THE WHITE HOUSE

WASHINGTON

September 28, 1994

MEMORANDUM FOR WHITE HOUSE SENIOR STAFF

FROM: Gene Sperling and David Dreyer

SUBJECT: Articles on "Contract with America"

Attached are several national press articles in which the fiscal credibility and political wisdom of the House Republican "Contract with America" has been questioned. The coordinated strategy between the White House and the House Democrats to attack the "Contract" on its fiscal credibility, its connection to a blind oath to the House Republican Leadership, and its relationship to the special fundraiser proved successful .

Attached are over 20 articles that have appeared in national publications and over another 20 articles that have appeared in local media that contain a strong Democratic message.

National Media

1. "The G.O.P.'s Deceptive Contract" New York Times Editorial

2. "GOP House Party" by David Broder, Washington Post

3. "The New Republican Plan" Washington Post Editorial

4. "GOP Contract is Missing Its Price Tag, Critics Say" By Eric Pianin, Washington Post

5. "GOP 'Contract" Vows Action on Crime, Tax Cuts, Welfare and Term Limits" by Jackie Calmes, Wall Street Journal

6. "GOP's 'Let's Make a Deal' is Short on Real Rewards" by David Broder, Los Angeles Times

7. "Aw, C'Mon, Newt" by E.J. Dionne Jr., Washington Post

8. "The Price of Pandering" by Gloria Borger, U.S. News and World Report

9. "Republicans Vow Conservative Change" by William Eaton. Los Angles Times

10. "GOP Robs Future to Write 'Contract with America'" USA TODAY Editorial

11. "GOP Plan to be Long on Tax Cuts, Short on Just How to Pay for Them" by Jackie Calmes, Wall Street Journal

12. "The Republicans Shoot and Air Ball" by Al Hunt, Wall Street Journal

13. "GOP Shakedown" by Jack Anderson and Michael Binstein, Washington Post

14. "Voodoo Economics: The Sequel" by Robert S. McIntyre, Washington Post

15. "GOP Congressional Primary Results Rattle Democrats" by Ronald Brownstein, Los Angeles Times

16. "GOP's Fiscal Shell Game" by Thomas Oliphant, Boston Globe

17. "The Third Wave is Coming, but it's Not in GOP's 'Contract'" by Morton Kondracke, Roll Call

18. "Republican 'Contract' May Give Democrats Some Issues to Attack" by Charles Cook, Roll Call

19. "Clinton Aides Blast Republican Tax Cut, Budget Bills" by Richard Cowan, Knight-Ridder

20. "Democrats Say GOP's Numbers Add Up to Return of Reaganomics" Associated Press

21. "Clinton Aides Scornful of Republican 'Contract'" by Gene Gibbons, Reuter

Local Media

22. "GOP Vows to Shun D.C. Lobbyists, then Takes Their Money at Dinner" Baltimore Sun

23. "The GOP Gimmick" Anderson Independent-Mail Editorial

24. "Republicans Sign Pledge, Feast Fatcats by Jim Drinkard, Marietta Daily Journal

25. "GOP to Pledge Change, Then Raise Money" by Tom Hansburger, Star Tribune

26. "Some Reform, Fundraising in GOP Plans" The Tampa Tribune

27. "Klug Assailed on Contract" by John Hunter, The Capital Times

28. "Georgia Republicans Join in Signing National Contract" by David Pace, Associated Press

29. "Democrats Attack GOP Contract; Capitol Event Revives Reaganism, White House Says" Chicago Tribune

30. "Republicans Weave Tax, Budget Fantasy, White House Says" by Dean Patterson, The Bond Buyer

31. "Frost Depicts Opponent as Follower of Far Right Harrison Has Assailed Him as a Clinton Liberal" by Mark Wrolstad, Dallas Morning News

32. "GOP House Candidates Pledge to Support Party Goals: Then Party with PACs" by Carl Leubsdorf, Dallas Morning News

33. "Newtspeak" Minneapolis Star-Tribune Editorial

34. "GOP Finds Escaping Special Interests is Easier Said than Done" News-Herald

35. "Democrats Try to Harvest Political Hay on GOP Event" by Sabrina Eaton, The Plain Dealer

36. "White House Brands GOP Plan Reaganism" The Record

37. "LaRocco Says Chenoworth's Pledge Will End Up Costing U.S. Taxpayers $1 Trillion" by Michael Wickline, Tribune

38. "Latham Signs GOP Contract" by Dave Dreezen, S.C. Journal

39. "Bryan Calls Graham a Pawn to National GOP" by Michael Durniak

40. "Moppert to Sign GOP Contract" by Christine Posarsky, Press and Sun-Bulletin

41. "Hoagland Raps Pledge; Christensen is a Signer" by Paul Goodsell

42. "Gop Agenda Short on Specifics" Atlanta Constitution Editorial

New York Times 9.28.94

The G.O.P's Deceptive Contract

Over 300 Republican candidates for the House of Representatives promised yesterday that, if elected, they will provide a positive new vision for their party and for the country. The body and soul of this vision is to be found in 10 bills they plan to offer in the next session of Congress.

It is a vision that looks backward, Reaganism in a rear-view mirror. What this self-styled "Contract With America" says to voters is that these Republicans do not speak candidly.

Tote up the promises. Led by the minority whip, Newt Gingrich, this group of Republicans would balance the budget while adding to defense spending and cutting taxes on capital gains and Social Security benefits for wealthier recipients. They would also ease the tax burden on non-poor families with children, corporate investment, retirement savings and the estates of wealthy families.

The Republicans, historically a deficit-conscious bunch until Ronald Reagan came along, estimate that their largesse would cost the Treasury about $150 billion over five years. The White House estimates the cost to be about $800 billion. Even the White House estimate may be low.

The Congressional Budget Office says that it would take more than $700 billion in budget cuts over five years to balance the *existing* budget — before the Republicans start hiking defense spending and cutting taxes. The Republicans would keep costs in line by finding fat in Federal programs, though the contract does not say where. In the past John Kasich of Ohio has drawn up bold proposals, but even if Congress adopted every one — a politically preposterous prospect — the Republicans would be hundreds of billions shy of their promises.

The contract is not only reckless but deceptive. The tax cuts on capital gains income, corporate investment and retirement savings are structured to cost little money during the five-year period for which the Republicans do their accounting. But the proposals are certain to pry open gigantic holes in the budget beyond five years.

Nor does the contract reflect a sense of fair play. The cut in the capital gains tax would largely benefit high-income families and, because it would also apply to profits on old investments, is not targeted to stimulate new investment. The tax credit for children would yield nothing to families too poor to owe taxes. The Social Security tax cuts apply only to high-income families. Tax breaks for investment and savings, even if they favor the rich, can be defended. But they would have to be carefully designed to boost productivity and be part of an overall package that spreads tax burdens fairly. By this standard, Mr. Gingrich's compact flunks.

The other bills that make up this vision deal with issues ranging from welfare to crime to long-term health care. Some are good, some bad, but most are presented honestly. That is not true of the economic nostrums. The Republicans ought to admit that their programs would require cutting hundreds of billions out of about $1.5 trillion in Federal spending — thus slicing 20 percent or more out of every program from Social Security to the F.B.I.. Mr. Gingrich promised a positive vision. What voters got instead was duplicitous propaganda.

Washington Post 9.28.94

David S. Broder

GOP House Party

There were two very good things about that ceremony on the Capitol steps that House Republicans staged yesterday—and a slew of other things that undercut its virtues.

In case you missed it, some 300 Republican candidates for the House of Representatives—incumbents and challengers alike—put their signatures to a "contract" with the American voters pledging to bring 10 bills to a vote in the first 100 days of the 1995 session if they win a majority in the November election. The measures include a balanced-budget amendment, a variety of tax cuts, welfare reform, tort reform and term limits—a set of measures that enjoys broad public support.

The first commendation goes for helping voters understand what is at stake in the midterm voting. The Democrats, clearly on the defensive, want to reduce the election to 435 individual contests devoid of national significance, hoping that their incumbents can fend for themselves even in a hostile environment. But, as House Minority Whip Newt Gingrich (R-Ga.), one of the organizers of Tuesday's event, said at a press briefing, "Our government operates on the party system. We are a team. And we're offering you a contract on what our team will do."

That is a sound proposition. People need to be reminded that Congress writes the laws in a partisan setting (except on a few international issues) in which the opposing parties divide, not just for spite, but on philosophy, program and principle.

House Republicans earned their second medal by promising that each of their priority measures will be brought to the floor "under an open rule (allowing consideration of all serious amendments and substitutes) for full and honest debate." As House Republican Conference Chairman Dick Armey (Texas) said, "that does not guarantee all 10 of these measures will pass," but it does promise that measures with broad public support will have an airing and receive a vote.

The House needs a good shot of perestroika. After 40 years in the majority, the Democrats have become too adept at bottling up bills in committee (as they've done with tort reform and term limits) or bringing them to the floor under such restrictive procedures (as they did last year with campaign-finance legislation) that consensus becomes impossible.

When Tuesday's ceremony was conceived months back, it seemed little more than a campaign gimmick. But now there appears to be at least an outside possibility that Republicans could gain the 40 seats needed for a majority. Their commitment to full and open debate on broadly supported measures is important.

Beyond that, however, the Republican exercise raises more questions than it answers. It's fine for Republicans to talk about positive programs at Washington TV extravaganzas, but . ross the country, their candidates seem to be running, not for any policy, but against President Clinton. Their favorite tactic is a TV ad that electronically "morphs" or blends the opponent's face with Clinton's, as nice a piece of high-tech demagoguery as you can find. If they think their program is right, they can prove it by running on it.

But the program is full of holes—starting with more tax breaks for the wealthy and that balanced-budget amendment. At the White House last week, Chief of Staff Leon Panetta, a former chairman of the House Budget Committee, called the GOP on its "snake-oil approach," challenging Gingrich and company to spell out where they would find the $743 billion in savings needed to balance the budget in the next five years, let alone finance the new tax-cut bonbons they propose to hand out.

Two days after Panetta's challenge, Gingrich and Armey brought Rep. John Kasich (R-Ohio), their most credible budget strategist, to a briefing to answer Panetta, but he didn't do it. Kasich detailed about $148 billion in claimed savings from the 100-day program, but then fell into the kind of generalizations that raise warning flags. "We're going to reinvent the operations of the federal government," he said, as if Al Gore did not hold the copyright on that cliche. "There are whole agencies that should be privatized, whole programs that should not exist."

Gingrich labeled the Panetta argument "outrageous . . . absurd," and with a real show of indignation, said it proved that Democrats could not grasp how "the dumbest large institution in America," which is his description of the federal government, "can be radically reformed." His example of such a reform would be to change the "informed consent" requirement in existing law so patients suffering a heart attack could be treated with a European-invented CPR device that he said works four times as fast as American manual techniques. "The total savings would be significant," he said.

It would be wonderful if we could balance the budget by improved CPR techniques, while cutting taxes at the same time. But it sounds suspiciously like the fairy-tale economics of the 1980s, which landed us in this budgetary mess.

Do Republicans really want a referendum on that?

Washington Post 9.28.94

The New Republican 'Plan'

"IT'S REALLY not a gimmick," Republican National Chairman Haley Barbour said of the Contract with America the House Republicans put forward yesterday. Not much, it isn't. Give them the majority they seek in the House, and the Republicans say they will bring to the floor within 100 days a balanced budget amendment to the Constitution. What a virtuous act that would be—except that they're also supporting a fistful of tax cuts whose ultimate effect would be not to balance the budget but to increase the deficit. Growth would make up part of the difference, they say, and spending cuts (except for Social Security and defense) the rest.

But the last time you heard this was about $3 trillion in debt ago at the start of the Reagan administration. Then, too, Republicans were going to balance the budget while cutting taxes. It didn't happen. Not even Mr. Reagan was able to identify the spending cuts on which his view of government as mostly waste depended.

The House Republicans have now gone even farther. Some of the costliest of their tax cuts are carefully crafted so that their effect would not be felt until after the five-year estimating period used in the budget process. A couple have even been drawn up to look as if they would increase revenues; the increases are artificial. The Republicans would create a new stream of tax-exempt investment income through an American Dream Savings Account. They'd cut the capital gains and corporate income taxes through forms of indexation.

There would be a children's tax credit, a tax credit to help defray the cost of taking care of older relatives, an increase in Social Security benefits for those who continue to work and earn past retirement age and a reversal of last year's deficit-reducing decision to subject to the income tax a larger share of the Social Security benefits of the better-off. This from people who keep saying they want to cut the cost of entitlements. Just not the entitlements of voters.

Most of the tax proposals would be of disproportionate benefit to the better-off. To help pay the cost, the Republicans propose, among other things, sharp cuts in food stamps, Medicaid, Aid to Families with Dependent Children and other federal programs for the poor. The effect would be to transfer to the states a greater share of the burden of caring for the poor even though the platform also includes a proposal to halt unfunded federal mandates. Apart from the welfare cuts, the Republicans limit themselves to a list of only illustrative or "possible" spending cuts. The list would not begin to get them to the balanced budget that they claim as a goal.

A Republican House candidate from Rhode Island was quoted as saying at yesterday's rally that "people . . . have really lost their faith in government." Does he wonder why?

GOP Contract Is Missing Its Price Tag, Critics Say

By Eric Pianin
Washington Post Staff Writer

The House Republicans' "Contract with America" is filled with alluring campaign promises—and missing realistic ways to pay for many of them.

GOP leaders who unveiled the plan yesterday insist that by "reinventing government" Republican-style, they can slash taxes, boost defense spending and still balance the budget by the end of the century—all at relatively minor cost.

The plan is brimming with nuggets to relieve the tax burden of middle- and upper-income families and spur economic growth, ranging from a $500-per-child family tax credit to a sharp reduction of the capital gains tax. Tax cut fever is sweeping state capitals across the country, and national Republicans are anxious to tap into it this fall.

NEWS ANALYSIS

Their plan offers an estimated $148 billion of tax breaks and goodies and a list of "possible" spending cuts to pay for them. But it is virtually silent on how to balance the budget or to increase defense spending.

"They're emphasizing attractive features which everyone, if asked, would of course say they like," said Martha Phillips of the Concord Coalition, an advocacy group for a balanced budget. "The question is, how do you pay for that and does anyone care about the deficit?"

According to a "Contract with America" document, there would be "no cost" associated with a balanced budget. But the Clinton administration and congressional Democrats contend it would take at least $750 billion to $800 billion of program cuts or tax increases to balance the budget in five years. Costly entitlement programs, such as Social Security and Medicare, inevitably would have to take a hit to reach that goal, they say.

The GOP document also asserts there would be "no cost" associated with a military build up, only a rearranging of budget priorities. Democrats say this is nonsense and that it would cost $40 billion to $60 billion to meet the Republicans' short-term defense goals.

Laura D'Andrea Tyson, chairman of the president's Council of Economic Advisers, dismissed the Republican plan as "Voodoo Two."

"The numbers don't even come close to adding up," she said in an interview.

Reps. Richard K. Armey (R-Tex.) and John R. Kasich (R-Ohio), the main authors of the plan, caution that there will be many refinements and revisions down the road and that the document should not be viewed as "our last word."

"It is our goal to clearly reinvent the operation of the federal government," said Kasich, ranking Republican on the House Budget Committee. "We believe we ought to move rapidly toward privatizing the operations of government. We would over the course of the next two years begin a process of deemphasizing Washington—do everything we can to shift power from this town back to people at the state and local level."

But Republican assertions that the budget could be balanced or that a nearly decade-long reduction in defense spending could be reversed at "no cost" is reminiscent of the "rosy" economic scenarios of Reagan-era budgets.

Critics also warn that the Republican plan is laced with hidden costs that likely would begin to explode five or six years from now, when the deficit is projected to begin rising again. White House officials say, for instance, that a proposal to allow Americans to roll over their Individual Retirement Accounts into new, super-IRAs with greater tax benefits, would add $8 billion a year to the deficit by the turn of the century.

"If you like Reagan's supply-side economics, you will love this riverboat gamble," said Rep. Robert E. Wise Jr. (D-W.Va.). Rep. Martin O. Sabo (D-Minn.), chairman of the House Budget Committee, said, "It's hard to take the Republican plan seriously."

Just as President Reagan's ill-fated supply-side revolution of the early 1980s rested heavily on a blind faith in an untested theory of pain-free economic recovery, unreconstructed supply-siders like House Minority Whip Newt Gingrich (R-Ga.) are promoting similar views in pushing this plan.

They argue that Democratic criticism of their plan does not take into account the boost the economy would get from their proposed tax cuts, incentives to business and government reforms. What's more, Gingrich contends that Republicans "have a track record of cutting spending that is real" in answering complaints that the plan is too vague. However, in "Dead Right," a newly published study of the conservative political revival of the 1980s, author David Frum concludes that the main reason the Reagan Revolution failed was the unwillingness or inability of conservatives to cut spending or resist the growth of medicare and other entitlements.

WASHINGTON POST WEDNESDAY, SEPTEMBER 28, 1994

THE WALL STREET JOURNAL WEDNESDAY, SEPTEMBER 28, 1994

GOP 'Contract' Vows Action on Crime, Tax Cuts, Welfare and Term Limits

By JACKIE CALMES
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – House Republicans, emboldened by the likelihood of big gains in November's elections, sought to spur a national GOP tide with a voter "contract" vowing action on tax cuts, crime, welfare and term limits.

More than 300 Republican incumbents and candidates rallied at the Capitol steps yesterday for the highlight of their campaign season, signing a "Contract with America" as a band played patriotic music. GOP leaders hope the long-planned manifesto will appeal to crucial independent voters and counter a widespread perception of Republicans as naysayers – even as GOP tactics in Congress' final days have killed President Clinton's health initiative and threaten bills on education, the environment and campaign-finance reform.

Democrats Criticize Plan

"We are taking a first step toward renewing American civilization," said Rep. Newt Gingrich of Georgia, the architect of the contract who will be House Republicans' leader in the next Congress – or speaker should they net 40 new seats for a majority.

At the same time, the contract's details opened Republicans to criticism. A document tallying the costs of tax cuts and other proposals listed "No Cost" for a balanced-budget amendment, despite estimates that a balanced budget would require more than $700 billion in spending cuts or tax increases over five years, and "No Cost" also for the promise to boost defense, though a related GOP budget calls for a $61.1 billion increase. Democrats derided the plan as a reprise of Ronald Reagan's failed promise to cut taxes, increase defense spending and balance the budget. "Today the Gingrich gang promises more of the same," said Rep. Richard Durbin of Illinois.

In a testament to Republicans' growing strength, and Democrats' defensiveness, Clinton officials and Democrats in Congress labored for days to rebut the GOP plan. Radio ads in about 20 areas blasted Republicans for "selling their souls" to Washington lobbyists.

And despite Republicans' anti-Washington rhetoric, consultants and pollsters helped draft the contract, and politicians exploited the fund-raising potential. Weeks ago, Mr. Gingrich invited donors to his political-action committee to influence the contract's terms, candidates solicited business PACs while in town, and yesterday's event climaxed with a gala where tables cost as much as $7,500.

Contract's Proposals

The contract doesn't include campaign-finance reform. It does propose a $500-a-child tax credit, cuts in capital-gains taxes and breaks for businesses' investments. It would bar welfare to mothers under age 18, those who have children while on welfare and those who have received aid for two years. It would limit politicians' terms, and repeal a provision of Clinton's 1993 deficit-reduction program that raised the taxable portion of upper-income recipients' Social Security benefits, but not Mr. Clinton's other income-tax increases.

The tax cuts would cost an estimated $217 billion over five years. The Republicans listed potential spending cuts to offset the cost, but didn't include them. Said White House economist Laura Tyson, "There is absolutely no costing-out or detail of how they would achieve their objective of balancing the budget at the same time they offer significant, politically popular tax relief."

But William Kristol, a leading GOP strategist, applauded the plan and, in an advisory to party leaders, called debate over budget details "a waste of time." He added, "Budget deficit projections do not, and should not, win elections."

GOP's 'Let's Make a Deal' Is Short on Real Rewards

Los Angeles Times 9.28.94

■ **Congress:** Their 'contract' of bills is fine, but Republicans will have to sell it, not just run against Clinton.

By DAVID S. BRODER

There were two very good things about the ceremony on the Capitol steps that House Republicans staged Tuesday; a slew of other things undercut its virtues.

In case you missed it, more than 300 Republican candidates for the House of Representatives—incumbents and challengers alike—signed a "contract" with the American voters pledging to bring 10 bills to a vote in the first 100 days of the 1995 session if they win a majority in the November election. The measures include a balanced-budget amendment, a variety of tax cuts, welfare reform, tort reform and term limits—a set of measures that enjoys broad public support.

The first commendation goes for helping voters understand what is at stake in the midterm voting. The Democrats, clearly on the defensive, want to reduce the election to 435 individual contests devoid of national significance, hoping that their incumbents can fend for themselves even in a hostile environment. But, as House Minority Whip Newt Gingrich (R-Ga.), one of the organizers of Tuesday's event, said at a press briefing, "Our government operates on the party system. We are a team. And we're offering you a contract on what our team will do."

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That is a sound proposition. People need to be reminded that Congress writes the laws in a partisan setting (except on a few international issues) in which the opposing parties divide, not just for spite, but on philosophy, program and principle.

House Republicans earned their second medal by promising that each of their priority measures will be brought to the floor "under an open rule (allowing consideration of all serious amendments and substitutes) for full and honest debate." As Dick Armey of Texas, the House Republican Conference chairman, said, "That does not guarantee all 10 of these measures will pass," but it does promise that measures with broad public support will have an airing and receive a vote.

The House needs a good shot of *perestroika*. After 40 years in the majority, the Democrats have become too adept at bottling up bills in committee (as they've done with tort reform and term limits) or bringing them to the floor under such restrictive procedures (as they did last year with campaign-finance legislation) that consensus becomes impossible.

When Tuesday's ceremony was conceived months back, it seemed little more than a campaign gimmick. But now there appears to be at least an outside possibility that Republicans could gain the 40 seats needed for a majority. Their commitment to full and open debate on broadly supported measures is important.

Beyond that, however, the Republican exercise raises more questions than it answers. It's fine for them to talk about positive programs at Washington TV extravaganzas, but across the country, their candidates seem to be running, not for any policy, but against President Clinton. Their favorite tactic is a TV ad that electronically blends the opponent's face with Clinton's, as nice a piece of high-tech demagoguery as you can find. If they think their program is right, they can prove it by running on it.

But the program is full of holes—starting with more tax breaks for the wealthy and that balanced-budget amendment. At the White House last week, Chief of Staff Leon Panetta, a former chairman of the House Budget Committee, called the GOP on its "snake-oil approach," challenging Gingrich & Co. to spell out where they would find the $743 billion in savings needed to balance the budget in the next five years, let alone finance the new tax-cut bonbons they propose to hand out.

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Do Republicans really want a referendum on that?

David S. Broder is a syndicated columnist in Washington.

E. J. Dionne Jr.

Aw, C'mon, Newt

THE WASHINGTON POST TUESDAY, SEPTEMBER 27, 1994

The GOP can do better than this exercise in election-year cynicism.

In this fall's elections, the Republicans could play a constructive role by asking voters to make some choices about what they want government to do and how much it should cost. Unfortunately, it looks like the Republicans won't be running that kind of campaign at all.

Instead, they will be talking in a lot of detail about tax cuts and improving our military and rather little about what other spending they might junk to pay for this program. If you think this seems suspiciously like a slightly grainy videotape replay of Republican campaign commercials from 1978 and 1980, you're right. "I'm willing to pit Reagan vs. Clinton," GOP House Whip Newt Gingrich told reporters last week. "You choose." Gingrich, who prides himself on looking forward rather than back, figures it's safer to try to win one more for the Gipper.

The shame of this is that Gingrich's idea of having Republican House candidates commit to a "contract with America" at a news conference today is daring and might have been useful. Some of the Republican ideas—on tax credits for families with kids, stricter enforcement of child support payments by absent fathers and welfare reform—are certainly worth debating.

But overall, their program seems to assume a cynical electorate that won't ask many questions about how the goodies in the package are to be paid for. The Republicans would cut taxes on families with kids, roll back the tax on higher-income Social Security recipients passed last year, modify the tax penalty on married people and cut the capital gains tax. They'd let people on Social Security earn more money without sacrificing benefits, further increasing government outlays. And they'd "strengthen defense."

How would they, then, balance the budget? Why, by passing a constitutional amendment requiring a balanced budget and giving the president the line-item veto. Nifty. Specifics on the tax cuts, gimmicks on the spending cuts. The Congressional Budget Office figures it would take about $750 billion to get the budget balanced in five years. If the Republicans really support the balanced budget amendment, where will they get the money to balance the budget?

The Republicans have issued a list of "possible offsets"—note the "possible"—to pay for their program, some of them highly questionable, especially $28 billion in "overhead reductions." But at best, these cuts cover only the near-term costs of the Republicans' tax promises; they don't even begin to close the budget deficit. Are the Republicans serious enough about even these cuts to add them to their "contract"?

It's no wonder that the Clinton administration has had a grand time briefing everyone in sight about the Republican program. President Clinton has his problems, but he's made difficult budget choices—to the point where he's constrained his ability to finance his own new programs.

The Republicans need to do better. At today's news conference, Gingrich and buddies could start by pledging to produce an honest list of spending cuts that would balance the budget in accord with their constitutional amendment—and to put it out well before Election Day. Please, guys, don't tell us that economic growth will solve all the budget problems. You tried that a few trillion dollars of deficits ago. And don't give us vague talk about "entitlements" and "welfare" and "waste." To paraphrase a famous Republican: What will you cut and when will you cut it?

The truth is that the Republican Party has three perfectly honorable ways to approach the electorate that would be entirely in keeping with the party's philosophical orientation. If Republicans want to be the low-tax, small-government party they claim to be, they need to be candid about how much they'd have to cut Social Security, Medicare and other big, popular programs to get there. This would permit a genuine debate about the size of government—and force the country to come to terms with how much federal money goes to a rather small list of purposes.

Alternatively, Republicans could tone down their rhetoric and argue that their real purpose is not to slash and burn but simply to keep things pretty much as they are—no huge cuts, no big new programs. In Germany, the Christian Democrats ran for years on the slogan "No Experiments." That's a fairly good definition of prudent conservatism. It's not flashy, but it has the benefit of being true to what the Republicans actually do in office. Most Republicans don't seem to want to cut government programs for the elderly or for farmers or for veterans or for business or for middle class school districts or for the military. Why don't they just say so and stop pretending that small government is just around the corner?

The third alternative, which could be combined easily with the second, is for Republicans to focus as much on how government does things as on what it does. They could steal some of Clinton's New Democrat clothes by saying they recognize some of the same problems as Democrats do but have different approaches to solving them.

For example, the Heritage Foundation was willing to spend rather a lot of government money to give the uninsured vouchers to buy health insurance. That's quite different from building a big bureaucracy. A lot of Republicans talk about school vouchers to give more kids a chance to go to private schools. But how would they do it and where would they raise the money—or are they just saying that states should try this if they want to? More generally, Republicans might ponder the suggestion of William A. Schambra, a senior program officer at the conservative Lynde and Harry Bradley Foundation, that many social problems would be better solved through families, neighborhood groups, churches and other institutions outside of government. That's an interesting idea. But how, exactly, could it be done?

Unfortunately, the Republicans aren't even close to grappling with such noble thoughts right now. They want to win by tossing around tax cuts and term limits and hope that Clinton does the rest. C'mon, Newt, you used to be a lot more interesting than that.

BY RANDY MACK BISHOP

U.S. News & World Report 10-3-94

■ ON POLITICS

BY GLORIA BORGER

The price of pandering

Newt Gingrich and the gang long ago figured out that the media often mistake sound and fury for news. So to help fire up their conservative insurrection, they attacked Democratic Papa Bear Tip O'Neill, toppled House Speaker Jim Wright, openly shunned moderate Senate Republicans and pioneered the use of C-SPAN as their personal studio. Back in 1979, when master of ceremonies Newt was new, there were 158 Republicans in the House of Representatives. They mostly lived a quiet life, predictably opposing Democratic taxers and spenders. Now, there are 178 Republicans, and they sense a new opportunity: a real shot at winning effective control of Congress. They can hardly contain themselves.

Their latest production is a grandly orchestrated and carefully planned photo opportunity. The script calls for Republican House incumbents and wannabes to pose together on the Capitol steps this week and unveil a neatly packaged "Contract with America," a set of 10 promises that they pledge to vote on within 100 days *if* they win control of the House. The Capitol is an odd backdrop for candidates who are trying to pose as outsiders, but then their contract is a bit less revolutionary than it appears.

Sound and fury. *GOP leader Gingrich feeds the press.*

Even if the public buys his pitch, Republicans may come to regret it.

For one thing, the Republicans do not actually promise to pass anything that would smack of governing, which they eschew. "We are saying we know you don't like politicians, and we are drawing a distinction between us and them," says Republican pollster Frank Luntz. But in the best tradition of cynical modern politics, Luntz pretested the GOP's principles on selected focus groups before Gingrich unveiled them.

Golden oldies. The Republicans' message is Gingrich at his clever best: Dream up a Christmas list and paste it to the refrigerator. If we don't deliver, the House Republicans say, throw us out. "This is the first time a group of political candidates have gotten together to sign on the dotted line," says Luntz. The ploy would be a political coup, except for one problem: Gingrich's list is just a collection of GOP golden oldies that pander to the public's desire to get something for nothing—the balanced-budget amendment, a middle-class-tax cut, a capital-gains-tax cut, term limits, the repeal of some Social Security taxes along with the marriage penalty and tough welfare reform.

Gingrich promises to deliver all these goodies without cutting defense or Social Security. Republican cost estimates have inched upward with every new inquiry, but the latest is a relatively modest $140 billion over five years—an amount Republicans argue can be financed with digestible cuts in social spending and revenue gains. "We can pay for this, and we will do it," insists GOP budget entrepreneur John Kasich. In an internal document prepared to rebut the GOP, the Clinton administration reckons the cost at more than $1 trillion. "Not only are they not close," claims one administration official, "they're not even close to close."

Just balancing the federal budget by the year 2000 would require about $700 billion in new budget cuts or tax increases. And Republicans themselves concede that raising the per-child income-tax credit to $500 would cost $100 billion, and a capital-gains-tax cut an additional $56 billion. Another GOP idea, repealing the recent congressional decision to tax some benefits paid to the wealthiest 13 percent of all Social Security recipients, would add $21 billion to the tab over the next five years.

Add a dose of hypocrisy to the questionable math: The same Republicans who rail about ending an "unfair" Social Security tax on the wealthy are proposing to do essentially the same thing with Medicare, reducing some benefits for those whose retirement income exceeds $100,000 a year. Well-off seniors who think Gingrich & Co. are giving them a break ought to think twice: With a balanced budget and no defense cuts or tax increases, the money has to come from somewhere.

Small wonder that Senate Republicans, who recognize that leadership occasionally requires taking responsibility, have decided to pass up this contract. "It's a reflection of people who have never governed," says one GOP moderate. "Our leadership wouldn't let serious people sign on to something like this." Even some House Republicans who hate term limits are fidgety. Still, they took the pledge because it merely promises a vote; they didn't have to say *how* they would vote. It is the sort of preelection stunt that should make them cringe.

It probably won't. "This is designed to appeal to every American who believes in a strong family and creating jobs and who want a healthy and growing economy," says Gingrich. But even if the public buys his carefully aimed pitch in November, his fellow House Republicans may come to regret it. The voters, after all, might actually make them honor their contract. ■

Los Angeles Times 9.28.94

Republicans Vow Conservative Change

■ Politics: Incumbents, candidates unveil agenda they promise to make law if the GOP takes control of the House. Democrats denounce it as a fraud.

By WILLIAM J. EATON
TIMES STAFF WRITER

WASHINGTON—Hoping to seize control of the House for the first time in 40 years, about 300 Republican incumbents and GOP candidates Tuesday signed a manifesto outlining changes they pledged to write into law if they win a majority in the November elections.

The 10-point platform, which Democrats denounced as unworkable and a fraud on the public, promises action on a balanced-budget amendment, a presidential line-item veto, massive family tax cuts and other popular issues. It made no mention of health care legislation.

The pact was endorsed at a boisterous, flag-waving rally on the west front of the Capitol. A band blaring patriotic music and red-white-and-blue bunting provided a colorful backdrop for adoption of the GOP "contract with America," designed to take advantage of what Republicans see as a conservative tidal wave that will sweep Democrats from office this year.

Republicans gambled that this unprecedented attempt to unify behind a series of domestic issues would allow them to pick up the 40 seats they need to elect the House Speaker and run the chamber for the first time since 1954. Most independent experts predict Republicans will gain about 25 seats, narrowing the Democrats' current 78-seat margin but falling short of majority control.

Leading Democrats were quick to denounce provisions of the pact, charging that they would add $800 billion to the deficit and cut taxes primarily for the rich at the expense of Medicare and Social Security recipients.

"This is a fraud, and I think the American people need to know that," said White House Chief of Staff Leon E. Panetta. White House officials have said that the Republican contract does not specify where all the spending cuts would be made to offset sweeping tax reductions of more than $100 billion.

Rep. David R. Obey (D-Wis.), chairman of the House Appropriations Committee, contended that the economic provisions in the GOP plan would be a replay of the higher defense spending and tax cuts advocated by President Ronald Reagan in 1981 that led to exploding federal deficits.

"And now, in an incredible display of contempt for the intelligence and responsibility of the American people, House Republicans are betting Americans will have forgotten the wreckage produced by their first [Reagan] contract and are planning to do it all over again," Obey said.

House Minority Leader Newt Gingrich (R-Ga.), who developed the strategy, voiced confidence that voters would rally around the campaign commitments. "This is a first step toward renewing American civilization," Gingrich said. "If America fails, our children will live on a dark and bloody planet."

The House GOP platform includes an anti-crime package, a two-year limit for welfare payments and a shut-off of welfare for teen-age mothers who have children out of wedlock, a vote on a constitutional amendment to limit the number of terms lawmakers can serve and a $500 tax credit for each dependent child. Other provisions cover such perennial Republican goals as a reduction of the capital gains tax, an increase in the earnings limit for Social Security recipients and more tax breaks for businesses.

Gingrich said all the legislation would be voted upon within the first 100 days if the Republicans have a majority in the House next January. Other changes would be made to cut House committee staffs by one-third, order an audit of House books, limit terms of committee chairs, forbid proxy voting in committee and require a three-fifths vote of the House to raise taxes, he said.

Gingrich and his allies stressed that the pact would show that their party has a positive agenda rather than simply opposing President Clinton's programs and would dramatize the contrast with Democrats seeking reelection.

Since opinion polls indicate that an overwhelming majority of Americans believe the nation is headed in the wrong direction, GOP strategists hope that their contract will persuade voters to put them in power in Congress with a mandate for coordinated change.

"We are ready to prove that business as usual in Washington just won't do," said GOP House candidate Bob Moppert of New York, presenting the case for a balanced-budget amendment and a line-item veto.

Candidate Linda Smith of Washington state asked: "Don't you think your tax bill is too high?"

But Rep. George Miller (D-Martinez) said that the GOP candidates were being led blindfolded by Gingrich and his lieutenants. "I would hope Americans will read this contract before they decide whether they will sign it or not," Miller said on the House floor.

Speaker Thomas S. Foley (D-Wash.) welcomed the Republicans' platform, which he said was "extremely vulnerable" to criticism.

GOP nominees for the House, he said, have an obligation to represent their district and not be put into "some kind of a steel collar contract to vote at the direction of the Republican leadership."

Republican strategists said the issues were all popular with the public and Democratic criticism would only draw attention to the GOP program.

The Republican challengers and nominees for open seats, who inveighed against special interests at the morning rally, attended a $5,000-a-table fund-raising event Tuesday night to raise about $500,000 for their election campaigns.

As they arrived, they were met by about 100 protesters chanting "Hey hey, ho ho, Republican sellout's got to go" and carrying signs with such slogans as: "Newt is my shepherd, I shall not think" and "Newt's contract on America—no to seniors, no to children, yes to special interests."

GOP robs future to write 'Contract with America'

OUR VIEW **Another name for the Republican plan is 'fiscal irresponsibility.' Don't fall for it.**

Republicans had a a great idea Tuesday: Define specific goals, commit candidates to them, promise action within 100 days.

Voters might finally have had an honest choice between paying more or getting less.

Unfortunately, the GOP blew it, choosing instead to offer up yet another course of all politicians' favorite meal: free lunch.

More than 300 Republican House candidates, led by wannabe House speaker Newt Gingrich, signed a "Contract with America" on the steps of the Capitol.

Among the vows: to vote for term limits, a balanced budget amendment, a stronger defense and tax cuts, tax cuts, tax cuts — all to be acted upon if Republicans win the House in November. They need 40 more seats to gain control for the first time in 40 years, a stiff challenge.

But the big trouble with the contract isn't that the GOP might not have the votes; it's that the Republicans might win control and try to keep their promises, which to put it bluntly are a con.

What's wrong with a contract promising to cut taxes, strengthen defense and balance the budget?

Look at recent history.

In 1980, Ronald Reagan led a Republican victory by offering the same politically delectable menu. Republicans took control of the White House and Senate. They cut taxes. They hiked defense spending. They said — knowing full well it was baloney — that economic growth spurred by the tax cuts would pay the bill and balance the budget.

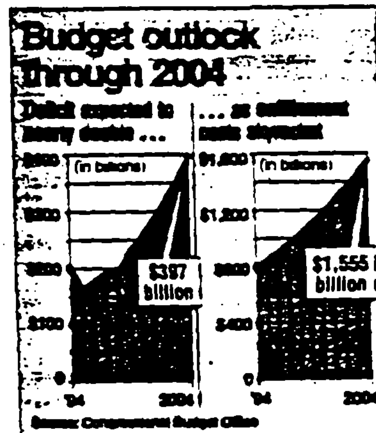
Voters signed on. Who doesn't like something for nothing?

The painful and by now well-known result: deficits soared — adding $3 trillion to the national debt in 12 years, $12,000 for every American.

Finally, Congress, with President Bush in 1990 and President Clinton last year, took steps to stem the flood of red ink. The latest action — a $500 billion, five-year deficit reduction plan in 1993 — finally is pushing the deficit under $200 billion.

But the relief is only temporary. Without further action, skyrocketing health care, Social Security and other entitlements will swell the deficit to almost $400 billion in 2004. And by 2012, entitlements and interest on the national debt will eat up every dollar the government collects.

Then, if the government wants to buy a tank or pay a soldier, build a road or investigate cancer, keep tabs on our borders or put crooks behind bars, it will have to borrow money — $700 billion a year just for the jobs most Americans expect their government to perform. Taxes will soar.



By Stephen Conley, USA TODAY

Even as rich a nation as this one can't afford that massive a hemorrhage of debt.

Responsible Republican House candidates could have done voters a favor by proposing program cuts and/or tax increases that attacked the deficit today, before it starts climbing again.

Instead, Gingrich and Co. decided to replay 1980's fiscal games. As Reagan did in 1980, these opportunistic House candidates say they want a balanced budget amendment — but one that wouldn't take effect for eight long years.

Reagan kept right on saying he wanted the amendment through his eight years in office. But never once did he propose a balanced budget to Congress. The political costs of honesty were too high.

And what would likely happen in the next eight years under the Republican contract? Between 1996 and 2001, the tax cuts they've promised would strip $200 billion from the treasury — swelling deficits already expected to total $1.05 *trillion.*

Oh, these modern taxcutters promise to make up for the revenue losses. But their list of possible cuts total only $240 billion over five years. And many are dubious.

They count on $19.5 billion by selling the air traffic control system to airlines. Will they sell the Food and Drug Administration to drug makers next?

And they claim limiting welfare to two years will save $40 billion over five. But what happens when many of those people, mostly women, can't get jobs? Orphanages to care for their kids won't come cheap.

Any way they slice it, the GOP's Contract with America has a trillion dollar hole in it. And budget tricks and promises of economic growth simply will not fill it in.

Gingrich is fond of saying the country needs a new paradigm for action. Maybe so. But what he offers is the same old fraud.

Like 1980's free lunch, this one promises a huge bellyache later.

▶ GOP program, 4A

Wall Street Journal 9/22/94

GOP Plan to Be Long on Tax Cuts, Short on Just How to Pay for Them

By Jackie Calmes
Staff Reporter of The Wall Street Journal

WASHINGTON – House Republicans, in a campaign manifesto, will promise tax cuts for families, seniors and businesses. But even the fine print won't spell out how to pay a cost that could exceed $200 billion in the first five years.

The "Contract with America," to be unveiled at a Capitol event next week by several hundred GOP House candidates, is intended to boost the party's fortunes nationwide. The goal is to showcase a broad agenda on taxes, crime, welfare and defense that House Republicans will pursue if they finally win a majority after 40 years. But its tax cut promises, including a proposed capital gains tax cut and a credit for taxpayers with children, are mostly well-worn ideas that have failed previously, less for lack of support than for concerns about cost.

The Clinton administration already is mounting an offensive against the Republican plan. White House economist Laura Tyson – in an obvious reference to George Bush's 1980 criticism of Ronald Reagan's tax cuts as "voodoo economics" – derided what she described as a "Voodoo II plan."

And at a lunch with reporters yesterday, Clinton economic adviser Robert Rubin described the still-emerging GOP plan as "a list of goodies and no serious proposals with respect to how they will pay for them." Mr. Rubin said the administration is still months away from deciding whether to propose additional deficit-reduction measures in next year's federal budget, or whether to suggest a tax cut for the middle class as Mr. Clinton promised in 1992.

At a separate briefing for journalists, Leon Panetta, White House chief of staff, asserted that the combination of a balanced-budget amendment, costly tax breaks, defense-spending increases and a hands-off attitude toward Social Security would leave the GOP no alternative but to annihilate other popular programs. "If they say they're not doing Social Security, then you're talking about scalding Medicare and agriculture," among other things, he said.

Rep. Dick Armey of Texas, who is spearheading the "Contract with America" along with House GOP Whip Newt Gingrich of Georgia, acknowledged that Republicans won't list spending cuts they would impose to offset the tax cuts and a proposed increase of as much as $60 billion in defense spending.

Rep. Armey said the GOP tax cuts would cost an estimated $130 billion to $150 billion over five years. But as an avowed supply-sider, he believes tax cuts will pay for themselves by spurring the economy. "One of the first things we're going to do when we become a majority is change the way budgets are scored," he said. "If you institute an honest scoring system, then there is no cost."

Rep. John Kasich of Ohio noted that he proposed $438 billion in spending cuts over five years as part of his unsuccessful GOP budget blueprint earlier this year. But while Republicans cite the Kasich budget to explain how they would pay for tax cuts, they say they won't enumerate its specific reductions in spending on Medicare, farm subsidies and a raft of domestic programs within their "contract."

Rep. Charles Stenholm of Texas, a conservative Democrat, compared the GOP plan to the 1981 Reagan plan that he himself voted for. "It's supply side economics – cut taxes, increase defense spending and the budget will get balanced," he said, adding: "We tried that, and we went three and a half trillion dollars into debt."

The GOP plan, Mr. Stenholm said, sounds like "pie-in-the-sky, say-what-you-have-to-to-get-elected kind of rhetoric."

The seriousness with which the proposals are being received is a measure of the likely gains that House and Senate Republicans are expected to achieve in November. Senate GOP candidates got a jump on the House Republicans' long-planned event with a news conference at which they promised a seven-point agenda that also calls for tax cuts.

While details aren't final, House Republicans say they are considering more generous depreciation of business property, and an increase in the amount of equipment purchases that small businesses may write off in the first year – an amount raised to $17,500 under President Clinton's economic plan.

High on the Republicans' list is a $500-a-child tax credit for families earning under $200,000 a year. It wouldn't be refundable, meaning that families too poor to owe federal taxes wouldn't benefit. The change would cost more than $25 billion a year, according to past analyses. The Senate Republicans propose an alternative, which would double the income-tax exemption for children to $4,600 from the current $2,300 a child; they say that would cost $75 billion over five years.

House Republicans also will reprise a much-contested proposal to cut investors' taxes on capital gains. A reduction to a 15% rate from 28% would cost more than $10 billion over five years, while a separate proposal to index capital gains for inflation would cost an additional $5 billion in that period.

Some Republicans have said they will eliminate the so-called marriage-tax penalty, under which many taxpayers who marry are thrown into a higher income-tax bracket when their incomes are combined. Allowing them to pay at the lower rate could cost as much as $72 billion over five years, so it's unclear whether Republicans will instead propose some lesser adjustment.

Both the House and Senate GOP plans promise two benefits to senior citizens. One would repeal a provision in President Clinton's 1993 deficit-reduction program that raised the portion of Social Security benefits subject to taxes to 85% from 50%; that provision, which was aimed at middle- and upper-income recipients, currently affects about 13% of beneficiaries.

—Christopher Georges contributed to this article.

Wall Street Journal 9/27/94

The Republicans Shoot an Air Ball

Politics & People

By Albert R. Hunt

In 1980 a freshman Republican convinced the senior leadership that all GOP congressional candidates should gather at the Capitol to embrace presidential nominee Ronald Reagan's agenda, whose centerpiece was an across-the-board tax cut.

It struck a responsive chord as voters, reeling from the inflation-ravaged '70s, were looking for radical change; the GOP tax cuts, coupled with promises to deregulate the economy and take on the Soviet Union, made for a serious agenda.

House Republican candidates will try to repeat this show next Tuesday when they take to the Capitol steps to rally behind a "Contract With America," an agenda the GOP pledges will be debated and voted on in the first 100 days of the 104th Congress. The young freshman who conceived the rally 14 years ago, Newt Gingrich, could be the GOP speaker in that Congress.

But this time, despite the high-blown rhetoric, the Republicans are offering more of the same—tax cuts for the affluent, budget promises that don't add up, and political reforms they don't mean—rather than any radical change. With this contract, voters ought to demand a money-or-representative-back guarantee.

There are some good ideas, such as a line-item veto and placing limits on legal damages. But the political and policy centerpieces—economic and institutional reform—are frauds.

Although the full details aren't out, the White House and congressional Democrats are having a field day costing out the draft proposals; they don't begin to add up. The GOP contract will promise a balanced-budget constitutional amendment, but also some $200 billion of tax cuts over the next five years and higher defense spending. How will we get there? Blue smoke and mirrors.

Republican legislators insist the tax cuts will be financed by spending cuts proposed by the GOP in the House Budget Committee last year. But they would need $700 billion more in cuts to reach a balanced budget in five years, as advocated by Rep. Dick Armey, a leading force behind this "contract." This from politicians who say they aren't going to touch Social Security or raise taxes.

What's more, some of the most important measures are dubious tax and social policy. For political reasons the Republicans won't propose rolling back last year's tax hikes on wealthier Americans, conveniently forgetting all the horrible consequences they proclaimed would occur from the increase. Instead they try to camouflage goodies to upper-income taxpayers.

The biggest tax break would be a $500 tax credit per child for all families making up to $200,000 a year. Since it's not refundable, it wouldn't help low-income taxpayers. Thus, a couple with four kids making $190,000 would subtract $2,000 from their taxes, but a couple with four kids making $19,000 would get nothing. The point of any children's allowance ought to be to help families cope with financial burdens; it's surely an upside-down social policy when it's not paid primarily to those with the greatest need. This initiative would cost $25 billion a year.

The Republicans do vow to repeal the Clinton tax hikes on more affluent Social Security recipients. Under the 1993 budget measure an elderly couple making more than $44,000 has 85% of all Social Security benefits taxed. That's up from 50% but still 15 percentage points below the way ordinary income is taxed. Now, there's no way to deal seriously with the long-term deficit threat without tackling entitlements. Yet these politicians, who gutlessly want to give higher-income retirees a $5 billion-a-year tax break, insist they're going to write a balanced budget into the Constitution.

There's sleight-of-hand, too, starting with a proposal to expand individual retirement accounts. If you make under $40,000 a year, as two-thirds of taxpayers do, and don't participate in an employer-sponsored pension plan you now can take a $2,000 IRA deduction. The GOP wants to restore IRAs to taxpayers making more than $40,000, although the most reliable studies show that when IRAs were available to higher-income taxpayers they didn't increase net savings but merely shifted them around.

The House Republican agenda for 1994 includes offering term limits of six years for House members and 12 years for senators. Here's the number of years that GOP leaders have themselves served:

HOUSE

Newt Gingrich, *Minority Whip*	16 years
Robert Walker, *Chief Deputy Whip*	18 years
Dick Armey, *Chairman, House Republican Conference*	10 years
Bill McCollum, *Vice Chairman, House Republican Conference*	14 years
Henry Hyde, *Chair, Republican Policy Committee*	20 years

SENATE

Robert Dole, *Minority Leader*	26 years
Alan Simpson, *Minority Whip*	16 years
Thad Cochran, *Chairman, Senate Republican Conference*	16 years
Don Nickles, *Chairman, Senate Republican Policy Committee*	14 years

Moreover, the taxpayer, instead of getting a tax break when the money is deposited into the account, would get the interest tax-free on withdrawal. That avoids a short-term deficit, as revenue losses would come later. There would be a similar backloaded effect from more generous depreciation write-offs for businesses in the GOP proposal. Add about $10 billion to $12 billion a year to what will be required to balance the budget.

The Republicans are equally disingenuous on congressional reform. Again, there are a few good ideas, including cutting the numbers of committees, and term limits for committee chairmen. But the essence of the Republican change is an ethical housecleaning. Well, the House already has passed legislation subjecting it to most federal laws, and, on ethics, House Democrats have toppled their own speaker and removed the chairman of the House Ways and Means Committee after he was indicted; by contrast, Rep. Joe McDade is still the ranking Republican on the Appropriations Committee more than two years after he was indicted.

Then there's the promise to "allow consideration" of a six-year term limit for House members and 12 years for senators. Privately some leading House Republicans whisper the term-limits drive will lose steam if the GOP becomes the majority. They better hope so, for it would wipe out the entire Republican leadership in both houses. Republican National Chairman Haley Barbour insists this is on the level: "Is it hypocritical for Democrats to attack soft money and PAC contributions and then take them?" You bet it is, Haley, and the GOP term-limits proposal is just as duplicitous.

The Senate GOP, led by Bob Dole, whose 26 years in the Senate followed eight in the House, offered a less specific agenda yesterday that omits term limits. But it does promise tax cuts, higher defense spending and a balanced budget amendment.

With these proposals the congressional Republicans will become the New York Knicks of 1994 politics: great on defense, when assailing President Clinton and the Democrats, but pathetically inept when they have the ball.

Washington Post 9.25.94

Jack Anderson and Michael Binstein

GOP Shakedown

More than 300 Republican House candidates will be herded to the steps of the U.S. Capitol Tuesday morning to offer a "contract with America." Later that night, Republicans will cut another contract with lobbyists and special interests at a GOP gala.

During the first two years of the Clinton administration, Republicans have proven they know the price of everything from medical care to midnight basketball. But the fund-raising dinner for this year's congressional candidates shows they also appreciate the value of political access. The National Republican Congressional Committee has fired off a two-page fund-raising letter that reads more like a rate card than a reform agenda.

NRCC Chairman Bill Paxon begins his pitch to GOP contributors by waxing sentimental about standing beneath "the watchful eye of the Statue of Freedom" on Tuesday and restoring "our Founding Fathers' dreams of a government of the people, by the people and for the people."

That's a strange preamble for an old-fashioned political shakedown. For individuals and PACs, a table of 10 is fetching $5,000 for the GOP. Corporations must pay $7,500 for a table—but they won't complain since the GOP "contract" teems with tax breaks they've been coveting. NRCC officials say they've sold 140 tables.

Paxon writes: "With the purchase of a table, donors have the option to request a Member of the U.S. House of Representatives or Congressional Candidate and his/her guest to complete the table of 10. . . . In addition, one attendee per table may join the Private Reception with the House Republican Leadership and other, special VIP guests prior to the Gala."

It's unclear which of the two contracts is binding on Republicans: the written or the unwritten. In both cases, there's a large degree of false advertising.

The unwritten contract will be sealed Tuesday night with the special interests, who will want to collect on it in the future. The written contract is a checklist of 10 bills to be voted on in the first hundred days if Republicans take control of the House. Its economic promises have an all too familiar ring: Trust the Republicans to cut taxes, balance the budget and not hurt the needy.

Though the written contract could turn out to be more fantasy than fact, a senior White House official told our associate Ed Henry that the Clinton administration is taking the Republicans at their word. "Over the next five years, they'd have to cut a total of $858 billion in spending in order to make these tax cuts and still balance the budget," this official said.

Republican pollster Frank Luntz, who has been working on Tuesday's event, explains it this way: "You have to make a commitment to the concept first and then you deal with the details."

There's also the question of how Republicans propose to clean up Congress without reforming the corrupting system of campaign finance. There is no mention of the money chase among the top legislative priorities. "[Campaign finance reform is] a cutting issue with the swing voters," Luntz told us. "A fair conclusion is that you can't change the system if you benefit [from it]. It's going to take people on the outside, a new Congress with a lot of freshmen."

Rep. Dick Armey, a catalyst behind the "contract," suggests Republican candidates will get a sort of freshman orientation Tuesday night. "I have to say that the [fund-raising] event is incidental to the fact we are going to have all our candidates in town that day," Armey told us. "Since our candidates are already [here] for the contract this was an opportunity for the PAC community to meet them."

Paxon declined to be interviewed, but an NRCC spokesman offered this novel justification: Republicans are throwing the special interest gala because it will raise money to defeat "Democratic incumbents who are the main obstacles to PAC reform."

To be sure, both Republicans and Democrats have dirty hands. But Republicans have largely stayed in the rafters, jeering and second-guessing Democrats. Only last week did Democrats manage to overcome Republican opposition to forge a tentative deal on lobbying reform.

That reform was part of Bill Clinton's "contract" with voters in 1992.

Washington Post 9.25.94

Voodoo Economics: The Sequel

From the GOP Witch Doctors Who Busted the Budget, More Tax Cut Sorcery

By Robert S. McIntyre

REMEMBER A decade and a half ago, when supply-side Republicans promised they would cut everybody's taxes and balance the budget at the same time? Remember how, as it turned out, most people's taxes went up and the deficit skyrocketed—while the *only* thing that went down were taxes on the very rich?

Well, here they go again.

The Republican plan, due to be formally announced with much fanfare this week, is familiar in its cynicism. It promises large, unfunded income tax cuts—targeted to the well-off—and enormous corporate tax reductions bundled together with a constitutional amendment that will magically (and, by implication, painlessly) balance the budget. All across the country, Republicans are campaigning on this incongruous combination. The danger is not just that voters may respond favorably, but that President Clinton may let himself be pushed into a 1995 tax-cut bidding war that could undermine his hard-fought deficit reduction victory of 1993.

The collection of tax-cut proposals to be unveiled on Tuesday could, when fully implemented, add $120 billion a year or more to the budget deficit. An even more radical plan, proposed by unreconstructed supply-sider Rep. Dick Armey (R-Tex.) and endorsed by numerous GOP candidates, could cost in excess of $200 billion annually.

Let's start with the more far-out plan, Armey's Freedom and Fairness Restoration Act. The plan would replace the progressive personal and corporate income taxes with what amounts to a 17 percent flat-rate national consumption tax.

To be sure, the part of Armey's plan that calls for wiping out all loopholes and taxing all income equally has some surface attraction. *But that's not what his plan actually* entails. Far from eliminating tax breaks that benefit the well-off at the expense of the rest of us, Armey would institute a giant loophole by exempting most capital income—interest, dividends, capital gains, rents, etc.—from taxation entirely.

Under Armey's plan, businesses would be taxed on their gross receipts minus the cost of the goods and services they buy from other producers who have already paid tax on them. But unlike a standard value-added tax, which taxes payments to workers at the employer level, Armey would allow businesses to deduct the cash wages and pensions they pay. Instead, such payments would be taxed as they are received by workers and retirees. This feature allows Armey to cut the apparent regressivity of a standard sales tax by exempting the first $12,350 in wages for single people, $21,200 for a single parent with one child and $34,700 for couples with two children. (Under current law, couples with two kids start paying income taxes when they make more than $23,200 in total income.) In effect, this feature offers families a rebate against their sales tax equal to 17 percent of their wages up to the exemption amounts.

That might sound generous but, in fact, current law, thanks to the expanded earned-income tax credit, is already more generous for many low- and moderate-income families who would face substantial tax hikes under the Armey plan. Still Armey's wage tax rebates would end up exempting over half of total wages from his new tax.

Which brings up the still larger flaw in the Armey scheme: It would add massively to the federal budget deficit. In fact, a reasonable estimate—just confirmed by the Joint Committee on Taxation—is that Armey's proposal would cost the Treasury *over $200 billion a year. That would multiply* annual government borrowing, as a share of the economy, back up to Reaganesque levels.

Look at it this way. According to the Congressional Budget Office, the best-off 1 percent of the population now pays just under a third of the total federal personal and corporate income tax bill—at a rate of about 31 percent of that group's total income. Even if Armey's tax applied to all of their income, they would still see their income taxes cut almost in half with his flat rate of 17 percent. But since Armey would exempt investment income from taxation, the tax cut for the well-off would be much, much larger.

Now, if Armey wants to cut income taxes on the wealthy by more than half—and purports to cut taxes for the middle class as well—how does he expect to raise enough money to avoid skyrocketing deficits? The answer is, he doesn't.

Armey's mentors are Hoover Institution economists Robert Hall and Alvin Rabushka. Back in 1983 Hall and Rabushka calculated that for their plan to break even, it would need a rate of 19 percent and wage-tax exemptions only a third as large as Armey proposes (and far below those provided by the current income tax). In that case, they admitted, their plan would "be a tremendous boon to the economic elite"—but also produce much "higher taxes on average people."

The obvious problems with the Armey flat tax have not stopped many Republican political hopefuls from endorsing it. For instance, GOP Senate candidates from Michael Huffington in California to Chuck Haytaian in New Jersey have signed onto the plan. (Haytaian's confusing platform combines a purportedly loophole-free flat tax with a call for keeping many existing tax breaks and adding a new one for health insurance.) Massachusetts's Republican Gov. William Weld also has praised the Armey plan, as has conservative pundit George Will. Weirdly, Will is particularly fond of the fact that Armey's plan would repeal tax-withholding. Although this would require wage-earners to file 12 tax returns each year rather than one, Will sees this added burden as beneficial because it would make people angrier at government. So much, *one might say, for tax simplification.*

Perhaps recognizing that the Armey plan looks remarkably like the much-criticized flat tax proposed by Democratic presidential candidate Jerry Brown in 1992, GOP leaders in Congress have settled on a different set of tax cut proposals. The leadership's plan includes these costly features:

- A $500-per-child tax credit that would cost more than $26 billion per year.
- Repeal of the 1993 change that, at higher income levels, includes 85 percent of Social Security benefits in adjusted gross income. *Under the GOP plan half, at most, of* Social Security would be subject to tax. This would cost about $5 billion a year.
- Reduced tax rates for married couples from widening the tax brackets and increasing the standard deduction for joint filers. The cost would be $30 billion a year.
- A huge capital gains tax cut. By excluding 50 percent of capital gains from taxation (on top of the current 30 percent exclusion for top bracket taxpayers) and by indexing gains for inflation, the Republicans would make about three-quarter [illegible] ll capital gains tax-exempt—a $25 [illegible] year tax-break mostly for the weal [illegible] ixpayers.
- Restoration of Individual [illegible] t Account tax breaks for upper [illegible] ople, with a long-term cost excee [illegible] ion a year.
- Elimination of all taxes on [illegible] te investments by allowing an i [illegible] tax writeoff. The cost would qui [illegible] ut to tens of billions of dollars annu [illegible] d far more as time goes by.

The total revenue losses of more than $120 billion a year would far more [illegible] wipe out the deficit-reducing benefits of the tax hikes adopted in Clinton's 1993 budget plan. How would the Republicans make up the losses? Unsurprisingly, an unnamed GOP congressional aide told BNA's Daily Tax Report that the Republican plan "will not be in the form of a fully funded, comprehensive package." In other words, this is election-year pandering, pure and simple.

Voters may or may not be gulled by the GOP promises this fall. Clinton—who has said that he would still like to deliver on his 1992 campaign pledge of a middle-class tax reduction—may feel he has to match the Republicans' promises. If he tries, one GOP House aide told BNA, "the level [of the Republican middle-class tax cut plan] could increase to match or exceed any middle-class tax cut proposal President Clinton decides to offer." The GOP promises may not be paid for, they may violate all the budget rules; but they will put Clinton in a no-win situation.

Back in August 1981, when President Reagan and Ways and Means Chairman Dan Rostenkowski locked horns over tax cuts, their back-and-forth competition for congressional votes quickly got out of control. As Rostenkowski sadly learned, trying to out-Reagan Reagan was futile. In 1981, there was simply no tax cut—whether breaks for oil companies, utilities, railroads *or real estate moguls—that Reagan* [illegible] his supply-side-crazy Treasury Department wouldn't cheerfully match and graft onto their own already excessive plan.

It took the hard fight for the loophole-closing Tax Reform Act of 1986 to curb the tax shelters and abuses that the 1981 act created. And it took the bitter battle for Clinton's 1993 budget to bring taxes on higher-bracket taxpayers more in line with their ability to pay. The Republicans apparently think that they can attract voters once again by promising costless tax relief. Maybe so. But if you're one of those potential voters, keep in mind that unfunded tax reductions virtually guarantee higher taxes in the future. [illegible] when the two parties start trying to outdo one another in handing out tax breaks, in the end only the special interests really win.

Robert McIntyre is director of Citizens for Tax Justice.

GOP Congressional Primary Results Rattle Democrats

Confident Republicans Prepare for an Election Earthquake by Laying Out Alternatives to Clinton Agenda

WASHINGTON OUTLOOK

By Ronald Brownstein

Democrats in Washington are beginning to get the feeling that Southern Californians know well: the prickly chill in the bones on those hazy days when the cat is acting a little odd and the sky is suspiciously still.

The signs are just as numerous now that an earthquake is coming to Capitol Hill. Last summer, Republicans captured a Kentucky congressional seat that Democrats had held since the Civil War. President Clinton's approval rating remains anemic, and the fall primary results are rattling some of the Democrats' most prominent names.

All this points to substantial GOP gains in November. Republicans are so confident that they're getting an early start on laying out their agenda that on Tuesday House Republicans will gather more than 300 GOP incumbents and congressional challengers on the Capitol steps to offer the GOP plan—what they call a Contract with America. Senate Republicans issued a similar, slightly less sweeping, plan last week.

The House contract in particular is an ambitious effort to nationalize the 1994 campaign. It presents a list of internal congressional reforms and substantive legislative proposals that Republicans promise to bring to a vote within the first 100 days next year—if they win back the House. Even if the GOP falls short of outright control—still the probable outcome—incoming Republican leader Newt Gingrich of Georgia will spotlight these ideas as an alternative to Clinton.

As a policy blueprint, the contract is an odd mix of new-wave conservative thinking and Ronald Reagan nostalgia. On social policy, it has a '90s feel, emphasizing efforts to establish clear rules (such as time limits on welfare recipients and increased pressure on states to adopt "truth in sentencing" laws for prisoners) and taking tough stands against out-of-wedlock births and absent parents who do not pay child support.

On other issues, the agenda reaches back to the formula that elected Reagan: It promises lots of tax cuts and more defense spending. It even exhumes Reagan's call for a "Star Wars" missile defense to protect against "rogue nuclear states like North Korea."

As a political document, the contract sharpens the lines of partisan disagreement with a clarity likely to define the Gingrich era. And it denies Clinton one option for the next two years: accusing the Republicans of having no agenda but to frustrate his own.

But the Republican plan has two flaws that could undermine its effectiveness as anything more than a campaign bludgeon.

One is that it takes positions too conservative in some areas (such as welfare reform) for the three dozen or so House Republican moderates. That could threaten Gingrich's capacity to move these ideas even through a GOP-controlled House. In an interview, Rep. Michael N. Castle (R-Del.), who led the GOP moderates who negotiated the agreement to rescue the crime bill last month, stressed that he (and other moderates) had only committed to allowing a vote on the list. "It is not a guarantee of support," he insists.

The bigger problem with the GOP plan is that it isn't serious about reducing the deficit. It starts by endorsing the balanced budget amendment—and then promises to cut taxes for families with children, expand individual retirement accounts, reduce capital gains taxes, sweeten depreciation for business and repeal the increased taxes on Social Security benefits that Clinton's budget plan imposed. On top of that it would reopen the spigots at the Pentagon.

After some Republican legislators complained, the leadership said it would add to the list a promise to pay for its other promises with specific spending cuts. Rep. John R. Kasich (R-Ohio), one of Congress' most credible deficit hawks, says the cuts are available in the last two GOP alternative budgets, but the contract doesn't lock in the Republicans to supporting any specific cuts except for a few social welfare reductions. Even if the GOP can find the trims, that begs the larger question: Should those hard-won savings immediately be frittered away on tax cuts? Especially since the GOP needs to find another $750 billion in reductions over the next five years to fulfill its balanced budget promise, according to Congressional Budget Office projections.

Even before release of the House Republican plan, the White House and congressional Democrats strafed it. The GOP blueprint could provide a negative focus for the last two years of the Clinton Administration, particularly if the GOP actually wins back either chamber of Congress. "Absolutely, you could just run against Congress," one senior White House official says.

But that's a risky reelection strategy for a President who ran promising to break gridlock—and whose approval ratings only moved above water when he could demonstrate bipartisan cooperation on such issues as the North American Free Trade Agreement. Better for Clinton would be a competition with the Republicans for the mantle of reforming the way Washington does business.

What could a Clintonite reform agenda look like? It could start with an intensified effort behind campaign finance and lobbying reform—initiatives that have been stalled all year in Congress and face uncertain fates in the session's last days.

It could continue with a renewed drive behind Clinton's reinventing government initiative—whose first year drew high marks from a Brookings Institution analysis that nonetheless warned the effort could still founder without "considerable creativity."

Next could come a commitment to bipartisan welfare reform. The GOP contract may go further than Republican moderates can stomach by requiring all states to cut off aid for recipients after five years on the rolls. That leaves Clinton the chance for a deal with the moderates—if he's willing to risk angering the left. "To get meaningful welfare reform done," Castle says, "they're going to have to go to the middle."

The linchpin of any Clinton reform agenda would have to be another assault on the deficit—a prospect that traumatizes some White House aides still nursing the bruises of 1993.

No President in a position as weak as Clinton can relish the prospect of butting heads with the deficit again. But nothing would declare Clinton's rejection of business as usual as forcefully as attacking wasteful federal subsidies to business (such as the $225 billion identified earlier this year by the Progressive Policy Institute) and imposing common-sense reforms—such as raising the Social Security retirement age and requiring greater income limits—on entitlement programs whose growth drives the budget deficit.

Focusing on a reform agenda would require Clinton to largely defer his goal of increasing public investment on social programs. The last budget fight taught that trying to increase spending while reducing the deficit muddies the message. (That logic also argues against entering a bidding war with the GOP on a middle-class tax cut.) And it could increase the risk of a primary challenge from Jesse Jackson in 1996.

But a Clinton reform agenda would offer a contrast with a GOP reaching back to the themes that elected Reagan. Pressed by reporters about the Reaganite tinge to the House GOP's Top 10 list, Gingrich last week said flatly: "If [the Administration] would be willing to go to a national debate . . . I'm willing to pit Reagan vs. Clinton—you choose." Clinton should take that challenge as inspiration to reinvigorate his own reform agenda, and then accept Gingrich's offer to debate whether the answers for the next decade can be found in the last.

Preview of the GOP Package

House Republicans' so-called Contract With America contains a series of internal congressional reforms and a package of 10 legislative initiatives. Details on some of the programs are still sketchy:

THE REFORMS WOULD . . .

- Force Congress to abide by the provisions of laws that it passes.
- Cut one out of three congressional committee staff members.
- Cut the congressional budget.

THE 10 LEGISLATIVE INITIATIVES INCLUDE . . .

- A congressional amendment requiring the President to submit a balanced budget and giving him line-item veto power.
- A reconsideration of the crime bill to limit death penalty appeals, transfer more money for prisons and federalize any crime committed with a gun.
- Welfare reform that would require states to cut off benefits for all recipients after five years, and discourage out of wedlock births.
- A $500-per-child tax credit for families with incomes up to $200,000 and expanded availability of individual retirement accounts.
- Tougher enforcement of child-support payments, anti-pornography laws.
- A restoration of defense spending reduced under President Clinton and an offer of full membership in the North American Treaty Organization for Central European nations such as Poland and Hungary.
- Allowing the elderly to earn more money without sacrificing Social Security benefits and repealing the Social Security tax increase approved as part of Clinton's economic plan in 1993.
- A cut in capital gains taxes and overall lessening of government regulation.
- Tort reform that would discourage "excessive legal claims, frivolous lawsuits and overzealous lawyers."
- Term limits for members of Congress.

Source: House Republican Conference

Los Angeles Times

Boston Globe 9.25.94

THOMAS OLIPHANT

GOP's fiscal shell game

WASHINGTON

Artifice, more than money, is the mother's milk of politics.

As a nation of multiple personalities – gullible and sensible, cynical and optimistic, irrational and confident, selfish and generous – we tolerate rhetorical baloney as essentially harmless, which it mostly is.

It's when artifice passes for genuine ideas that that we start buying Florida swamp land in the guise of retirement property. The country did that in 1980, to its continuing economic harm; and if House Speaker-to-be Newt Gingrich and Senate Majority Leader-to-be Bob Dole had their way, we'd do it all over again.

Ronald Reagan deserved to win the 1980 election, but his campaign raised artifice to the level of fantasy. Reagan offered goodies – huge tax cuts and gigantic military spending increases – that would have made the most profligate Democratic ward healer blush; and he blithely pledged it could all be financed by economic growth and painless budget surgery aimed at waste and fraud. The truth is that in his entire Presidency he never even made a single proposal that actually paid for his program, an omission compounded by George Bush; and most Democrats, to their eternal discredit, went along.

The result was an explosion of public debt from $1 trillion to $4 trillion, exhorbitant long-term interest rates, exported jobs, and stagnant incomes for working families.

Last week in a gathering of Senate Republican big shots and candidates, and this week in a similar affair to be staged by Gingrich, it is clear that a new horror movie, "The '80s II," is planned.

The cornerstone is a constitutional amendment requiring a balanced budget. This old chestnut is instructive, because it lays bare the artifice. It's not just that the amendment would have to await ratification by the states and then would not be law until five or seven years (depending on the specific proposal) after that.

More importantly, thanks to the Congressional Budget Office, we know what it would require: roughly $750 billion in program evisceration over five years, and $1.2 trillion over seven.

In an act of breathtaking irresponsibility, the Republicans' proposed "contract" with the public doesn't come within a country mile of those figures in the form of specific proposals. Worse, most of the ones they do offer (like a "spending commission" to make recommendations Congress could vote up or down but not change) don't belong in a serious discussion.

But there's more. The Gingrich-Dole crowd actually proposes to first make the problem worse with more than $150 billion in tax cuts, none of which would be of consequence to a typical family.

For example, the Gingrich crowd likes a $500 per child income tax credit, and the Dole bunch prefers doubling the $2500 dependent exemption. Neither would matter to families of average means and below, who pay little or no income taxes as it is. But for a $200,000 family the House GOP contract offer two grand in cash.

And on top of that, the party whose foreign policy is neo-isolationist has the nerve to demand an increase in military spending.

To pay for all this largesses AND balance the budget would require at least a 20 percent slash across the board in the domestic program budget – including Social Security, Medicare and crime. Exempt Social Security and the requirement jumps to 30 percent.

The sickest fact of all is that Gingrich et al could care less that their program is a joke. They're betting on an anti-government, anti-Clinton mood this fall. Their bogus contracts, however, constitute a hedge of that bet, an awareness that there is an impression that they have no genuine ideas of their own. As it turns out, they don't.

And that literal bankruptcy, in turn, provides an opening for counterattack.

The administration's experts, like anyone with a calculator, can eviscerate the Gingrich-Dole "ideas" substantively. Politically, however, they need a spokesman, which is why God created Vice Presidents.

Lousy leg and all, Al Gore needs to board Air Force Two and do to right-wing economic baloney for six weeks what he did to Ross Perot's opposition to NAFTA in one night. Artifice always works until those who know better confront it.

Thomas Oliphant is a Globe columnist.

Pennsylvania Avenue

By Morton M. Kondracke

The 'Third Wave' Is Coming, But It's Not In GOP's 'Contract'

House Republican Whip Newt Gingrich (Ga) and his intellectual allies are working on some fascinating 21st century ideas to reshape American politics for the Information Age. Unfortunately, few of them are apparent in the "Contract With America" that Gingrich and other House Republicans will unveil tomorrow.

Some of the proposals — expanded IRAs and tax incentives for adoptions, home care for the aged and work by seniors — are consistent with the theme of self-reliance inherent in Gingrich's nascent "progressive conservative" program to "renew American civilization."

In the main, though, the contract proposals are not at all futuristic, but rather warmed-over supply-side economic ideas from the 1980s.

At worst, they are cynical empty promises or demagogic appeals to anti-government passions of the moment, such as promises to hold votes on a balanced budget amendment (without saying how the budget would be balanced) and on term limits for Members of Congress, a bad idea that even many Republicans oppose.

The contract is a disappointment, given the depth of change Gingrich has in mind.

Gingrich is a soul mate of futurist Alvin Toffler, whose classic 1980 book, **The Third Wave**, forecast the dramatic shifts taking place as America moved from a factory-based industrial economy to a PC-based information economy. (The "First Wave" was the traditional agricultural economy wiped away by the industrial revolution.)

At worst, they are cynical empty promises or demagogic appeals to anti-government passions of the moment, like the balanced budget amendment and term limits.

Toffler's ideas are the basis for pioneering work going on at a new organization, the Progress and Freedom Foundation, headed by Gingrich associate Jeff Eisenach and soon to be joined by former Rep. Vin Weber (R-Minn), who will direct a project designed to develop a "Third Wave" political party, presumably out of the present GOP.

Toffler and Eisenach contend that the important political battles of the current era are not old-fashioned left-versus-right contests, but instead pit hierarchical, bureaucratic "Second Wave" corporate, social, and political interests against "Third Wave" interests anxious to break down old structures and build decentralized new ones.

But the House GOP contract to be unveiled on Tuesday — and a Senate version released last week — advocates giving "Second Wave" tax breaks to established interests. Defunding the federal government is implicit in the balanced budget proposal, but the contract contains few ideas for solving problems by non-federal means.

So while his allies say that Gingrich is a problem-solving "progressive conservative" whose hero is Theodore Roosevelt, the GOP contract is mainly a traditional-conservative document in the image of William McKinley or Robert A. Taft.

At a press conference along with Gingrich on Friday, Rep. Dick Armey (R-Texas) said that the contract merely forecast a "100-day shakedown cruise for the revolution to come." and Rep. John Kasich (R-Ohio) said that "we intend to reinvent the whole government" by eliminating whole departments, privatizing services, and handing responsibilities back to the states and cities.

Yet the contract itself contains only hints of the dramatic changes to come.

Toffler and his wife, Heidi, in a book published by Eisenach's foundation, criticize Democrats for "reflexive reliance on bureaucratic and centralist solutions to problems like the health insurance crisis...drawn straight from Second Wave theories of efficiency."

But while praising Republicans for favoring deregulation, privatization, free trade, and market economics, they rap Republicans for distributing tax breaks to old industries and appealing to "nostalgia in their rhetoric about culture and values."

Weber and Eisenach both dispute the Tofflers' modernist and secularist approach to values, contending that religion is part of the post-modern "Third Wave." More concretely, they want to find ways to bolster private "mediating institutions" — charities, churches, and community organizations — to do work now performed by government.

Eisenach wants to replace AFDC, for instance, with a full tax credit for contributions to private charity. It's a radical idea, but he says, "If you were poor and you're kid got badly burned, where would you rather have him treated, the Shriners' Burn Clinic or your local city hospital?"

Just as radically, Toffler and Eisenach talk of transferring major departments of government out of Washington, allowing Members of Congress to vote electronically from their districts, and holding interactive electronic town meetings followed by advisory plebiscites on various issues.

Besides Gingrich and his allies, other groups trying to reshape government for the new age include the Democratic Leadership Council and former Tennessee Gov. Lamar Alexander's (R) "New Promise of American Life" project at the Hudson Institute, which is designing models for decentralizing government out of Washington.

Gingrich and his House allies deserve credit for putting forward a positive program for the first 100 days of the 104th Congress. It's too bad they didn't tell voters what they have in mind for the long haul.

Political Surveyor
By Charles E. Cook

Republican 'Contract' May Give Democrats Some Issues to Attack

With just six weeks until Election Day, it's hard to see how things could get much better for Congressional Republicans.

President Clinton's job ratings remain low, even after the Haiti incursion, and the latest Wirthlin Group poll shows that only 20 percent of Americans believe the country is headed in the right direction. Predictions that Republicans would be seen by voters as obstructionists haven't manifested themselves in any meaningful way. More specifically, Republicans don't seem to have suffered any backlash from their tactics in fighting either of Clinton's two most recent initiatives, health care reform and the crime bill.

GOP consultants and strategists who for years have toiled in the vineyards can hardly believe things are going so well.

For years Congressional Republicans, particularly House Republicans, have reminded me of the Peanuts cartoon in which Lucy, holding the football for Charlie Brown to kick, jerks the ball out of the way just as Charlie approaches, sending him sailing and landing on his tailbone.

Every time Republicans have an opportunity to score, something happens that prevents them from reaching their potential. So far this year, that hasn't happened. This week, however, Republicans have another opportunity to fumble.

Months ago, when House Republicans started talking up a Sept. 27 rally on the Capitol steps for Congressional candidates to endorse and embrace a reform agenda, I thought it was a brilliant idea.

Republicans always seem to be enamored with the idea of nationalizing elections, and usually the effort is wasted. But this time it seemed to be a good idea.

I've always felt the old Tip O'Neill adage, "All politics is local," should have been amended to say, "All politics is local, except when it isn't."

Go tell a Democratic House or Senate candidate caught up in the maelstrom of 1980 or a Republican in 1974 or 1982 that all politics is local. And in the last two election cycles, national trends seemed to have been more prevalent — resulting in lower re-election margins for some and tickets home for others.

There are at least two national dynamics at work this year: one working against incumbents, the other working against Democrats.

Republican gains have been inevitable for some time, but for the really big gains: say 35 or more seats in the House, seven or more in the Senate, the wall that protects incumbents has to come down.

This protective wall — the "I don't like Congress but I like my Congressman" feeling — has allowed incumbents to insulate themselves from institutional anger. It's been crumbling gradually in recent years, but it still exists.

My assumption was that House Republicans would try to build a reform framework around the fact that Democrats have ruled the House for 40 years. That's too long, they could argue, and if you're dissatisfied with government, the first place to change is the Democratic majority in the House.

By trying to nationalize the election with a "time for a change" message, Republicans could coalesce dissatisfied voters of all stripes.

Instead, though no specific plan has been unveiled yet, it appears the GOP agenda will be more specific than that, with a number of tax cuts, spending cuts, and defense increases that are strangely reminiscent of the early 1980s.

Just as their Senate counterparts did last week, House GOP candidates risk finally giving Democrats some issues to use against them. The brilliant thing about what Republicans have pulled off this year is that they have managed to stay on the offensive. Are they about to throw an interception?

> ***The brilliant thing about what Republicans have pulled off so far this year is that they have managed to stay on the offensive. Are they about to throw an interception?***

Though Ronald Reagan is remembered fondly by many voters as a president with a vision of where he wanted to take the country who turned public support into Congressional action on many domestic fronts, people also remember many of those policies as leading to mind-boggling deficits.

Democrats in recent days, sensing what Republicans are about to do, have kicked into overdrive.

They are beginning to emphasize the message that Republicans are back to their old tricks again, claiming that they will be able to cut taxes and increase defense spending without cutting entitlements, and that they'll be able to do all of this without worsening the deficit.

If, as rumored, Republicans propose a non-refundable $500 tax credit for families i ing under $200,000, that non-refundability, essentially eliminating the benefit of the credit for the struggling families who need it most, gives credence to Democratic arguments that all the GOP really wants to do is give t s to the rich.

Simply put, Democrats, who have lacked a cohesive message all year, may be on the verge of getting one.

In card-playing as in politics, you should not overplay your hand. Republicans have played a perfect game this year, but they risk blowing a golden opportunity for historic gains.

Date: 09/26/94 Time: 18:57

US POLITICS: Clinton aides blast Republican tax cut, budget bills

Knight-Ridder

Washington--Sep 26--The Clinton administration today stepped up its attacks on a package of economic proposals that congressional Republicans would seek if they gain enough seats in the November elections to rule the House or Senate.

With the Republicans' package set to be unveiled formally Tuesday and with the 1994 congressional campaign season getting underway, the Democratic administration wasted no time in condemning the Republican plan.

White House Chief of Staff Leon Panetta, an ex-Republican, former congressman and former budget director, today called the package "a fraud," "flim-flam" and "warmed-over Reaganism of the 1980s."

Robert Rubin, head of President Bill Clinton's National Economic Council, labeled it "horrendous economic policy." He also predicted the long-term bond market would "react" to the Republican plan as "enormously high deficits" would boost interest rates and thereby "choke off" economic growth.

And Laura Tyson, head of the Council of Economic Advisers said the Republicans' call for a balanced budget constitutional amendment, higher defense spending, a series of tax cuts and some spending reductions is "Voodoo Two."

Tyson's characterization was in reference to the 1980 presidential campaign, when candidate George Bush coined the term "voodoo economics" in reference to candidate Ronald Reagan's economic plan for the country.

The Republicans' "Contract with America" would grant a 500-dlr-per-child tax credit, increase incentives for individual retirement accounts and, by some accounts, increase defense spending by some 61 billion dlrs over 5 years.

Meanwhile, 176 billion dlrs in savings would be achieved over the 5 years, through a range of "example" spending reductions. These "examples" include a 1.1-billion-dlr reduction in USDA's export credit guarantee program, Medicaid cuts and the elimination or privatization of several existing government agencies, including federal air traffic controllers.

But the Clinton administration contends the Republican plan would create at least an 800-billion-dlr revenue shortfall over 5 years that would not be offset under the plan. "It would nearly quadruple the national debt," Panetta said of the plan.

On Friday, congressional Republicans disputed the large revenue shortfall being claimed by the Clinton administration. But an aide to one of the lawmakers said spending cuts and other savings needed to achieve a balanced budget could be as much as 700 billion dlrs.

And Rep. John Kasich, R-Ohio, the senior Republican on the House Budget Committee, told reporters Friday, "Don't try to guess right now how we're going to get there." He said Republicans would rely "on some of the best business minds" to help shrink and privatize government and to achieve a balanced budget.

President Ronald Reagan took office in 1981 pledging to reduce deficits largely by reducing "waste, fraud and abuse" in government and creating an atmosphere for economic growth through investment.

But Panetta criticized the ambiguity of the Republicans' economic plan, saying the only way to make up for their budget shortfalls would be a "20-30 pct across-the-board cut" in mandatory federal programs, including Social Security and Medicaid. "They (Republicans) will not tell you that," Panetta added.

With congressional elections just 6 weeks away, Democrats are fearful of losing scores of House seats and a handful of Senate seats to Republicans.

Depending on the extent of those Democratic losses, Republicans conceivably could take control of either house of Congress, although the odds are long.

In berating the Republicans' plan in such a coordinated fashion, however, the Clinton administration may be worried that their legislation is exactly the type of measure needed to garner votes this fall: sort of a rerun of the 1980 Reagan landslide.

Rubin acknowledged it is "very hard" to have a national discussion of economic issues if "others are telling you (the electorate) you can have a free lunch."

If 1994 is anything like 1980, the Clinton administration will have a tough time convincing voters that tax cuts and a balanced budget amendment are things to vote against. End

By Richard Cowan, Knight-Ridder Financial News

Tel: (202) 383-6173

Date: 09/26/94 Time: 16:08

Democrats Say GOP's Numbers Add Up to Return of Reaganomics

WASHINGTON (AP) Hoping to thwart a major Republican campaign offensive, the White House warned Monday the House GOP's platform was ``warmed over Reaganism'' that would loot Social Security and Medicare to shower tax cuts on the rich.

The White House attack came a day before more than 300 Republican House candidates, a mix of incumbents and challengers, were to gather on the Capitol steps to sign a ``Contract with America'' that pledges swift action on a 10-point agenda if voters give Republicans a House majority for the first time since 1954.

The contract promises votes early next year on congressional term limits, welfare reform, new anti-crime measures and an array of spending and economic initiatives, from a balanced budget amendment to tax cuts for capital gains and some families.

``This is a fraud and I think the American people need to know that,'' said White House chief of staff Leon Panetta. ``This is horrendous economic policy,'' added senior Clinton economic adviser Robert Rubin, who called the GOP policy a recipe to revive the huge deficits, higher interest rates and sluggish economic growth of the Bush administration.

To back up the White House push, the Democratic National Committee purchased time for radio ads in 20 markets with competitive House contests. The ads say the Republicans are promising ``more tax breaks for the rich, forcing devastating cuts in Medicare and Social Security. It's Republican politics as usual.''

Republicans labeled the White House presentation ``the big lie'' and suggested Democrats were panicked because they felt a Republican tide growing with just more than a month to go before the midterm elections. ``They have no agenda now because the American people rejected theirs, so all they can do now is whine and carp,'' said Ed Gillespie, the House Republican Conference spokesman.

But Republicans refused to say specifically where they would find the cuts to balance the budget, leaving them open to the White House assertion that the document was little more than a political gimmick.

In its pre-emptive strike, the White House focused solely on the spending and economic aspects of the GOP document, an area even many Republican strategists concede privately is open to criticism.

For example, a cost analysis prepared by House Republicans said there are ``no costs'' to passing a balanced budget amendment and line-item veto.

Labeling that assertion ``a flimflam,'' Panetta said it would take at least $743 billion in cuts to balance the budget within five years or $1.2 trillion to do it in seven years.

``Do they not have a responsibility then to tell us where they would find these cuts?'' Panetta said.

The Republicans' task would be even harder, because budget rules also require them to pay for the tax cuts promised in the contract, including $56 billion to reduce capital gains taxes and $6.5 billion to raise estate and gift tax exclusions cuts the White House noted would go predominantly to the wealthy.

All told, Panetta said that balancing the budget and delivering the tax cuts would cost $1 trillion over five years, or $1.6 trillion over seven, and that Republicans had detailed proposed cuts that would cover only a sliver of that. To cover the rest, administration officials said Republicans would have to cut domestic spending across the board by 20 percent or more, and would have little choice but to slash Social Security and Medicare. ``That's where the money is,'' said Rubin.

``They are taxing Social Security and Medicare recipients to pay for tax cuts for the wealthy,'' said Panetta, who was House Budget Committee chairman before joining the administration.

Gillespie accused the White House of ``fear-mongering'' and said Republicans had promised no painful Social Security cuts. But he could not say exactly where the cuts would come from elsewhere in the budget, promising only that Republicans would find them if confronted with a constitutional amendment requiring a balanced budget.

``I can't tell you where all the cuts will come from,'' he said. ``I can tell you that it will compel some tough decisions to be made.''

APNP-09-26-94 1609EDT

BC-USA-POLITICS-CONTRACT

Clinton aides scornful of Republican ``contract''

By Gene Gibbons

WASHINGTON (Reuter) - Top White House officials Monday ridiculed a Republican congressional campaign promise to pass a balanced budget amendment and cut taxes, saying it was either a political ploy or a formula for drastic cuts.

White House chief of staff Leon Panetta led the attack on the Republican ``Contract with America,'' which will be unveiled Tuesday in an elaborate ceremony at the Capitol featuring some 300 Republican legislators and challengers.

Aided by Robert Rubin, who chairs the National Economic Council and Rubin deputy Gene Sperling, Panetta -- a former government budget director -- challenged the key elements of the plan at a White House news briefing.

``This is fraud and I think the American people need to know that,'' Panetta said.

The Republican ``contract'' promises that if the opposition wrests control of the House of Representatives from President Clinton's Democrats in the mid-term elections, passage of a balanced budget amendment and a middle-class tax cut will be top priorities in the new Congress.

Thirty-five Senate seats, 36 governorships and all 435 House seats will be at stake Nov. 8. Republicans are expected to make sweeping gains and have a longshot chance of gaining a majority in one or both Houses of Congress.

``If they're going to be honest with the American people in terms of their proposal ... then there is a fundamental requirement that they tell us what programs are they going to cut in order to reach a balanced budget,'' Panetta said.

``That's what we would ask because if you look at it based on what they're not saying, then most of the cuts would have to come out of Medicare and Social Security.''

Panetta said that well over a trillion dollars in spending cuts would be needed to carry out the Republican plan, and that even after including all of their proposed cuts, there would be a shortfall of more than $700 billion.

Rubin said the plan was a ``recipe to relive the same kind of environment'' of soaring deficits and a stagnant job market that prevailed in much of Republican George Bush's presidency.

The White House preemptive strike on the Republican plan was followed by a luncheon speech by Laura Tyson, chair of the president's Council of Economic Advisers, in which she referred to the ``Contract with America'' as ``Voodoo Two.''

Tyson was making an unflattering reference to the Reagan administration's ``supply side'' fiscal policy of the 1980's, a policy scorned by candidate George Bush as ``voodoo economics.''

REUTER

**** filed by:RB--(--) on 09/26/94 at 16:42EDT ****
**** printed by:WHPR(SCOH) on 09/26/94 at 19:30EDT ****

Baltimore Sun 9.28.94

GOP vows to shun D.C. lobbyists, then takes their money at dinner

Associated Press

WASHINGTON — In the morning, more than 350 Republican House candidates solemnly signed a pledge to take back Congress from special interests. In the evening, they headed for a $5,000-a-table dinner to raise a half-million dollars from Washington's money elite.

In the daytime ceremony yesterday on the Capitol steps, GOP incumbents, challengers and open-seat candidates filed past a table draped in red, white and blue to sign a "Contract with America" — a 10-point platform they pledged to act on early next year if voters elect a Republican House majority for the first time since 1954.

The contract is a list of tried-and-true GOP agenda items, including welfare reform, tax cuts, term limits and a balanced budget amendment to the Constitution — a list calculated to have maximum voter appeal.

A shift of 40 seats in the House — not inconceivable — would throw control of the chamber to the GOP.

"Clinton is in such trouble with the American people that our job is to go out and offer a clear, positive alternative," said Rep. Newt Gingrich of Georgia.

But last night's gala at a downtown Washington hotel underscored a reality of modern politics: Democrats and Republicans alike depend on some of the same Washington lobbies for campaign money.

"I believe we should have an obligation to raise money," Mr. Gingrich said.

"It's perfectly legitimate."

Public interest groups expressed skepticism, however.

"If the same people are providing the money, it doesn't much matter whether you are an insider or an outsider," said Ellen Miller, director of the Center for Responsive Politics.

The Democratic Congressional Campaign Committee sent a television crew to film GOP candidates going in, for possible use in Democratic campaign ads.

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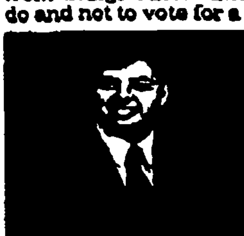
Editorial

The GOP gimmick

Signing of 10-point 'Contract with America' is meaningless campaign stunt

During the Republican primary for Congress in the Third District, candidate Bob Cantrell drew up and signed a contract with the voters. In it, he promised to limit his terms to six years, not to vote for laws that exempted Congress from things other Americans were forced to do and not to vote for a tax increase.



Lindsey Graham

Rep. Lindsey Graham, one of Mr. Cantrell's opponents, was not impressed. "I do not intend to ask voters to read my lips or look at my signature," he said. "You can read my record and listen to my proposals for change." Ultimately, he won the primary.

So where is Lindsey Graham today? Why, on the Capitol steps with 300 other Republicans, signing a "Contract with America" that is every bit the gimmick Mr. Cantrell's contract was.

The 10-point contract, orchestrated by that lovable Republican Congress member from Georgia, Newt Gingrich, contains pledges to work in the first 100 days of the new Congress for welfare reform, a stronger defense, middle class tax cuts, a balanced budget amendment, the line-item veto and term limits.

To Mr. Graham's credit, he readily admits the contract is not binding and says it's "not unfair" to describe it as a gimmick. Most of its provisions are so vague as to be almost meaningless, he says, though he supports the general concepts espoused.

So why sign it? Mr. Graham says it's because of the term limits provision. As a freshman legislator, he introduced a term limits bill at the Statehouse, and he's making term limits a centerpiece of his campaign for Congress. (His opponent, Democrat Jim Bryan, has, like Mr. Graham, promised to serve no more than 12 years, but does not favor legislated term limits.)

Mr. Graham said a document with the signatures of 300 potential members of Congress would be an important tool for pushing the issue. If he wins, he says he'll buy newspaper ads publishing the names of anyone who signed the pledge and doesn't work to put it on the table right away.

Well, maybe he's onto something. But not if the contract is no more enforceable than a piece of campaign literature, which it's not.

Since Mr. Graham has apparently decided to walk lockstep with the GOP in this election – a route that may well be successful, considering how enamored people around here seem to be with Mr. Gingrich and friends – he has no choice but to participate in today's little sham in Washington. But it disappoints us nonetheless.

We need a member of Congress from this district who doesn't play these games, who can lead, think for himself, be independent of party politics – Democratic or Republican. We don't need a robot.

It amazes us that Republicans have succeeded in convincing so many voters that the Democrats are the root of all evil. If we look back just a few years, when Republicans had control of both the White House and the Senate, we'll remember that we got tax cuts and a stronger defense all right – and the national debt quadrupled, fueling many of the problems of our government and economy today.

Mr. Graham is a smart fellow. He can do better than this.

The opinions above are those of the Independent-Mail Editorial Board. Members are the editorial page editor, editor and publisher.

SEP 28 '94 11:47 P.1/1

Tom O'Donnell

ednesday

Marietta Daily Journal

ember 28, 1994 Cobb County, Georgia ★ 128th yea

PAGE ONE

Republicans sign pledge, feast fatcats

By Jim Drinkard
The Associated Press

WASHINGTON — In the morning, more than 300 Republican House candidates solemnly signed a pledge to take back Congress from special interests. In the evening, they headed for a $5,000-a-table dinner to raise half a million dollars from Washington's money elite.

In the daytime ceremony on the Capitol steps, GOP incumbents, challengers and open-seat candidates filed past a table draped in red, white and blue to sign a "Contract with America" — a 10-point platform they pledged to act on early next year if voters elect a Republican House majority for the first time since 1954.

"Clinton is in such trouble with the American people that our job is to go out and offer a clear, positive alternative," said Rep. Newt Gingrich, R-east Cobb. "To say, look, we're different."

But Tuesday night's gala at a downtown Washington hotel underscored a reality of modern politics: Democrats and Republicans alike depend on some of the same Washington lobbies for campaign money.

Among contributors at the dinner were the names of some potent Washington corporate players, including oil, insurance, tobacco and communications companies and trade groups.

The sponsors included the National Association of Home Builders, cigarette makers RJR, Philip Morris, Lorillard and Brown & Williamson; insurance companies Prudential, Travelers and Colonial; BellSouth and Southwestern Bell telephone, Chevron oil and United Parcel Service.

"We're not telling you we're Martians," Rep. Gingrich said. "I believe we should have an obligation to raise money. It's perfectly legitimate."

A senior Republican official involved in planning the event said organizers were aware the fund-raiser would open them to charges of hypocrisy, and an internal debate about postponing it raged until several days ago.

As they arrived at the dinner, GOP candidates were greeted by a noisy band of about 100 protesters shouting "hey hey, ho ho, Republican sellout's got to go."

The protesters, who included some Democratic congressional staffers, carried signs with such gibes as "Newt is my shepherd, I shall not think" and "Newt's contract on America — no to seniors, no to children, yes to special interests."

The Democratic Congressional Campaign Committee was sending a television crew to film GOP candidates going in, for possible use in Democratic campaign ads.

At the contract signing ceremony, Rep. Dick Armey, R-Texas, said Republicans are "united in the belief that the people's House be wrested from the grip of l interest gr handed to the people."

Public interest groups expressed skepticism, and

Pledge

Continued from Page 1A

"If the same people are providing the money, it doesn't much matter whether you are an insider or an outsider," said Ellen Miller, director of the Center for Responsive Politics, which monitors the connection between money and Congress.

Rep. David Obey, Democratic chairman of the House Appropriations Committee, said many of the tax breaks were designed to reward interest groups that invest heavily in campaigns, including Rep. Gingrich's GOPAC political action committee. The package "is a legislative gift to the super rich," he said.

The contract is a list of tried-and-true GOP agenda items, including welfare reform, tax cuts, term limits and a balanced budget amendment to the Constitution — a list calculated to have maximum voter appeal.

Republican pollster Frank Luntz said each of the items on the list had registered at least 60 percent public approval in polls.

The Republicans are trying to capitalize on what is shaping up as a bad-news election season for Democrats. A shift of 40 seats in the House — inconceivable — would throw control of the chamber to Republicans.

The contract also was designed to dispel the party's image as a band of naysayers bent only on blocking the Democrats.

"This scares the Democrats, because it's a clear definition of the difference between the parties," said Rep. Bill Paxon, R-N.Y., chairman of the GOP campaign committee. "Our candidates are running strong, and the Democrats are running away from the president."

But Democrats found much to criticize in the plan. Its offer of a new $500-per-child tax credit and a cut in capital gains and inheritance taxes would add to the federal budget deficit and help mostly wealthy Americans, they asserted. And its call for a balanced budget within seven years would require deep cuts in Medicare and Social Security, they said.

Rep. Obey, D-Wis., said the promises were reminiscent of the Reagan administration budget that cut taxes while raising defense spending, doubling the national debt.

"And now in an incredible display of contempt for the intelligence and responsibility of the American people, House Republicans are betting Americans will have forgotten the wreckage produced by their first 'contract' and are planning to do it all over again," Rep. Obey said.

Star Tribune

TUESDAY/September 27/1994 NEWSPAPER OF THE TWIN CITIES

GOP to pledge change, then raise money

$7,500 dinner to follow reform talk

By Tom Hamburger
Washington Bureau Chief

Washington, D.C.
About 300 Republican House candidates will stand on the steps of the U.S. Capitol today to endorse a "contract with America" that pledges reform of the budget process and a change in the way business is conducted in Washington.

But after the photo is taken and the oratory fades, the candidates — including several from Minnesota — will head to a fund-raising dinner at which individuals and political action committees have been invited to contribute up to $7,500 in exchange for access to legislators and candidates.

"With the purchase of a table," National Republican Congressional Committee Chair Rep. Bill Paxon of New York wrote in an invitation letter, "donors have the option to request a member of the U.S. House of Representatives or congressional candidate and his/her guest to complete the table of 10."

In addition, Paxon's letter notes, a table contributor "may join a private reception with the House Republican leadership."

While such access-for-cash fund-raising may rankle the heartland, it is commonplace in Washington, among Republicans and Democrats. But that didn't stop the Democratic Congressional Campaign Committee from blasting today's event.

A spokesman for the Democrats' committee, Mike Casey, acknowledged that Democrats have money in similar fashion in the past. But, he said, "We don't engage in the hypocrisy of saying 'We are going to change things,' then at 6 p.m. go out and do things the old-fashioned way."

At today's Capitol event, members will pledge quick action on a 10-point agenda if Republicans get control of the House this November.

The contract promises votes early next year on congressional term limits, welfare reform, new anticrime measures and an array of spending and economic initiatives, from a balanced budget amendment to tax cuts for capital gains and some families.

The wording of the pledge was developed in part by Republican pollster Frank Luntz, who met with voters who had supported the independent candidacy of Ross Perot in 1992.

The Contract With America includes a promise to apply all laws equally to the Congress as well as to the rest of the country; cut House committee staffs by one-third; require a three-fifths majority of Congress to pass a tax increase, and require a balanced budget. Democrats said it would never happen.

"This is a fraud, and I think the American people need to know that," said White House chief of staff Leon Panetta. He and other Democrats say that the Republican pledge promises tax cuts without specifying where spending cuts will be made. They say it would to economic d and higher deficits.

Republican party official called the White House response "the big lie."

At least five Minnesota Republicans plan to attend the event on the Capitol steps. Only Rep. Rod Grams, who is seeking election to the Senate this year, will not attend the fund-raiser tonight, because of a prior commitment.

Rep. Jim Ramstad plans to attend, along with Republican Fourth District candidate Dennis Newinski, the First District's Gil Gutknecht and Sixth District nominee Tad Jude.

While in Washington, the three candidates also will attend "contract training" seminars run by the House Republican leadership. Later in the week, Jude plans a fund-raiser at Washington's Capitol Hill Club.

Tampa Tribune
Sat., 9/24/94

palm tree POLITICS

Some reform, fundraising in GOP plans

The Republican "Contract with America" that will draw hundreds of GOP congressional candidates to Washington on Tuesday for a signing ceremony promises a "revolutionary and common-sense agenda of reform and change."

But after candidates from Florida and elsewhere put their pens to the 10-point plan, *they'll celebrate in a very old-fashioned way:* with a politics-as-usual, big-money political fundraiser.

Tuesday night's $500-per-person gala is expected to draw more than 1,000 people, *many of them lobbyists,* big-time political contributors and representatives of political action committees (PACs). Florida candidates are among those expected to attend.

The GOP "contract" promises a legislative package next year, including a term-limits measure and bills to cut taxes, reform welfare and boost national defense. Among the local challengers planning to sign: District 5 hopeful "Big Daddy" Don Gartits and District 11 candidate Mark Sharpe.

Klug assailed on 'contract'

The Capitol Times 9/29/94

By John Patrick Hunter

Associate Editor, The Capital Times

U.S. Rep. Scott Klug's support of a document drafted by House Republican leaders titled "Contract for America," which lays out a legislative agenda for the 104th Congress convening next year, is an indication that Klug plans to march "lock-step with the right-wing Republican leadership in Washington," said Tom Hecht, Klug's Democratic challenger in the November election.

Hecht also accused the Republican incumbent of "committing to work to cut taxes for the wealthy and increase defense spending, even though the Cold War is over."

In addition, Hecht said, the "Contract for America" would "balloon the deficit" and increase taxes on the middle class.

"This is voodoo economics all over again," he charged.

A Klug aide said Monday that Klug intends to sign the "contract" but has not set a date for his signature. The document will be signed at a Washington news conference today by about 170 GOP challengers and nearly 160 incumbents like Klug seeking re-election.

"It is simply not the case that Klug is a right-wing Republican," said Jim Schlect, Klug's campaign manager, in response to Hecht's charges.

"It is time for Hecht and Duff (Johnson, Hecht's campaign manager) to junk this theme and move on to the real issues: Haiti, crime, welfare, health reform," Schlect said.

Hecht rips GOP agenda

Schlect said the Republican "contract with America is a document that outlines key issues facing American society and a way to deal with them in a fashion that Democrats and Republicans can work together in finding solutions."

The document was crafted largely by House Republican Whip Newt Gingrich of Georgia, the GOP's heir apparent to the party leadership in 1995, and Dick Armey of Texas, chairman of the House Republican Conference.

It includes a number of conservative ideas that have been kicking around for years, such as a balanced budget amendment, congressional term limits and a capital gains tax cut, according to a Congressional Quarterly analysis distributed by Scripps Howard News Service.

The document calls for tougher law enforcement, welfare reform, a strong national defense, a rollback of government regulations and "pro-family" legislation, according to Congressional Quarterly. Much of the document's provisions have been defeated on the House floor.

The document simply promises a vote on the proposals, not passage, or even a "yes" vote, according to Congressional Quarterly.

Schlect was also critical of the weekend Madison appearance of Rep. Barney Frank, D-Mass., who spoke at a Hecht fund-raiser.

"Hecht shows his true colors when he aligns himself with a Democrat like Barney Frank, whose sole purpose in Congress is to spend more taxpayer dollars and create more government-run programs."

Former Secretary of State James Baker III is scheduled to be in Madison today to stump for Klug.

In his criticism of Klug's support of the GOP's "Contract for America," Hecht said, "It is clear that anyone who signs this contract, including Congressman Klug, is more concerned with representing the wealthy and corporate special interests by pushing trickle- down voodoo economics, the failed policies of the 1980s, than representing the middle class."

Hecht also said that the Republican document was described as "blue smoke and mirrors," "camouflage goodies for upper-income taxpayers" and "upside-down social policy," by conservative columnist Al Hunt in the Wall Street Journal.

8 AP 09-27-94 03:53 PET 74 LINES
AM-GA--GOP Contract, Ga Bjt,630
Georgia Republicans Join in Signing National Contract
By DAVID PACE=
Associated Press Writer=

WASHINGTON (AP) Georgia's Republican congressional c andidates joined their counterparts from across the nation Tuesday in supporting a 10-point agenda that Democrats insist would increase the federal budget deficit.

House GOP Whip Newt Gingrich of Marietta, the mastermind behind the ''Contract With America,'' vowed that Republicans will enact the platform of tax cuts, term limits and a balanced budget amendment in the first 100 days of the next Congress if voters give them control of the House.

''If the American people accept this contract, we will have begun the journey to renew American civilization,'' said Gingrich, who would become speaker of the House if the GOP were to pick up 40 seats in November.

About 150 House Republicans, including all four from Georgia, and another 200 GOP congressional candidates, including five from Georgia, signed the contract during a sun-drenched ceremony on the Capitol steps.

The contract contains many familiar GOP themes from past campaigns tax cuts to spark economic growth, tough action against crime, welfare reform, the balanced budget amendment and term limits.

Bob Barr, the Republican running against Rep. Buddy Darden of Marietta, said the platform spells ou t precisely those things that the voters have been demanding from Congress.

''This is what they're telling us; we're not telling it to them,'' he said. ''And people like Buddy Darden just don't get it anymore. They're just not hearing the message. But they'll hear it on Nov. 8.''

Darden said Barr and the other GOP candidates will regret the day they came to Washington to get their marching orders from national Republican leaders instead of from the people they're trying to represent.

''We are proceeding into the third straight year in which we will have reduced the deficit, for the first time since the Truman administration,'' he said. ''All these tax breaks they have proposed will put us in debt about $1 trillion, or else will require cutting Medicare and Social Security by about 20 percent.''

Not all the Republicans were endorsing every plank in the platform, however, and they disagreed among themselves on the specifics of how each proposal should be implemented.

Charlie Norwood of Augusta, the GOP candidate running against Rep. Don Johnson of Royston, said he backs the basic philosophy of the contract even though ''I may not support every item in the thing.''

Norwood said he does support the balanced budget amendment and would back annual, across-the-board cuts in all federal spending except defense in order to achieve that goal. He said his spending cut plan would include the politically popular Social Security program.

''The people who receive Social Security tell me they would rather have some cuts in it than lose it all,'' he said. ''And I want us to face up to the fact that we can bankrupt this country.''

But Saxby Chambliss, the GOP nominee for the 8th District seat Rep. Roy Rowland is giving up, said Social Security should be the only federal program exempted from cuts if a balanced budget amendment is enacted.

shouldn't be cuts in Social Security where folks have paid that money in to fund that program.''

Johnson said the entire Republican platform is little more than a ''fantasy world.''

''You just can't do this and maintain fiscal responsibility,'' he said. ''We quadrupled the nation's debt during the 1980s ... and if they got what they say they want all in one fell swoop, it would make it issible to balance the budget ever.''

LEVEL 1 - 19 OF 19 STORIES

Chicago Tribune

September 27, 1994 Tuesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 8; ZONE: N

LENGTH: 615 words

HEADLINE: DEMOCRATS ATTACK GOP 'CONTRACT';
CAPITOL EVENT REVIVES 'REAGANISM,' WHITE HOUSE SAYS

BYLINE: Associated Press.

DATELINE: WASHINGTON

BODY:

Hoping to thwart a major Republican campaign offensive, the White House warned Monday that the House GOP's platform was "warmed over Reaganism" that would slash Social Security and Medicare to shower tax cuts on the rich.

Republicans labeled the White House presentation "the big lie" and suggested Democrats were panicked because they felt a GOP tide swelling with just more than a month to go before the midterm elections.

"They have no agenda now because the American people rejected theirs, so all they can do now is whine and carp," said Ed Gillespie, the House Republican Conference spokesman.

The White House attack came a day before more than 300 Republican House candidates, a mix of incumbents and challengers, were to gather on the Capitol steps to sign a "Contract with America" that pledges swift action on a 10-point agenda if voters give Republicans a House majority for the first time since 1954.

The contract promises votes early next year on congressional term limits, welfare reform, new anti-crime measures and an array of spending and economic initiatives, from a balanced budget amendment to tax cuts for capital gains and some families.

Republicans are banking on the event to give their candidates momentum beyond the boost the party out of power traditionally gets in midterm elections. But by refusing to say specifically where they would find the cuts to balance the budget, the GOP left an opening for Democrats to label the document a political gimmick.

"This is a fraud, and I think the American people need to know that," said White House Chief of Staff Leon Panetta.

"This is horrendous economic policy," added senior Clinton economic adviser Robert Rubin, who called the GOP policy a recipe to revive the huge deficits, higher interest rates and sluggish economic growth of the Bush years.

Still, Panetta gave voice to the nervousness among Democrats that, for all the GOP plan's unanswered questions about spending cuts, the public might warm to the document.

"The people would like to believe you can balance the budget without affecting the benefits they receive," Panetta said.

To echo the White House attack, the Democratic National Committee purchased $66,000 worth of radio ads in 20 markets with competitive House contests. The ads say the Republicans are promising "more tax breaks for the rich, forcing devastating cuts in Medicare and Social Security. It's Republican politics as usual."

In its strike, the White House focused solely on the spending and economic aspects of the GOP document, an area even many Republican strategists concede privately is open to criticism.

For example, a cost analysis prepared by House Republicans said there are "no costs" to passing a balanced budget amendment and line-item veto.

Labeling that assertion "a flimflam," Panetta said it would take at least $743 billion in cuts to balance the budget within five years or $1.2 trillion to do it in seven.

"Do they not have a responsibility then to tell us where they would find these cuts?" he asked.

In addition to promising a balanced budget, the GOP promised swift consideration of tax cuts, including a $56 billion reduction in capital gains taxes and $6.5 billion cut in estate and gift taxes.

All told, Panetta said, balancing the budget and delivering the tax cuts would cost $1 trillion over five years, or $1.6 trillion over seven, and that Republicans had detailed proposed cuts that would cover only a sliver of that.

To cover the rest, administration officials said, Republicans would have little choice but to slash Social Security and Medicare. "That's where the money is," said Rubin.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: September 27, 1994

The Bond Buyer

September 27, 1994, Tuesday

SECTION: Pg. 3

LENGTH: 406 words

HEADLINE: Republicans Weave Tax, Budget Fantasy, White House Says

BYLINE: By Dean Patterson

DATELINE: WASHINGTON

BODY:

An election-year plan by congressional Republicans to cut taxes and balance the budget would drive up long-term interest rates, Robert Rubin, director of the president's economic council, charged yesterday.

"This is a recipe to relive exactly the kind of environment that George Bush gave you. This is horrendous economic policy," Rubin said during a briefing at the White House.

"Independent of what the (Federal Reserve) does, long-term bond markets are going to do the same thing they did during the Reagan and Bush years: there would be an enormous premium on interest rates to reflect the deficit this would create," Rubin said.

House Republicans are scheduled today to unveil what they call "Contract with America," a long-term budget plan that includes a middle income tax cut, a capital gains tax cut, and a scheme to eliminate the federal budget deficit in either five or seven years.

Rubin and other senior administration officials yesterday blasted a draft of the plan released Friday, contending that the plan proposes only a fraction of the spending cuts that would be needed to balance the budget in no more than seven years.

"Even if one assumed unchallenged that (the Republicans) would do all of these cuts, there would still be at least a $800 billion shortfall and (that) would likely increase the deficit," according to an evaluation of the plan released by the White House. "To fulfill their contract by the year 2000 would mean a 20% reduction in Medicare and Social Security."

"It's a Voodoo II plan," said Laura D'Andrea Tyson, head of the President's Council of Economic Advisers, while addressing the National Association of Business Economists, which met in Washington yesterday.

"It's warmed-over Reaganism we saw in the 1980s," said Leon Panetta, White House chief of staff, also at the White House briefing. "They don't answer the question: How are they going to pay for it?"

According to administration estimates, the five-year plan to balance the budget would require about $1 trillion in budget savings, and the seven-year plan would need about $1.7 trillion in spending cuts. Yet the plan in its current form only suggests about $220 billion in spending cuts, the White House said.

Rubin and Panetta predicted that the plan would lead to soaring deficits because the balanced-budget aspect would be forgotten as voters embraced the tax cuts but not the drastic spending cuts needed.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: September 26, 1994

LEVEL 1 - 7 OF 19 STORIES

THE DALLAS MORNING NEWS

September 27, 1994, Tuesday, HOME FINAL EDITION

SECTION: NEWS; Pg. 21A

LENGTH: 646 words

HEADLINE: Frost depicts opponent as follower of far right Harrison has assailed him as Clinton liberal

BYLINE: Mark Wrolstad, Staff Writer of The Dallas Morning News

BODY:

Democratic U.S. Rep. Martin Frost, branded a Clinton liberal by his campaign opponent, lashed back Monday, portraying Republican Ed Harrison in the opposite political extreme.

The eight-term incumbent cast Mr. Harrison as a servile follower of the GOP's most conservative elements who would hurt the national and North Texas economies.

At issue was the Republicans' "contract with America," a legislative agenda that the party is set to launch Tuesday as the centerpiece for fall congressional campaigns.

While a mixture of 300 GOP House candidates and incumbents formally endorses the economic and social proposals on the steps of the Capitol, Mr. Harrison said he will stay in the 24th District to campaign after signing the document Monday.

"I'm saying to the American people, This is what I want to work on. Do you want to have more money or less money in your pocket?' " said Mr. Harrison, a Duncanville developer.

By going on the attack, Mr. Frost tried to undercut his opponent's legislative message and, more broadly, to counter Mr. Harrison's disparaging characterization of him as an incumbent in lock-step with the president. It's a tactic that Republicans are using in contests across the nation to capitalize on a wave of voter anger with incumbents.

"This is Newt's program, and he's Newt's boy," Mr. Frost said, referring to House Minority Leader Newt Gingrich of Georgia. "The voters want someone who exercises independent judgment, who doesn't kowtow to party bosses in Washington. Newt wants all these candidates to be robots."

Mr. Frost commented at his Arlington headquarters after a morning news conference. For TV cameras, two dozen campaign supporters stood behind him and cheered as he offered Mr. Harrison a blindfold for what Mr. Frost called his unquestioning support of the GOP line.

Mr. Harrison said, "I can't believe a man who votes with Clinton 91 percent of the time makes other accusations about me being in Newt's pocket."

Mr. Frost disputes that figure.

The incumbent seized on the Republican agenda's unspecified spending cuts to achieve a balanced budget and its tax cuts, estimated at more than $ 150 billion a year, as a return to what he called the failed Reaganomics of the early 1980s, when the federal deficit soared.

"This is voodoo economics all over again," he said. "It borders on the irresponsible. The Republicans have no interest in telling you how they're going to pay for this."

Besides a balanced-budget amendment, the agenda lists a line-item veto, a 50 percent cut in capital gains taxes, tax credits for family-member care and for children, welfare reform and term limits.

"These points are what people in coffee shops in the 24th District are talking about," Mr. Harrison said. "He's out of touch with the district, but that's what happens after you've lived in Virginia for 16 years."

Also on Monday, the Harrison campaign announced that the Libertarian candidate in the race has withdrawn and is supporting the Republican.

Steve Overton, a Euless real estate broker, said the Harrison campaign approached him in August about dropping out, which he did Sept. 6, the last day to keep his name from appearing on the ballot.

"They contacted me and said it was possible that my 7 percent (of the vote) could be the difference," Mr. Overton said. "I'd hate to think my 7 percent kept Ed from winning."

Mr. Overton said no one directly asked him to withdraw.

After first saying that Mr. Overton contacted the Republican camp, Harrison campaign manager Gary Stelluti said he made an initial call "to explore getting his support" but didn't talk to Mr. Overton for some time.

"At no time did we say, We need you to get off the ballot,' " Mr. Stelluti said. "It was his decision."

He said the campaign delayed the announcement for nearly three weeks because "we wanted to hold it."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: September 28, 1994

GOP House candidates pledge to support party goals; then party with PACS

By Carl P. Leubsdorf Dallas Morning News

WASHINGTON More than 300 House Republican candidates gathered at the Capitol on Tuesday to sign a ``contract" pledging prompt consideration of tax cuts and other popular measures if they gain control of the House inNovember elections.

``If the American people accept this contract, we will have begun the journey to renew American civilization," declared Rep. Newt Gingrich, R-Ga., who would be the first Republican speaker in 40 years if the GOP wins the House.

Rep. Dick Armey, R-Texas, who hopes to become majority leader of a GOP-controlled House, said earlier that Republicans can pick up the net gain of 40 seats needed to give them a House majority.

Republicans, he said, will see that the House is taken from ``special interest groups and handed back to the people."

Hours later, many of the GOP hopefuls attended a $5,000-a-table fund-raising dinner at which individuals or political action committees (PACS) purchasing a table could request a specific GOP House member or candidate to sit at their table.

``I believe we should have an obligation to raise money. It's perfectly legitimate," Gingrich said.

The Democratic Congressional Campaign Committee reportedly was sending a crew to film the GOP candidates entering, for possible use in campaign ads.

The signing ceremony earlier Tuesday took place in brilliant sunshine on the west side of the Capitol. Republicans hope that publicizing the agenda will help their chances in the Nov. 8 election.

Each GOP candidate signed the ``contract with America" that pledges votes but not necessarily passage on measures including a $500 tax credit for children and a capital gains tax cut.

Though some tax cuts were specified, they were accompanied by only generalized pledges of ``additional budget savings ... to ensure that the federal budget deficit will be less than it would have been without the enactment of these bills."

Democrats assailed the event. Rep. George Miller, D-Calif., said on the House floor that Gingrich was leading ``blindfolded candidates" to sign a pledge that would lead to large increases in the deficit.

Armey told reporters that specific spending cuts were omitted to avoid giving the Democrats a target. ``I'm not going to give them a chance to shoot at me from behind the bushes," he said.

Newtspeak

Will voters swallow Reagan redux?

With President Clinton's pitch to Minnesotans Saturday and Tuesday's unveiling by Newt Gingrich and Co. of "Contract With America," choices in this fall's congressional elections become well-defined. The choice is especially clear in the contest for the U.S. Senate. While Minnesotans will be choosing between Ann Wynia and Rod Grams, they'll also be choosing between Gingrich and Clinton.

Gingrich's "Contract With America" is a twin to Grams' fiscal program. The central themes boil down to tax cuts, increased defense spending and a balanced budget. That's the same "supply-side" program which got Ronald Reagan elected in 1980 and produced $3 *trillion* in federal debt. It also led to what Business Week calls the "widest rich-poor gap since the Census Bureau began keeping track in 1947," a gap that is tearing hard at the American social fabric. The Grams-Gingrich plan would stretch that gap. A central proposal is a $500 family tax credit for each child. But because the credit isn't refundable, a family with four children earning $19,000 would get nothing while a similar family with 10 times the income — $190,000 — would get $2,000.

The bad effects don't stop there. The Republicans propose total tax cuts of $200 billion over five years. They also propose up to $60 billion in new defense spending. Add those to the balanced-budget pledge, and Republicans need between $800 billion and $1 trillion in spending cuts. They don't tell you where those cuts will come from — except that Social Security and other middle-class entitlements will be off-limits.

The Democrats, meanwhile, have their own story to tell — one that belies the "tax and spend" label Republicans try to stick them with. Last week came a report that the current deficit has fallen substantially this fiscal year and may end up at about $200 billion, $35 billion below predictions. Economists credit economic growth and Clinton's 1993 deficit reduction program. As the President observed Saturday, this marks three straight years of deficit reduction for the first time since Harry Truman.

As Clinton also observed, the country now has the smallest federal bureaucracy since John Kennedy. Yet that pared-back bureaucracy managed to work with the congressional Democratic leadership to pass, in less than two years, the stalled Brady Bill, the stalled crime bill, the stalled Family and Medical Leave Law, the North American Free Trade Agreement, a fledgling national service program for young people, expanded Head Start eligibility, an aggressive immunization program, tax cuts for small business, $255 billion in spending cuts and more. Unless Senate Republicans obstruct again, Clinton also soon will win passage of an important new free-trade agreement, the Uruguay Round GATT, that will further enhance the competitiveness of American business in the world market, where the United States this month once again was pronounced the world's most productive economy.

Those are the options this fall — a rerun of Reaganomics from House Republicans or Clinton's centrist, reasonably successful economic program. From here, the choice doesn't seem difficult. If the Republicans wish to be taken seriously, they'll need to do better.

Minneapolis Star-Tribune
9/28/94

News-Herald 9/28/94.

GOP finds escaping special interests is easier said than done

From wire reports

WASHINGTON - In the morning, more than 350 Republican House candidates solemnly signed a pledge to take back Congress from special interests. In the evening, they headed for a $5,000-a-table dinner to raise half a million dollars from Washington's money elite.

In the daytime ceremony on the Capitol steps, GOP incumbents, challengers and open-seat candidates filed past a table draped in red, white and blue to sign a "Contract with America" - a 10-point platform they pledged to act on early next year if voters elect a Republican House majority for the first time since 1954.

Instead of attending the event, Lake County Prosecutor, Steve LaTourette, who is running against Rep. Eric D. Fingerhut, D-Mayfield Heights in the 19th District, drew up his own contract.

And fellow Republican, Lorain County Prosecutors Gregory A. White, who is running against Rep. Sherrod Brown, D-Lorain in the 13th district, signed the GOP party contract back in Ohio and faxed his signature to Washington. Not too festive, but at least the event gave both White and LaTourette a chance to say what type of platform they would follow if elected to Congress.

LaTourette said he didn't want to sign his name to legislation he hadn't seen. So, instead, he created a localized version of the national GOP contract, which he calls the "Contract with the 19th District."

But Tuesday night's gala at a downtown Washington hotel underscored a reality of modern politics: Democrats and Republicans alike depend on some of the same Washington lobbies for campaign money.

A senior Republican official involved in planning the event said organizers were aware the fundraiser would open them to charges of hypocrisy, and an internal debate about postponing it raged until several days ago.

The Democratic Congressional Campaign Committee was sending a television crew to film GOP candidates going in, for possible use in Democratic campaign ads.

At the contract signing ceremony, Rep. Dick Armey, R-Texas, said Republicans are "united in the belief that the people's House must be wrested from the grip of special interest groups and handed back to the people."

Public interest groups expressed skepticism, and Democrats called the platform a "contract for cash."

"If the same people are providing the money, it doesn't much matter whether you are an insider or an outsider," said Ellen Miller, director of the Center for Responsive Politics, which monitors the connection between money and Congress.

Rep. David Obey, Democratic chairman of the House Appropriations Committee, said many of the tax breaks were designed to reward interest groups that invest heavily in campaigns, including Gingrich's GOPAC political action committee. The package "is a legislative gift to the super rich," he said.

The Plain Dealer

September 27, 1994 Tuesday, FINAL / ALL

SECTION: NATIONAL; Pg. 3A

LENGTH: 476 words

HEADLINE: DEMOCRATS TRY TO HARVEST POLITICAL HAY ON GOP EVENT

BYLINE: By SABRINA EATON; PLAIN DEALER BUREAU

DATELINE: WASHINGTON

BODY:

The Democratic National Committee is trying to turn a Republican media event to its own advantage by buying radio ads in Cleveland and 14 other markets accusing Republican candidates of "selling their souls to special interests before we even elect them."

About 300 Republican congressional candidates, including Rep. Martin Hoke, R-10, of Lakewood, and Summit County Prosecutor Lynn Slaby, are expected to sign a "Contract with America" tomorrow that outlines the political agenda Republicans will undertake if they win control of Congress in November.

Republican congressional candidates Greg White and Steve LaTourette, who are prosecutors in Lorain and Lake counties, can't make it to Washington but say they will sign the contract. White is challenging Rep. Sherrod Brown, D-13, of Lorain, and LaTourette is challenging Rep. Eric Fingerhut, D-19, of Mayfield Heights.

The ads on news and country music stations accuse GOP candidates of "blindly" following Republican leaders' plans to give tax breaks to the wealthy and cut Social Security and Medicare. It also takes them to task for holding a fund-raiser to attract "special interest" contributions after the contract is signed.

Republicans deny the charges.

"If we loaded their allegations in a manure wagon, there would be a beautiful crop next year," LaTourette said. "They are trotting out their typical election year scare tactics for senior citizens, saying we'll cut Social Security and Medicare when nothing could be further from the truth."

Democratic Congressional Campaign Committee spokesman Mike Casey said the Republican "blood oath" would "blow a $1 trillion hole" in the budget, and be a "voodoo II" repeat of Republican economic policies that inflated the federal budget deficit."

He called Republicans hypocrites for running as outsiders at the same time they are taking their orders from Washington.

Hoke's Democratic opponent, Cuyahoga County Treasurer Francis Gaul, and LaTourette's opponent, Fingerhut, also took aim at their rivals for signing the contract.

News releases from Fingerhut that stressed the incumbent's independence and called LaTourette "a pawn of the national Republicans," used the same "blood oath" and "voodoo II" terminology as the Democratic campaign committee.

Fingerhut said he didn't get the phrases from the campaign committee, but that he did get his information on the contents of the Republican plan from the same sources.

"Great minds think in similar ways," said his campaign spokesman, David Eden.

LaTourette accused Fingerhut of participating in an "asssault orchestrated by Democratic party leadership," and pointed out that Fingerhut voted with Democratic leaders on 86% of all issues.

"It seems to me that Mr. Fingerhut is the tail being wagged by the Democratic Party dog," said LaTourette.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: September 28, 1994

The Record

September 27, 1994; TUESDAY; ALL EDITIONS

SECTION: NEWS; Pg. S13

LENGTH: 501 words

HEADLINE: WHITE HOUSE BRANDS GOP PLAN REAGANISM'

COLUMN: ELECTIONS

SOURCE: Wire services

DATELINE: WASHINGTON

BODY:

Hoping to thwart a major Republican campaign offensive, the White House warned Monday that the House GOP's platform was "warmed-over Reaganism" that would slash Social Security and Medicare to shower tax cuts on the rich.

Republicans labeled the White House presentation "the big lie" and suggested Democrats were panicked because they felt a GOP tide swelling with just over a month to go before the midterm elections.

"They have no agenda now, because the American people rejected theirs, so all they can do now is whine and carp," said Ed Gillespie, the House Republican Conference spokesman.

The White House attack came a day before more than 300 Republican House candidates were to gather on the Capitol steps to sign a "Contract With America" that pledges swift action on a 10-point agenda if voters give Republicans a House majority for the first time since 1954.

The contract promises votes early next year on congressional term limits, welfare reform, new anti-crime measures, and an array of spending and economic initiatives, from a balanced-budget amendment to tax cuts for capital gains.

Republicans are banking on the event to give their candidates momentum beyond the boost the party out of power traditionally gets in midterm elections. But by refusing to say specifically where they would find the cuts to balance the budget, the GOP left an opening for Democrats to label the document a political gimmick.

"This is a fraud, and I think the American people need to know that," said White House chief of staff Leon Panetta. "This is horrendous economic policy," added senior Clinton economic adviser Robert Rubin, who called the GOP policy a recipe to revive the huge deficits, higher interest rates, and sluggish economic growth of the Bush administration.

Still, Panetta gave voice to the nervousness among Democrats that, for all the GOP plan's unanswered questions about spending cuts, the public might warm to the document. "The people would like to believe you can balance the budget without affecting the benefits they receive," Panetta said.

To echo the White House attack, the Democratic National Committee purchased $ 66,000 worth of radio ads in 20 markets with competitive House contests. The ads say the Republicans are promising "more tax breaks for the rich, forcing devastating cuts in Medicare and Social Security. It's Republican politics as usual."

In its strike, the White House focused solely on the spending and economic aspects of the GOP document, an area even many Republican strategists concede privately is open to criticism.

For example, a cost analysis prepared by House Republicans said there are "no costs" to passing a balanced-budget amendment and line-item veto.

Labeling that assertion "a flimflam," Panetta said it would take at least $ 743 billion in cuts to balance the budget within five years or $ 1.2 trillion to do it in seven years.

GRAPHIC: PHOTO - LEON PANETTA, Blasts platform as "fraud"

LANGUAGE: English

LOAD-DATE-MDC: September 28, 1994

LaRocco says Chenoweth's pledge will end up costing U.S. taxpayers $1 trillion

Chenoweth disputes LaRocco's contention that the action will cost that much

By Michael R. Wickline
of the Tribune

Idaho Republican congressional candidate Helen Chenoweth Tuesday will be taking "a blind oath to the far right" and House Re- ican Whip Newt Gingrich that costs taxpayers $1 trillion, Idaho Congressman Larry LaRocco says.

But Chenoweth counters she would be more comfortable with the Georgia Republican in control than House Speaker Tom Foley, D-Wash., and President Clinton.

She disputed LaRocco's contention that the House Republicans' action plan for their first 100 days in control of their chamber would cost $1 trillion, although she couldn't provide details about all the plan's major planks. She added that she already has signed a pledge not to vote for any new taxes.

This week, Chenoweth's campaign has repeatedly touted her intention to sign the so-called Contract with America with more than 100 House Republican candidates Tuesday in Washington, D.C.

At the Nez Perce County Fair in Lewiston Friday, she said the House Republican plan would make the federal government more accountable to the people and reduce its size.

The blueprint would require Congress to act under the same laws as other citizens, ndate an audit of the federal government and its agencies by six major accounting firms, cut congressional staffs and the number of committees and give the president line-item veto authority, Chenoweth said.

LaRocco said Office of Management and Budget Director Alice Rivlin Wednesday estimated the will taxpayers $1 trillion and does not identify cuts in the federal government.

The most expensive plank in the GOP contract is passage of a constitutional balanced budget amendment, which the White House estimates would require $743 billion in cuts to enact.

But House Republican Conference policy director Ed Gillespie has estimated the five-year costs of the House GOP blueprint at roughly $140 billion.

The federal budget deficit has declined for three consecutive years, LaRocco said, and Congress can't turn its back on balancing the budget.

"She has to come up with a trillion dollars over seven years," he said Friday in a telephone interview from Chicago. "It is voodoo economics No. 2. I would never sign an allegiance or an oath with the Democratic leadership or the president. Never."

The House Republican plan has everything — including tax cuts for the wealthy, increased military budgets and a balanced budget through trickledown economics — that went wrong in the 1980s, LaRocco said. The federal budget deficit increased from a half trillion dollars to $3 trillion during the 1980s, he said.

"She has committed herself to something she hasn't seen," he charged. "Can you imagine me doing something like this?"

Earlier, Chenoweth contended LaRocco doesn't have any other defenses than to deal with political platitudes about "the far right."

"It is very difficult when you are representing the 1st District of Idaho to defend the fact voted with the president 82 per- of the time," she She d that statistic comes out of the Congressiona Quarterly magazine.

She said she favors freezing the federa budget for eight years to balance the budge through growth in revenues. The budge freeze would exempt Social Security, sh said, and the cost of living adjustments fo Social Security recipients will drop as eco nomic instability and the inflation rate de clines.

Chenoweth said she would look at elim nating the U.S. Bureau of Reclamation be cause the federal agency no longer build irrigation structures, and that was its orig nal purpose.

She also favors eliminating the U.S. De partment of Education. Most of the depar ment's federal funding goes to lunch an special education programs, she said.

She said she would like to see states an local governments pick up the funding to g rid of federal mandates and leave the educa tion of youth in the hands of the states.

"Ronald Reagan envisioned this and cam paigned on this," Chenoweth said. "I don think we should let that vision go."

LaRocco scoffed at Chenoweth's suppo for eliminating the U.S. Department of Edu cation.

"So what? That is a drop in the bucket."

LaRocco noted that he co-authored ar supported a plan to cut an additional $ billion in identified federal spending th failed by only 3 votes in the House of Re resentatives this year.

House Republican candidates "keep sa ing, 'Trust us,'" he said, and their bluepri will cost $750 billion over five years and $2 billion more over seven years. "There is other place to go besides Social Security an Medicare."

9-28-94
top article
front page
S.C. Journal

Latham signs GOP contract

Democrat McGuire says he 'seals allegiance' to GOP leaders

By Dave Dreeszen
Journal staff writer

Republican Tom Latham endorsed a "contract with 5th District voters" Tuesday, while Democrat Sheila McGuire accused him of "sealing his allegiance" to GOP leaders.

Latham joined hundreds of Republican congressional candidates on the Capitol steps to sign the "Contract with America."

Republicans vow to take votes on tax cuts, term limits, a balanced budget amendment, increased military spending, welfare reform and other issues in the first 100 days if the GOP takes control of Congress after the November elections.

"The government is too big and spends too much, and Congress and unelected bureaucrats have become so entrenched as to be unresponsive to the public they are supposed to serve," said Rep. Doug Bereuter, R-Neb., who participated in the ceremony. "This contract restores accountability to government."

Latham, of Alexander, said the contract tells voters what he will do if elected.

"It's a written contract," he said. "It's not a bunch of empty campaign promises. If we don't come through when we have the majority, then they can throw me out of office."

McGuire argued the document shows Latham wants to serve Washington insiders, not voters back home.

"Tom Latham is signing a contract that seals his allegiance to the Republican leadership and their agenda, regardless of the impact on the families of the 5th District," McGuire campaign manager JoDee Winterhof said.

A coalition of labor and liberal groups held a Sioux City news conference to denounce Latham's action. Opponents said the plan would give tax breaks primarily to the rich, and slash spending that aids farmers, the elderly and others.

"This contract represents very dangerous policy proposals which would be devastating to all of middle and working class America," said Don McKee, president of Iowa Association of Federal, State, County and Municipal Employees.

Peggy Huppert, vice president of Iowa Citizens' Action Network, argued the Republican plan would punch a $1 trillion hole in the federal budget.

Latham dismissed his critics.

"That just shows to me how totally out of touch my opponent and her friends are," he said. "They want to keep the status quo. They think bigger government is better, that only government has the answer."

Latham and McGuire, of Boone, are seeking the seat being vacated by Republican Fred Grandy.

Bryan calls Graham a pawn to national GOP

By Michael Dumiak
Anderson County staff writer

ANDERSON — Third District Congressional candidates Lindsey Graham and Jim Bryan traded verbal shots Monday as Graham went to Washington to sign a national GOP campaign platform and Bryan accused him of selling out to partisan interests.

Graham left Monday morning to sign the Republican "Contract with America," which outlines an agenda that covers such GOP standards as term limits, the balanced budget amendment, the line-item veto, capital gains tax cuts and other key points.

"This is an effort by Republican challengers and incumbents to set an agenda for the American people," Graham said "It is in line with what they want out of their government — an agenda for reforming Congress, an agenda for empowering people and providing choices."

Graham said if Republicans are given control of the House, in the first 100 days "we will be voting on the balanced budget amendment, the line-item veto, term limits, we will get rid of congressional exemption from the laws they pass, we will reduce congressional staffs by a third."

Bryan, who supports both the balanced budget amendment and the line-item veto, blasted Graham for what he termed "giving up his independence and becoming a pawn to the national Republican Party.

"He's been publicizing for weeks that he is going to sign this contract, and they didn't finish the actual document until a few days ago. So he's going to sign something before he knows what's really in the document," Bryan said. "He is in lock-step with the party up there. I, however, want to be in lock-step with the working people of this district, representing them and their needs."

Bryan, who opened his Anderson office, called the contract a "gimmick," saying the GOP is "trying to fool the people into

See Race, Page 2C

Race

Continued from Page 1C

thinking they have a program when they don't.

"Did the Republican Party offer financial help if you sign the contract, or would you lose that help if you didn't sign it?" Bryan asked. "I know this. The Democratic Party has asked me nothing, asked me to commit to nothing. Whoever leaves here for Congress needs a clear mandate from the people, a clear understanding of what the people want, and you can't sign a document like this, especially when you commit to it before it's finished."

Graham said the contract went beyond parties, beyond part n politics.

"These reforms are for the good of the country," he said. "It's exciting to me to meet so many people that are willing to say publicly that they are willing to reform Congress before they get there."

Bryan called the contract's financial planks irresponsible, saying they would lead to across-the-board cuts of between 17 percent and 20 percent in the federal budget.

"You have to balance the budget, but you can't do it by getting rid of the revenue we're already taking in," he said.

Graha disputed the figure.

"The Democratic National Committee is putting out an analysis of the spending proposals that we believe is distorted," Graham said.

He said $130 billion should be cut from the budget over 5 years and they could be managed by "downsizing" the federal government.

Bryan said Graham's "blood oath" with the GOP is out-of-step with the "independent character" of the 3rd District.

"People are tired of gridlock, Lord, they're tired of gridlock," he said. "This kind of partisan politics will only invite more. We need to quit personalizing the issues, and Lindsey Graham went to Washington six weeks too early."

Press and Sun-Bulletin, 9/27/94 NY

Moppert to sign GOP contract

Promise billed as constructive action also called 'pact with devil'

By CHRISTINE L. [illegible]
Staff Writer

Robert J. Moppert, Republican candidate for the 26th District seat in the House of Representatives, says he's signing the Contract with America today—committing himself to supporting certain Republican initiatives if he's elected in November.

R. Moppert

Seth Maiman, campaign manager for opponent Maurice Hinchey, said it's more like a "pact with the devil."

Moppert is in Washington D.C. today to commit his support, if elected, to passing a balanced budget amendment, line-item veto for Congress, Congressional term limits and other reforms proposed by the Republican Party. He will sign the 10-point Contract with America at 11:15 a.m.

Hinchey, the incumbent, could not be reached for comment Monday, but supporters had a news conference in Binghamton. They claimed Moppert is selling his vote for campaign funds, an accusation Moppert's office denies.

"Whether he gets money from the national Republican Party has nothing to do with whether he signs the contract," said Brian Sauls, Moppert's director of scheduling.

Moppert said he sees the contract as a way of making himself and fellow Republicans accountable to the American people by putting his campaign promises in writing.

M. Hinchey

"His (Hinchey's) position in this is absolutely pathetic," Moppert said by phone Monday. "We have an opportunity, an obligation, to let people know that we're committed to a new direction. ... I'm proud to be a part of it. I really am."

Hinchey supporters said they are concerned the Contract with America, which sets out 10 priorities for Republicans to tackle in 1995, contains no mention of health-care reform. Many of the speakers also said they fear the Republican agenda would cut funding for social programs such as Medicaid.

The two-year post pays $133,600 a year.

Terms of the contract

If Republicans take control of the House of Representatives in November, they plan to try to pass initiatives included in the Contract with America to:

■ REQUIRE the United States budget to be balanced and give line-item veto power to the legislature.

■ CUT spending for social programs approved in this summer's crime bill and increase funds for prison construction and additional police.

■ CUT welfare benefits for minor mothers, non-citizens and families who have been on Aid for Dependent Children for five years.

■ ENFORCE child support laws, create tax incentive laws for adoption and strengthen child pornography laws.

■ CREATE a $600 per-child tax credit and eliminate marriage penalty.

■ KEEP U.S. armed forces from being under the command of foreign armies.

■ INCREASE the Social Security earnings limit, repeal tax hikes on Social Security benefits and provide tax incentives for long-term care insurance.

■ REFORM unfunded mandates, cut capital gains taxes and conduct a risk assessment and cost benefits analysis of federal spending.

■ CREATE "loser pays" laws for lawsuits and put limits on punitive damages.

■ LIMIT congressional terms.

BRIEFLY

Well water clinics scheduled

Cornell Cooperative Extension of Bro[illegible] Co[illegible] will p[illegible] well water

Student leader: BU sanctions on Greeks a 'wake-up call'

Solutions offered to violence that has tainted [illegible]

Hoagland Raps Pledge; Christensen Is a Signer

BY PAUL GOODSELL
WORLD-HERALD BUREAU

Washington — Rep. Peter Hoag-
d and his Republican challenger
ared Tuesday over how Republi-
is could fulfill the legislative mani-
o they were touting earlier in the
at a GOP candidates rally on the
s of the Capitol.

he GOP candidates signed a
ntract with America," a 10-point
slative pledge to enact such pro-
ls as tax cuts, term limits and a
nced budget amendment. It is
of a GOP bid to become the
rity party in the House.

oagland's challenger, Jon Chris-
en, who was among the more
300 GOP candidates at the
, said: "Signing a contract with
American people takes it one step
nd the run-of-the-mill promises
Americans have become sick of.
l work for passage of a specific
da."

oagland said that the agenda
lawed. He said it would take $1
n or more in spending cuts over
years to balance the budget, cut
and boost defense spending.

Republican lawmakers are seri-
bout doing that, he said, they
ably would need to make cuts in
l Se ty or Medicare, pro-
that benefit senior citizens.

they're going to come anywhere close to meeting their promise here, they're going to have to find over $1 trillion somewhere," said Hoagland, who also supports a balanced budget amendment. "They're breaking their contract with seniors."

Republicans are optimistic that they can pick up the 40 House seats that they need to take control of the House, which has been run by the Democratic majority for four decades. The GOP "contract" represents an attempt to give Republican House candidates a national theme to run on.

All six Nebraska and western Iowa Republican candidates signed the contract and attended the Capitol Hill rally. Besides Christensen, they are: Reps. Doug Bereuter and Bill Barrett, both of Nebraska; Rep. Jim Ross Lightfoot of Iowa; Iowa 4th District challenger Greg Ganske; and Iowa 5th District candidate Tom Latham.

Ganske said, "I think it's very important for us to have a vision of what's important and where we want to go." He said that if Republicans take over the House, "I guarantee that every one of these 10 bills will be passed."

Ganske's opponent, Rep. Neal Smith, D-Iowa, said the Republicans want to return to the economic and

Please turn to Page 6, Col. 1

Hoagland Raps Pledge; Christensen Is a Signer

Continued from Page 1

defense spending policies of former President Ronald Reagan.

"They want to spend more money on defense, cut taxes and assume money's going to come in to pay for it," Smith said. "It didn't work (in the 1980s). It tripled the national debt."

Ganske said the new Republican plan would eliminate the national debt, not increase it, because the proposal calls for a constitutional amendment requiring a balanced budget and a presidential line-item veto.

Ganske and Christensen said Republicans have proposed spending cuts in the past that would be enough to balance the budget, even with the plan's additional costs. Those include cuts in the capital gains tax rate and a $500-per-child tax credit for families with up to $200,000 in taxable income.

Republicans said their plan would cost $147.9 billion over five years, not counting any changes in defense spending. The plan says no additional money would be needed for the Pentagon under the Republican proposal to end the U.S. military's role in United Nations peacekeeping operations and boost spending on a space-based missile defense system.

The Republican cost estimates do not include the amount of spending reductions needed to close the gap between the current budget deficit and the proposed requirement of a balanced budget.

Christensen said Republican lawmakers could easily find ways to pay the $107 billion cost, over five years, of the $500-per-child tax credit. He was one of four candidates who stood at the lectern during discussion of the tax credit, although he did not speak.

"I will not touch Social Security or Medicare," he said.

But a Republican handout to reporters that listed potential spending cuts included a number of Medicare changes that Republicans have proposed in the past, including higher premiums and deductibles for higher-income senior citizens.

Christensen, who stood at the left shoulder of every speaker, said he was excited about the Republican proposal.

"We're asking the American people to give us an opportunity to govern," he said.

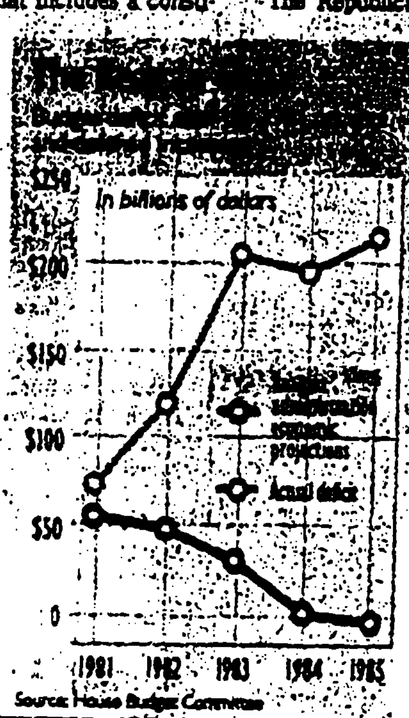
9-27-94
OWH

THE ATLANTA CONSTITUTION
For 125 Years the South's Standard Newspaper

GOP agenda short on specifics

Congressional Republicans are offering an agenda of legislation they would enact if the GOP takes control of the House and Senate in the Nov. 8 elections. So far, the proposals look like Voodoo Economics, Part 2.

Senate Republicans weighed in last week with a seven-point plan that includes a constitutional amendment mandating a balanced budget and pledges to cut the capital gains tax, double the income tax exemption for children and repeal last year's tax hike on the wealthiest Social Security recipients. They would do all that while increasing defense spending.



WILSON LOWREY / Staff

House Republicans, led by Minority Whip Newt Gingrich, are expected to include similar pledges when they unveil their "Contract With America" Tuesday on the Capitol steps.

Of course, Gingrich's agenda for the first 100 days of a Republican Congress has already been tainted by the disclosure that he offered prospective contributors to his $2 million-a-year political action committee the opportunity to have input in the legislative program.

But the main problem with the Republican plans is that they have offered no concrete proposal for paying for them. "We're going to pay for all of our tax cuts by cutting government spending," Sen. Phil Gramm of Texas said in outlining the Senate plan. "We're for real on these issues."

To paraphrase Ronald Reagan's comment in a 1980 debate with Jimmy Carter: There they go again.

The Republicans are continuing a familiar pattern. They refuse to list specific spending cuts for fear of alienating a politically powerful constituency, and they claim that economic growth will ride to the rescue.

Reaganomics held out the promise that one could cut taxes, raise defense spending and lower the budget deficit all at the same time. Instead, the country was saddled with spiraling budget deficits that are only now being brought under control.

Due to continued economic recovery and disciplines imposed by the 1993 Clinton economic plan, the 1994 budget deficit could well dip to below $200 billion. Government red ink seems finally to be on a downward slope. But much more cutting needs to be done.

If the Republicans are serious, let them offer specific plans for drying up the remaining red ink.

To do that, they will have to name names of politically popular programs they would cut.

PRELIMINARY ANALYSIS OF COST ESTIMATES: HOUSE REPUBLICAN "CONTRACT WITH AMERICA" PROPOSALS

September 24, 1994

1. ONE-PAGE SUMMARY

2. BUDGETARY TABLES ON $800 BILLION SHORTFALL

3. ANALYSIS OF "CONTRACT" ESTIMATES

4. IMPACT ON SENIORS

5. BUDGETARY TABLE ON LIKELY SENIORS IMPACT

ONE-PAGE BUDGET SUMMARY OF HOUSE REPUBLICAN CONTRACT

1. TRILLION DOLLAR COSTS: On September 27, 1994, House Republicans will sign what they will describe as a list of promises (increased spending, tax cuts, and balanced budget) that together will require unprecedented budgetary savings of over $1 trillion.

2. AT LEAST AN $800 BILLION HOLE -- WITH NO SAVINGS IN THEIR CONTRACT: The House Republican Contract includes no plan as to how to pay for their plan. None. On September 23, the House Republican leadership gave out a "cost estimate" document that shows that included only "*examples of possible offsets*" that are not actually in the "contract." Yet, even if one assumed unchallenged that they would do all of these cuts -- ***there would still be at least $800 billion shortfall and would likely increase the deficit***. The list of "possible" specific cuts include: $10 billion in student loans cuts, $7.5 billion in worker training cuts, $3 billion in agriculture and rural cuts, $16 billion in international policy cuts, $50 billion in cuts in Medicare, Medicaid and Retirees). (See Tables 1-3, attached).

3. TAX CUTS: HIDDEN COSTS AND CUTS FOR THE WELL-OFF: Many of the tax cuts proposed are either cuts that benefit the most well-off or tax cuts which are designed to hide the large costs they would cause to the federal deficit. *Tax Cuts for the well off:* The contract includes a $6 billion cut in the estate tax and a large $56 billion tax cut for a capital gains tax cut -- a tax cut of which over 70% of the benefits go to families making over $100,000. Even the child tax credit is more generous to well-off families than working poor families. A family of four making $150,000 would get $1000 while a family making $17,000 would get nothing. *Hidden Deficit Costs:* The "Contract" includes at least two tax cuts -- the backloaded, roll-over IRA and the neutral cost recovery system -- which are specially designed to hide current costs and push out the deficit increases beyond the five-year budget window. **If one accepted this deceptive accounting, these two provisions would constitute a $24.2 billion tax increase on savings and investment**. Yet, once beyond the budget window, both are likely to cost $8 billion apiece each and every year.

4. MEDICARE AND SOCIAL SECURITY: To balance the budget and pay for their new spending and tax cuts, the House Republicans would have to call for dramatic cuts in either Medicare or Social Security -- and most likely both. To fulfill their contract by the year 2000 would mean a 20% reduction in Medicare and Social Security -- even if the cuts were just across-the-board and thus included cuts in fighting crime, veterans, education and other important areas. Entitlement cap proposals that focus on the rate of growth would have an ever harsher impact on Medicare. If Social Security were to be exempt from such savings, a 30% across the board reduction on Medicare, fighting crime, education and training would be required.

5. HISTORIC REFRAIN OF FISCAL RECKLESSNESS: The President and Congress fought for and signed a historic deficit reduction plan that is working because it was real and did not use phony numbers. The promise of a panoply of tax cuts for well-off Americans, spending increases and balance budget with no specifics is the same thing that lead to the deficit and debt skyrocketing between 1981-1986, when the Republicans controlled both the White House and the Senate.

Table 1
Summary of Budget Affects of House Republican "Contract with America"
($ in billions, totals over 5 years)

Savings Needed to Balance the Budget		$743.00
Total Revenue Losses and Spending Increases	+	278.80
TOTAL COST		**$1.0218 TRILLION**
Proposed Spending Cuts (As estimated by the House Republican leadership)	-	221.07
TOTAL SHORTFALL		**$800.73 BILLION**

Table 2
Cost of House Republican "Contract with America"

($ in billions)

	5-Year Total
Balanced Budget Amendment *Source: CBO estimate of a 5-year balanced budget schedule. Rep. Armey has proposed balancing the budget by the year 2000.*	$743.0
Tax Incentives for Adoption *Source: House Republican Leadership Estimate*	0.9
Dependent Care Tax Credit for Seniors *Source: House Republican Leadership Estimate*	8.0
$500/child Tax Credit *Source: House Republican Leadership Estimate*	107.0
Modify the Marriage Penalty *Source: House Republican Leadership Estimate*	10.0 (1)
Super IRA	0.0 (2)
Defense *Source: House Republican Alternative Budget, March 1994*	61.1 (3)
Raise Social Sercurity Earnings Limit to $30,000 *Source: House Republican Leadership Estimate*	6.8
Phase-Out 85% Social Security Inclusion *Source: House Republican Leadership Estimate*	17.0
Tax Incentives for Private Long-Term Care Insurance *Source: House Republican Leadership Estimate*	1.3
Cut Capital Gains Rates/Index to Inflation *Source: House Republican Leadership Estimate*	56.0
Neutral Cost Recovery	0.0 (2)
Small Business Expensing Provision *Source: House Republican Leadership Estimate*	3.5
Raise Estate & Gift Tax Exclusion *Source: House Republican Leadership Estimate*	6.5
Restore Tax Deduction for Home Office Expenses *Source: House Republican Leadership Estimate*	0.6
Reduce Congressional Staff by One-Third *Source: House Republican Leadership Estimate*	0.1
TOTAL COST	**$ 1.0218 Trillion**

(1) Initial documents claimed the marriage penalty would be eliminated, as in the Istook proposal (HR 3851). JCT estimates this would cost $72 billion. Apparently the "Contract" has been altered to only reduce the marriage penalty.

(2) The IRA and Neutral Cost Recovery proposals are both listed as tax increases totalling $24.2 billion. In fact, CRS analysis shows that the cost of the Super IRA would be $8 billion per year. Likewise various JCT estimates of rollover, backloaded IRAs also show yearly costs of $4-8 billion per year. The NCR proposal has been projected by the Senate Budget Committee as costing money within 5 years. In light of these differences, we have simply listed both proposals as cost neutral over the next 5 years.

(3) The description in "Contract with America" repeatedly refers to "'strengthening" the defense budget. The House Rep. alternative budget introduced by Rep. Kasich called for a $61.1 billion increase in outlays and a $73.7 billion increase in budget authority. However, in a cost estimate document released by the House Rep.leadership on Sept. 23, 1994, they claim that their defense proposal would have 'no costs.' If this reflects that the House Rep. leadership is in agreement with the Clinton defense budget, the total cost of their proposals would be $61.1 billion less, or $961 billion total.

Table 3
Savings Claimed by House Republican Leadership*
($ in billions)

		5-Year Total
Mandatory Spending		
Student Loan Cuts	-9.56	
Health Cuts (Medicare, Medicaid, Retirees)	-53.16	
Welfare Reform	-40.00	
Total, Mandatory Spending Cuts	-102.72	-102.72
Discretionary Spending		
Crime Prevention	-5.00	
International Discretionary	-16.20	
Agriculture and Rural Cuts	-3.27	
Job Training Cuts	-7.56	
Additional Discretionary Cuts Listed	-58.32	
Overhead Reduction (No specifics given)	-28.00	
Total, Discretionary Spending Cuts	-118.35	-118.35
TOTAL CUTS		**-221.07**
Savings Needed for House Republican "Contract with America"		+ **1,021.80**
TOTAL SHORTFALL		**$800.73 BILLION**

* All savings estimates included are taken as given by the House Republican leadership. The accuracy of these estimates is not necessarily endorsed.

ANALYSIS OF HOUSE REPUBLICAN "CONTRACT" ESTIMATES
STILL AT LEAST AN $800 BILLION HOLE

September 24, 1994

1. STILL AT LEAST AN $800 BILLION HOLE: The initial estimate of the Republican House Contract was that it would require savings of over $1 trillion. Since then, the Republican House Leadership has given out some of the details of their plan. With this additional information, a conservative estimate shows that the costs are over $1 trillion. The House Republican Leadership did put out some possible offsets -- yet even if one accepts as given the estimates and realism of nearly all of House Republican leadership's cuts, there is still more than an $800 billion hole, and the House plan would not only not balance the budget, but it would actually increase the deficit by nearly $60 billion. (Suggested Republican cuts include: $10 billion in student loan cuts, $7.5 billion in worker training cuts, $3 billion in agriculture and rural cuts, $50 billion in cuts in Medicare, Medicaid and Retirees).

2. CONGRESSIONAL BUDGET OFFICE SAYS IT TAKES A $742 BILLION DEFICIT REDUCTION PLAN OVER (5 YEARS) OR $1.2 TRILLION DEFICIT REDUCTION PLAN (7 YEARS) TO BALANCE THE BUDGET. HOUSE REPUBLICAN LEADERSHIP REFUSE SIMPLY SAY IT IS "NO COST."

- Gingrich has never said how he would pay for this. He voted against a $500 billion deficit reduction plan, while House Republicans never offered a plan as large

- When pressed for how they would fill this near trillion dollar hole, the House Republicans put out a "Cost Estimate" document that stated that there was "NO COST" to balancing the budget.

- That is a statement that cross any line of credibility. It took a eight month grueling fight to get a $500 billion deficit reduction plan, (which no Republican was wiling to vote for), how can a plan to balance the budget in five years have no costs?

3. RATHER THAN FILL IN THIS HUGE BUDGETARY HOLES, THE HOUSE PLAN MAKES THE HOLE BIGGER AND BIGGER WITH EVERY IMAGINABLE TAX CUT AND "GOODIE" AND PROMISE FIVE WEEKS PRIOR TO THE ELECTION.

- Many of the Republican "goody" list are perfect good proposals, if they had any way to pay for them other that dramatic cuts in Medicare and Social Security. They don't. Making the hole bigger:

  $56 billion increase in capital gains tax cut (70% of benefits go to families making over $100,000)

  $107 billion tax credit for children for families under $200,000 (yet provides more tax relief for family at $150,000 than at $15,000)

$6.5 billion Estate and Gift tax exclusion

$3.5 billion to increase the small business expensing to $25,000 -- even this is exactly what President Clinton proposed in 1993 -- and 100% failed to support, and 100% voted against an increase of the same size.

4. THE HOUSE REPUBLICANS ARE EITHER BACKING DOWN OR BEING DECEPTIVE ON TWO MAIN PROPOSALS WORTH OVER $120 BILLION.

● In responding to a White House analysis showing that their proposal has a $trillion hole, the House Republicans seemed to have backed down (or are not being forthright) about over $120 billion in additional spending.

● The House Republican Contract documents sent nationwide all stated that they sought to "eliminate" the so-called marriage penalty. The Joint Tax Committee found that the cost was a prohibitive --$72.2 billion. Now they have backed down on this proposal saying they are supporting something only 1/7 as large -- a "modification" that they say costs $10 billion a year.

● The House Republicans claimed that the Clinton defense budget needed to be strengthened. The Kasich House Republican budget in March, 1994 asked for $61 billion additional outlays. Now, in their release they seem to have decided they agree with the Clinton budget -- saying that it has "NO COST." Yet, some House leaders say that they do need $40 billion-$60 billion more. (House Republican Press Conference, September 23, 1994) So either they have back down or they have are not being straight forward.

5. THE TRUE COST IS SERIOUSLY HIDDEN BY MANIPULATIVE TAX CUTS DESIGNED TO PUSH LARGE COSTS INTO THE OUTYEARS -- MAKING THEIR HOLE EVEN LARGER.

● Two of the Republicans main tax cuts they list as tax increases. They claim their expanded IRA is a $5 billion tax increase on families; they claim that their depreciation proposal is a $19 billion tax increase on business.

● The fact is that they are specifically designed to raise revenue in the first few years, in order to hide the true costs to the deficit in the outyears. Both their proposal will cost near $8 billion a year to the deficit -- or $40 billion over five years --

● The expanded IRA makes people put in after-tax income into their accounts (instead of pre-tax income) thereby raising income for a couple of years. They interest grows tax free forever after that -- with serious deficit consequences ($8 billion a year) that they push off to the outyears.

- The "Neutral Cost Recovery" proposal claims to be a $19 billion tax increase over five years, but as the Congressional Research Service analysis has shown, it pushes costs dramatically to the outyears, leading to costs to the deficit of around $8 billion a year after the first few years.

6. THE ONLY WAY THE HOUSE REPUBLICAN COULD MAKE GOOD ON ITS CONTRACT IS TO HAVE DEVASTATING CUTS IN MEDICARE AND SOCIAL SECURITY.

- To balance the budget by the year 2000 as Congressman Armey calls for, the Republicans would have to reduce spending by $257 billion to balance the budget, plus find between $60-100 billion to pay for new spending and tax increases, the Republicans would have to find at least $300 billion in spending cuts.
Yet, when defense and revenues are taken off the table, about half of the spending available for these dramatic cuts would be Medicare or Social Security.

- Even if there was across the board spending reductions, Social Security and Medicare would have to be reduced by 20% -- along with fighting crime, veterans, agriculture, education and training. If Social Security were to be also taken off the table, the cuts would have to be 30% reductions across the board in all of these areas.

IMPACT ON SENIORS

The Republican House alternative budget requires close to a trillion dollars in savings over the next five years. By the year 2000 this would require savings of nearly $350 billion in that year alone to balance the budget and pay for the spending increases and tax cuts. Even if one assumed significant interest savings under their plan, the House Republican plan would still have to find $300 billion in savings out of less than $1.5 trillion budget.

How would they do it?

As the House Republicans have given virtually no details on how they would find $1 trillion in saving over five years, or how they would reduce spending by over $300 billion in the year 2000 alone, one can only consider the across-the-board effect. *In this case, there would have to be a 20% across-the-board cut on all spending -- including Social Security and Medicare. If Social Security was to be excluded, there would have to be a 30% across-the-board cuts.*

Yet, nearly 50% of the available funds available to be cut would be either Social Security or Medicare so that it is likely that both would have to be subject to dramatic cuts. (See attached Chart)

Other Examples of Republican Approaches to Cutting Seniors Programs:

- Entitlement caps, would have specifically severe cuts on Medicare. The Bush entitlement cap, for example, would have led to over $144 billion in Medicare. (1992 OMB Midsession Review, pp. 412-13, July 24, 1992).

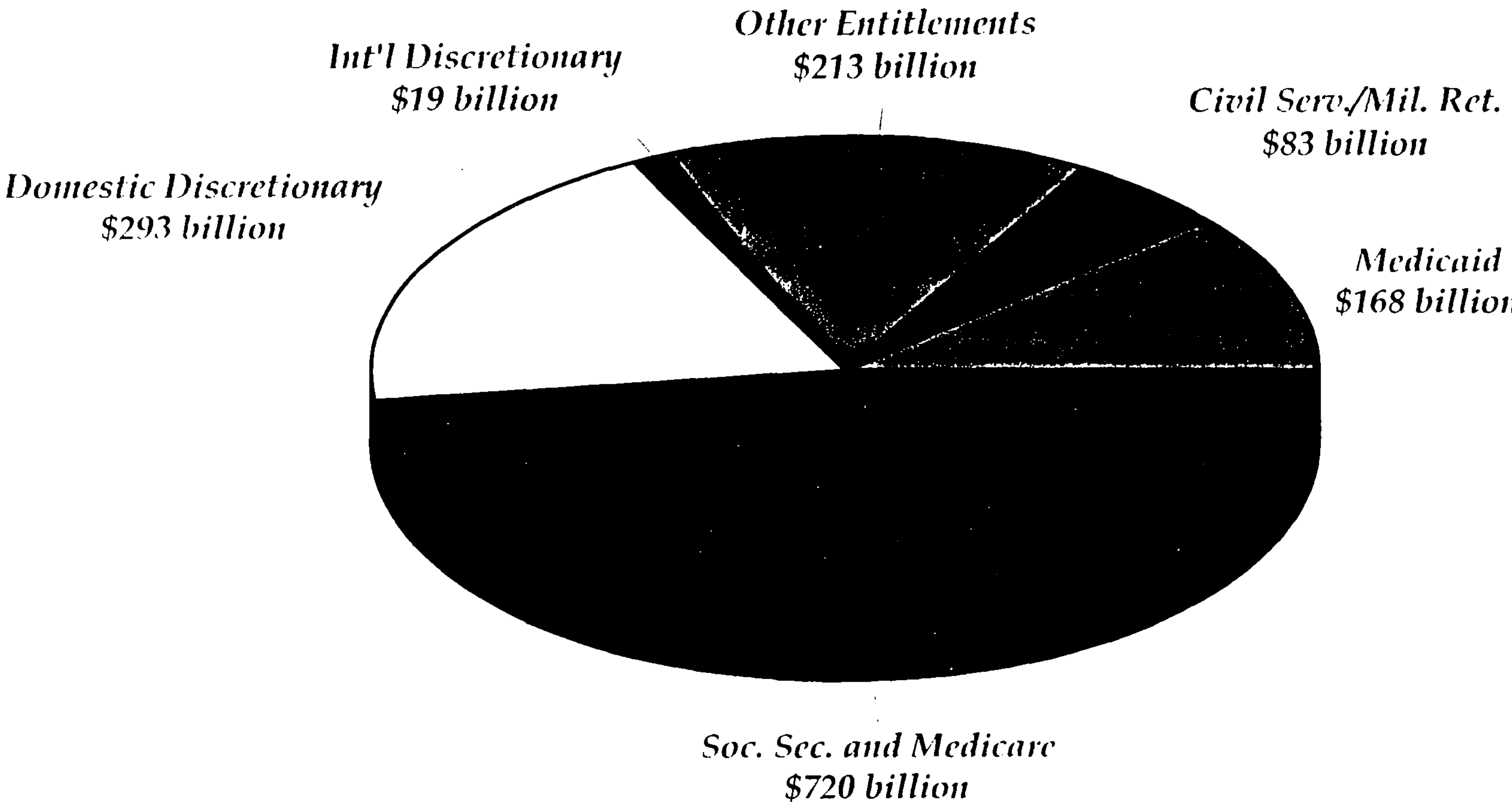
- The Senate Republican "Seven More in 94" called for $238 billion in Medicare and Medicaid cuts over five years, in a "possible" offsets that would have covered only a fraction of the costs of paying for the Republican agenda.

- The House Republican Alternative budget released by Rep. Kasich in March, 1994 called for $44 billion in Medicare spending cuts in a package that covered only a percentage of the cuts needed to pay for the "Contract with America."

The House Republican's "Contract with America" will require *$300 billion* in cuts in FY 2000. Where do you think the cuts will come from?

PROGRAMS AVAILABLE FOR SPENDING CUTS, EXCLUDING DEFENSE

(CBO FY 2000 Projections)



NEC Staff Working Paper:

Preliminary Budget Analysis of House Republican's *Contract with America*

[Not for Distribution]

September 20, 1994

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INTRODUCTION

On September 27, 1994 the House Republican leadership will conduct a press conference in which House Republican incumbents and challengers will sign a specific contract committing themselves to passing certain legislation if the Republicans gain a working majority in the House of Representatives. This "Contract With America" would become their agenda for the first 100 days of the new Congressional session.

At this moment, there is no definitive and detailed list of the exact proposals that the House Republicans will put forward. However, Haley Barbour has stated that the contract will mostly consist of "existing proposals" and there have been several press accounts in which Republicans have laid out elements of their proposals. Therefore, we have based our analysis on proposals that House Republicans have previously offered, while using estimates when possible from the Congressional Budget Office, Joint Tax Committee, Office of Management and Budget, Treasury Department or one of the Congressional Budget Committees. To the degree that more details come out, we will revise this analysis.

ONE-PAGE BUDGET SUMMARY OF HOUSE REPUBLICAN CONTRACT

1. TRILLION DOLLAR COSTS: On September 27, 1994, House Republicans will sign a list of promises that, together, would require unprecedented budgetary savings to achieve. They will commit to balancing the budget, while simultaneously enacting expensive new tax reductions and increasing some spending programs. First, the Republicans would need to find dramatic savings just to balance the budget by either 2000 or 2002 -- either $743 billion under a five-year deficit reduction plan (as in Republican Conference Chairman Armey's proposal) or $1.2 trillion under a seven-year deficit reduction plan (the path required by the Balanced Budget Amendment Act). Yet, in addition to the savings required to achieve a balanced budget, the House Republicans will propose $70 billion in increased defense spending and over $200 billion in new tax cuts over five years -- including marriage penalty changes ($72 billion), a child tax credit for families making up to $200,000, ($107 billion), and increased benefits to the top 13% of Social Security recipients ($21 billion). In net, the **Republicans will have to find additional budget savings of $1.0 trillion over five years or $1.7 trillion over seven years.**

2. TAX CUTS: REGRESSIVITY AND EXPLODING COSTS: The plan also includes three proposals that are designed to increase the federal deficit substantially in later years -- or to force additional cuts to pay for them. The rollover to backloaded IRAs, the capital gains tax cut, and the neutral cost recovery system are all specially designed to hide current costs and push out the deficit increases beyond the five-year budget window. Over 70% of the capital gains tax cut benefits go to Americans making over $100,000, while the neutral cost recovery system starts out artificially raising funds, but then costs $8 billion by the fifth year alone -- with dramatically increased costs thereafter.

3. FAILING THE SERIOUSNESS TEST: The House Republican "contract" appears not even to attempt to say how it would be paid for. As the Wall Street Journal reported on Friday, September 16, 1994, even Senate Republicans refused to sign on because, as one Republican Senator stated, "they are just blowing away money." The "contract" makes an iron-clad commitment to balance the budget yet rather than give details out as to what cuts (Medicare, Social Security, veterans) would be made, it instead offers hundreds of additional billions of dollars in new expenditures and tax cuts.

4. HOUSE ALTERNATIVE BUDGET FALLS HUNDREDS OF BILLIONS SHORT: The most specific plan House Republican plan to find savings for deficit reduction and tax cuts relied on severe and largely unrealistic spending cuts. Even it would still fall approximately $500-$700 billion short of what would be necessary to pay for the massive Republican "contract."

5. MEDICARE AND SOCIAL SECURITY: Any effort by the House Republicans to find the hundreds of billions of dollars of savings necessary to balance the budget, while paying for their additional spending and tax cuts without defense cuts or more taxes on well-off Americans would lead to dramatic cuts to Medicare or Social Security or both. Simply to balance the budget under their budget criteria would require a 17% cut across the board -- and over 20% when you add in their new spending and tax benefits. Entitlement cap proposals that focus on the rate of growth would have an ever harsher impact on Medicare. If Social Security were to be exempt from such savings, the impact on Medicare, fighting crime, education and training could be even greater.

TRILLION DOLLAR COSTS

The House Republican proposal starts with a commitment to find savings to balance the budget even though they "take off the table" areas like defense spending and taxes on the wealthiest Americans. Even if the House Republicans were to propose this and no additional items, they would need to come forth with a major deficit reduction plan far beyond what they have ever proposed. As their "contract" promises to find savings not only for balancing the budget but also for financing new spending and new tax cuts, they would need to find savings of over $1 trillion.

I. SAVINGS REQUIRED TO MEET BALANCED BUDGET PROPOSALS:

A: Seven-Year Path: There are two current proposals for a balanced budget that some House Republicans have signed on to. One is the Balanced Budget Amendment Act, which was amended to call for a balanced budget by the year 2002. This would phase in a balanced budget over seven years. If the deficit were reduced in equal increments, the necessary deficit reduction plan would call for a $1.2 trillion deficit reduction program over FY1996-FY2002. (See Table 3)

B: Armey's Five-Year Path: The second proposal, recently announced by Congressman Armey, would balance the budget by the year 2000. This would require a five-year deficit reduction plan. Again, assuming this was phased-in in equal increments, this would call for a $743 billion dollar deficit reduction plan over five years. (Both estimates use the current Congressional Budget Office baseline, see, "The Economic and Budget Outlook: An Update," CBO, August 1994, p.31)(See Table 4)

II. SAVINGS REQUIRED TO BOTH SATISFY BALANCED BUDGET AND ADDITIONAL REPUBLICAN PROPOSALS: In addition to the savings required to balance the budget, the House Republican leadership would need to find savings for the following proposals:

	1996-2000 ($ in billions)	1996-2002
1. Capital Gains Tax Cut	-10.2	-21.4
2. Gramm-Gingrich Indexing	-4.8	-10.0
3. $500 Tax Cut for Children	-107.0	-158.2
4. Defense Increases	-61.1	-98.1
5. Elimination of the Marriage Penalty	-72.7	-108.9
6. Long-Term Care Incentives	-1.5	-2.3
7. Modify Social Security Earnings Test	-11.8	-17.0
8. 85% Soc. Sec. Inclusion Repeal	-21.0	-31.4
9. Tax Incentives for Adoption	-0.2	-0.3
10. Expansion of IRAs	-6.2	-12.9
11. Neutral Cost Recovery	5.0	-11.0
12. Savings Needed for BBA	-743.0	-1,200.0
Total Cuts Needed	**-$1,034.5**	**-$1,671.5**

Table 1

Projected Cost of House Republican Proposal: 7-Year Balanced Budget Plan

($ in billions) 07:27 AM 09/19/94

Proposal	1996	1997	1998	1999	2000	2001	2002	Total 1996-2002
	Fiscal Year							
1 Capital Gains Tax Cut *Source: JCT analysis of Bush Administration FY 1992 proposal.*	0.8	3.7	-3.4	-5.7	-5.6	-5.6	-5.6	-21.4
2 Gramm-Gingrich Indexing *Source: JCT analysis conducted at time of proposal.*	0.5	-0.3	-0.9	-1.5	-2.6	-2.6	-2.6	-10.0
3 $500 Tax Credit for Children *Source: House Budget Comm. report on FY 1995 Kasich Budget Proposal.*	-4.7	-25.6	-25.6	-25.6	-25.6	-25.6	-25.6	-158.2
4 Defense Increases (In Outlays) *Source: proposed in Rep. Kasich's FY 1995 budget alternative, which also increases budget authority by $73.7 billion over 5 years.*	-4.7	-9.6	-12.7	-15.6	-18.5	-18.5	-18.5	-98.1
5 Elimination of the Marriage Penalty *Source: JCT analysis conducted Sept. 16, 1994.*	-7.2	-14.7	-15.8	-16.9	-18.1	-18.1	-18.1	-108.9
6 Long-Term Care Incentives *Source: CBO analisys of Michel Health Care Bill, 1994.*	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-2.3
7 Modify Social Security Earnings Test *Source: OMB estimate.*	-1.6	-2.5	-2.5	-2.6	-2.6	-2.6	-2.6	-17.0
8 85% Soc. Sec. Inclusion Repeal *Source: Office of Tax Analysis, Dept. of Treasury, Sept. 16, 1994.*	-1.7	-4.5	-4.7	-4.9	-5.2	-5.2	-5.2	-31.4
9 Tax Incentives for Adoption *Source: Office of Tax Analysis, Dept. of Treasury, Sept. 16, 1994.*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
10 Expansion of IRAs *Source: JCT estimate of H.R. 11 IRA proposal, Sept. 14, 1992.*	-0.2	0.8	-1.4	-2.0	-3.3	-3.3	-3.3	-12.9
11 Neutral Cost Recovery *Source: Senate Budget Comm. analysis of Kasich proposal.*	3.0	6.0	5.0	-1.0	-8.0	-8.0	-8.0	-11.0
Sub-Total	-16.0	-47.0	-62.3	-76.0	-89.9	-89.9	-89.9	-471.5
12 Savings Necessary to Balance Budget by FY2002 *Source: CBO projection, Sept. 19, 1994*	-38.0	-78.0	-121.0	-166.0	-213.0	-265.0	-319.0	-1200.0
TOTAL COST	**-54.0**	**-125.0**	**-183.3**	**-242.0**	**-302.9**	**-354.9**	**-408.9**	**-1671.5**

Table 2

Projected Cost of House Republican Proposal: 5-Year Balanced Budget Plan

($ in billions) 07:26 AM 09/19/94

Proposal	Fiscal Year 1996	1997	1998	1999	2000	Total 1996-2000
1 Capital Gains Tax Cut *Source: JCT analysis of Bush Administration FY 1992 proposal.*	0.8	3.7	-3.4	-5.7	-5.6	-10.2
2 Gramm-Gingrich Indexing *Source: JCT analysis conducted at time of proposal.*	0.5	-0.3	-0.9	-1.5	-2.6	-4.8
3 $500 Tax Credit for Children *Source: House Budget Comm. report on FY 1995 Kasich Budget Proposal.*	-4.7	-25.6	-25.6	-25.6	-25.6	-107.0
4 Defense Increases (In Outlays) *Source: proposed in Rep. Kasich's FY 1995 budget alternative, which also increases budget authority by $73.7 billion over 5 years.*	-4.7	-9.6	-12.7	-15.6	-18.5	-61.1
5 Elimination of the Marriage Penalty *Source: JCT analysis conducted Sept. 16, 1994.*	-7.2	-14.7	-15.8	-16.9	-18.1	-72.7
6 Long-Term Care Incentives *Source: CBO analysis of Michel Health Care Bill, 1994.*	-0.2	-0.3	-0.3	-0.3	-0.4	-1.5
7 Modify Social Security Earnings Test *Source: OMB estimate.*	-1.6	-2.5	-2.5	-2.6	-2.6	-11.8
8 85% Soc. Sec. Inclusion Repeal *Source: Office of Tax Analysis, Dept. of Treasury, Sept. 16, 1994.*	-1.7	-4.5	-4.7	-4.9	-5.2	-21.0
9 Tax Incentives for Adoption *Source: Office of Tax Analysis, Dept. of Treasury, Sept. 16, 1994.*	0.0	0.0	0.0	0.0	0.0	-0.2
10 Expansion of IRAs *Source: JCT estimate of H.R. 11 IRA proposal, Sept. 14, 1992.*	-0.2	0.8	-1.4	-2.0	-3.3	-6.2
11 Neutral Cost Recovery *Source: Senate Budget Comm. analysis of Kasich proposal.*	3.0	6.0	5.0	-1.0	-8.0	5.0
Sub-Total	-16.0	-47.0	-62.3	-76.0	-89.9	-291.5
12 Savings Necessary to Balance Budget by FY2000 *Source: CBO projection of 5-yr. balanced budget path, Sept. 19, 1994. Rep. Armey calls for a balanced budget by FY 2000.*	-46.0	-94.0	-146.0	-200.0	-257.0	-743.0
TOTAL COST	**-62.0**	**-141.0**	**-208.3**	**-276.0**	**-346.9**	**-1034.5**

At this moment, there is no definitive and detailed list of the exact proposals that House Republicans will put forward on September 27, 1994 as part of their "Contract." Since they have not yet given out the details of their proposals, we can only take Haley Barbour at his word that the "Contract" will mostly consist of "existing proposals." Therefore, we have estimated costs based on past House Republican proposals, while using estimates when possible from the Congressional Budget Office, Joint Tax Committee, Office of Management and Budget, Treasury Department or one of the Congressional Budget Committees. To the degree that more details come out, we will revise our analysis.

1. LACK OF DETAIL AS TO WHERE THE SAVINGS WILL COME FOR BALANCING THE BUDGET AND ADDITIONAL PROPOSALS: The House Republican "contract" does not attempt to propose financing sources. As the Wall Street Journal reported on Friday, September 16, 1994, even Senate Republicans refused to sign on because as one Republican Senator stated, "they are just blowing away money." This characterization is understandable. First the "Contract" makes an iron-clad commitment to balance the budget -- presumably by 2002 as the balanced budget amendment requires, but possibly by the year 2000 as proposed recently by Republican Conference Chairman Armey. Whatever one's view of this Amendment, it would unquestionably require a deficit reduction plan of either $743 billion over five years or $1.2 trillion over seven years. Yet, rather than give details out for the first time as to what cuts (Medicare, Social Security, veterans) would be made, the "Contract" instead offers additional hundreds of billions of dollars in new spending and tax cuts, that would all have to be paid for in addition to the savings that would have to be found to balance the budget by 2000 or 2002. *Yet, it is still unclear whether the Contract will include agreement on any specific means as to how to find the trillion dollars needed to meet their tax cut, spending increases and deficit reduction pledges.*

2. ESTIMATED COST IN EXCESS OF ONE TRILLION DOLLARS: Under almost any estimates, it seems clear that the essential promise, to balance the budget by the year 2000 (Armey) or 2002 (Balanced Budget Amendment of 1993) ***plus*** increase defense spending ***plus*** provide several tax cuts, would require savings beyond anything that any member of the Republican House Leadership has ever presented. In order to just balance the budget, the Republicans must find $743 billion in savings over five years or $1.2 trillion over 7 years. In addition, they must find additional five-year savings to pay for increased defense spending ($61 billion), marriage penalty changes ($72 billion), a child tax credit for families making up to $200,000, ($107 billion), and increased benefits to the top 13% of Social Security recipients ($21 billion).

- **Five-Year Costs -- $1.034 Trillion:** The savings they would need to find to achieve their contract goals in the first five years (in accordance with the Armey balanced budget proposal) would be $1.047 trillion. (See Table 2)

- **Seven-Year Costs -- $1.67 Trillion:** If the Republican Contract assumes that they will balance the budget by the year 2002 -- a seven-year plan -- the burden will be even greater. This is partly because trends in the deficit require a $1.2 trillion deficit reduction plan just to balance the budget over 7 years (without any new tax cuts), and partly because the costs of the core of their tax cuts (rollovers to backloaded IRAs, capital gains reductions, neutral cost recovery) explode in the out-years --just as they were planning to get the budget in balance. (See Table 1)

3. TAX CUTS: REGRESSIVITY AND EXPLODING COSTS: Other than the child tax credit, they will include three proposals (rollovers to backloaded IRAs, capital gains tax cut, and neutral cost recovery) in which the benefits go disproportionately to the well-off. Each of these 3 proposals relies on gimmicks to push significant costs into the out-years -- beyond the five-year budget scorekeeping window in the House of Representatives. This budget gimmickry contradicts the goal of a balanced budget, since it creates out-year deficit increases that the Republicans have never said how they would overcome.

A. Examples of Regressivity:

- **Capital Gains:** The Joint Tax Committee (1992) has found that over 70% of the gains of a capital gains tax cut would go to Americans making over $100,000 and over 50% would go to the top 1% of Americans -- those making over $200,000.

- **Unnecessary Inequity in Child Tax Credit Proposal:** Even if the Republicans were able to pay for their $500 per child tax credit, their proposals would give significant tax cuts to the top 1-2% of Americans, while denying working poor families even a penny. Under the previous child tax credit proposal, a family of four making $150,000 would get a $1000 tax break while a family of four making $20,000 would get not a single penny since the tax credit is not refundable.

- **Opposition to 1992 and 1993 Budget Proposals**: In 1992, 99% of Republicans voted against a child tax credit and an expanded IRA simply because the program also included a tax increase on the top 1.2% of earners. In 1993, 100% of Republicans voted against a budget with a dramatic expansion of the Earned Income Tax Credit for 15 million working families largely, again, because of tax increases on the top 1.2% -- those making over $180,000 adjusted gross income.

B. Examples of Exploding Costs:

- **Rollovers to Backloaded IRAs:** One proposal is a rollover to "backloaded IRAs." This proposal hides the true costs in the first few years, by allowing only after-tax income to be put in these IRAs, and then making all interest income tax free -- forever. The cost of this proposal will grow to $8 billion a year (or more in out-years) according to previous Joint Tax Committee estimates -- just as the deficit is projected to rise.

- **Neutral Cost Recovery System:** This provision gives huge new depreciation tax cuts that increase each year, so that the main costs fall outside of the five-year period for which cost estimates are required in the House of Representatives. These gimmicks are objectionable not only because they are deceptive to the American people in terms of whether they are fully financed, but also because they directly contradict the goals of a balanced budget, as the rising costs will add to the deficit in the out-years -- where the Congressional Budget Office and OMB now see growing deficit increases as a percentage of GDP. Indeed, even by the fifth year of the proposal, the effect of the neutral cost recovery will change from gaining revenue to losing $8 billion a year, with increasing costs thereafter.

4. MOST AGGRESSIVE REPUBLICAN SAVINGS PLAN FALLS APPROXIMATELY $500-$700 BILLION SHORT: The most specific House Republican plan to find savings for deficit reduction and tax cuts relies on severe and largely unrealistic spending cuts, yet would still fall $500-$700 billion short of what would be necessary to pay for the massive Republican "contract." The House Republican alternative budget in 1994 (sponsored by Rep. Kasich) sought to pay for tax cuts and additional deficit reduction through spending cuts that were often double counts, unrealistic or called for unjustified reductions in investment programs. The Republican plan included double counting up to $50 billion in overhead and personnel reductions that are already in the President's budget, a $45 billion cut in Medicare, a $30 billion cut in health care, a $53 billion cut in education and training including cuts in college loans ($10 billion), and job training ($10 billion), a $57 billion cut in transportation and infrastructure ($18 billion coming from selling the Air Traffic Control Corporation), and $24 billion in natural resources and environmental programs. The Republican budget also calls for cuts in criminal justice of $21 billion -- which would not allow for the new cops and prison funding in the crime bill. This still leaves over a $500-$700 billion shortfall in the five-year plan, and an even greater shortfall over seven years because of the projected increase in the deficit and because the costs of several House Republican proposals explode after the first few years.

- **Entitlement Cut and Entitlement Caps:** The Kasich plan would have cut entitlements by $101 billion over five years, including a $10 billion cut in agriculture, a $10 billion reduction in student loans, and a $45 billion Medicare reduction. An entitlement cap proposal that cuts $200 billion would likely add only $100 billion in savings after double counting is removed.

- **Double Counting:** The Kasich proposal included provisions such as some personnel and overhead reductions, procurement savings and defense cuts that are already part of the Clinton budget.

5. IMPACT ON SENIORS: The Republican proposal seeks to mask the likely impact it would have on seniors -- either through cuts in Medicare or Social Security. On its face, the House Republican proposal increases spending by $21 billion on Social Security for the top 13% of recipients and another $12 billion on seniors who are still working -- again with most of the benefits going to the most well-off recipients. Yet, if the House Republican were serious about paying for their plan while taking off the table taxes on the well-off and defense, there would be little choice but to call for severe cuts to Medicare or Social Security -- or both.

- **1994 Republican House Alternative:** In the 1994 Kasich proposal, there were $75 billion in cuts to health care -- including an additional $45 billion in Medicare cuts. Yet, the real threat to Medicare is that it seems to be the only viable target for paying for the Republican proposals. As the Republicans are opposed to any tax increases on the wealthiest Americans, and call for defense increases, their main vehicles for spending cuts would have to be Medicare or Social Security.

- **Entitlement Caps:** Armey, among others, has called for entitlement caps that would freeze spending on entitlements per beneficiary at approximately the rate of inflation. Whatever the merits of such a proposal, the clear fact is that such proposals represent plans to dramatically cut Medicare costs. For example, a proposal similar to Armey's would lead to $163 billion in Medicare cuts over five years.

- **Seniors Are the Main Primary Possible Target:** If the budget must be balanced under the Republican criteria, with no cuts in defense and no tax increases on the well-off, there is simply no choice but to call for major cuts in either Medicare or Social Security or both -- anywhere from 24%-33% of their budgets in the year 2002. These are the dramatic reductions in assistance for seniors that would be required to balance the budget and pay for the tax cuts and spending increases that are called for by the Republican contract.

6. FISCAL CYNICISM: The House Republican contract resorts to the type of fiscal cynicism and gimmickry that led to the escalation of the deficit when the Republicans controlled the White House and the Senate between 1981 and 1986. First, at the same time the Republicans talk about "means testing" entitlements and the need for tough choices, they seek to repeal over $20 billion in deficit savings by eliminating the provision that requires the top 13% of Social Security recipients to count a higher percentage of their Social Security benefits as taxable income. Second, as mentioned above, they have three tax cuts which are specifically designed to do exactly what deficit reduction efforts are supposed to alleviate -- pushing costs out to the future to avoid fiscal responsibility today. The rollovers to backloaded IRAs, the neutral cost recovery system and many forms of the capital gains tax cut are specifically designed to mislead the American people as to their true costs by pushing the costs beyond the budget window. The reply from the Republicans who are advocating them is familiar: tax cuts will raise funds, the same fiscal logic that led to exploding deficits when the Republicans controlled the White House.

IMPACT ON SENIORS

The Republican House alternative budget requires close to a trillion dollars in savings over the next five years. It is difficult to understand how they would finance this significant number. Yet, as they have consistently taken off the table both defense (where they call for significant increases) and tax increases on the most well-off Americans, both past history and basic budget logic imply that the major impact would have to be on Medicare or Social Security.

The CBO baseline for FY 2000, breaks up the non-interest part of the budget into the following categories:

	FY2000
Domestic Discretionary	292
Defense	292
Social Security	430
Medicare	290
Medicaid	168
Civil Service and Military Retirement	83
Other Entitlements	213
TOTAL	1768
AVAILABLE SAVINGS SOURCES EXCLUDING DEFENSE	1476
AVAILABLE SAVINGS SOURCES EXCLUDING DEFENSE AND SOCIAL SECURITY	1046

It is first important to note that of the $1.476 billion in federal spending available for reduction under the House Republican alternative, nearly half -- or $720 billion -- is in either Social Security or Medicare. Therefore, it seems unavoidable that they would be major targets for paying for the House Republican "contract." Consider the following:

The deficit for the year 2000 is now projected to be $257 billion. With the addition of the Republican tax cuts and spending increases, the deficit would be $90 billion greater. Thus, the amount of saving needed to balance the budget in the year 2000 would be $347 billion. Even if one assumed $47 billion in interest savings, that would still mean finding $300 billion of savings. Out of the $1.476 trillion of spending available, that would mean a 20% reduction in spending across the board -- including Social Security, Medicare, criminal justice etc. If Social Security were also exempted, ***it would require a near 30% reduction in spending across-the-board***. While not every program would have to be cut 30%, every additional program that is exempted would require more severe cuts on the remaining programs.

- TABLE 3: DEFICIT REDUCTION NECESSARY TO BALANCE THE BUDGET BY FY 2002
- TABLE 4: DEFICIT REDUCTION NECESSARY TO BALANCE THE BUDGET BY FY 2000

Table 3
Deficit Reduction Necessary to Balance the Budget by FY 2002
($ in billions)

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	Fiscal Year							7-Year
	1996	1997	1998	1999	2000	2001	2002	Total
CBO Baseline Deficit	176	193	197	231	257	287	319	
New Deficit	138	115	76	65	44	22	0	
Deficit Reduction	**-38**	**-78**	**-121**	**-166**	**-213**	**-265**	**-319**	**-1200**

Source: Congressional Budget Office

Note: Projections assume deficit reduction plan of equal increments through FY 2002. The above scenario represents only one of innumerable possible paths that would lead to a balanced budget. The exact path depends on when the deficit reduction begins and the specific policies adopted by Congress and the President. This particular path has a longer time frame for phasing in policies than have previously enacted deficit reduction plans.

Table 4
Deficit Reduction Necessary to Balance the Budget by FY 2000
($ in billion)

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	Fiscal Year					5-Year
	1996	1997	1998	1999	2000	Total
CBO Baseline Deficit	176	193	197	231	257	
New Deficit	130	99	51	31	0	
Deficit Reduction	**-46**	**-94**	**-146**	**-200**	**-257**	**-743**

Source: Congressional Budget Office

Note. Projections assume deficit reduction plan of equal increments through FY 2000. The above scenario represents only one of innumerable possible paths that would lead to a balanced budget. The exact path depends on when the deficit reduction begins and the specific policies adopted by Congress and the President. This particular path has a longer time frame for phasing in policies than have previously enacted deficit reduction plans.

APPENDIX
ANALYSIS OF ANTICIPATED BUDGETARY PROPOSALS

- CAPITAL GAINS TAX CUT
- INDEXING CAPITAL GAINS
- CHILDREN'S $500 TAX CREDIT FOR FAMILIES UNDER $200,000
- ELIMINATION OF THE MARRIAGE PENALTY
- MODIFY THE SOCIAL SECURITY EARNINGS TEST
- REPEAL THE 85 PERCENT MAXIMUM INCLUSION RATE FOR SOCIAL SECURITY BENEFITS
- EXPANDED INDIVIDUAL RETIREMENT ACCOUNTS
- NEUTRAL COST RECOVERY SYSTEM

CAPITAL GAINS TAX CUT

Current Law

Under current law, long-term capital gains are fully included in adjusted gross income. Taxpayers in the 15 and 28 percent brackets therefore pay the same tax rates on capital gains as on other income. Long-term capital gains rates are capped at 28 percent, so taxpayers in the 31 percent and higher tax brackets pay a lower rate on long-term capital gains than on other income. The rate cap was instituted in OBRA-90 and retained in OBRA-93. Under pre-Tax Reform Act of 1986 law, taxpayers were permitted to exclude 60 percent of the excess of long-term gains over short-term losses. Thus the maximum tax rate on long-term capital gains was 20 percent (40 percent of the 50 percent top income tax rate).

Proposals

Republican proposals on capital gains are likely to take one of several basic forms:

1. BUSH/WALKER PROPOSALS: H.R. 1450 (introduced by Rep. Walker on March 23, 1993) provides a 10 percent exclusion for assets held between one and two years and an additional 10 percent exclusion each year the asset is held beyond two years, with a 100 percent exclusion for assets held ten years or more. The Bush Administration made two such proposals for which JCT revenue estimates are given below. The FY 1992 Budget proposal would have allowed a 15 percent exclusion for assets held between one and two years, a 25 percent exclusion for assets held between two and three years, and a 35 percent exclusion for assets held three years or more. The FY 1993 Budget proposal was similar, except the exclusions were 15 percent, 30 percent, and 45 percent.

	1992	1993	1994	1995	1996	1992-96
			(Billions of dollars)			
FY 1993 Budget Proposal	0.8	3.7	-3.4	-5.7	-5.6	-10.2

2. 50% EXCLUSION: Exclude 50% of capital gains income from taxation, which would have the effect of halving the tax rate individuals pay on capital gains. For example, a 50 percent exclusion would reduce the maximum capital gains tax rate to 14 percent (50 percent of 28 percent) and taxpayers in the 15 percent bracket would be subject to a 7.5 percent rate.

3. ARCHER PROPOSALS: H.R. 3739, introduced by Rep. Archer January 26, 1994 would exclude some percentage of long-term gains, but repeal the 28 percent rate cap. A 50 percent exclusion (e.g.,) would reduce the maximum capital gains tax rate to 19.8 percent (50 percent of 39.6 percent) and taxpayers in the 15 percent bracket would be subject to a 7.5 percent rate. Rep. Archer also introduced legislation (on January 5, 1993), H.R. 53, which provides a 30% exclusion.

4. **CRANE/DREIER/GRAMS PROPOSALS TO REDUCE THE RATE TO 15%** Reduce the rate cap to 15 percent. This would reduce the maximum tax rate to 15 percent. H.R. 151 (introduced by Rep. Crane January 3, 1993), H.R. 1855 (introduced by Rep. Dreier April 28, 1993), H.R. 2424 (introduced by Rep. Grams June 16, 1993), and H.R. 3645 (introduced by Rep. Grams November 22, 1993) all provide a maximum rate of 15 percent, with a 7.5 percent rate for gains in the 15 percent bracket. (These bills also all index gains for inflation.)

DISTRIBUTION:

Over the past few years, the Joint Tax Committee has been asked on numerous occasions to estimate the distributional effects of reducing the capital gains tax. On all occasions, it has been found to go disproportionately to the highest income brackets. The JCT found that under the most recent major Republican proposal, President Bush's 1992 proposal, 70% of the benefits went to taxpayers making over $100,000 and 52.5% of the benefits went to those in the top 1% making over $200,000.

	Distribution of Aggregate Tax Change
Less than $10,000	0.2%
$10,000–$20,000	0.5%
$20,000–$30,000	1.6%
$30,000–$40,000	3.6%
$40,000–$50,000	4.5%
$50,000–$75,000	11.1%
$75,000–$100,000	8.6%
$100,000–$200,000	17.4%
$200,000 and over	52.5%
TOTAL	100%

JOINT TAX COMMITTEE (Estimate of Bush Administration's Capital Gains Proposal, February 3, 1992)

INDEXING CAPITAL GAINS

Index capital gains for inflation (e.g., H.R. 48, introduced by Rep. Archer on January 5, 1993 and the bills listed in point 4 of the Capital gains Tax Cut section). Taxpayers would increase the basis (cost) of their assets to adjust for inflation since the asset was purchased. Variations of this proposal would index capital gains only for inflation after some future date or add indexing to one of the exclusion proposals. S. 1829 (introduced by Sen. Hatch on February 4, 1994) indexes gains for inflation and provides an annual exclusion of $100,000 (joint) and $50,000 (single). JCT revenue estimates for a 1991 Gramm–Gingrich prospective indexing proposal are shown below. Estimates for prospective indexing can hide cost increases in the out–years.

Revenue Estimates

	1992	1993	1994	1995	1996	1992–96
		(Billions of dollars)				
Gramm–Gingrich Indexing Proposal (JCT, September 23, 1991)	0.5	–0.3	–0.9	–1.5	–2.6	–4.8

CHILDRENS' $500 TAX CREDIT FOR FAMILIES UNDER $200,000

Kasich Proposal: In the House Republican alternative, Congressman Kasich proposed a $500 per child tax credit for families making under $200,000 that he himself estimated would cost $107 billion over five years.

Grams Proposal: Rep. Grams proposed a $500 per child tax credit (H.R. 2434, June 16, 1993, and H.R. 3645, November 22, 1993) that would make the credit non-refundable, have no income phaseout, and index the $500 amount, but would apply to children 17 and under.

Revenue Estimates

The following revenue estimates assume an effective date of January 1, 1995.

Kasich Proposal: Kasich estimates his own proposal to cost $107 billion over five years, with an average cost per full year of over $25 billion. (Source: "The Republican Budget Initiative For Fiscal Year 1995," House Budget Committee Republican Caucus, March 3, 1994)

Grams Proposal: The estimate below assumes the credit applies to all children 18 and under. Grams' proposal may call for the credit to apply only to 17-year-olds and under, and might, therefore, have slightly lower costs.

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of dollars)					
$500 Per Child Tax Credit (Office of Tax Policy, Treasury Department, 1994)	-12.4	-25.2	-26.9	-16.9	-27.5	-118.1

Analysis

Unnecessary Inequity: Because the proposed child tax credit is available for families making up to $200,000 and because it denies any refundability to families with low tax burdens, the proposal would lead to serious inequities to some working families. For example, a family with two children making $150,000 would get a tax cut of $1000. Yet, a similar family of four making $20,000 would get no tax benefit whatsoever because they would not have taxable income to offset.

House Republicans Opposed a Child Tax Credit in 1992 and 1993:
In 1992, 99% of Republicans voted against a child tax credit and an expanded IRA simply because the program also included a tax increase on the top 1.2%. In 1993, 100% of Republicans voted against a budget with a dramatic expansion of the Earned Income Tax Credit largely, again, because of tax increases on the top 1.2% -- those making over $180,000 adjusted gross income.

ELIMINATION OF THE MARRIAGE PENALTY

Current Law

Under U. S. tax law, getting married can affect a couple's tax liability, both positively ("marriage bonus") and negatively ("marriage penalty").

Proposal

1) Representative Istook Proposal: On February 10, 1994, Rep. Istook (R-OK) introduced HR 3851, to amend the Internal Revenue Code of 1986, eliminating "marriage penalties." Under this proposal, spouses would have the option to file using the tax status they would have had if they had not been married, and to allocate income and deductions between them as if they had not been married.

The bill has been referred to the House Ways and Means Committee and is awaiting further action.

Revenue Estimate

The Joint Committee on Taxation analyzed the cost of eliminating the marriage penalty, using guidelines similar to the Istook bill. (September 16, 1994)

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of Dollars)					
Lost Federal Revenue (JCT, 1994)	-7.2	-14.7	-15.8	-16.9	-18.1	-72.7

Analysis

Removing or reducing marriage tax penalties would reduce tax revenues by a very substantial amount. In addition to the lost government revenue, the Istook plan would also create incentives for couples to "game" the tax system and manipulate their unearned income, which would complicate the tax filing process and give some couples an unfair advantage over others.

Married couples would manipulate their unearned income by moving ownership of assets to the spouse facing the lower tax rate. This would enable couples with significant unearned income to reduce their taxes, whereas other married couples with the same total income (but through only salary and wages) could be forced to pay a higher effective tax rate.

MODIFY THE SOCIAL SECURITY EARNINGS TEST

Current Law

Retired workers between the ages of 65 and 69 have their social security benefits reduced by 33 and 1/3 cents for each dollar of earnings over $11,160. Above age 69, persons receive full social security benefits, regardless of their earnings. The earnings test is lower for younger beneficiaries. They can earn up to $8,040 before benefits are reduced, and they are subject to a 50 percent benefit reduction. The earnings test thresholds are adjusted for inflation each year.

Proposals

1) Older Americans Freedom to Work Act of 1993: On January 5, 1993, Rep. Hastert (R–IL) introduced HR 300, which would eliminate the Social Security earnings test altogether. The bill has been referred to the Ways and Means Committee where it is awaiting action.

Budgetary Estimate

The following are OMB estimates.

	Fiscal Year					
	1995	1996	1997	1998	1999	1995–99
	(Billions of dollars)					
Eliminating Earnings Test	–3.2	–4.8	–4.9	–5.0	–5.0	–22.9

2) It has also been proposed that the amount of allowable earnings for social security recipients, age 65 through 69, be increased to $30,000.

Budgetary Estimate

	Fiscal Year					
	1995	1996	1997	1998	1999	1995–99
	(Billions of dollars)					
$30,000 Earnings Test OMB estimate	–1.6	–2.5	–2.5	–2.6	–2.6	–11.8

3) Another alternative would phase the increase to $30,000 in over five years.

Budgetary Estimate

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of dollars)					
Five-Year Phase-in of $30,000 Earnings Test OMB estimate	-0.3	-0.9	-1.4	-1.9	-2.3	-6.8

Analysis

This proposal is extremely regressive -- the vast majority of the benefits would go to high-income seniors.

Most retired workers between the ages of 65 and 69 would not benefit from these proposals. Of the 8 million persons in this age group who are covered by social security, 75% -- 6 million -- did not work at any time in 1989. Their decisions to retire were based on many factors in addition to the social security earnings test: health, leisure time, savings, pension income, the size of social security benefits, and employers' demand for elderly workers. For these same reasons, they are unlikely to seek employment once retired, even if the earnings test were raised.

Among those who currently work, many would likely not increase their work effort further in response to changes in the earnings test. Either they currently earn far less than the exempt amount (and would be unaffected by the change) or they earn too much to receive benefits even if the earnings test threshold were increased to $30,000. As the earnings test thresholds are increased, some retired workers, who currently earn too much to qualify for benefits, and their families would become eligible to receive benefits. Receipt of this windfall may cause some of these higher wage workers to reduce their work hours.

REPEAL THE 85 PERCENT MAXIMUM INCLUSION RATE FOR SOCIAL SECURITY BENEFITS

Current Law

Taxpayers with sufficient income must include some of their Social Security benefits in income subject to income tax. Taxpayers with incomes under the first threshold ($25,000 for single taxpayers and $32,000 for married taxpayers, filing jointly) do not include any of their social security benefits in AGI. Those with incomes between the first and second thresholds ($34,000 for single taxpayers and $44,000 for married taxpayers, filing jointly) include up to 50 percent of their Social Security benefits above the threshold in AGI. Finally, those with incomes over the second threshold include up to 85 percent of benefits above the second threshold in AGI, and 50% of their benefits between the first and second thresholds.

Proposals

H.R. 2959, introduced on August 6, 1993 by Rep. Kyl (R–AZ), would replace the 85% maximum inclusion rate with a maximum marginal rate of 50%. On September 28, 1993, Rep. Smith (R–NJ) introduced similar legislation (H.R. 3155). Both bills have been referred to the House Ways and Means Committee.

Revenue Estimates

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of dollars)					
Repeal 85% SS Inclusion Rate Office of Tax Analysis, Department of Treasury	-1.7	-4.5	-4.7	-4.9	-5.2	-21.0

Analysis

This proposal would benefit only the highest earning social security recipients. Social security recipients who are in greatest need of income supplements – those who receive less than $25,000 – receive no benefit at all. Instead, wealthier recipients will retain additional money from the Social Security trust fund, potentially at the expense of those who need it most.

Since the revenue from taxation of Social Security benefits is entirely returned to the Social Security and Medicare trust funds from which the benefits were paid, such taxation provides needed revenues for the trust funds and reduces the need for future increases in payroll taxes (which would be particularly burdensome for lower income, younger workers). Moreover, the 85% inclusion rate does not adversely affect lower and middle income retirees.

EXPANDED INDIVIDUAL RETIREMENT ACCOUNTS

Current Law

Taxpayers are allowed to deduct up to $2,000 (or earned income, if less) contributed to an IRA if (regardless of income) they are not active participants in an employer-sponsored pension plan (and their spouses are not active participants), or if their AGI is less than $40,000 (joint) or $25,000 (single). The deduction for active participants is phased out over $10,000 of AGI above the income thresholds (e.g., between $40,000 and $50,000 of AGI on joint returns). These income limits were added by the Tax Reform Act of 1986 (TRA). Nonworking spouses may contribute $250 to an IRA. Taxpayers not eligible to make deductible IRA contributions can make nondeductible contributions (subject to the same dollar limits). Earnings on IRA contributions are not taxed currently. Distributions from IRAs are subject to income tax. A additional 10 percent penalty is imposed on IRA distributions made before age 59 1/2.

Proposals: There have been several proposals to expand eligibility for IRAs, to make them more generous, and to allow greater flexibility for penalty withdrawal for uses other than retirement.

Restore Pre-TRA IRAs. All taxpayers would be allowed to make deductible contributions to an IRA under the pre-Tax Reform Act of 1986 (TRA) rules. Nondeductible IRAs would be repealed. H.R. 1885, introduced by Rep. Dreier on April 28, 1993 would restore pre-TRA IRAs, but also double the contribution limit (to $4,000) and index it for inflation, and allow penalty-free early withdrawals for first-time home-buyers and for educational and medical expenses.

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of dollars)					
Restore Pre-TRA IRAs (Joint Tax Committee)	-1.3	-6.8	-7.4	-7.8	-8.2	-31.5

Roth-Breaux Proposal (S. 2301, introduced July 21, 1994). IRAs would be universally available, back-loaded "IRA Plus" would be added as an option, and penalty-free early withdrawals would be allowed for first home, education, long-term unemployment, and high medical expenses. The IRA contribution limit would be indexed for inflation. These provisions follow the original Bentsen-Roth proposal. In addition, the Roth-Breaux proposal would increase the nonworking spouse deduction from $250 to $2,000. (S. 1669, introduced by Sen. Hutchinson on November 17, 1993, would also raise the nonworking spouse limit to $2,000, and also make the active participant rule apply separately to each taxpayer.)

	Fiscal Year					
	1995	1996	1997	1998	1999	1995-99
	(Billions of dollars)					
Roth-Breaux Proposal (Joint Tax Committee)	-0.8	-4.0	-4.2	-4.6	-5.0	-18.5

Rollovers to Back-Loaded IRAs. Various IRA proposals (including two bills introduced by Rep. Grams, H.R. 2434, June 16, 1993 and H.R.3645, November 22, 1993) would allow current balances from existing IRAs to be rolled over into back-loaded IRAs. This provision raises revenue in the budget window, because some income tax is imposed on the rolled over amounts. The proposals differ on whether the full amount rolled over or only original contributions are subject to income tax (the Grams bills only tax the original contributions), and on whether the tax is due at the time of rollover or can be paid in installments (e.g., over four years, as in the Grams bills). *Proposals with rollover options have large long-run revenue costs, relative to their five-year budget costs, because the tax that would have been paid on normal withdrawals from existing IRAs is collected early, in the current budget period.*

H.R.11: An expanded IRA was proposed in H.R. 11 in 1992, but was voted down by 99% of Republicans. The revenue estimates are below.

	1993	1994	1995	1996	1997	1993-97
H.R. 11 expanded IRA proposal (JCT, Sept 14, 1992)	-0.24	.77	-1.4	-1.9	-3.3	-6.2

NEUTRAL COST RECOVERY SYSTEM

Current Law

Under current law, for regular income tax purposes, depreciable assets other than buildings and structures are generally written off over recovery periods of 3, 5, 7, 10, 15, or 20 years (depending upon their "class life"). An accelerated depreciation method may be used (200 percent declining balance for assets with 3, 5, 7, and 10 year recovery periods, and 150 percent declining balance for assets with 15 and 20 year recovery periods). Residential buildings are written off over 27.5 years, and non-residential buildings are written off over 39 years using the straight-line method. For alternative minimum tax (AMT) purposes, less accelerated depreciation methods must be used.

Proposals

There are several Republican neutral cost recovery proposals that are included in legislation currently pending before Congress. The bills differ somewhat in timing and the treatment of depreciation for AMT purposes, but all include the NCRS fundamentals as proposed by Kemp and Kasten in 1985 -- depreciation amounts adjusted for both inflation (based on a GNP deflator) and an additional 3.5% real rate of return.

1) Kemp-Kasten "Fair and Simple Tax" Proposal: A neutral cost recovery system (NCRS) was suggested in 1985 as part of the Kemp-Kasten "Fair and Simple Tax" proposal. The proposal allowed taxpayers to increase future depreciation allowances for inflation plus a specified real rate of return (3.5 percent). For example, if the depreciation that would otherwise have been allowed on a $100 investment in a 3-year ACRS property is $33.33 in the first year, $44.44 in the second year, $14.81 in the third year, and $7.41 in the fourth year (for a total of $100 of allowances), and the inflation rate is 3.9 percent, the first year NCRS depreciation allowance would remain $33.33, but the second year's depreciation allowance would be $47.79 ($44.44*(1.039)*(1.035)), and the third year's allowance would be $17.13 ($14.81*(1.039)*(1.039)*(1.035)*(1.035)), etc. The new total allowance would be $107.46.

The Kemp-Kasten proposal suggested slightly longer recovery periods than were then in effect under the 1981 Accelerated Cost Recovery System (ACRS), and exempted the adjustments from the AMT.

2) Investment Tax Incentive Act of 1993: On January 21, 1993, Rep. Nick Smith (R-MI) introduced H. R. 539, which would amend the Internal Revenue Code to allow the depreciation deduction to be computed based on a neutral cost recovery basis for property placed in service after December 31, 1992. Like the Kemp-Kasten proposal, it would include a real rate of return of 3.5% on top of the inflation adjustment. The bill was referred to the Ways and Means Committee and is awaiting further action.

3) **Private Sector Job Creation and Economic Growth Act:** On April 28, 1993 Rep. Dreier (R-CA) introduced H. R. 1885, which applies the NCRS adjustments to both the current law regular and AMT depreciation schedules, and proposes a phase-out of AMT depreciation preferences. It also includes a 3.5% adjustment on top of inflation. The bill has been referred to the House Budget, Government Operations, Judiciary and Ways and Means Committees.

4) **Putting Jobs and the American Family First Act of 1993 (HR 2434) and Family, Investment, Retirement, Savings and Tax Fairness Act of 1993 (HR 3645):** These bills, introduced by Rep. Grams (R-MN) on June 16, 1993 and November 22, 1993, respectively, would also create neutral cost recovery depreciation. H.R. 2434 and H.R. 3645 replace the 200 percent declining balance method allowed under MACRS with the 150 percent declining method before allowing for the NCRS adjustments. They also apply the NCRS adjustments to AMT depreciation and include a 3.5% adjustment on top of the inflation adjustment. H. R. 2434 has been referred to the House Government Operations, Rules and Ways and Means Committees.

5) **Kasich Plan:** The neutral cost recovery was also proposed by Representative Kasich. His proposal would allow for inflation, add an additional return on top of inflation and change the declining balance from double declining balance to 150% declining balance.

Revenue Estimate:

	Fiscal Year (Billions of dollars)					
	1995	1996	1997	1998	1999	1995-99
Kasich Plan (Senate Budget Committee)	3.0	6.0	5.0	-1.0	-8.0	5.0

This proposal was also analyzed in a March 8, 1994 memo by Jane Gravelle, Senior Specialist in Economic Policy at the Congressional Research Service. The net effect, Ms. Gravelle concluded, would be to increase taxable income by $87 billion in the first five years, but "*reduce* taxable income by $984 billion - an amount in the opposite direction that is eleven times as large" (p. 1) over a total of 39 years. And that was using only 1994 income levels throughout the time of the analysis.