

Robert Kuttner

Three-Quarters of a Loaf Is Better Than None

It appears we may not get a seven-year budget deal after all. Both President Clinton and Speaker Newt Gingrich have now acknowledged profound differences of principle that ought to be settled by the voters.

"It may just be that we need one more election," Gingrich declared at a Republican fund-raising event. Sen. Robert Dole, eager to get out of the Washington deadlock to the trails of New Hampshire, has been saying as much for weeks.

The Republican story, in Gingrich's words, is that "the Clinton administration cannot agree to the kind of decentralization and lower spending and lower taxes that we represent."

The Democratic riposte, to quote Clinton, is: "The issue here is over policies involving Medicare, Medicaid, education, the environment, our opposition to raising taxes on the lowest-paid working people, and on the size and structure of the tax cut."

That's a pretty good preview of what would make a serious, even an edifying election-year debate. The voters stand to become better educated about the nation's public priorities than in any election in recent memory.

The Republicans, evidently, have given up on the idea of holding the government hostage for their version of a deal. The latest Washington Post/ABC poll (Jan. 7) shows that the voters blame the GOP for the recent shutdowns by a margin of nearly 2-to-1. The Republican Senate Whip, Trent Lott, has said flatly that the government won't be shut down for a third time.

So to nearly everyone's surprise (including mine), the president showed some steel, and the Republicans blinked first.

To appreciate why, it helps to take a good look at the numbers. Clinton already has come about three-quarters of the way to the Republican position. To compromise further would have mooted any principled difference between the two parties and left little to

debate in the election.

In his original budget for fiscal 1996 (with projections for future years), submitted just after the November 1994 election, Clinton showed deficits averaging more than \$200 billion for the next seven years. His current budget would lead to balance within seven years—a net reduction of about \$1.5 trillion.

In his June 1995 plan, which proposed a balanced budget over 10 years, Clinton proposed more than \$300 billion in program cuts between now and 2002. In his most recent

proposal, balancing the budget over seven years and using the economic assumptions of the Congressional Budget Office, the president comes up with \$632 billion in cuts in social spending traditionally championed by Democrats.

These include \$102 billion in Medicare, \$52 billion in Medicaid, \$43 billion in welfare and income support, and \$295 billion in other domestic discretionary spending—a near 30 percent budget cut. The two parties reach roughly the same budget balance, but the Republicans would get there by taking even more out of Medicare, education and other social spending in order to finance bigger tax cuts and more military outlay.

In their latest offer, the Republicans have made only modest concessions. They would trim their proposed tax cut from \$245 billion to \$177 billion and take about \$150 billion less from various spending programs. So when the two parties suspended negotiations, Clinton had put more than \$600 billion on the table, and the GOP had put less than \$200 billion.

From Clinton's perspective, to cut further would be to hack these social programs beyond redemption and to be virtually Republican. It would now be sensible for both parties to fight the next election precisely over these rival priorities. It would not be sensible for Clinton to compromise yet again.

In the meantime, both parties seem to have concluded that neither the voters nor Wall Street appreciate the politicians lurching from temporary shutdown to continuing resolution to temporary shutdown again.

The most reasonable compromise, therefore, would be a one-year deal. Split the difference in the parties' two budgets—but just for the balance of this fiscal year. Hold off on radical changes in the structure of Medicare, Medicaid, welfare, education loans and other major programs until the voters have decided which philosophy of government they want.

Ironically, the Republicans could have three-quarters of what they want in a seven-year deal from this Democratic president. With more flexibility, they could crow all election year about how they brought Clinton to heel and wrought a real revolution without even having a Republican in the White House.

But they got a little too overwrought with the power of their own rhetoric. And in the end the Republicans' zealotry may well save Clinton from himself.