by a Congress jealous of its prerogatives, perks and powers.

I believe that a \$1.3 trillion budget gives us room to dream again, to advance new ideas to renew our government -- to rethink and restructure our programs from the ground up. But Congress makes its programs in its own image: unresponsive and bureaucratic. And Congress would rather raise taxes than raise the issue of reform.

Like all aristocratic, elite institutions, Congress protects its privileges through the naked use of power. It rejects our proposals for campaign finance reform to clean up the special-interest politics that allows incumbents to feather their nests with special-interest dollars. When it comes to ((civil rights and employee rights,)) Congress keeps itself exempt and above the law.

And when Congress speaks, it speaks in an arcane, Alice-in-Wonderland language. For example, if a family spends \$100 on groceries one week, and \$110 the next -- they'd consider that a ten-percent increase. But if Congress wanted to spend \$120, they'd call the \$10 increase a "cut." Only those who live in this never-never land would call discretionary spending increases of ((ten percent)) every year "cuts" simply because they fall short of extravagant expectations.

Even in the midst of a crisis, Congress looks for pork-barrel bonanzas. Last Saturday, in the midst of the budget crisis, Congressional conferees pushed through an almost 19 percent increase for homestate projects. Even as Congress voted to cut Medicare, they also voted to spend half a million dollars to create a Lawrence Welk tourist attraction. Congress also spent \$1 million for a national transportation plan for walkers and bicyclists. As one Senator put it: "It's time we started to spend some money on this country." \\\

Well I say if Congress wants a plan to tell us how to walk -
 - spending more in taxes than most people pay in their lifetime -
 - then perhaps it's time Congress took a walk.\\

The American people are watching -- and learning. They see that when their Congress asks them to tighten their belts, it always adds a notch to its own. Never have I felt more strongly about the line-item veto. Never has the country needed a balanced budget amendment more than now. Never again should the people and their president be presented with such waste.\\

We have a sacred obligation not to squander the generosity and compassion of the American people. There is so much we could achieve if we could reform Washington, to make it empower people, not bureaucracies; to work with them to fulfill their potential at home and be competitive around the world.

In education, we want reform -- to empower parents to choose their children's schools. In child care, we want reform -- to empower parents to choose who will watch over their children. In the most desolate inner cities, we want reform -- so we strive to create zones of opportunity, to remove barriers to mobility and success, to empower people with the spirit of enterprise.

This Congress would rather proclaim "Vocational/Technical Education Week," than pass our Educational Excellence Act to give state and local leaders, parents and teachers to more power to reform our schools. This Congress would rather proclaim "National Crime Prevention Month," than make our streets safer by passing our proposed tough new crime laws -- now a year and a half in the hopper.

In short, this is a Congress that would rather issue feel-good proclamations, rather than address problems. This Congress is all sound and fury, signifying nothing.

So if the status quo is stagnation incarnate, then America needs a change. America needs a fresh start.\\\

And make no mistake -- we have seen Congress itself become the biggest, most entrenched special-interest of our time.\\\

We have seen it become a perpetual Congress that expects to rule for eternity. It is a Congress wedded to Washington solutions. We have seen the House intended to be closest to the people become a House of Lords.\\\

It doesn't have to be this way. Everyone says Congress is the problem -- but not my Representative, not my Senator. But the only way to make an institution accountable is to make its Members accountable. The only way to send a message to Washington is not to send your elected representatives back.\\\

The American voter can return power to City Hall from Capitol Hill; from bureaucracy to people. We can do this by electing a reform Congress. And we can begin thirteen days from today.

In the remaining weeks of this campaign season, and for the rest of my presidency, I will take a message to the people: America doesn't need a House of Lords.\\\ America needs a new responsible Congress.\\\ America needs a Congress that will work with the President for the good of all.\\\

Harry Truman reminded us that only a President represents all the people, can stand for the national interest, and stand against the special interests.

I am leaving Washington to ask the voters to take charge of their destiny. Let them give America a fresh start for reform and a better future. Give me a new Congress I can work with.

Thank you, and may God bless you all and the United States of America.

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Close :

There is something above party etc
and that is ending partnership
& hate.

BUT NEW HAMPSHIRE'S GOING TO SEND A NEW SENATOR TO WASHINGTON THIS YEAR, AND TODAY MORE THAN EVER, THE SENATE NEEDS LEADERS IN THE NEW HAMPSHIRE CONSERVATIVE TRADITION -- LEADERS LIKE YOUR OWN BOB SMITH.

THERE'S NO DOUBT IN MY MIND: CONGRESS WOULDN'T BE IN THIS MESS TODAY IF WE HAD MORE REPUBLICANS IN CONGRESS. \\ BUT THE FACT THAT THE DEMOCRATS CONTROL BOTH HOUSES MEANS COMPROMISE -- A BUDGET THAT ISN'T THE BEST EVER, BUT THE BEST POSSIBLE. \\

{WE'RE HANGING TOUGH} {WE'VE HUNG TOUGH} FOR A GOOD AGREEMENT -- ONE THAT SHOWS WE'RE SERIOUS ABOUT DRIVING THIS DEFICIT DOWN. BECAUSE REAL DEFICIT REDUCTION WILL HELP BRING INTEREST RATES DOWN -- MAKE IT EASIER FOR AMERICAN FAMILIES TO BUY THAT NEW HOME OR CAR. MAKE IT EASIER FOR AMERICAN ENTREPRENEURS TO BUILD MORE NEW BUSINESSES -- AND THAT MEANS MORE NEW JOBS FOR AMERICAN WORKERS. \\

NOW, IT'S TIME -- PAST TIME -- THAT CONGRESS PROVES TO THE AMERICAN PEOPLE IT CAN LEARN TO LIVE WITHIN ITS MEANS -- THAT IT CAN PASS A BUDGET THAT PUTS THIS NATION ON THE PATH TO LONG-TERM ECONOMIC GROWTH. \\\

I WENT TO THE BARGAINING TABLE ASSISTED BY ONE OF THE TOUGHEST, MOST PRINCIPLED NEGOTIATORS IN ALL OF WASHINGTON -- NEW HAMPSHIRE'S OWN JOHN SUNUNU. BUT LET'S FACE IT -- NO DEMOCRATIC CONGRESS WILL SEND ME A REPUBLICAN DREAM PACKAGE.

TO COME UP WITH ANY BUDGET AT ALL THIS YEAR -- I HAD TO WORK WITH THE DEMOCRATS WHO CONTROL CONGRESS. PRESIDENT REAGAN FOUND IN 1982, IN SPITE OF HIS AVERSION TO TAXES, THAT THE ONLY WAY TO GOVERN WAS TO ACCEPT A COMPROMISE THAT INCLUDED RAISING REVENUE. YOU KNOW MY FEELINGS ON TAXES. \\\ I LIKE NEW TAXES ABOUT AS MUCH AS I LIKE BROCCOLI. \\\ PRESIDENT REAGAN HAD TO SWALLOW HARD, AND SO DID I. BUT THE LONG-TERM HEALTH OF THE ECONOMY HAS TO COME BEFORE ANY POLITICAL SELF-INTEREST.

ONLY CONGRESS HAS THE POWER TO TAX. ONLY CONGRESS HAS THE POWER TO SPEND. BUT CONGRESS MAY HAVE FORGOTTEN ONE THING: THE PEOPLE HAVE THE POWER TO CHOOSE WHO SITS IN CONGRESS. AND THAT'S A MESSAGE I WILL CARRY ALL OVER AMERICA.

IF AMERICA WANTS ECONOMIC GROWTH, IF AMERICA WANTS TO HOLD THE LINE ON TAXES AND CUT SPENDING, IF AMERICA WANTS TO GET SERIOUS ABOUT REDUCING THE DEFICIT, THEN AMERICA NEEDS TO SEND REPUBLICANS LIKE BOB SMITH TO THE U.S. SENATE. \\\

BUT DEFICIT REDUCTION ISN'T THE ONLY CHALLENGE THAT REQUIRES TOUGH REPUBLICAN LEADERSHIP IN CONGRESS. ANOTHER PRIORITY FOR THIS NEW DECADE HAS TO BE THE ENVIRONMENT.

MEMO



To: Policymakers

From: David M. Mason, ^{DM} Director, Executive Branch Liaison

Date: October 19, 1990

Subject: The "New" Budget Agreement:
"The Four Big Lies..."
"The Fairness Issue. Trojan Horse for Taxing the Middle Class"
"The Congressional Budget Process: The Real Culprit..."

By stirring the cauldron of class hatred, Congress hopes to trick the American people into accepting a tax hike that will return this country to the stagflation of the 1970s.

The enclosed Heritage Backgrounder Updates reveal the lies of the "new" budget agreement, and call for reform of the Congress-dominated budget process.

Though lawmakers claim only to be raising taxes on the wealthy, it is the average American worker who will be the ultimate victim of tax hikes. Daniel J. Mitchell, John M. Olin Fellow at the Heritage Foundation, points out that "today it is tax hike for the 'rich': tomorrow it will be pink slips for the poor."

The Heritage Foundation has recently produced a number of reports on the budget. If you would like copies of any of the publications listed on the following page, please contact Anderson Cooper at (202) 546-4400, ext. 447.

The Heritage Foundation **Backgrounder**

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UPDATE

10/18/90

Number

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THE CONGRESSIONAL BUDGET PROCESS: THE REAL CULPRIT IN WASHINGTON'S FISCAL CRISIS

(Updating Gordon S. Jones and John Marini, eds., *The Imperial Congress: Crisis in the Separation of Powers* [New York: Pharos Books, 1989].)

Washington's latest fiscal crisis is one in a series of budget nightmares that have plagued the capital for nearly two decades. They are the result of a Congress-dominated budget process that is out of control and in desperate need of wide-scale reform. As noted in the 1989 book *The Imperial Congress*:

... the current budget process has evolved into a procedure which promotes confrontation rather than negotiation between the executive and legislative branches. The Congress largely dominates budget decisions, leading to higher spending and larger deficits that in the period preceding the enactment of the Congressional Budget Act.¹

The current federal budget process was established by the 1974 Congressional Budget and Impoundment Control Act. Passed by an assertive Congress in the wake of the Watergate scandal, the Act expanded congressional control over the budget process while limiting the President's ability to curb congressional spending and otherwise set national budget policy. As the sponsors of the Act explained at the time, its purpose was to "assure congressional budget control; provide for congressional determination of the appropriate level of federal revenues and expenditures...[and]...establish national budget priorities."

Everyone to Blame. Although the Act achieved its goal of increasing Congress's control over spending, it created an unwieldy budget process in which 535 Congressmen and Congresswomen each can secure funding for pet projects while avoiding responsibility for the resulting deficits. By curtailing the President's power to check congressional spending, the Act obliterated political accountability for the bottom line. Thus, while 535 politicians in Washington are empowered under the Budget Act to spend money, no one is responsible for cutting spending. The result has been spiraling federal deficits accompanied by higher taxes and partisan finger-pointing. The tragedy of the system is that because everyone is to blame, no one is to blame.

1 Gordon S. Jones and John Marini, eds., *The Imperial Congress: Crisis in the Separation of Powers* (New York: Pharos Books and The Heritage Foundation, 1989), p. 181.

Lack of Discipline. As a body of legislators, each representing separate and diverse constituencies, Congress inherently lacks the fiscal discipline needed to balance the budget. This was demonstrated during fiscal year 1976, the first year of budgeting under the new Act. Then Congress produced a budget with a deficit \$22 billion higher than that proposed by President Gerald Ford. Since then, federal spending has increased at a pace double the rate of inflation, and federal revenues have nearly doubled. In inflation adjusted dollars, federal spending has grown by more than one-half trillion dollars in the fifteen years of budgeting under the Act, compared to an increase of \$220 billion during the fifteen years of Great Society spending prior to passage of the Budget Act. Even during the Reagan years, when federal revenues grew by a record \$474 billion, spending increased by \$606 billion, including a 60 percent increase in domestic spending. And to feed its spending addiction, Congress since 1982 has passed fourteen separate tax increases.

Congress's lack of fiscal discipline also is demonstrated by its consistent failure to abide by the provisions of its own budget law. Lawmakers routinely have ignored the budget deadlines set forth in the Act. For thirteen of the sixteen years under the Act, Congress has failed to pass its First Budget Resolution on time, and for seven of the last eight years it has failed to complete its budget before the start of the new fiscal year. Instead, Congress stalls, avoiding spending cuts that may alienate constituents until a "budget crisis" ensues that will create a political environment more conducive to raising taxes. In recent years, such congressional inaction has resulted in the need for frequent emergency stop-gap spending measures passed in lieu of a budget. Often the President is faced with a choice of signing such emergency spending measures or shutting down the federal government. Since 1975, Congress has passed 46 emergency stop-gap spending bills, and in six of the last ten years the federal government has run out of funds.²

Ignoring Promises. When Congress does reach a budget agreement it routinely ignores its promises to cut spending. Perhaps the most troubling case of congressional budget chicanery occurred after the 1982 "budget summit agreement" between Congress and Ronald Reagan. In exchange for a record \$98 billion tax increase, Congress pledged to cut \$3 in spending for every \$1 raised in new taxes. Instead, Congress spent an additional \$200 billion. In fact, Congress has reneged on each of the five "budget summit agreements" reached between 1982 and 1989, failing to reduce spending to agreed-upon levels, even though tax increases were included in four of the agreements.³ The failed 1990 budget agreement and the proposed alternative are no different. In each case Congress will receive higher revenues in exchange for future unspecified cuts to be determined by congressional committees. Yet as previous budget agreements have shown, these committees are incapable of cutting spending.

In recognition of its inability to enforce its own budget laws, Congress in 1985 passed the Gramm-Rudman-Hollings (GRH) Balanced Budget and Emergency Deficit Control Act. Its purpose was to ensure automatic across the board spending cuts if Congress failed to cut on its own. Yet as with the Budget Act itself, Congress simply ignores or modifies the GRH law to avoid spending cuts. One way it does this is by waiving the law's provision that spending increases must be accompanied by offsetting cuts elsewhere. Since 1985 Congress has voted sixteen times to waive the law, and thus increase spending freely. Congress also sidesteps the law by underestimating the deficit and thus, the

2 *Congressional Quarterly Almanacs*, 1975 - 1989.

3 Paul G. Merski, "A Decade of Budget Summitry," *Tax Foundation Issue Brief*, June 1990.

level of spending cuts necessary to meet GRH deficit reduction targets. The result: Congress has failed to meet GRH deficit ceilings every year since the law was enacted, exceeding the deficit limits by an average of \$25 billion per year.⁴

Congress's lack of budget discipline is fueled by a pro-spending bias that inevitably dominates the congressional budget process. Driven by special interest demands for increased funding and an overriding hunger for reelection, Congressmen simply cannot say "no" to more federal spending. Nowhere is this more clearly illustrated than in Congress's spending record so far this year. While Congress on one hand was negotiating with the White House over a deficit reduction package, on the other hand it was passing record spending increases. Appropriation bills passed by the House amid budget negotiations this year call for increasing federal spending by \$59 billion next year, or 17 percent more than last year. Even the bipartisan 1990 budget agreement rejected by the House on October 4 called for increasing spending by \$222 billion over five years.

Return to Discipline. No deficit solution is possible without reforms that return discipline to the federal budget process. And such discipline will exist only when it becomes possible to hold policy makers accountable to the bottom line: the deficit. Yet no Congressman alone can be held accountable for the deficit. Rather, Congressmen primarily are accountable to their own state or district interests, which generally demand a greater return of their federal tax dollars — or more spending. Only the President represents a national constituency and the national interest that primarily is served by saying "no" to more spending. Yet the 1974 Budget Act stripped from the President that power.

Prior to the 1974 Budget Act, Presidents had the authority to refuse to spend funds appropriated by Congress. Examples: Thomas Jefferson in 1801 refused to spend funds Congress had appropriated for gunboats. Franklin Roosevelt in 1941 refused to spend funds for flood control projects that Congress had included in the War Department appropriations bill. And Lyndon Johnson, the father of the Great Society, refused to spend large amounts of funds appropriated by Congress for domestic programs, including public housing and highway construction. In 1967 Johnson impounded \$10.6 billion, or 6.7 percent of the federal budget.⁵ Yet under the 1974 Budget Act, a President's decision to rescind appropriated funds has no effect unless Congress votes to accept the rescission. Since passage of the Act, Presidents have requested from Congress 894 spending rescissions, yet Congress has approved only 315. All told, Congress has rejected \$37.4 billion in rescissions requested by Presidents since the Budget Act was passed.⁶

Line-Item Veto. One way to check congressional spending and restore accountability to the budget process is to grant to the President line-item veto authority that currently is enjoyed by governors in 43 states.*⁷ This reform will restore to the budget process a practice available to every President from George Washington until 1974: the power to rescind particular items of congressional spending that the President deems incompatible with the national interest.

4 Stephen Moore, "Congress vs. America: How Congress Raises Its Own Pay," Heritage Foundation *Background* No. 744, December 14, 1989.

5 Jones and Marini, *op. cit.*, pp. 155-156.

6 General Accounting Office report, March 6, 1989.

7 Daniel J. Mitchell, "Eleven Conditions for a Budget Summit," Heritage Foundation *Background* No. 779, July 23, 1990.

False Spending Cuts. Another necessary budget reform is eliminating Congress's "baseline" approach to federal budgeting. Under the 1974 Budget Act, a "current services" budget must be established. This budget projects to future years the level of increased spending necessary to continue existing government policies by factoring in such considerations as changing demographics, program growth in previous congressional budgets, and inflation. Once established, this baseline locks in higher federal spending and treats as budget "cuts" any reduction in the planned increases in spending. This is how Congress routinely can decry massive spending cuts that in fact are not actual reductions in federal spending, but reductions in the rate of increase of federal spending. It allows Congress to increase spending while claiming that spending is cut.

Congress and the press, for example, have claimed with much success that Ronald Reagan cut domestic spending to the bone. In fact, however, Reagan only reduced the rate of spending growth, as domestic spending increased every year of his administration for a total increase of \$240 billion. So too is the case with the 1990 budget resolution currently moving through Congress. Although described as "painful" budget cuts, the deficit reduction plan, passed by the House October 16 and currently before the Senate, does not actually cut spending from previous year levels. Instead, it would increase domestic spending by \$245 billion, which excludes costs of the Savings and Loan bailout and interest payments on the national debt.⁸ If Congress did not use the deceiving "baseline" approach to budgeting, it could not count such spending hikes as spending cuts.

Real Reform Proposal. Representative Christopher Cox, the California Republican, has introduced a comprehensive package of budget reforms that would amend the 1974 Budget Act to inject discipline into the congressional budget process and empower the President to enforce federal spending limits. The Cox bill would require Congress to pass a binding budget law each year, rather than the current nonbinding budget resolution. The budget law would establish legal ceilings on spending rather than the unenforceable "targets" under the Budget Act. If Congress fails to pass a budget, the President may rescind any spending Congress passes that exceeds previous year levels. Once Congress passes its budget law, it cannot exceed the law's spending ceilings without two-thirds approval from each house and the President's agreement. Should Congress exceed the ceilings in an appropriations bill, the President may sign the bill and rescind any spending above the ceilings. And in a reversal of the current practice under the 1974 Budget Act, the President's rescissions would stand unless Congress voted to restore the funding, subject to a presidential veto. Finally, the Cox plan would eliminate the need for emergency spending bills by providing for automatic funding of government at previous year levels should Congress and the President fail to reach a budget agreement.

The 1990 budget debacle should persuade Congress and the President to scrap the 1974 Budget Act and adopt reforms that will distribute more evenly between the President and Congress responsibility and accountability for the federal budget. Immediately upon completion of this year's budget, George Bush should begin drafting a comprehensive reform plan to be submitted to the next Congress. The plan should include a line-item veto, an end to baseline budgeting, and elements of the Cox reform package. Bush should make budget reform his top domestic priority for the remainder of his term.

Mark. B. Liedl
Director, U.S. Congress Assessment Project

⁸ Scott A. Hodge, "The 'New' Budget Agreement: Part II, Back to Carternomics," Heritage Foundation *Background* Update No. 147, October 12, 1990.

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UPDATE

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THE "NEW" BUDGET AGREEMENT: PART III THE FAIRNESS ISSUE — TROJAN HORSE FOR TAXING THE MIDDLE CLASS

(Updating *Backgrounder Update* No. 147, "The 'New' Budget Agreement: Part II, Back to Carter-nomics," October 12, 1990, and *Executive Memorandum* No. 289, "The 'New' Budget Agreement: Part I, From Bad to Worse," October 9, 1990.)

An outcry from the American people led to the defeat in the House of Representatives several weeks ago of the President's budget summit package that would have raised taxes by \$134 billion over five years. But rather than develop a new package that reduces the deficit by restraining the growth of federal spending, congressional leaders put together an even larger tax increase. They hope to pass this record tax hike by stirring up class hatred. Since almost no American wants to send more of his paycheck to Washington, and since very few people consider themselves wealthy, lawmakers assume that calls to "tax the rich" will appeal to most Americans.

This shrill rhetoric of class warfare masks the truth. With the new package, it is ordinary workers and consumers who will be the ultimate victims of higher taxes. The reason: as Famous Thief Willie Sutton responded when asked why he robbed banks, "that is where the money is." Most income in America is earned by the middle class and any tax increase designed to raise significant revenues inevitably must tax the middle class and add to the average family's tax burden. Advocates of higher taxes assert, incorrectly, that the 1980s saw the rich get richer and the poor get poorer. They also say, again incorrectly, that the deficit exists because revenues from higher taxes on lower- and middle-income workers were offset by huge tax breaks for the rich. In reality, economic growth in the 1980s produced significant income gains for all Americans. Moreover, wealthy Americans today are paying a greater percentage of the total tax burden than ever before. Indeed, the clamor to tax the rich is based on a series of myths, and these myths are used to justify what lawmakers really want — not fairness, but a return to the tax-and-spend policies of the 1970s.

Myth #1: The economic situation of most American families declined during the 1980s.

Fact: The well-being of the average American family, as measured by either family income or household income, illustrates that the 1980s were good years. After declining sharply from 1979 to 1982, median family income and median household income started growing and both now are at all-time highs. Table 1 shows the dramatic turnaround in income trends once the high-tax economic policies of the 1970s were replaced with pro-growth policies in the 1980s.

Table 1
Trends in Family and Household Income
(constant 1989 dollars)

Year	Family Income	Yearly Change	Household Income	Yearly Change
1976	31,225	955	26,483	447
1977	31,410	185	26,629	146
1978	32,405	995	27,673	1044
1979	32,821	416	27,583	-90
1980	31,675	-1146	26,683	-900
1981	31,811	-864	26,251	-432
1982	30,394	-417	26,163	-88
1983	30,719	325	26,167	4
1984	31,547	828	26,751	584
1985	31,962	415	27,218	467
1986	33,328	1366	28,168	950
1987	33,805	477	28,447	279
1988	33,742	-63	28,537	90
1989	34,213	471	28,906	369

Source: Census Bureau.
 CPI-U-XI used for inflation adjustment.

Table 2
Percent Change in Income by Class
(constant 1989 dollars)

Years	Bottom Fifth	Second Fifth	Middle Fifth	Fourth Fifth	Highest Fifth
1973-1980	-5.1	-2.3	0.7	2.2	2
1979-1980	-5.3	-3.6	-3.3	-2.5	-3.7
1981-1989	5.9	9.3	10.6	13.4	24.5
1982-1989	11.9	11	12.6	14.2	22.1

Source: United States Senate Staff Report.

Myth #2: The rich have grown richer at the expense of the poor.

Fact: Confronted by the facts from Table 1, those who would raise taxes go on to argue that the numbers are distorted because large income gains for the wealthy mask the declining income levels among lower- and middle-income Americans. They are half right. The top 20 percent of income-earners did indeed see their inflation-adjusted incomes rise by more than 22 percent between 1982 and 1989. But the bottom 20 percent of income-earners also benefited from Reaganomics, with their inflation-adjusted incomes rising by 11.9 percent between 1982 and 1989. By contrast, between 1973 and 1980, the average incomes for the lowest 20 percent declined by 5.1 percent. Table 2 reveals the percentage change in inflation-adjusted incomes by each income quintile. The figures demonstrate conclusively that poor Americans suffered throughout the 1970s and all Americans suffered during the late 1970s, while all classes of Americans saw their incomes increase during the 1980s.

Myth #3: The budget deficit exists because the rich received huge tax cuts during the 1980s.

Fact: Tax revenues more than doubled during the 1980s, climbing from \$517 billion in 1980 to an estimated \$1.044 trillion in 1990. Federal taxes rose from an average of 18.3 percent of gross national product in the 1970s to more than 19 percent in the 1980s. The budget deficit exists because federal spending climbed by an even greater amount. If federal spending had "only" grown by the rate

of inflation during the 1980s, the nation today would enjoy a budget surplus of more than \$125 billion.

In any case, higher taxes on the rich would barely dent the budget deficit. Even if lawmakers confiscated every dollar of individual taxable income above \$1 million, they could only run the government for a little more than twelve days.

Myth #4: The rich are not paying their fair share of taxes.

Fact: The share of the income tax burden paid by the top one percent of income-earners has climbed from 18 percent in 1981 to 25 percent in 1987, the latest year for which official figures are available. The Congressional Budget Office estimates that the wealthiest five percent have seen their share of the income tax burden climb from 36 percent in 1980 to 44 percent in 1990. The rise in income tax payments by the wealthy is, in part, a result of higher incomes and confirms the supply-side hypothesis that lower income tax rates encourage individuals to remove money from tax shelters and report it as taxable income.

Taxing the Poor

One element of the unfairness issue is true: higher Social Security taxes have disproportionately hurt poor and middle-income Americans. Social Security payroll taxes have risen considerably in the last ten years, largely thanks to legislation enacted in the 1970s. Many lower-income Americans pay no income taxes, mostly due to the 1986 Tax Reform Act. Payroll taxes, by contrast, are levied against the first dollar of income, so they fall particularly hard on those with lower incomes. The question of fairness thus requires reducing the excessive burden of payroll taxes on lower- and middle-income citizens. Senators Robert Kasten, the Wisconsin Republican, and Daniel Patrick Moynihan, the New York Democrat, have introduced legislation to reduce the payroll tax and prevent politicians from spending surplus Social Security tax revenues on other government programs. Lower payroll taxes would spur job creation and increase after-tax income for tens of millions of Americans. The alternative, raising taxes on middle- and upper-income taxpayers to "balance" high payroll taxes on lower income taxpayers, simply means all taxpayers lose.

The point that higher taxes ultimately hurt poor blacks, Hispanics, and other minorities was made this week by the U.S. Civil Rights Commission. The Commission noted that in bad economic times, black and Hispanic unemployment rates rise the fastest. In good times, a tight labor market encourages employers to cast a wider net when hiring, thus breaking barriers that have prevented minorities, women, and persons with disabilities from gaining better-paying jobs. Civil rights laws can do little to expand opportunities for members of historically disadvantaged groups when opportunities for all Americans shrink.

Commissioner Russell G. Redenbaugh warns that "It's becoming increasingly clear that the U.S. is now in an economic recession." Therefore he concludes that "To raise taxes when an economy is already weak and in a recession is like throwing a drowning man a rock." Redenbaugh adds that "A zero capital gains tax rate would be a magnet to draw and hold the wealth that is produced in" the inner cities. Commissioner Carl A. Anderson adds that "To me, this is quite a strong statement on implementation of civil rights policy and the need for a strong growth economy." These commissioners understand that a high-tax policy which transfers money from the productive sector of the economy to the government will stifle economic growth and thus harm minorities all Americans.

The 1970s and 1980s proved that low taxes trigger strong economic growth and thus higher income levels and living standards for all Americans. More than other citizens, it is the poor who

most depend on a healthy economy. The high-tax decade of the 1970s culminated in prolonged economic stagnation. Inflation-adjusted gross national product was smaller in 1982 than it was in 1979, and it was the poor who suffered most during this period. Once the economic policy changes of the early 1980s took effect, however, Americans saw their incomes and living standards rise. The question policy makers face today is whether to retreat to the policy mistakes of the 1970s by raising taxes or to continue America's longest-ever period of peacetime economic growth by limiting the size of government.

A tax hike based on the politics of envy is little more than a Trojan Horse. Once the tax-increasers breach the taxpayers' defenses, economic policy will degenerate to the failed tax-and-spend policies of the 1970s. Today it is tax hike for the "rich": tomorrow it will be pink slips for the poor.

Daniel J. Mitchell
John M. Olin Fellow in Political Economy

UPDATE

10/18/90

Number
150

THE FOUR BIG LIES OF THE "NEW" BUDGET AGREEMENT

(Updating *Backgrounder Update* No. 148, "The 'New' Budget Agreement: Part III, The Fairness Issue - Trojan Horse for Taxing the Middle Class, October 18, 1990; *Backgrounder Update* No. 147, "The 'New' Budget Agreement: Part II, Back to Carteronomics," October 12, 1990; and *Executive Memorandum* No. 289, "The 'New' Budget Agreement: Part I, From Bad to Worse," October 9, 1990.)

The House of Representatives enacted the largest tax increase in America's history October 16, raising taxes by at least \$170 billion over five years. The Senate is poised to follow suit today with a tax hike of equivalent proportions. Neither bill cuts one cent of spending except for defense. The two bills will then go to a House-Senate conference committee to iron out differences. If the conference committee's changes are approved by each chamber, the legislation goes to the White House for the President's signature or veto.

While the House and Senate bills differ to some degree, both are based on lies repeated apparently unashamedly by the White House and top Republican and Democratic congressional leaders. Both bills return to the tax-and-spend policies of the 1970s. Higher taxes would be used to finance more than \$245 billion of additional federal spending. If either bill, or any possible combination of the two, is signed into law by the President, the economy almost certainly will fall into a recession.

Administration officials consistently have claimed that the President must capitulate since failure to sign a tax bill results in a stalemate with Congress. The deficit, this argument goes, then would remain unacceptably large, and the Federal Reserve Board would not adopt an easy money policy to lower interest rates. The White House, led by Office of Management and Budget Director Richard Darman, is deliberately misleading America when it puts the choices this way. George Bush need not choose between higher taxes and higher deficits. The President instead can achieve the largest deficit reduction in history without one penny of new taxes by using the automatic Gramm-Rudman-Hollings spending restraint mechanism known as sequestration.

The first step is a veto of the tax increase being prepared by Congress. The President should then demand, and responsible lawmakers should then produce, a full year spending bill, or Continuing Resolution, that funds the government at a level consistent with a partial \$40.1 billion sequester. While politicians in Congress would not be inclined to support this request, their other alternatives

This is Part 4 in a series of Heritage Foundation studies on the "new" budget agreement. Parts I, II, and III are listed at the beginning of this study.

would be either to shut the government by failing to pass any spending bill or to allow a current law sequestration to go into effect, automatically reducing fiscal year 1991 spending – and the deficit – by an estimated \$85.3 billion.

The choice is therefore not between higher taxes and higher deficits, each of which drains resources out of the economy's productive sector. The honest choice is between the record-high tax increases proposed in Congress, all the revenues from which are used to fund higher spending, and a partial sequester, which reduces the deficit by addressing the true problem – excessive federal spending.

Many politicians would characterize a \$40.1 billion partial sequester as an excessive “cut” in government spending, even though total federal spending in 1991 after sequestration would still be more than \$30 billion higher than 1990 spending, even if the costs of the Deposit Insurance Bailout are not counted. An attempt to repeal, waive, or suspend Gramm-Rudman-Hollings would certainly be forthcoming if the White House adopted a pro-growth partial sequester strategy. The President, however, can veto any legislation attempting to gut the deficit reduction law. Congress would have trouble overriding this veto. An amendment to fund a temporary spending bill at a level consistent with a \$40.1 billion sequester received 186 votes in the House of Representatives, well beyond the 145 votes needed to sustain a veto.

With the economy facing a possible recession, one of the major advantages of a sequester is that taxes are not raised. Instead of taking money out of the hands of consumers, workers, investors, savers, farmers, the elderly, the poor, and others who would see their tax burdens increase, a sequester makes across-the-board cuts in projected spending levels for affected programs. An equally important benefit of sequestration is deficit reduction. As the following table demonstrates, not

FIVE-YEAR SAVINGS FROM \$40.1 BILLION SEQUESTER					
(\$ billions)					
Year	1991	1992	1993	1994	1995
Savings	\$40.1	\$58	\$70	\$79	\$88
Source: Congressional Budget Office.					

only does a sequester produce real savings in the first year, it also generates considerable savings over five years. And unlike the supposed \$500 billion of deficit reduction in the tax bills before Congress, the sequester savings are real. With a sequester, there are no budget gimmicks, no “user fees” masquerading as spending cuts, and no phantom savings that never materialize.

Administration advisors continuously have rejected a sequester strategy without ever explaining why it would not work. Along with

most of the leadership in Congress, the Bush White House and Treasury continue to lie to the nation. They know the truth, yet they continue to insist that: 1) a budget agreement will lower the deficit; 2) the pending budget agreement includes substantial cuts in spending on federal programs; 3) no agreement means the deficit will not be reduced; and 4) the Federal Reserve Board can reduce interest rates and will only do so if taxes are raised. These are all lies that would embarrass even a big-city machine ward-heeler.

LIE # 1: A budget deal with Congress will reduce the deficit.

TRUTH: Bipartisan budget agreements containing significant tax increases were enacted in 1982, 1984, 1987, and 1989. In each case, promises were made to restrain spending growth and assurances

were given that the new revenues would be used to reduce the deficit. In every single case, Congress simply spent the additional money and the deficit was higher the following year. There is no evidence that this year would be any different. Based on how many of the spending "cuts" in the original agreement have already disappeared or been exposed as budget gimmicks, it is almost certain that the deficit will rise next year if any of the packages under consideration become law.

LIE # 2: A budget deal balances tax increases with courageous spending cuts.

TRUTH: Politicians from both Congress and the White House are telling the American public that the budget agreement cuts spending by more than \$300 billion. In reality, however, spending will rise by a minimum of \$245 billion over the next five years. The only part of the budget which

1991 Budget Proposed Spending Levels Compared to 1990 Levels

	Fiscal 1990	Fiscal 1991	Change 1990-1991 (billions)	
(050) National Defense	\$299.9	\$297.0	= \$2.9	=0.96%
(150) International Affairs	\$15.5	\$17.4	\$1.9	12.3%
(250) General Science, Space and Technology	\$14.2	\$15.2	\$1.0	7.0%
(270) Energy	\$3.3	\$4.0	\$0.7	21.2%
(300) Natural Resources and Environment	\$17.8	\$18.9	\$1.1	6.2%
(350) Agriculture	\$12.5	\$14.1	\$1.6	12.8%
(370) Commerce and Housing Credit	\$75.7	\$87.0	\$11.3	15.0%
(400) Transportation	\$29.5	\$30.7	\$1.2	4.1%
(450) Community and Regional Development	\$8.3	\$8.6	\$0.3	3.6%
(500) Education	\$38.3	\$41.8	\$3.5	9.1%
(550) Health	\$58.2	\$65.5	\$7.3	12.5%
(570) Medicare	\$96.9	\$104.9	\$8.0	8.3%
(600) Income Security	\$148.5	\$160.5	\$12.0	8.1%
(650) Social Security	\$248.7	\$266.3	\$17.6	7.1%
(700) Veterans Benefits and Services	\$29.4	\$31.7	\$2.3	7.8%
(750) Administration of Justice	\$10.5	\$12.3	\$1.8	17.1%
(800) General Government	\$10.6	\$11.7	\$1.1	10.4%

Note: Numbers are known as budget subfunction numbers and indicate the order in which programs appear in the President's budget.

will have less money to spend in future years than today is defense. Pentagon spending will decline from \$300 billion in 1990 to \$291 billion in 1993, a reduction of \$9 billion. Domestic discretionary spending, by contrast, will rise by at least \$36 billion in the next three years, and domestic entitlement spending will jump by nearly \$200 billion by 1995.

Politicians are able to mislead the American people on the issue of spending cuts because they have redefined the meaning of the word "cut." In the real world, a spending cut means spending less next year than this year. In Washington, however, the process has been rigged to ensure more spending. A spending cut in the Washington vernacular, therefore, occurs when spending does not increase as fast as politicians had previously planned. When OMB Director Darman says the budget agreement contains genuine spending cuts, he is not telling the truth. When Senate Majority Leader George Mitchell say the budget package makes significant budget cuts, he is not telling the truth. The chart on the preceding page demonstrates this.

LIE # 3: Failure to enact a bipartisan agreement will leave the deficit at unbearable levels.

TRUTH: Proponents of the budget agreement privately admit that neither the House nor Senate bills will reduce the deficit nearly as much as is publicly claimed. They say, however, that this approach is the only alternative to no deficit reduction at all. They ignore the obvious fact that the Gramm-Rudman-Hollings Deficit Reduction Act is still the law of the land. As such, failure to approve a budget agreement will trigger a sequester that cuts the deficit more than twice as much as does the budget agreement. Defeat of tax increase legislation puts the President in an enviable position. He can demand that Congress either enact a full year spending bill containing a \$40.1 billion sequester or let lawmakers endure the political fallout of the \$85.3 billion sequester which would automatically occur.

The choice thus is not between accepting taxes or doing nothing about the budget deficit. The honest choice is between a record tax increase which will not reduce the deficit and could trigger a recession or a sequester that unambiguously extinguishes government spending authority and permanently lowers the trend line of future outlays.

LIE # 4: The Federal Reserve Board will not lower interest rates in the absence of an agreement.

TRUTH: The Administration's argument for higher taxes quickly boils down to the belief that the nation's central bank will respond by engineering a drop in interest rates which will head off a recession. This argument assumes that the Fed controls credit markets sufficiently to lower interest rates significantly. The Fed's primary tool for lowering interest rates is injecting money into the banking system, thus creating the illusion of more savings. Financial markets, however, have become increasingly sensitive to Fed policies that put upward pressure on prices. At best, an inflationary monetary policy can lead to a temporary drop in short-term interest rates. The more enduring effect of an easy money policy would be higher interest rates since investors would demand a greater "inflation premium" because of rising prices, much as occurred in the late 1970s following the Carter Administration's easy money policy. Advocates of higher taxes portray Federal Reserve Board Chairman Alan Greenspan's tepid endorsement of the budget agreement as "proof" that higher taxes will lower interest rates. Not only does this assertion misinterpret the Chairman's comments, it also overlooks Greenspan's endorsement of sequestration over higher taxes when he testified before the Senate Budget Committee last year.

Senate and House Tax Bills: Two Sides of the Same Coin.

Much attention has been given to the minor differences between the two tax bills in Congress, leading some to assert that the Senate legislation is somehow preferable to the House version. The House bill does contain several provisions which will depress economic growth and reduce incentives to work, save, and invest. Income tax rates are explicitly raised, violating the promise of the 1986 Tax Reform Act. As bad, the House bill also raises income taxes on low - and middle-income individuals by suspending the indexing provision which protects taxpayers from "bracket creep." This allows a return to the 1970s policy of hidden tax hikes every year as inflation pushes taxpayers into higher tax brackets even though they experience no increase in their inflation-adjusted income.

The Senate bill is no better. Instead of raising income tax rates openly, it boosts them by reducing the value of deductions. The Senate bill also doubles the gas tax, adding a special burden to America's working men and women and legislating an across-the-board increase in the cost of all products and services that require energy to produce and transport.

Tax theorists can debate which bill, the House or Senate version, damages the economy the most. Either bill, however, or any combination of the two that might emerge from a conference committee, will take America in the wrong direction. Sucking \$170 billion out of the economy while growth is faltering is irresponsible. Choosing between two record tax hikes guarantees economic decline. The only responsible alternative at this point is a sequester.



George Bush has an opportunity to rescue the economy from the tax increase juggernaut moving through Congress. It is completely within his power to stop recession-inducing tax hikes and instead to choose the honest deficit reduction which is generated by a partial sequester. The President has to choose which is more important, the federal budget or the family budget.

The consequences are enormous. Higher taxes would bring back the economic stagnation and declining living standards of the 1970s. And whenever the economy weakens, the most vulnerable in society are the first ones to suffer. As the U.S. Civil Rights Commission stated October 16, "In bad economic times, black and Hispanic unemployment rates rise the fastest. In good times, a tight labor market encourages employers to cast a wider net when hiring, thus breaking barriers that have traditionally prevented minorities, women, and persons with disabilities from gaining better paying jobs.... We therefore call on the President and Congress to adopt only those deficit-reducing proposals consistent with economic growth. Specifically, we recommend freezing real total government expenditure at the fiscal 1990 level."

The President and other policy makers should heed those words. The White House and Senate and House leaders should stop lying to the nation. What America needs is a budget that really cuts spending and that measures its effect in terms of jobs preserved and created, the businesses that do not fail, and the families that do not suffer.

Daniel J. Mitchell
John M. Olin Fellow in Political Economy

This isn't about oil.
It's about aggression.
It's about justice.
And yes -- it's about peace.

I've said this before:
But America wouldn't be the land of the free,
If it wasn't also the home of the brave.

Free speech has a price --
And for 200 years--
It's been paid in the sacrifices of our veterans.

You people have it complicated.
But it's really very simple:
We're not talking about digging down for oil.
We're talking about digging in for peace.

We're not trying to make the world safe for oil.
We're trying to make the world safe for people.

You want to talk about blood?
There's an awful lot of veterans in this country
Who gave their blood
So that people like you could speak their minds.

I know you think you're right.
But 14 nations on the U.N. Security Council disagree.
It's not America versus Iraq.
It's Iraq against the world.

Say what you think.
But you've got it wrong.
Holding children hostage is wrong.
Raping a country is wrong.
And standing up to aggression is right.

THE WHITE HOUSE

WASHINGTON

October 24, 1990

MEMORANDUM TO COMMUNICATIONS STAFF

FROM: JEFF RILEY
 Communications/Media Relations
 Rm 121, Ext 7150

RE: CHRONOLOGICAL LISTING OF PRESIDENT BUSH'S VETOES
 AS OF 10/22/90 (Total of 16 vetoes, 1 pocket veto)

<u>BILL</u>	<u>BILL DESCRIPTION</u>	<u>DATE</u>	<u>OUTCOME</u>
1989			
HR 2	Minimum Wage Increase	Jun 13	House sustained, 247-178
SJRes 113	FS-X Plane Codevelopment	Jul 31	Senate sustained, 66-34
HJRes 390	Thrift-bailout bill	Aug 16	No override attempt (pocket veto)
HR 2990	Labor, HHS, Education FY 1990 Appropriations	Oct 21	House sustained, 231-191
HR 3026	District of Columbia FY 1990 Appropriations	Oct 27	No override attempt
HR 2939	Foreign Aid FY 1990 Appropriations	Nov 19	No override attempt
HR 3610	District of Columbia FY 1990 Appropriations	Nov 20	No override attempt
HR 1231	Eastern Airlines Strike Resolution	Nov 21	House sustained, 261-160
HR 1487	State Department Authorization	Nov 21	No override attempt
HR 2712	Chinese Immigrant Status	Nov 30	Senate sustained, 62-37
1990			
HR 2364	Amtrak Authorization	May 24	Senate sustained, 64-36
HR 20	Hatch Act Amendments	Jun 15	Senate sustained, 65-35
HR 770	Family Medical Leave Act	Jun 29	House sustained, 232-195
HR 4328	Textile Bill	Oct 5	House sustained, 275-152
HRJS 660	Continuing Resolution	Oct 6	House sustained, 260-138
S 2104	Civil Rights	Oct 22	Senate sustained, 66-34

** The President has 10 days after receiving a bill, excluding Sundays, to sign or veto. **

May Kate Grant

THE WHITE HOUSE

WASHINGTON

October 22, 1990

MEMORANDUM FOR INTERESTED PARTIES

FROM: JIM PINKERTON *JP*
SUBJECT: Truman Quotations

Between the time of his address to the Democratic National Committee on July 15, 1948 and his election on November 2, 1948, Truman made 337 addresses and statements, including "Rear Platform Remarks" at over 200 locations on his "whistle-stop tours." The text of his remarks during this time period fills 534 pages in the 1948 edition of Presidential Documents.

To demonstrate that Truman communicated his message to America through repetition, I analyzed the 62 statements he made between October 23, 1948 and October 30, 1948, almost 42 years ago to the day. While he did vary his speeches to address local concerns, his remarks were remarkably consistent in the following three themes:

1. The 80th Congress had achieved little.
2. The Republican Party was ruled by special interests, instead of by the general interests of the American people, and had strayed from the policies that were established by Roosevelt before Truman's presidency.
3. Americans needed to consider their own interests in voting in the November election.

REPUBLICAN "DO-NOTHING" CONGRESS

Truman attacked the 80th Congress for opposing many programs that were introduced for the good of the American people. He called the 80th Congress the "do-nothing Congress" at least 15 times in one week. His accusations include the following:

Now the candidate says -- the Republican candidate says: "Me, too." But the Republican record still says, "We're against it." ... These two phrases, "me, too," and "we're against it," sum up the whole Republican campaign."
(10/23/48, Pittsburgh)

It's time for them [Congress] to change their habit of opposing everything that is done in the interests of the people. (10/25/48, Gary, IN)

Now, if you fail to vote, as two-thirds of you did in 1946, you will get another Republican "do-nothing" Congress. (10/26/48, South Bend, IN)

He is standing squarely on the record of that "do-nothing" 80th Congress. (10/26/48, Elkhart, IN)

The Democrats stand for that. Do you know what the Republicans say? They say: "We're against it." You will find that the Republicans were against every forward-looking measure that Franklin Roosevelt brought forward - - and they haven't changed a bit. (10/26/48, Toledo, OH)

The performance of this "do-nothing" Congress during the past 2 years, and particularly the "do less than nothing" special session, has given the country a foretaste of what will happen if the Republican Party is successful at the polls.

The Republican Congress said, "Nothing doing -- we're against it!" (10/27/48, Springfield, MA)

That Republican "do-nothing" 80th Congress did all it could to start us back down that dismal road. (10/28/48, New York, NY)

Because every time the Republican candidate looks at the program of the Democratic Party, he says, "Me, too," and his party's record says, "Nothing doing." (10/28/48, New York, NY)

THE REPUBLICAN CONGRESS REPRESENTS SPECIAL INTERESTS

One of Truman's greatest most oft-repeated themes in the Fall of 1948 was that the Republican-led 80th Congress paid greater heed to special interests and lobbyists than to the nation as a whole. He referred to this at least 20 times between October 23 and 30, including the following:

The real issue in this campaign is the Democratic Party and the people against the special interests and the protected profits for the privileged few." (10/25/48, Gary IN)

The actions of the Congress lead to one inescapable conclusion -- Republican leaders stand ready to deliver to big business more and more control over the resources of this Nation and the rights of the American people. (10/25/48, Chicago, IL)

I talked about cooperatives as an example to show you how the Republican leaders think in terms of doing whatever they can to help big business and special interests... You can vote for the party that believes in working for and with the people, or you can vote for the party that is interested only in doing things for special interests. (10/26/48, Elyria, OH)

I believe in one kind of government: government for the people. The Republicans believe in another kind of government: government for special interests. (10/26/90, Cleveland, OH)

In this Republican-controlled 80th Congress, there were more lobbies in Washington, and there was more money spent by lobbies in Washington than in all the history of the Congresses put together before that time. (10/27/90, Hartford, CT)

You have lost faith in the Republican Party because that party has failed to represent your interests -- the interests of all the people. (10/27/90, Worcester, MA)

The Republicans are for special interests, and if you don't believe that, just read the record of the 80th Congress. (10/27/48, Worcester, MA)

The awful and most disgraceful thing about that 80th "do-nothing" Congress -- as I call it -- was that it was controlled absolutely by lobbies. (10/28/48, Brockton, MA)

But the Republicans don't want it that way. They want special privilege to control this country. The legislation which they passed in this Congress -- most of it over my veto -- was for special interests and not in the public interest. (10/28/48, Fall River, MA)

The Democrats are going to win this fight because they are on the right side -- the people's side. These Republican belittlers are going to lost because they are on the wrong side. They are on the side of special interests and special privilege. That's the fundamental foundation of the Republican Party. (10/28/90, South Norwalk, CT)

The leaders of the Republican Party still stand with the National Association of Manufacturers, the big bankers, the big businessmen -- against the working people of this country. (10/28/48, New York, NY)

The Republican leaders are too interested in helping big business make bigger profits... If you vote the Republican ticket, you will vote for special interest and special privilege. (10/30/48, Terre Haute, IN)

It [Congress] has done great things for the special interests in this country... And they haven't done a thing that these good-for-nothing lobbies haven't asked them to do. (10/30/48, St. Louis, MO)

VOTE FOR YOUR OWN INTERESTS -- VOTE DEMOCRATIC

Truman frequently closed his speeches with a plea for Americans to vote with their self-interest in mind in the Fall 1948 elections. To Truman, of course, this meant voting Democratic. He made this plea at least 30 times in the last 8 days of October, including the following:

Go to the polls on election day and vote the Democratic ticket straight and you will be voting for yourselves and your own interests. (10/25/48, Garrett, IN)

I want you now to vote in your own interests on election day... You can't do anything but vote for the party that is working always in the people's interests, and that is the Democratic Party. (10/26/48, Elkhart, IN)

Now, all I am asking you to do is to go to the polls on November the 2nd and vote for yourselves. Vote in your own interests. If you do that, you will have a Democratic administration... (10/26/48, Cleveland, OH)

Think of your interests, your own interests, the people's interests, and then vote for yourselves. (10/27/48, Pittsfield, MA)

The Democratic Party stands for you and for your interests. (10/27/48, Thompsonville CT)

Just vote in your own interests, and when you vote in your own interests and exercise your right to control the Government by voting, you can't help but vote just one way, and that is to vote the Democratic ticket straight. (10/28/48, Quincy, MA)

I want to urge you again, with everything I have, to go to the polls on November the 2d and vote for yourselves -- vote in your own interest. When you do that, vote the straight Democratic Congress. (10/28/48, Fall River, MA)

I think you are going to look after your own interests on election day, and when you do that you can't do but one thing: that is to vote for yourselves. Go to the polls and vote the Democratic ticket straight. (10/28/48, New London, CT)

If you believe in your own self-interest, the best thing for you to do on November the 2d is to go to the polls early and vote the straight Democratic ticket. (10/28/48, New York, NY)

year you sent a message to Washington. **The message was strong.
The message was clear. And the messenger was Gordon Humphrey.**

1978 marked the first wave of what came to be known as the Reagan Revolution. A set of new ideas that are really as old as the Republic itself. That people, not government, know what's best for themselves and their families. That a strong, diverse economy -- not a strong, centralized government -- is the true source of prosperity. That a firm defense does not threaten peace, but promotes it. And the bottom line is this: We seek to protect the family, empower the poor and reward the creative and the risk-takers. **Those are the values of New Hampshire, the values of America, and the values of my friend Bob Smith. **

For six years, Bob Smith has also been New Hampshire's "trusted friend" in Congress. The people here know him. They know he's a man of principle, and that he's not running for office to satisfy his own ego. I know he would have been just as happy to see Gordon Humphrey run again. But New Hampshire's going to send a new senator to Washington this year, and today more than ever, the Senate needs leaders in the New Hampshire conservative tradition -- leaders like your own Bob Smith.

Let me tell you why. For most of the past year, our Administration has been working to produce a serious response to a serious deficit -- grappling not only with the budget, but with a unruly Congress in which both Houses are run by the Democrats. It has been a difficult and arduous process. ((You know the classic warning about the two things you should never watch being

made: sausage -- and legislation. \\ Well let me tell you -- during the past three weeks -- we've sure had a tour of the hotdog factory.) \\ \\

The American people are frustrated. And so am I. But now, at long last, we have a real budget -- and we hope Congress will pass it quickly.

[BUDGET INSERT]

You know my feelings on taxes. \\ I like new taxes about as much as I like broccoli. \\ \\

But to reach this compromise -- to come up with any budget at all this year -- I had to work with the Democrats who control Congress. President Reagan found in '82, in spite of his aversion to taxes, that the only way to govern was to accept a compromise that included raising revenue -- in fact, this happened -- taxes.

Like him, I'm determined to hold the line. I went to the bargaining table assisted by one of the toughest, most principled negotiators in all of Washington -- New Hampshire's former Governor, John Sununu. But let's face it -- no Democratic Congress is ever going to come up with a Republican dream package.

If America wants economic growth, if America wants to hold the line on taxes and cut spending, if America wants to get serious about reducing the deficit, then America needs to send Republicans like Bob Smith to the U.S. Senate. \\ \\ \\



October 16, 1990
House Floor

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

THE "WAYS AND MEANS DEMOCRATIC ALTERNATIVE" TO THE OMNIBUS RECONCILIATION ACT OF 1990

The "Ways and Means Democratic Alternative" relies principally on increases in income taxes for people in all brackets. Delaying the indexation of tax rates for inflation will increase the income taxes paid by middle class families -- hardly an argument for fairness. In addition, there is nothing in the package to encourage economic growth, the driving force behind increases in the standard of living for all Americans. Because of these serious flaws, the President's senior advisors would recommend that he veto the "Ways and Means Democratic Alternative" if it were presented to him for his signature.

The "Ways and Means Democratic Alternative" includes a \$93.6 billion across-the-board income tax increase. Specifically:

- The proposal reduces the tax benefits of the personal exemption by removing indexing for inflation. This will increase taxes on everyone except the wealthiest one million taxpayers who lost their personal exemptions in the 1986 tax bill.
- The "Ways and Means Democratic Alternative" brings back bracket creep with a vengeance. Since World War II every taxpayer was subject to ever-increasing taxes through inflation. Bracket creep was the favorite tool of the tax and spenders. It was stopped in 1985 with indexing of personal exemptions and tax brackets. By reversing this policy, the "Ways and Means Democratic Alternative" brings back silent rate increases for everyone. This provision raises \$36 billion over 5 years, largely on the backs of low and middle class income families. This is advertised as a "one-year tax increase." What will keep the Democratically-controlled Congress from repeated extensions?
- It increases income taxes for people in all brackets.
 - A married couple with two children, who have taxable income of \$34,000 in 1991 would pay income taxes of \$5,100 under current law. Under the no-

indexing provision of the "Ways and Means Democratic Alternative," they would pay \$5,413.50, an increase of \$313.50, more than six percent.

- A single person with no dependents who has taxable income of \$21,000 in 1991 would pay income taxes of \$3,150 under current law. Under the no-indexing provision of the "Ways and Means Democratic Alternative," that person would pay \$3,301.50, an increase of nearly five percent.

-- These tax increases are permanent. Even if indexing is delayed for just one year, the increase will apply for every year thereafter.

* * * * *

Give 'Em Hell, George, Just Like Harry Did in '48

By JOHN H. FUND

Few presidents have been so ridiculed. He was called "indecisive" and "weak." Even bipartisan support for his firm foreign policy couldn't prevent a sharp drop in his approval ratings. Nonetheless, he and his party triumphed in the next election—the classic political comeback. The president was Harry Truman, and his 1948 campaign against a "do-nothing Congress" holds some strong lessons today for George Bush and the GOP.

Until last month's disastrous budget agreement, Republicans were confident they could hold their House losses to single digits—not bad for the party in power in a midterm election—and even gain a couple of Senate seats. Now GOP strategists report their candidates in open House seats—the only competitive ones these days—are in a "free fall."

Their problem is that the most loyal Republican voters are under age 40, and their major issues are suspicion of big government and opposition to higher taxes. Now that George Bush is seen as having donned the other team's jersey, many are deciding not to vote. Others are taking a new look at those Democratic candidates who all this year have been canny enough to run against Washington and higher taxes.

But the GOP's problems this year are also George Bush's. If Democrats score even a psychological victory, they can peel away enough Republicans to start overriding Bush vetoes, leaving him a crippled president. In addition, state legislatures elected this year will redraw congressional districts for the next decade. If Democrats make major gains, the Republicans will be gerrymandered into continued minority status during any Bush second term.

President Bush has severely compromised his image as a tough negotiator who will stand up for the middle class and "just say no" to new taxes. He is left with only two choices—to again strike the best deal he can with the Democrats and suffer the economic and political consequences or to go on the offensive, just as he did when in similar political trouble in 1988.

"It's time George Bush told the American people, 'Enough is enough. I tried to be reasonable, I moderated my positions, and I got nothing in return from the Democratic Congress. Let's have a referendum on Congress's work product,'" says Republican consultant Doug Watts.

In 1948, Truman was faced with a Republican Congress that had stymied his legislative program. He went on the attack, practicing political jujitsu. First he built up the "do-nothing Congress" as the country's biggest problem, and then used his opposition's superior strength, or weight, to bring it down.

The origins of Truman's successful campaign against Congress can be found in the advice of a key aide, Clark Clifford. In a 43-page memo written in November 1947, Mr. Clifford urged the president to challenge Congress: "The Administration should select the issues upon which there will be conflict with the majority in Congress. It can assume it will get no major part of its own program approved. Its tactics must, therefore, be entirely different than if there were any real point to bargaining and compromise. Its recommendations . . . must be tailored for the voter, not the Congressman; they must display a label which reads 'no compromises.'"

Truman began his attack on Congress by challenging Republican leaders to pass his legislative program during a special session he called in July 1948. When they refused, he declared "the battle lines have been drawn," boarded a special train and began a massive "whistlestop" tour. In those pre-TV days he gave 286 speeches and addressed six million people.

In his speeches, Truman said the special session had been the "test for that worst 80th Congress" and its members had failed it. He realized that as an institution Congress could be attacked in far harsher terms than an individual could be. He held no congressional leader up for public scorn, thus ensuring he would still be able to work with the leadership. But he drove his message home relentlessly:

"There is just one big issue; it is special interests against the people. . . . You now have a special-interest Congress."—June 17, 1948, in Jefferson City, Mo.



Harry Truman

"Don't let anybody fool you. If they send a Republican Congress back there it won't be a bit different from the 80th Congress, it will be run by exactly the same men, it will put through exactly the same program."—Oct. 11, 1948, in Cincinnati, Ohio.

Truman scored an upset victory over Republican Tom Dewey by capturing the most populist states and also those that were growing the most—the same states that George Bush won against Michael Dukakis in 1988. But Truman also swept the Republicans out of control of both the House and Senate. He even helped his party win in states that voted for Tom Dewey—Democrats gained nine House seats in New York and 11 in Pennsylvania. Of course, such massive gains aren't possible today—challengers are now woefully underfunded and straight-party voting much less common.

Still, a three-week Bush campaign against Congress and its attempts to raise taxes on every American could pay political dividends. The country is seething with anger against officeholders, as evidenced by the widespread support for term limits. Normally, the risks in an anti-Congress campaign would lead cautious advisers to argue against it. But those risks no longer exist in the wake of the budget fiasco. For all the current Bush political strategy is worth, it might as well have been designed by a double agent secretly on the payroll of the Democratic National Committee.

Mr. Fund is a Journal editorial writer.

Handwritten notes:
Mk6:
A good line for these various pol. speeches
President = national interest
Congress = special interest
See accompanying article

THE WHITE HOUSE

WASHINGTON

October 17, 1990

BACKGROUND ON THE BUDGET

Attached is background material on the debate over the budget, including:

- Statement by the President announcing his intentions to veto the House passed budget plan.
- Statement of Administration policy on the "Ways and Means Democratic Alternative" legislation.
- New York Times editorial from October 17, 1990
- Excerpts from President Bush's remarks in Wheaton, Illinois; Des Moines, Iowa; and Omaha, Nebraska.
- Transcript of Governor Sununu's interview on the "Today" show this morning.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

October 16, 1990

STATEMENT BY THE PRESIDENT

Tonight the Democrats in Congress have turned back the clock. By a partisan vote in the House of Representatives, the Democrats pushed through a tax increase on working men and women.

The hidden tax is back. By removing the indexing of tax rates, the Democrats have resurrected an inequity most Americans thought was a thing of the past: bracket creep.

Also, I find unacceptable surcharges and other hidden mechanisms that increase income taxes on all Americans.

I am determined that the budget deficit reduction package be fair. I am determined that the budget not be balanced on the backs of working Americans. That's why I will veto the Democratic plan passed by the House should it reach my desk.

I am hopeful that it will not come to that. The bipartisan plan now being considered in the Senate does not raise income tax rates. Its approach is therefore much more in keeping with our efforts to insure that the final budget plan is fair to all Americans.



October 16, 1990
House Floor

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

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The "Ways and Means Democratic Alternative" includes a \$93.6 billion across-the-board income tax increase. Specifically:

- The proposal reduces the tax benefits of the personal exemption by removing indexing for inflation. This will increase taxes on everyone except the wealthiest one million taxpayers who lost their personal exemptions in the 1986 tax bill.
- The "Ways and Means Democratic Alternative" brings back bracket creep with a vengeance. Since World War II every taxpayer was subject to ever-increasing taxes through inflation. Bracket creep was the favorite tool of the tax and spenders. It was stopped in 1985 with indexing of personal exemptions and tax brackets. By reversing this policy, the "Ways and Means Democratic Alternative" brings back silent rate increases for everyone. This provision raises \$36 billion over 5 years, largely on the backs of low and middle class income families. This is advertised as a "one-year tax increase." What will keep the Democratically-controlled Congress from repeated extensions?
- It increases income taxes for people in all brackets.
 - A married couple with two children, who have taxable income of \$34,000 in 1991 would pay income taxes of \$5,100 under current law. Under the no-

indexing provision of the "Ways and Means Democratic Alternative," they would pay \$5,413.50, an increase of \$313.50, more than six percent.

- A single person with no dependents who has taxable income of \$21,000 in 1991 would pay income taxes of \$3,150 under current law. Under the no-indexing provision of the "Ways and Means Democratic Alternative," that person would pay \$3,301.50, an increase of nearly five percent.

-- These tax increases are permanent. Even if indexing is delayed for just one year, the increase will apply for every year thereafter.

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The New York Times

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10/17/90

Fooling Around With Taxes

The House is on the verge of passing a \$500 billion deficit reduction package. But it is hard to take the bill seriously. It includes amendments imposing stiff tax increases, aimed at the rich, that are unlikely to pass the Senate and that President Bush is sure to veto.

The principle of taxing the rich more than the poor to pay for deficit reduction might be noble. But the amendments amount to demagoguery. They would eliminate an increase in the gas tax, undermining energy conservation. They would postpone correction of the income tax code for inflation, leaving an invisible tax on the middle class. They would lower the capital gains tax for exactly the wrong kinds of investments.

The House plan was well designed to embarrass Republicans into voting against a package weighted in favor of the poor. The Republicans responded with some demagoguery of their own, proposing a deficit reduction package that pretended to cut the deficit without raising taxes. Congress owes the country a responsible deficit reduction package. Three days before the deadline for closing down the Government again, the country is still waiting.

Last month's budget summit produced a plan to cut the deficit by \$500 billion over five years. But it would have raised taxes on the poorest families three times as much as on the richest. That was the main reason the House rejected the package.

The alternative plan approved last week by the

House Ways and Means Committee, similar to one before the Senate Finance Committee, would have increased taxes on gasoline, alcohol, cigarettes and several luxury items. It would also have reduced the total amount of deductions for rich families and expanded tax credits for the working poor. Roughly speaking, it would have affected most income groups proportionately.

The plan voted in the House yesterday drops the tax hike on gasoline and postpones for a year the indexing of tax rates and personal exemptions for inflation. That's a cynical way to hit the middle class with an invisible rather than a visible tax. And it would undo a boost for energy conservation.

The House plan would also raise the tax rate on the highest incomes to 33 percent from 28, and raise the tax on wealthy families that take advantage of enormous amounts of deductions and exemptions. But the Democrats surely know that Mr. Bush would veto any package that raised income taxes unless it also capitulated to his obsessive quest for a capital gains tax cut.

It is precisely on capital gains that the House plan reverberates with ignorance — or cynicism. It would allow individuals \$100,000 of capital gains free of income tax over a lifetime — but only on the sale of real estate, farms, businesses and timber, not stocks. The tax code already heavily favors investments in real estate and timber. To direct more precious resources their way is shameful.

The budget clock is still ticking. Congress is still fooling around.

Excerpt from the President's Remarks at the Reception for Kay Orr, Hal Daub and Ally Milder, in Omaha, Nebraska:

October 15, 1990

"...And you know, much of the political debate we hear in Washington is tired and it's old and it's all this 'inside the beltway' jargon. And it's jargon that just gets in the way of what's really at stake. So let me try to simplify it. America must have a real and significant deficit reduction budget to get this economy moving. And that deficit reduction will bring down interest rates on home purchases and car loans. And it will create new jobs.

And to get these results, the budget cannot be the same old political shell game. We must not tolerate business as usual. The budget must be real, enforceable, and preserve incentives for growth in this country.

And you know what the problem has always been -- it's the unwillingness in Congress to vote to hold down federal spending. And you know, with higher spending, higher taxes are usually not far behind. And that said, let me mention here one thing that appeals to me about what's going on now, appeals to me about the current Senate package is that it holds the line on income tax rates. And that is worth fighting for in my view.

I have this concern that's always been that Congress will continue to pay for its spending habits by raising income tax rates on everybody. After concessions by both the Democratic and the Republican leaders -- the budget summit -- nobody liked every part of it. It did move us in the right direction, and it has brought us to the final countdown week. And in the next five days, Congress has the chance -- in fact, I'd put it this way -- Congress has the obligation to act. And I believe the American people have every right to expect the United States Congress to act responsibly.

And so my message -- and I expect it would be your message -- to the Congress is simple and straightforward: complete your work, meet Friday's deadline and pass a sensible budget. We've got to put this nation back on the path to long-term economic growth. And the way to do that, is to get a budget through, and that will bring the interest rates down, and that will put more and more Americans back to work where they belong."

Excerpt from the President's Remarks at the Edgar for Governor Rally at the College of DuPage, Wheaton, Illinois:

October 16, 1990

"...Sometimes the rhetoric back there gets pretty thick inside that Washington beltway. So let me just put it in perspective for you.... We must have a significant and real deficit reduction budget to get this country moving. And when we get that kind of a deal, it will bring down the interest rates on home purchases and car loans. It will bring them down and create new jobs. So the time for Democratic rhetoric is over, and the time to move ahead is to get the Congress moving now to get us that kind of an agreement.

I guess what I'm saying is that we can't afford business as usual. The budget's got to be real; it's got to be enforceable; and it's got to preserve our incentives for growth.

You know, I do believe -- I'll take my fair share of the hits, but I believe the American people really know that the problem has always been the failure of this one-party controlled Congress to hold down spending. We're not taxing you too little: we're spending too much.

And so make no mistake about it: when you hear this liberal crowd that runs the Congress in Washington talking about taxing the rich, they're going to be after you the next thing you know, because that's the way it works -- tax and spend, tax and spend. And I want to end it once and for all.

So today, they're marking up a big budget plan back in Washington. It's a Democratic tax plan. If it reaches my desk, the one that comes out of the House of Representatives, I will veto it because it raises the income taxes of the working men and women of this country. And I'm not going to do that.

One thing, incidentally, that appeals to me on this Senate package is that it holds the line on income tax rates. Republicans have always feared that Congress will continue to pay for its spending habits by raising the income tax rates on everybody. So, clearly, the budget summit moved us in the right direction, brought us to this final countdown week. And now we're down to four days back there in Washington. And Congress has the opportunity and the obligation to act. And the American people have every right to expect the Congress to act responsibly for the taxpayers' interest in this country."

Excerpt from the President's Remarks at the Fundraising Breakfast for Terry Branstad and Tom Tauke, Des Moines, Iowa:

October 16, 1990

"...Year after year, Congress has to pass emergency measures. It's all Washington jargon called continuing resolutions.... Enough is enough.... And this Friday, the Congress must face the budget deadline once again. But this time, let them face up to their responsibilities as well....

America must have a real and significant deficit reduction -- real and significant -- deficit reduction to get the economy moving. And that deficit reduction will, indeed, and almost instantly bring down the interest rates that are holding back new job creation and holding back job opportunity. The deficit rate is going to bring those interest rates down; you're going to have more home purchases, more car loans, create new jobs.

And to get those results, Congress cannot simply play with the numbers in order to get phony savings. We cannot afford business as usual in Washington anymore. So the budget must be real, it must be enforceable, and it must preserve our incentives for growth. I want to see this economy grow, not shrink, from higher taxes and more government spending....

We're not dumb in this country. Most people know that when -- the failure to hold down spending is inevitably followed by higher taxes. They might be just around the corner. And that said, let me reiterate that the one thing that appeals to me about the current Senate package -- you've got a House bill that looks like it's going through. Raise the rates, index the taxes -- that's on the middle class and the lower middle class. That's every taxpayer in this country. Nobody understands it, but that's what indexing means. So they're saying it's a "soak the rich" deal. But, inevitably, it gets into your pocket. It gets into the pocket of every working man and woman. And that's exactly what's coming out of the House.

But the Senate bill has some merit to it. It holds the line on income tax rates. And I've always been concerned, and I think the American people share this concern, that the Congress will continue to pay for its spending habits by going back and starting to raise the income tax rates on everyone. And I want to hold the line on the tax rates.

So we're in a countdown. We're in another countdown. The next four days, Congress has the responsibility and the obligation to act. And the American people have every right to see this Congress act responsibly."

TODAY SHOW INTERVIEW

Guest: White House Chief of Staff John Sununu
October 17, 1990

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BRYANT GUMBEL: The president's chief of staff is John Sununu. This morning he's in our NBC bureau in Washington. Governor, good morning.

JOHN SUNUNU: Good morning.

Q: I know there's a lot of reasons you find the plan unacceptable. Is the president determined to veto any plan that hikes the tax rates?

SUNUNU: Yes. The president realizes the Democrats may have conned the media into suggesting that the tax plan is just raising taxes on the rich. But what it does is rip off middle America, working men and women with an income tax increase for them.

You leave that out every time you describe the tax plan. But the fact is that it is there. And so with that tax increase on the working men and women, the president is going to veto that package if it gets to his desk.

Q: Well, it delays the adjustment of rates for inflation a year, and eliminates some middle class tax breaks, but--

SUNUNU: It raises their income tax though, Bryant. And--and you ought not to become an apologist for the Democratic Party by rationalizing that the rise in the income tax that the people have to pay is not a rise in income tax.

Q: In logical terms, does it follow that those who can afford to pay more in times of crisis should pay more?

SUNUNU: Absolutely. But the fact is that the addiction to tax and spend that the Democrats have leads them, every time they play around with the income tax rate at the high end, to have to play around with income tax on working men and women.

That's what the president warned America about. And that's exactly what has happened. One quarter of this package takes money out of the pockets of working men and women by extra income taxes. That is a part of a tax-and-spend plan that the president has said he will veto.

Q: But only a month ago the president conceded that higher taxes were necessary; had signed on to a budget agreement that included \$134 billion in added revenues. Why now is it so unacceptable?

SUNUNU: Well, don't revise history now. Remember, the president was holding out against taxes, but he recognized that the economy was about to go into a decline. He asked for a deficit reduction package. Congress refused to come forward. We are six months late on this budget by their own calendar. They refused to come forward with a package. They held the deficit reduction package hostage until the president agreed to allow taxes on the table.

The fact that they made the president eat his tax broccoli doesn't mean that he's very happy about what's in the package.

Q: But, Governor, that doesn't change the fact that the president signed on to that agreement, went on national TV behind that agreement, and said that this was a good agreement and one we could live with and it included new revenues. Why now is that unacceptable?

SUNUNU: It was one that he could live with, because that package did not raise the income tax of middle America, of working America. There is a difference between that package and this one, which rips off the men and women of America who are out there working and earning a living.

Q: Governor, the Senate seems headed towards a plan that would double the gasoline tax, raise the taxes of higher income folks while lowering the capital gains taxes for everybody on a proportional basis. You like that one?

SUNUNU: There's no capital gains reduction in the Senate package. You ought to be more accurate in your description.

Q: Well, there is a capital gains reduction in the Senate package, Governor, the one that--that lowers the rates proportionally to the income of Americans.

SUNUNU: No, not in the Senate package. In the Senate package there is no capital gains piece. There is no tax rate increase in the Senate package; there's no capital gains piece. That's what the president has said: Let's pass that package now.

Q: Governor, have you any new ideas to break the impasse? Any new offerings? It's easy to find fault with a number of packages that are coming off the Hill.

SUNUNU: There's I think general agreement between the president and the Republican and Democratic leadership in Congress that the best package is one that is close to the summit agreement. It's not the kind of package the president would have written alone; it's not the kind of package that the Democratic or Republican leaders would have written alone. It is a compromise package, but it is good for the country. It reduces the deficit. And it deals with some of the problems of the economy, and gets the economy going again. That's what we ought to pass.

Q: But, Governor, that's a package that even the Republicans in the House rejected?

SUNUNU: Well, that's the reference point that we ought to work towards. We think that the Senate package is relatively close to that, and that's the package that the president has said he would feel comfortable getting come out of conference and sign. The fact that that Senate package is supported by both Republicans and Democrats in the Senate is a good sign. It is a bipartisan package. It is one that doesn't raise the income tax on lower and middle income America. It's a good package. We ought to get it.

Q: Governor, you've seen the numbers as we all have. People are tired of the finger pointing. They feel Congress isn't doing the job. They feel the president isn't prepared to work with Congress. What's the White House prepared to do on an active basis over the next two days to break the deadlock?

SUNUNU: White House is ready to receive the bipartisan package, similar to the Senate package; get it to the president's desk; and he'll sign it. When the president asks the Congress to stay instead of going on vacation in August, they promised they'd get a package as soon as they came back. The clock is running out; government's about to shut down. They ought to put a package together in the next day or two, get it to the president and let him sign it, and let them go home and let America go about its business.

Q: Are you willing to agree, is the White House willing to agree, to a continuing resolution if you see progress on a bill that you find acceptable?

SUNUNU: You know, whenever Congress comes to a tough decision they run to a continuing resolution which is business as usual. Thirty-seven times in the last 10 years they've evaded the tough decisions of budgets by going to a continuing resolution. They tried to do that a couple of weeks ago with a soft resolution; the president vetoed it.

Let's not bandaid the problem. Let's put a package together in the Senate. Compromise it down to a package the president can accept with the House, and get a package on his desk. There's enough time to do that before Friday evening. Instead of trying to figure out a way to avoid the decision, Congress ought to do its business, get it done, and get out of town.

Q: Governor, can I ask you to stay a couple of minutes, we'll come back and do a little more?

SUNUNU: Sure.

Q: Okay, let me take a break right.
(Announcements)

Q: As we come back, it's 7:18, we're continuing-- excuse me--in Washington with Governor John Sununu, White House chief of staff. Governor, thank you--

SUNUNU: Thank you.

Q: --for--for extending your stay. I appreciate it. When we left for a commercial you were talking of bandaids solutions and how the White House rejects that, but is that to say a firm no that if there is work towards a compromise bill on Friday that you're unwilling to extend the deadline?

SUNUNU: If there was a deadline extension that carried with it a really significant reduction in the deficit built into the deadline extension to show that Congress meant business about it, I'm sure the president would, you know, consider that as a good faith extension. But that continuing resolution can't continue spending levels at current levels without any effort to reduce the deficit even for a couple of days.

Q: And if not, is the president prepared to shut down the government and live with the consequences?

SUNUNU: The president vetoed one about a week ago when Congress wanted to leave for the Columbus Day weekend, the president vetoed the continuing resolution; convinced them to stay. They passed the budget resolution. I think the president likes that formula of keeping folks around to work and get their business done.

Q: Have you contingency plans to run a government saddled with Gramm-Rudman cuts?

SUNUNU: Well, the president has had contingency plans in place for a long time. We ran the government for a couple of months last year under sequester. People hardly noticed.

Q: Governor, you can't be, I'm sure, unconcerned about the polls that show the president's approval ratings taking a nose dive. What is he prepared to do to reverse the feeling that in this time of crisis he is not proving an effective leader?

SUNUNU: Look, the president is not one to just store his political capital. The deficit is an important issue, and the president was willing to take his political lumps. He saw that the deficit had to be reduced, so he allowed the Democrats to bring taxes onto the table. He took a lot of lumps for that, but it was important to the country to get a deficit reduction package. It's important to get this deficit reduction package done this week.

He's willing to take his political lumps to do that. But if folks think that after he gets this package he's going to sit around and mope, he's wrong. He's going to go out and explain to the American public the fact that this budget, deficit reduction package was held hostage. He's going to point out to folks that for over two decades Congress has been on a tax-and-spend binge.

SUNUNU continues: The budget that passed last night is just a reflection of that. It reduces the cuts in spending -- there's less spending cuts in that package and more taxes. Whenever Congress runs into a tough vote, it runs to more spending and more taxes. The president will point that out.

So I think he'll be able to restore his political capital quite effectively in the process.

Q: That was a good argument, but it would seem again from the polls that a great many in the public are not buying that argument.

SUNUNU: Let's look at what the polls say, Bryant. Sixty percent blame Congress; 20 percent blame the president. If I were a politician in America, I'd walk into any campaign with that kind of ratio in my favor.

Q: The polls also say the president's popularity has dropped something like 25 percent in the last month.

SUNUNU: Now, instead of being astronomical, it's just exceptionally good. The president is willing to deal with that and live with that.

Q: We'll have to stop playing the numbers game, because our number is coming up. It's 7:22. Governor, thank you.

SUNUNU: Thank you very much, Bryant.

Q: Again, I appreciate your extending the stay.

SUNUNU: It's good to be here.

END INTERVIEW

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The Reuter Transcript Report

Sununu interview (Today Show)

Oct. 17, 1990

REUTER

Reut09:01 10-17

Since President Bush called for bi-partisan budget negotiations, the Democratic-controlled House of Representatives has passed ten appropriations bills adding up to \$211 billion: \$25.119 billion over 1990 appropriations levels -- 13.5 percent increase, and \$14.348 billion above the amount the President asked for. A chart is attached summarizing the bills and examples of some of the wasteful spending follows:

SUMMARY

1990 Appropriations Spending	= \$186.5 billion
1991 Bush Appropriation Request	= \$197.3 billion
1991 Congressional (House) Appropriation Action	= \$211.6 billion

- o House Action is \$25 billion (13.5 percent) above last year's level of spending.
- o House Action is \$14 billion (7.2 percent) above the amount the President asked for.

WHAT DEFICIT CRISIS? CONGRESS CONTINUES ITS PORK-LADEN SPENDING SPREE

(Updating *Backgrounder* No.780, "While Talking About A Deficit Crisis, Congress Proposes Billions in New Spending," July 25, 1990.)

How is Congress responding to George Bush's broken no-new-tax pledge? With visions of new revenues dancing in its head, Congress has gone on a spending spree that will push the federal budget and the tax burden on the American people to record highs. While many in Congress thus publicly wring their hands and gnash their teeth about what they call the deficit crisis, what they really seem to care about is only more spending. Examples: On July 18, the House of Representatives passed a \$50.34 billion Rural Development/Agriculture appropriations bill, which is \$5.18 billion or 11.46 percent higher than the 1990 amount. On July 19 the House approved a \$170.44 billion Labor/Health and Human Services appropriations bill, which increases spending by \$17.31 billion or 11.3 percent over last year's level.

With only eight of the thirteen appropriations bills passed so far, the House already has spent \$403.09 billion, or \$41 billion over 1990 levels, an increase of 11.4 percent. This is \$68 billion over 1989 levels, an increase of 20 percent.

Table 1
Appropriations Bills
(\$billions for Fiscal Year)

BILL	1989 Approps.	1990 Approps.	1991 Bush Proposal	1991 Approps.	\$ Change 90 - 91	% Change 89 - 91	% Change 90 - 91
Commerce/ Justice	14.85	11.70	11.10	10.50	-1.20	-29.30	-10.20
Energy/Water	17.83	18.43	20.20	20.77	+2.40	+16.52	+12.70
Foreign Operations	14.29	15.52	15.52	15.78	+0.30	+10.46	+1.69
VA/HUD	59.39	71.28	78.78	83.57	+12.30	+40.72	+17.25
Transportation	25.67	28.17	26.73	30.94	+2.70	+20.54	+9.50
Treasury/P.O.	16.02	18.45	20.71	20.72	+2.27	+29.34	+12.30
Labor/HHS	140.37	153.13	166.23	170.44	+17.31	+21.42	+11.30
Agriculture	46.61	45.17	50.43	50.35	+5.18	+8.00	+11.46
TOTALS	335.03	361.85	390.00	403.09	+41.24	+20.00	+11.40

If the House continues at this record pace in the remaining five appropriations bills and if both the Senate and President approve, spending will rise by nearly \$75 billion over similar fiscal year 1990 levels. This dramatic increase is of particular concern because the 13 appropriations bills represent only about 60 percent of all federal spending. When combined with the automatic increases in entitlement programs and interest on the national debt, which comprise the remaining 40 percent of the budget, fiscal 1991 spending could top last year's levels by nearly \$110.

George Bush is partly to blame for this spending spree. He ignited it by bowing to pressure from Budget Director Richard Darman and Treasury Secretary Nicholas Brady to agree to a budget summit with Congressional leaders in which all issues, including taxes, were on the table. And taking the cue from Darman and Brady again, Bush threw open the floodgates on June 26 when he announced that it was clear to him that "tax revenue increases" would be needed to bring the deficit in line. Smelling blood in the water, the liberal-dominated House of Representatives went on a feeding frenzy. It rejected proposals by some House members to reduce the rate of spending increases on the Agriculture appropriations bill and the Labor/HHS appropriations bill. It defeated eleven such amendments by wide margins. Six amendments that would have slowed spending across the board were offered by Republican representatives William Dannemeyer, from California, and Bill Frenzel, from Minnesota, in addition to Timothy Penny, the Minnesota Democrat. The House even rejected the symbolic amendment by Robert S. Walker, the Pennsylvania Republican; it would have trimmed the overall level of spending in the Agriculture bill by just \$19.90 – a piddling 0.000000002 percent.

Table 2
(\$ billions for Fiscal Year)

Bill	1990 Approps.	Penny ¹ (9.5%)	Frenzel ²	Dannemeyer ³	Penny ⁴ (2%)	1991 Approps.
Agriculture	45.17	46.01	46.65	47.95	49.39	50.35
Labor/HHS	153.13	N/A	163.74	N/A	169.90	170.44

1. There were two amendments offered by Representative Penny to the Agriculture Bill. The first was an across-the-board 9.5 percent cut on the proposed 1991 appropriations, which was actually an amendment to Frenzel's 7.7 percent cut. This amendment contained an exemption to the cut, the Women and Infant Children program, which was not cut at all.

2. The Frenzel amendments were an across-the-board 7.7 percent cut on the Agriculture bill, and an across-the-board 15.2 percent cut on proposed HHS spending bill. This cut on the HHS bill amounts to only a little over 3 percent of the total bill when the unauthorized funds are added in.

3. The Dannemeyer amendment to the Agriculture bill was an across-the-board cut of 5 percent, but again, this percentage only would have an effect on discretionary spending. The percentage of the total bill was much less.

4. The second Penny amendment to the Agriculture bill was an across-the-board 2 percent cut. The Penny amendment to the HHS bill was also a 2 percent across-the-board cut, but it excluded certain programs such as Chapter 1 Compensatory Education, Education for the Handicapped, and Higher Education.

Other amendments were offered to prevent spending increasing above fiscal 1990 levels on specific programs. Walker proposed four amendments to test the House's resolve for holding the line on spending increases. The first amendment would have prevented a \$65,000 increase for the \$4,935,000 Law School Clinical Experience program; the second would have prevented \$10,000,000 from being spent on a new "Education Summit Follow-Up" study; the third would have prevented a \$65,000 increase in the \$3,806,000 Physician Payment Review Commission; and the fourth would

FY 1990 ENACTED AND FY 1991 BUSH BUDGET
(BUDGET AUTHORITY AND OUTLAYS IN BILLIONS OF DOLLARS)

<u>BILL</u>	<u>FY 1990 ENACTED</u>		<u>FY 1991 BUSH BUDGET REQUEST</u>		<u>HOUSE FLOOR</u>		<u>HOUSE FLOOR vs. 1990 ENACTED</u>		<u>LATEST HOUSE vs. 1991 BUSH BUDGET</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Commerce, Justice, & State 1/..	19.527	17.932	19.145	18.869	18.417	18.651	-1.110	0.719	-0.728	-0.218
District of Columbia.....	0.538	0.578	0.540	0.539	0.550	0.550	0.012	-0.028	0.010	0.011
Energy & Water.....	18.472	17.669	20.251	19.422	20.901	19.730	2.429	2.061	0.650	0.308
Foreign Operations.....	14.739	13.382	14.843	13.741	14.971	13.605	0.232	0.223	0.128	-0.136
Labor/HHS/Education 1/.....	44.243	48.909	45.705	52.232	50.579	53.924	6.336	5.015	4.874	1.692
Military Construction.....	8.244	8.760	9.058	8.743	8.598	8.787	0.354	0.027	-0.460	0.044
Rural Development, Agriculture.....	9.184	9.009	5.796	7.397	9.997	9.670	0.813	0.661	4.201	2.273
Transportation.....	12.612	27.876	11.377	28.324	12.599	29.665	-0.013	1.789	1.222	1.341
Treasury-Postal Service 2/.....	9.836	9.733	11.468	11.002	11.476	10.926	1.640	1.193	0.008	-0.076
Veterans Affairs, HUD, Independent Agencies.....	49.133	54.647	59.116	59.927	63.559	59.052	14.426	4.405	4.443	-0.875
TOTAL.....	186.527	208.496	197.301	220.198	211.648	224.560	25.119	16.065	14.348	4.364

Note: Detail may not add to totals due to rounding.

1/ Commerce/Justice/State and Labor/HHS/Education data for House floor include OMB estimates for unauthorized programs.

2/ FY 1990 enacted BA for Treasury/Postal adjusted to exclude \$1,254 million for lease-purchase projects authorized prior to FY 1990. FY 1991 Bush Budget Request outlays increased by \$344 million to reflect outlay estimates consistent with G-R-H outlay estimates.

APPROPRIATIONS

Energy/Water

- o The House and Senate voted to continue subsidies to power marketing administrations out west in areas which already enjoy the cheapest power in America. (Hatfield, Foley)
- o In the House, \$36 million was added to keep the Fast Flux Test Facility nuclear reactor operating in Hanford, Washington, for a purpose for which the reactor was not even designed. (Foley)
- o University of Alabama: House added \$10 million for the Biomedical Research Facility. (Bevill)
- o Mississippi State University: House added \$4.0 million for Diagnostic Instrument and Analysis Laboratory. (Whitten)
- o Riverfront Park, Charleston, West Virginia: The Corps has been directed to spend \$350,000 to build a park facility that other cities use their own funds to construct. (Byrd, Rockefeller)
- o Boudinot Harbor, Oklahoma: The Corps has been directed to spend an additional \$400,000 for dock facilities usually provided by private companies.
- o Wallisville, Texas: The corps has been directed to build, over its own objections, a \$70 million single-purpose water supply project that would sacrifice over 5,000 acres of pristine wetlands, (including over 3,000 acres of virgin cypress swamps). The purpose of this new expense is to provide heavily subsidized water to a local Texas community. Meanwhile, other American cities and towns bear this expense on their own, without Federal subsidies. (Brooks)
- o Garrison Diversion, North Dakota: The President's budget proposed terminating this uneconomic and environmentally damaging project, which would require over \$1 billion to complete. The irrigation component would benefit only about 400 farmers at an investment of \$6,000 to \$8,000 per acre to grow crops that are already heavily subsidized by the government. Hence its completion will only lead to higher government payments under the farm program. The Department of the Interior's Inspector General recently found that farmers would be unable to repay even the annual operation and maintenance expenses, which they are required by law to do. (Burdick, Conrad, Dorgan)

Transportation

Federal Highway "Demonstrations": The House and Senate combined added \$523 million worth of special earmarkings. Among the pet projects are the following three that supposedly "demonstrate" road safety, but are simply road construction projects:

- o \$4 million for a highway project between Paintsville and Prestonburg, Kentucky. (Perkins)
- o \$2 million to improve U.S. Route 931 in Jackson County, Florida. (Grant)
- o \$20 million for four projects in Mississippi. The eventual costs for these projects will exceed \$320 million. (Whitten)

Treasury/P.O.

The GSA Federal Buildings Fund was established to build and renovate federal buildings. Yet Congress appropriates funds for such projects as:

- o Northern Arizona University, Flagstaff: Southwest Forestry Science Complex. Senate - \$5,000,000. (DeConcini)
- o University of Georgia: Dean Rusk Center for International and Comparative Law. Senate - \$1,000,000. (Fowler)
- o Christopher Columbus Center on Marine Research and Exploration, Baltimore, Maryland: Grant for planning and design. House - \$5,000,000. (Hoyer)

Agriculture and Rural Development

- o The bill passed by the House is \$4.2 billion over the President's request -- that's more than 72%!!
- o The House added \$250,000 for research on methods to improve the texture of sweet potatoes -- an idea proposed by an industry group. The industry group sponsor also obtained approval for research on sweet potato pox viruses by Agricultural Research Service scientists.

- o The House added \$175,000 of agriculture funds for a firm in New York to do a film on youth at risk.
- o \$500,000 for the University of Mississippi: Food Service Management Institute. (Whitten)

District of Columbia

- o Board of Education: \$15.1 million of Federal funding for a local school board. This is a unique, direct federal contribution for maintenance and improvement of the District's public schools. Since 1985, public school enrollment in the District has dropped by 6,376 students (pre-kindergarten through 12th grade). The District already receives \$56.0 million of its public school funding from Federal grants that are also available to other local school districts.

Supplemental Appropriations (For FY 1990; Passed 5/25/90)

- o In early March of 1990, President Bush sought \$800 million in emergency supplemental funds to help the world's newest democracies, Nicaragua and Panama. Nearly three months later the Democratic House and Senate perpetrated budgetary hijacking. The House and Senate waylaid the proposal and stuffed it with new spending. When they were done, the Congress added over \$1.3 billion for unrequested domestic spending.
- o By a vote of 246-160 (R 32-130; D 214-30), the House agreed to a Senate amendment to force a federal agency that is supposed to do ocean research to procure a fish farm in Arkansas. (Bumpers)
- o Congress added \$1.8 million for renovating a Great Lakes research vessel in Michigan (not in either the House- or Senate-passed bills). (Traxler)
- o The Senate added \$185 million for an FBI building in West Virginia that is not expected to be built for five years. (Byrd)
- o Congress added \$6 million for a wildlife park in Iowa (a provision that was not in either the House- or Senate-passed supplemental bills and was snuck in, in conference). (Neal Smith)
- o Congress added \$750,000 to buy a ferry vessel for American Samoa. (Inouye)

ENTITLEMENTS/AUTHORIZATIONS

Excellence in Education

- o In February 1989, President proposed the Educational Excellence Act, a bill to authorize seven educational improvement initiatives increasing flexibility in the system, at a cost of \$423 million for the first year.
- o Congressman Hawkins (D. Calif) sponsored H.R. 5115, adding dozens of new costly and bureaucratic categorical programs. Total cost: \$1.4 billion in budget authority for FY 1991.

Child Care

- o The President proposed an 8-page, \$9.4 billion bill.
- o The Senate doubled the cost. \$18 billion.
- o The House tripled the cost: \$28.9 billion and included 120 pages of child care regulation.
- o Key members: Sen. Kennedy, Sen. Dodd, Rep. Downey.

Foster Care Administrative Cost Reforms

- o Between FY 1981 and FY 1991, state claims for administrative costs have grown over 2,800 percent.
- o The Administration proposed limiting the growth to 10 percent a year, saving \$121 million in outlays.
- o Congress (Sen. Bentsen [D-Texas], Rep. Downey [D-New York]) have proposed program expansion without fixing the abuses. Total cost: \$426 million in outlays for FY 1991, and \$6.4 billion over FY 1991-95.
- o In the District of Columbia, 86 percent of foster care funds goes to administrative expenses and 14 percent goes to children. In D.C., per child:
 - \$22,050 is spent on city costs.
 - \$5,000 is spent on foster care.

Railroad Retirement Tax Diversion

- o In the last 10 years, Congress subsidized the Railroad Retirement Board to the tune of \$1.2 billion.
- o These subsidies will cost the Federal government over \$100 million in FY 91.
- o Congress extended this subsidy through FY 90. Sen. Baucus (D-Mont) who has a disproportionate number of railroad retirees in Montana, proposed legislation to extend this again this year.

Housing

- o The President proposed \$23.7 billion for housing programs.
- o The House bill exceeds the President's FY 1991 Budget by over \$4.6 billion in Budget Authority due in part to an emphasis on new housing construction including the Title III Rental Housing Production Program and the Title IV Community Housing Partnership program.
- o The Senate bill exceeds the President's Budget by over \$4 billion in B.A. due to higher authorizations for existing programs and for the new Housing Opportunity Partnerships (HOP block grants to states and localities).

1990 Farm Bill

The Administration sent to Congress in February a bill which would have continued of the market-oriented farm support programs instituted by the successful 1985 farm bill. Moreover, in his FY '91 budget, the President proposed to reduce farm subsidies by \$1.5b this year. The Congress, in bills now out of both houses but not yet in conference, essentially rejected that proposal and raised subsidies above current levels.

- o Both the House and the Senate passed bills that set five year farm subsidy spending at around \$54 billion, close to \$20 billion over the amounts recommended by the President.
- o The House rejected a proposal by the Administration to eliminate government subsidies to people who earn more than \$100,000 per year. Thus, people who earn 3 times the average income for an American family of four will

keep getting income supports from the government under the farm program. Similarly, the Senate rejected a cut-off of subsidies to those very large farmers who gross more than a half million dollars a year. Either of these proposals would have saved the taxpayer on the order of \$1 billion over five years.

- o The House also rejected a proposal to tighten loopholes in the farm laws. Payments are supposed to be limited to \$50,000 per person -- but big corporate farmers re-organize to evade the limit. Some farmers made almost \$1 million each in subsidies last year. The House voted no on a Republican amendment (by Rep. Conte) to close this loophole, and in the process saved close to three-quarters of a billion dollars over five years.
- o The House and the Senate voted against any reform in sugar subsidies, which cost American consumers more than \$1.5 billion each year. The Administration had proposed a two cent per pound reduction in the sugar support price, but not even this modest adjustment was adopted. So American consumers will keep paying twice the world price to keep a handful of sugar producers wealthy.
- o The House voted "no" on an amendment to phase out honey support, even though it would have saved \$200 million between now and 1995. That's \$200 million for only a handful of beekeepers; eliminating their payments would not endanger the work of the vast majority of beekeepers.

There's something hollow in their "make the crooks pay" rhetoric, their efforts to revise the history of the eighties. Sort of like Nikita Khrushchev pinning the blame on Joe Stalin.

Call it the Big Lie.

Well, my friends, you can fool some of the people all the time. They're the ones who vote the straight Democratic ticket.

You can fool some of the people some of the time. They're ticket splitters. Just enough Democratic House and Senate candidates manage to run away from the national party to fool them.

But you can't fool all the people, all of the time.

We've got the Democratic Party's number.

Another example of the Big Lie.

Crime. The Democrats say they're tough on it. But watch what they do.

In the House of Representatives they've bottled up President Bush's crime bill for more than a year. Meantime, the FBI reports crime rates soaring -- especially crime against women. Over the past ten years, rapes have increased four times the total crime rate.

Republicans care about the rights of victims of crime; Democrats care about the rights of criminals.

There's another Big Lie coming. You can smell it in the air. You can be sure the Democrats will try to blame us for any entitlement cuts that come out of the budget summit.

What they won't do is admit that Republican leadership has given us the longest period of sustained economic growth in peacetime history. We've created tens of millions of jobs. Incomes for average working people -- what's left after taxes -- have gone up steadily. The dream of home ownership has been restored.

We led in the eighties. We're proud of our record, and we won't run and hide from it.

You won't catch us trying to salvage our future by savaging our past.

And we'll lead in the nineties.

We'll lead, because we want parents and communities in control of our schools, not educational bureaucrats and remote unions.

We'll lead, because we want to control crime by punishing criminals, not by depriving honest Americans of their rights or making them in fear of walking the streets.

We'll lead, because we believe that the working people deserve to keep the money they earn, not fork it over in taxes to pay for Congress' waste.

Ron Brown says the Democratic Party is on a roll.

Is he right, or is he wrong?

Here's his idea of a roll -- the recent "urgent, dire, emergency" supplemental spending bill -- that's what they called it.. Three-quarters of a million dollars to buy an 800-ton ferry for Samoa. \$6 million to fund a fish farm, in Iowa. And in this time of high deficits, \$20 million for Congress' own private art collection.

Maybe they got that idea from David Paul. With \$20 million, they can buy David Paul's \$12 million Rubens' painting at CenTrust's fire sale.

THE WHITE HOUSE

WASHINGTON

October 18, 1990

MEMORANDUM FOR CHRISS WINSTON

FROM: JIM PINKERTON

SUBJECT: Vermont GOP Speech
Rowland for Governor Fundraiser

While these remarks are generally good, I believe that we need to take a stronger stand on the current situation. I think the President's remarks to the interns this afternoon were a Truman-like step in the right direction. If we were to repeat this message over and over, we'd be a lot better off.

I don't have a final copy of these remarks, but an early draft emphasized six points:

1. Soaking the rich means soaking the middle class:

Let me translate this dishonest bit of Washington doublespeak for you: when some members of Congress talk about "soaking the rich," they really mean raising taxes on everyone. Their talk about "progressivity" and "regressivity" is just a smokescreen to try and hide their effort to raise taxes on ordinary working Americans.

2. Indexing is a shield for the middle class:

Let me tell you about another word: "indexing"... the federal government was a silent partner in inflation, profiting from higher prices even as families suffered. Elimination of indexing does not affect the rich, because they are already in the top tax bracket. Indexing is a shield for the middle class...

3. Incentives are the key to economic growth:

We must reduce the deficit, so that interest rates will come down and enable people to buy homes and cars and so that business can invest in new jobs. But let me tell you about another important word: "incentive." When tax rates get too high, as they did before indexing, then people don't save, because the government takes

so much that there is no incentive. That's the reason why I am standing firm on the 28% top rate. Not because I want to help the rich, but because I want to help everyone.

4. Importance of economic growth:

You don't have to be an expert in federal fiscal policy to understand the real issue here. As I said, I am determined to reduce the deficit, but I am even more determined to continue economic growth, so that all of you can enjoy a better future. I will not let demagogues who speak of "soaking the rich," get away with killing the indexing which preserves incentives and protects the family budget from the attack of a federal government which spends so much that it can't balance its own budget.

5. National interest vs special interest:

You can count on me to hold the Congress' feet to the fire and make them do the right thing. I believe in what I am doing. I believe that the national interest is always more important than the special interests. I will fight the taxers and the spenders if I have to.

6. Congress is the obstacle, and the President is prepared to take his case to the American public:

In the remaining weeks of this political campaign season, I will take my message to the American people. I believe in my heart that as the voters learn more about what the real issues are, issues like indexing and incentive, that they will join me in demanding a Congress that will be responsive and responsible, and that will reduce the deficit by controlling taxing and spending.

This language may be a little too tough -- it can certainly be modified as needed.

THE WHITE HOUSE

WASHINGTON

October 19, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: JIM PINKERTON 

SUBJECT: TALKING POINTS FOR TODAY

David Demarest indicated his preference for the following four points to be use in Presidential remarks on the budget agreement. Accordingly, I have worked them into the attached talking points for your briefing today. The four points are as follows:

1. We must have an agreement that holds the line on taxing working Americans.
2. We support a growth agenda that controls government spending. That means incentives for growth and preservation of indexing tax rates against inflation.
3. The President says never again: He never again intends to see the country put through a similar "process." The Congress has to get its act together. We need process reforms: just look at the ridiculous things that the Congressional Democrats tried to put in the agreement -- \$50 million for the Kennedy Center, for example.
4. The President intends to take this case to the American people. We must place the national interest above the special interests. Give us more Republicans in Congress.

TALKING POINTS

- o The bipartisan approach that the President has been pursuing is finally getting results -- the Congress is finally moving off dead center. The agreement that is emerging seems to be moving in the right direction.
- o If indications prove correct, this agreement will have go a long way toward real progress, specifically:
 - The agreement holds the line on taxing the working men and women of America.
 - The agreement will make real progress on reducing the deficit.
 - The agreement will bring interest rates down and thereby preventing the economy from slipping out of control.
 - It is an enforceable agreement, with mechanisms that will make the spending restraint stick.
- o But understand this: The President does not intend to see the American people and the government of the United States put through this process again. This is no way to run a railroad. And this is not how the American people want their government run.
The Congressional budget process must be reformed.
- o The President is going to take his case to the American people. We must have a new process that attends to the national interest instead of to special interests.

We must have more Republicans in Congress. The breakdown that the country has witnessed in the Congress is not going to change until individual Congressmen have to face real competition in their elections.
- o There is much more to be done: The President believes in three areas:

2-2-2

Growth -- Economic expansion and the creation of jobs is the way to bring the economy back.

Incentives -- We cannot have disincentives to growth such as removing the indexation of tax rates.

Control Spending -- just look at the ridiculous things that the Congressional Democrats tried to put in the agreement -- \$50 million for the Kennedy Center, for example. If it hadn't been for the Republicans, these budget busters would have succeeded.

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Big budget bill's fine print still not ready for reading

By Major Garrett
THE WASHINGTON TIMES

It's been three days since the House passed the massive budget bill with \$149 billion in new taxes.

Ordinarily, the fine print of this landmark legislation would already be available to members of Congress, the press and the public.

But it's not.

It's not in the Congressional Record, which is the official government version of floor action and a regular resource for press and public. And it's not in the congressional documents ordinarily made available to lawmakers.

In fact, the Congressional Record will not have the information until Monday — although proceedings from Wednesday and Thursday's House actions will be available sooner.

The only other source, the Budget Committee report, will not be available publicly until Monday, either.

Late yesterday lawmakers began to wonder why.

"Members have sought to get copies and have been told they are not available," said Rep. Robert Walker, Pennsylvania Republican and junior member of the House GOP leadership. "It is very disturbing."

According to a spokeswoman with Minority Leader Robert Michel's office, GOP legislative staffers have been looking for the bill since Wednesday morning.

After asking the Government

Printing Office for an explanation yesterday, House Republicans received a few photocopied versions of the bill — mere hours before a House-Senate conference committee was going to begin work on it. That caused some grouching since the fine print is what conferees hash out when they attempt to reconcile the different versions.

But the bill still was not available to the press or public, as it ordinarily would be.

A GPO spokeswoman said delays were inevitable when Congress, nearing recess, churns out volumes of legislative action daily. She said other documents were being printed ahead of the budget bill.

"We set our priorities as the congressional leadership dictates," said GPO spokeswoman Carlyn Krout. "They simply ask for things as they need them."

Jeff Biggs, a spokesman for House Speaker Thomas S. Foley, Washington Democrat, said the leadership did not ask to delay publication of the budget bill.

Mr. Walker said he learned late yesterday that the GPO had received a "cut and paste" version of the bill and that printers held up publication until they were sure what certain passages were meant to say.

It took until late last night for the questions to be answered so printers could give it to lawmakers.

It did not appear the bill had been altered since Tuesday, Mr. Walker said, adding: "I'm satisfied."

Huntsville (AL) News, August 4, 1990
Distributed Nationally by Los Angeles Times Syndicate

Now read his lips

President Bush proposes increased taxes on beer and wine.

Ron Rich says before the next election candidates should be required to sign a "pre-liquor agreement."

It's obvious, Mr. President, that Congress is trying to impale you on your own broken promise.

Why don't you turn the heat on them?

Tell Congress it is possible to cut spending instead.

We've talked already about the billions immediately cuttable from foreign aid.

Now let's challenge Congress to slash stateside extravagance.

As is, Congress is on a \$100 billion spending spree for things we just can't afford.

— \$175 million National Endowment for the Arts is \$4 million more than last year.

— \$165 million National Endowment for Humanities is \$8 million more than last year.

— \$308 for the Smithsonian Institution is \$41 million more than last year.

— \$24 million for the Institute of Museums includes a million-dollar increase from last year.

— \$49 million for the National

**Paul
Harvey**



Gallery of Art; up \$7 million.

— \$34 million for Historical Preservation; up \$1.4 million.

Congress is telling you that you must raise taxes while Congress is demanding entirely new budgets for:

— Manned missions to moon and Mars: \$408 million.

(Yes, Mr. President, I, too applaud our space program. Its research benefits everybody and its budget recirculates on the home front — but there are many things we'd like to do that a bankrupt nation cannot afford.)

Congress wants \$10 million to study magnetic levitation.

— \$1 billion to study global climate change.

— \$1.5 billion to modernize three airports.

— \$230 million for "a special

operating budget," whatever that means, for the already generously financed Environmental Protection Agency.

— \$4.5 billion for a broad range of government research projects.

Congress, sir, is spending with both hands!

Scott Hodge, budget expert for the respected *Heritage Foundation*, notes that Congress has already approved appropriation bills — \$182 billion worth — at least \$10 billion of which is pure pork fat!

Included is \$788 million for various international organizations. One is the International Sugar Organization. One is the International Office of Epizootics. Whatever that is.

And our State Department gets an additional \$1.9 billion to help them celebrate The Columbus Jubilee, the Bicentennial of the Constitution and the Marine Mammal Commission.

Respectfully, Mr. President, Congress is not trying to help you at all.

And there are already bumper stickers increasingly apparent in heartland America which say: **READ MY LIPS: NO SECOND TERM!**

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THE HERITAGE FOUNDATION
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Address correction requested

Guess who will have more after-tax money

By George Archibald
THE WASHINGTON TIMES

Surprise, surprise: While most Americans face tax increases next year, the members of the House who worked it all out will be pocketing at least \$19,400 more after taxes.

Under the latest House-passed budget plan, average two-earner families making \$35,200 of taxable income would see their tax bill rise by \$402, an increase of 7.4 percent, according to the National Taxpayers Union.

But House members, who now make \$96,600, will see their pay go up to \$120,800 on Jan. 1 under a three-step pay increase they voted themselves last year. Their pay will go up again to \$124,424 next Oct. 1. After taxes under the new budget plan, House members will pocket \$19,400 to

\$27,824 in additional after-tax pay, depending on deductions.

Senators will not make out so well but, unlike middle Americans, would still be ahead in after-tax pay gains. They now make \$98,400 and can accept an additional \$26,568 in speech honorariums.

On Oct. 1, Senate pay will increase to \$101,352, with allowable speech honorariums of \$23,616, for a possible total of \$124,968.

While most Americans will be losing all their cost-of-living raises and more to Uncle Sam through higher taxes under the most recent budget plans, senators still would be ahead by at least \$2,160, thanks to their pay raise.