

Balanced Budget Talks Still Mired in Politics

By Ann Devroy
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Even if Republicans retreat on their vow to keep government closed, the fundamental disagreement between congressional Republicans and the White House about a balanced budget remains unchanged. After hours and hours of talks, the attempt to reach a bipartisan agreement remains mired in a bog of ideology, political history, presidential campaign tactics and factionalized party politics.

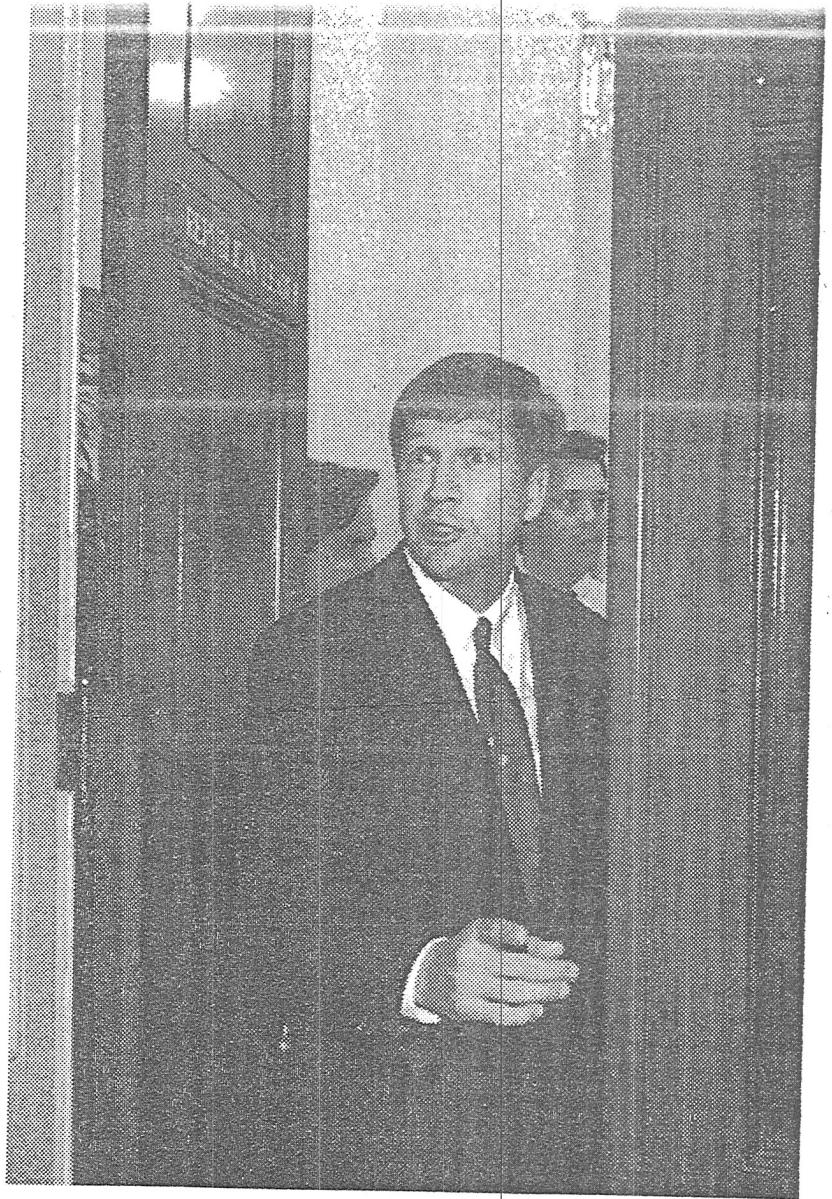
As the two sides resume their talks today, they are hampered by divisions in their respective camps, earlier campaign pledges that limit their freedom to maneuver and a shared urge to come away from the table as the side that stuck by its principles. These factors make it extremely difficult to find a middle ground between two positions and agree on a compromise.

A momentary exchange illustrates that. When the issue of using a revision in the consumer price index to raise more revenue and cut some spending came up at one of the White House sessions last week, House Minority Leader Richard A. Gephardt (D-Mo.) reportedly "squashed it like a bug," arguing that Democrats were not about to pare back Social Security benefits, one result of such a revision.

President Clinton, Republican sources said, had actually been the first one to raise the possibility in a phone conversation with House Speaker Newt Gingrich (R-Ga.) weeks ago. But many Democrats are adamantly opposed because of the effect on Social Security, and if Gephardt had not leaped to kill the idea, a legion of other Democrats was prepared to "keep Clinton honest," as one put it.

They were armed with clippings and videos from the 1992 Florida presidential primary, when Clinton mercilessly beat up on Paul Tsongas for proposing such a CPI revision.

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BY RAY LUSTIG—THE WASHINGTON POST

House Budget Committee Chairman John R. Kasich (R-Ohio) enters Senate Majority Leader Robert J. Dole's office for a GOP strategy session.

THE GOVERNMENT SHUTDOWN

Budget Talks Still Bogged Down in Politics, Ideology

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But if some Democrats were adamant that Clinton not cave, others, such as Sen. Daniel Patrick Moynihan (D-N.Y.), have been pushing a revision in the CPI publicly. Whatever the negotiators might decide, somebody was going to be angry.

The talks also have featured what some called hard-line "role-playing" by members of the supporting cast. Sources inside and outside the White House cite Vice President Gore as the current voice for the traditional Democrats, arguing with Gingrich, frequently quibbling over GOP points and, in the GOP view, reopening issues they believe to have been decided. One Democrat called him "the conscience of the party"; Gingrich spokesman Tony Blankley called him "the conscience of the unconscionable."

On the Republican side, House Majority Leader Richard K. Arney (R-Tex.) is the designated hard-liner, and the White House has as many complaints about his unyielding attitude.

Twenty hours of talks at the White House has thus far produced four statements citing progress on reaching an agreement. But when pressed, officials on both sides list progress only on subsidiary issues, almost none of them about money.

This was to be the week that the talks moved to what White House press secretary Michael McCurry

called "real trade-offs," initially in the big ticket items of Medicare and Medicaid, tax reductions, discretionary domestic spending, welfare reform.

But while both sides say they want a deal to balance the budget in seven years, they cannot agree on any of the fundamental steps to get there or offer one another any reassurance that they have enough support among the troops to back up any agreement they might make.

Major differences remain after a year of debate, weeks of mid-level negotiation and hours of intense face-to-face encounters:

■ **Tax cuts.** The Republicans want \$240 billion in tax cuts over seven years, most of it for the middle-class but with a chunk in capital gains tax reductions. Clinton has proposed, in his latest proposal, \$63 billion in middle-class tax cuts, with an additional \$30 billion that would only occur under good economic conditions.

In the talks, Republicans reportedly offered to reduce to \$185 billion their tax cuts over five years. But that number would increase by \$30 billion or more once Republicans add revenue regained from killing corporate tax breaks.

Clinton, by most accounts, suggested that he could go along with targeted capital gains tax reductions—as he has before—but only if they kicked in later years, not in 1996.

Clinton proposed a tax cut after the November elections to protect himself from the perennial Republican charge that Democrats are tax-and-spend politicians. But aides said he is willing to give them up, aides said.

■ **Medicare and Medicaid.** Clinton has used the issues to deliver serious wounds to the Republicans and the White House is not likely to budge now. Republicans proposed \$201 billion in savings on Medicare; Clinton has said he would save \$97 billion.

The liberal Democratic wing of the party has embraced the "protection" of Medicare as a fundamental goal; Clinton's jump in approval in the past weeks has been almost all among older voters and even though the White House proposed as part of its health care plan to reduce the growth of the program, the political imperative to not move on this issue is strong.

Sources said Republicans offered to scale back their Medicare savings to the \$155 billion to \$165 billion range but will not move on policy issues that are part of the Medicare debate, such as medical savings accounts and broader managed care requirements.

Clinton, for his part, offered what the White House described as \$124 billion in cuts—but because on closer look it would require the Congressional Budget Office to accept a different version of medical inflation to

get to that number, Republicans say his position has not really changed.

The White House has been adamant that Medicaid, where there is an \$80 billion difference between the two sides, must remain a legal entitlement and not be turned into a grant program where states determine eligibility and spending.

Asked why Clinton, who has already accepted the block grant concept in welfare reform, cannot compromise on this, one adviser noted, "Remember, this is the president and the administration that went down in flames fighting for the concept that every American . . . was entitled to decent health care. We couldn't get that. Now, how can we say that we will give up the entitlement that has already been there. Can't do it."

■ **Welfare reform.** This and a related issue, the Earned Income Tax Credit for the Poor, are described as the areas in which there are the best chance for an agreement, in some measure because Clinton thinks of himself as being the father of welfare reform and does not want to be "against" it this election year.

Even on discretionary domestic spending, the sparring goes on. White House proposals to pare back their spending all put off for years the biggest cuts, and Republicans object.