

Clinton and GOP Agree to Disagree

Broader Budget Issues to Await Election

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President Clinton and Republican congressional leaders yesterday agreed to put aside their broader differences over the budget and work on a limited agenda of spending cuts and tax credits to end their long standoff.

The political atmosphere, poisoned by the budget struggle between the two sides, seemed to sweeten practically overnight following Clinton's State of the Union address.

Republicans, who earlier this week were predicting trench warfare over the budget and spending legislation for the rest of the year, instead declared a desire to find a bipartisan solution that would assure at least a "down payment" on their long-term balanced budget strategy and a scaled-back version of their tax cut. Closing any part of the government as a tactical maneuver was almost unanimously ruled out of bounds.

Strategists of both parties said Clinton's Tuesday night televised address may have been a turning point for Republicans, forcing them to acknowledge the lack of public support for their strategy if not their agenda. "They had to be looking at the same focus groups we looked at," said one Democrat. "They are getting their clocks cleaned on how they are handling these budget issues and Clinton made it worse for them in his speech. They need some success and some governing."

Yesterday Republican leaders appeared to have closed the door this year on the ambitious GOP agenda to downsize vastly the federal government, reduce spending and eliminate the deficit in seven years. "We do not believe now it is possible to get a budget agreement," House Speaker Newt Gingrich (R-Ga.) said yesterday. "But I do think you can take steps."

Gingrich described a telephone conversation yesterday with Clinton as "very positive" and said the president "was intrigued" with his concept of making some spending cuts and tax

credits for those with children part of the legislation to raise the nation's debt ceiling and allow more government borrowing. That legislation is scheduled for a vote the week of Feb. 26, shortly before the Treasury says the government would be forced into default.

The budget deadlock also drew a warning from Moody's Investors Service, a major Wall Street evaluator of creditworthiness, which threatened to lower its quality rating on \$387 billion in Treasury debt. The move was the most dramatic reaction yet in the financial world over the possibility of default. Bond prices lost some of their earlier gains as word of the Moody's announcement spread. But the reac-

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tion was muted, partly because the announcement was just a threat.

"We took a big step toward solving the debt ceiling problem," Gingrich said last night, referring to his conversation with Clinton. "I think Moody's is 24 hours behind the news."

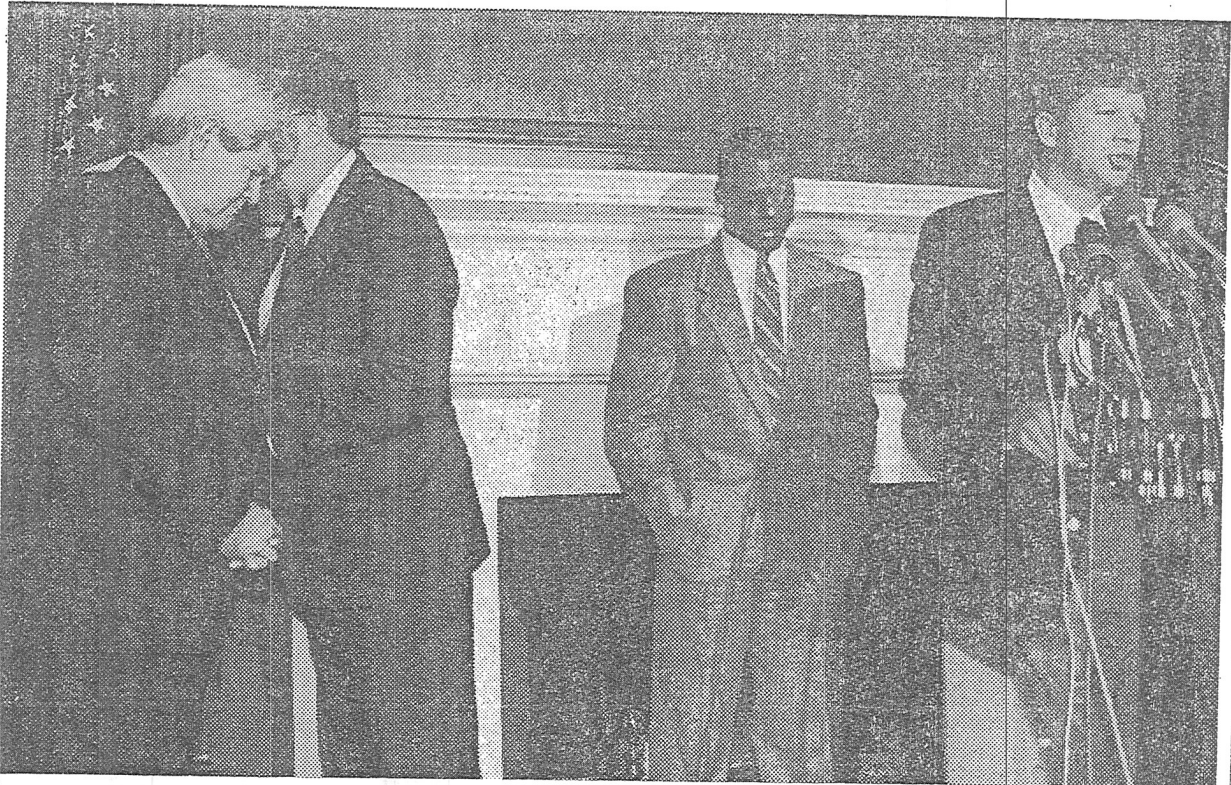
"There is no question that we are committed to not having a default and we're committed to finding a way to get a bill," said Gingrich on PBS's "Newshour With Jim Lehrer."

Republican leaders have said they also would not allow a third partial shutdown of the government, and today the House is scheduled to vote on another short-term spending measure to keep the government fully operating through March 1. The measure, which would continue to squeeze federal spending, targets about a dozen minor programs for elimination.

House Ways and Means Committee Chairman Bill Archer (R-Tex.) said: "It is not our desire to be confrontational. It is not our desire to send the president something that he will automatically veto."

Republicans said they were responding to Clinton's request in his State of the Union address that the two sides put aside partisan differences and pass spending cuts agreed to during months of negotiations.

"We appreciate your statement last night indicating your interest in continuing to meet," Gingrich, Senate Majority Leader Robert J. Dole (R-Kan.) and House Majority Leader Richard K. Arney (R-Tex.) said in a letter to Clinton. "Perhaps the best way to proceed for now is for us to consider adding to the extension of the debt ceiling some 'down payment'



At Capitol Hill news conference, from left, are House Speaker Newt Gingrich (R-Ga.), a partially obscured Majority Leader Richard K. Armey (R-Tex.), Rep. J.C. Watts (R-Okla.) and Budget Committee Chairman John R. Kasich (R-Ohio).

BY RAY LUSTIG—THE WASHINGTON POST

on deficit reduction."

Republicans over the last few months have used the temporary spending measure and the threat of a government shutdown as well as extension of the debt ceiling legislation as leverage to force Clinton to accede to their terms. But in recent weeks, GOP leaders have begun to back off.

A Republican congressional strategist said, "The Republicans need to

demonstrate they can get some things done and Clinton needs to show he can walk the walk."

"Walk the walk" has become the GOP catch phrase for calling on the president to match in deeds his words pledging a balanced budget and a smaller, less intrusive government.

Public and private polls—and focus groups assembled by both parties to watch the speeches and react—all seemed to show Clinton getting high marks for trying to reach out to Republicans and get things done, and for handling the budget battles.

By contrast, Dole's response, and Republicans overall, drew sour reactions. White House officials argue that Republicans are now convinced that Clinton's handling of the budget issue

has significantly more public support than Republican handling has and that that public conclusion, in place for several weeks now, will not change.

A House Republican aide said, "The speech really was a turning point not because of what was said but because it was the last rhetorical contest over the big picture and big promises with both sides now intent on breaking away from the budget morass and getting some things, maybe substantial things, done beyond deficit reduction."

What Gingrich is trying to assemble is an agreement on more than \$100 billion of spending savings that both sides have tentatively agreed to during the more than 50 hours of budget talks at the White House. They also have proposed a \$125 per child tax credit for families retroactive to 1995 and a \$500 per child tax credit for 1996, with a cost to the government of about \$29 billion.

Senate Finance Committee Chairman William V. Roth (R-Del.) said, "We're very much interested in taking a hard look at it." Dole aides said the majority leader supports the proposals.

Clinton and his top aides continued to call yesterday for a debt extension without any policy attached to it. But

privately, several said that House Republicans would need some kind of serious sweetener to vote for the debt increase and that the president understands "it might not get the votes otherwise, however much the leaders try."

Behind the conciliatory words of cooperation, House and Senate GOP leaders yesterday continued to try to reach agreement on their most immediate problem, new legislation to fund departments and agencies for which a full-year appropriation has not been enacted. The current stopgap measure expires Friday night, and congressional leaders stressed repeatedly yesterday that they do not want another partial federal shutdown.

House Republicans would fund most of the affected departments at the level provided by House and Sen-

ate conferees, or at last year's level, whichever was lower. The House GOP favors tightening the pressure on the administration by doing away with provisions in earlier measures that limited the size of the cuts, protected federal workers against unpaid layoffs and ruled out program terminations.

The exceptions would be the departments of Labor, Education and

Health and Human Services, which would be funded at the lower of the House level or last year's appropriation but would be exempted from cuts of more than 25 percent below the 1995 spending level.

However, Senate Republicans were insisting on putting their own stamp on the House-drafted measure. No progress was made in resolving a difference between the two houses over

abortion language contained in foreign aid legislation that will be attached to the spending measure.

The foreign aid bill provides important support to administration policy in the Middle East, Pakistan, Armenia and the Korean Peninsula. But Clinton and Senate abortion rights advocates oppose a provision blocking aid to overseas organizations that perform abortions, even though no U.S. money was used to terminate pregnancies.

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