

GOP Lost Control of Members and

Second of four articles

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Early on the morning of Dec. 15, House Speaker Newt Gingrich and Budget Committee Chairman John Kasich walked through the halls of the Capitol to the office of Bob Dole, majority leader of the Senate. They carried with them some troubling news: inside word from conservative Democratic Rep. Charles Stenholm of Texas that the White House's new balanced budget proposal was going to fall far short of Republican expectations.

Gingrich was feeling the pressure of a looming deadline. The federal government would close at midnight—the second shutdown in less than a month—unless Congress passed another temporary spending bill, something many self-defined Republican revolutionaries in the House flatly refused to do unless they saw substantial progress in the negotiations. And the speaker also felt deceived. For weeks he had been receiving back channel assurances through his advisers that President Clinton wanted a budget agreement and was ready to deal. Clinton had said as much himself in telephone conversations with the speaker and Dole.

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Public Perception

He was so enraged by the news of Clinton's offer, Gingrich told Kasich, that he was of a mind to withhold the new Republican plan, which had been sweetened with another \$135 billion in spending after the Congressional Budget Office revised its estimates of economic growth.

But once he reached Dole's domain, his anger slowly subsided. The laconic elder statesman from Kansas tended to have a calming effect on the voluble speaker. As the others debated whether they should go forward with the exchange of plans, Dole interjected, "What's the problem around here? If we

See INSIDE, A22, Col. 1

INSIDE, From A1

stop being so paranoid and get in the room, we'll probably get going." Then he added dryly: "We wouldn't even be having this discussion if Kasich hadn't run into Stenholm."

What ended the argument. The leaders of the GOP negotiating team, Kasich and Pete Domenici, chairman of the Senate Budget Committee, walked across the hall for the start of negotiations. With every step, they were moving closer to chaos and frustration.

The biggest political train wreck of the year happened that day. Budget talks fell apart without an agreement to keep the government running and a 21-day partial government shutdown ensued. In the larger saga of the budget battle between the Republican Congress and the

Clinton White House, no period was more decisive than the stretch starting that Friday and running through the following Tuesday night, Dec. 19. This article, the second of a four-part series on the budget endgame, is an inside chronicle of those critical five days in December.

It was during that period that the public focus shifted sharply away from what the Republicans desired: from who could balance the budget by the year 2002 to who was responsible for the government shutdown right now. Those five days revealed the contrasting leadership styles of Gingrich and Dole. Opposite personalities inextricably linked by need and circumstance, the two men found themselves caught between an administration that they did not trust and a revolutionary band of House Republicans they could no longer control.

Gingrich, a leader known for his air of certitude, if not arrogance, seemed at times dazed and confused. His House was torn by dissension. There was growing animosity toward the Senate. And while Clinton sent out an array of conflicting signals, his skilled political agents always seemed to be one step ahead.

'We're Out of Here'

The Dec. 15 budget-exchange meeting began at 11:30 with White House Chief of Staff Leon Panetta suggesting that they flip to see which side went first. Alice Rivlin, director of the Office of Management and Budget, took out a coin, cupped it in both hands, shook twice, and dropped it on the table. Kasich called "Heads" and won. The Republicans elected to receive. While passing out a few summary sheets, White House officials began describing their plan.

"This is not a proposal," Kasich muttered to a leadership aide. "This is something you could put together in five minutes." He kept his eyes trained on Panetta and Rivlin to see if they could talk about it while keeping straight faces. The Democrats offered no movement in Medicare or Medicaid, and few cuts elsewhere. Almost all of their proposed changes were based on new configu-

rations of national economic forecasts. Their numbers were still not scored by the Congressional Budget Office, whose conservative estimates of economic growth had served as the base line that the Republicans were using.

On the other side, the Democrats and their allies could see that the Republicans were ready to push from the table. Panetta had arrived with a second plan in his pocket, but he never pulled it out. Before they had left the White House that morning, his team had decided that if the Republicans were desperate to talk, they would take the first plan. There was maybe a 5 percent chance of that, they thought.

The meeting was set up with a half time so both sides could discuss the counteroffers in private before moving ahead. Before they broke up, Panetta asked, "Do you know if anything is going to happen on a CR?"—a temporary spending bill known as a continuing resolution, which would keep the government open.

"I don't know," said Domenici. "I'm not hopeful."

Kasich and Domenici then left for Dole's office.

"Chickenshit!" Domenici grumbled as he entered the room. "That was an absolute insult!"

Dole moseyed in from a back room. "You boys settle everything?" he asked, barely showing a smile.

"This is an insult. It's terrible," Kasich muttered. Someone handed Dole the White House summary sheet.

"On paper they get to balance, right?" he said. This time it was a bit easier to read his sarcasm.

"What do you expect from those guys," Gingrich said.

"This is how they've treated us all along."

Dole showed no anger, just exasperation with the White House. He was the senior partner. He had been pushing to keep the government open. He had done the most talking with Clinton and seemed the most inclined to take him at his word. His credibility was on the line. Someone suggested that Dole call Clinton right there and complain. That notion was rejected. Kasich and Domenici would go back to the room and deliver the message to Panetta.

But what should they do about the looming shutdown? Kasich argued that they should keep the government open at least through Christmas. "They'll say it's the Gingrich who stole Christmas if we close it down," he said. Gingrich was thinking the same way. Dole had always been against closing the government, as had Domenici. They agreed to push for a short-term plan to keep the government open.

After half time, back in the negotiating room, Domenici was restrained and polite. "Thanks for your offer but it doesn't get us anywhere," he said.

Panetta argued that both sides had moved a little.

It bemused Kasich, who recalled a decisive moment in the first negotiating session 18 days earlier. "Leon, you promised you could do a CBO-scored balanced budget and do it in seven years," he said.

"I never said we could do it with CBO numbers," Pa-

netta replied, waving off a key element of the Nov. 19 agreement between Clinton and the Republicans that ended the first government shutdown.

Kasich was flabbergasted, but Domenici did the talking.

"We're out of here," he said.

Panetta never had to show his backup plan. He inquired one more time about keeping the government open.

There was no response.

As Panetta, flanked by White House staffers, walked down the corridor after the meeting, he encountered Alan Simpson, the retiring Republican senator from Wyoming who seemed bewildered that political comity had broken down to such an extent that government shutdowns would be given serious consideration. The "crazies" in the House, Simpson whispered, had taken over.

'Better Get Dole'

At 3:30, Gingrich arrived back on the House side of the Capitol just as his leadership team was convening. The room was buzzing. Some members were angry that they had not yet seen the Republican budget proposal that Kasich and Domenici had presented to Panetta. What had they given away? And one by one they warned Gingrich not to even think of a continuing resolution to keep the government operating. It will go down in flames, they said. Kasich walked into the room late and was stunned by the atmosphere. *My God*, he thought to himself, *they're burning the furniture and they've killed the fatted calf.*

Gingrich, who had been so angry at the start of the day, seemed tame in comparison with his colleagues. He realized he would never get the House to agree to keep the government operating, and turned to his chief of staff, Dan Meyer. "Better get Dole," he whispered. "He oughta hear this." Meyer called Sheila Burke, Dole's chief of staff, and a few minutes later Dole and Burke arrived in room H-227. Burke, standing against the wall, whispered wryly to a leadership aide, "We're very happy to be here," meaning her boss was a bit grumpy on the walk over.

"I appreciate you coming over, Bob," said Gingrich. "I just wanted you to listen to what some of our people have to say." He went around the room and called on members to give their assessments for Dole. One by one they attacked the notion of another temporary plan to keep government operating.

The room was packed, wall to wall, with revolutionaries. Senate Majority Whip Trent Lott slipped in, as did Michigan Gov. John Engler, eager to join in the rabble-

rousing. The meeting was briefly interrupted by a scene that could have been inspired by the Marx Brothers. There was a knock at the door and in walked a man dressed as Santa Claus. "Ho, ho, ho, I've got a candy cane for you, Mr. Dole!" he said. "And I've got one for you Mr. Speaker." If Dole didn't already think he was in fantasyland, that cinched it. Then the speeches began again. A couple of firebrand freshman leaders predicted a bloodbath if anyone tried to get the House to keep the government open. Dole listened patiently to impassioned House members while softly popping his lips under his breath, "mumumumom."

"I understand," he finally said. "My question is: What's the endgame? Shut down the government and that's the whole story. We don't win."

When one congressman said the press was going to write negative stories about the Republicans no matter what they did, Dole responded: "I'm not worried about the press. I'm worried about the public perception out there. We've got to find some way to turn that around, that we're the ones shutting down government."

But no one in the room was in a mood for that argument.

"Thanks a lot for coming over," Gingrich said to Dole at the end.

"You bet," Dole said. "Kinda reminded me of my days in the House over here."

Feeling Beat Up

The leadership meeting was merely a warm-up for what was to come. Waiting over in the Ways and Means hearing room in the Longworth Office Building were the rest of the House Republicans, in even more of a lather than the leadership.

Word had come over from the Republican National Committee that the Democrats had purchased large swatches of television time Thursday night, to begin running negative ads against the congressional Republicans starting Friday. This was taken as a cynical maneuver—proof, it was argued, that the White House offer that morning was a sham. Copies of the text of the ad were distributed.

But not all of the anger was directed at the White House. When Gingrich introduced Kasich to explain the revised GOP proposal, and he noted that more money was set aside for welfare, some members hissed and booed.

At 5:30 the staff rolled in a few bulky televisions on carts and plugged them in so the conference could watch Clinton, who was appearing live at the White House Press Room to talk about the breakdown in the budget

About This Series

This chronicle of budget talks and the politics behind them is based on more than 50 interviews with negotiators, their aides and advisers in the White House, Senate and House. Interviews were conducted while talks were proceeding to assure the greatest degree of accuracy. In most cases, accounts of conversations and internal meetings were confirmed by two or more sources and augmented by diaries, notes and documents.

talks. Members gasped in disbelief and awe when Clinton placed the blame for the breakdown on the Republicans and said they would be held responsible for shutting down the government again. Chris Shays of Connecticut, holding a portable phone, had to restrain himself from throwing it at the TV set.

After the conference, Gingrich retreated to his office with Kasich, Republican Conference Chairman John Boehner, Majority Leader Dick Armey and a few aides. They stayed up late eating fried chicken and Goo-Goo candy clusters and talking about the tumultuous day.

Gingrich was overwhelmed by a sense that he had been gamed by the White House. He was convinced that they had never intended to come in with a serious proposal. And he was awed by the tactical brilliance of the White House, sending Clinton out before the cameras at 5:30 to ensure that his message would be the central one on the evening news shows. The Democrats were better at it, the group agreed. They had been at it longer. They were clever.

Gingrich's optimism was fading. He had problems everywhere, on his left and right, with his own troops and with the White House. He did not sleep well that night, thinking until dawn about how to find a way out.

'We Can't Do This'

By the next morning, Dec. 16, the first day of the partial shutdown, Gingrich had devised a plan. He put it down in a one-page memo, which declared in bold type across the top: "The White House has crossed the line. We want them to understand that if they want a long-term standoff, we are prepared to stay the course for as long as it takes."

But, despite the intense heat he faced from his leadership and the rank and file the day before, Gingrich felt even more strongly that Republicans were going to suffer for closing down the government. He suggested that when the House came back two days later, on Monday, they should vote to keep federal employees working through Jan. 3 and follow that up with a series of targeted spending bills that would reopen parts of the government and fund programs that Republicans supported.

From the perspective of hindsight, Gingrich's Dec. 16 memo not only made sense but was essentially what the House ended up doing three weeks later. In the interim, his movement would stagger from its worst public relations shellacking, which cheered the White House and

strengthened the hand of its political operatives. Polls would show the public swinging strongly behind Clinton in the budget fight. Unionized federal employees, ousted from their desks, held public demonstrations where they blamed House Republicans for the shutdown.

But on the Saturday morning of Dec. 16, Gingrich found no support for his plan as he gathered his leadership advisers in his favorite room in his second-floor office suite, known as the Dinosaur Room because of the glass-encased skull of a tyrannosaur near its entrance. Majority Whip Tom DeLay had been handed a copy of the memo by his aides and had marched up to the office of his fellow Texan, Majority Leader Armev, to shoot it down.

"We can't do this," DeLay had said. "Our members will kill us!" Armev agreed. Gingrich's lieutenants were lined up solidly against him. They told him that they agreed with his assumptions, but not with his timing. They felt they had been playing too much defense and were, as DeLay put it, "tired of being snookered" by the White House.

Gingrich was frustrated, but soon relented, for the second time in two days backing away from his position not to allow the government to close. Once that question was decided against him, he quickly became invigorated again as the focus shifted to message. If they would take their stand and fight against the White House with the government closed, then they had to find a stronger message. In a sense, they were back where he had started nine months earlier.

Gingrich had known from the early days of his revolution that he needed a compelling rationale to sell a balancing of the budget that would both cut the growth of entitlement programs at the same time that it cut taxes. If Republicans were to snip away at the social net holding up millions of Americans, they had to project a moral imperative larger than the numerical symmetry of a clean bottom line. He found it in a simple generational theme: Protect our children from the crushing interest caused by deficit spending.

Democrats from the start played up the painful consequences of that objective, a counterattack that began in earnest last fall when the GOP dipped into the biggest and most politically sacred spending pool—Medicare—to make the seven-year numbers work. The Republican mantra that Medicare had to be changed to be saved from insolvency was enough to keep Republicans together in October to pass the first Medicare overhaul in history.

But the American public was not as enthusiastic after weeks of Democratic charges that Medicare was being savaged to finance GOP tax cuts for the rich. Polls were showing large majorities opposed to the overhaul, and for the first time since Congress changed hands last January, more people said they trusted Clinton than they did Republicans to handle the nation's problems. Republicans entered the last crucial stage of their legislative season on the defensive and never recovered the public relations edge.

That is the dilemma they still faced on Dec. 16. They had no message strategy for the endgame. One of Gingrich's advisers, Sen. Paul Coverdell of Georgia, had been looking through a notebook of jottings from a meeting he had had with Clinton's consultant, Dick Morris, two years ago, back when Morris was advising Republi-

See INSIDE, A23, Col. 1

cans, and had stumbled across a line that resonated still: "He who defines first," Morris had said, "defines last."

'Man of the Year'

On Monday morning, Dec. 18, Clinton and his aides decided that they did not want to appear as obstructionists and needed to devise a plan to get the Republicans back to the bargaining table. It was perhaps not coincidental that the stock market was dropping 101.52 points that day. The president's instincts were to always show the White House was trying to keep the balanced budget talks going and to keep the government open. He wanted at all times to give the appearance of being on top of this serious endeavor. It was largely a matter, as one White House aide said, of "staying one step ahead of the blame."

At a strategy session in the Oval Office, the White House team debated how Dole and Gingrich could be hired back with a new set of options. Deputy chief of staff Erskine Bowles suggested that one option be presenting a seven-year budget scored by CBO on the condition that the Republicans drop their Medicare and Medicaid cuts. Clinton suggested another option: unconditional talks between him and Gingrich and Dole. A third option would be to work with a menu of budget plans, including several developed on Capitol Hill.

Satisfied with the plan, Clinton placed phone calls to Dole and Gingrich. The call to Dole was short and sweet. They talked about working out a short-term deal to reopen the government while resuming the budget talks. Dole liked the idea of getting Clinton in the room and was ready to join him.

The call to Gingrich lasted 15 minutes. The conversation began with an exchange of accusations of bad faith. Clinton complained about a series of attacks against him on the House floor the previous week. "In all due respect," responded Gingrich, "we don't think one-point-five million dollars in ads bought Friday morning was in good faith either."

Clinton said the Republicans were acting irresponsibly by refusing to open the government. Gingrich privately agreed, but did not say that to the president. "You may not trust us, but frankly our members are not in a very trusting mood, either," he said, adding: "Look, you have to see it from our point of view. We've written a 3,000-page document. Our members have taken a lot of tough votes. We've hiked all the way to the top of the mountain wearing backpacks and now you're driving three-quarters of the way up in a camper."

As Gingrich went on, Clinton felt compelled to interrupt him with a gentle jab of humor.

"Come on, Newt, lighten up!" he said. "You're Man of the Year!" a reference to Gingrich's selection as Time's most important figure of 1995.

"Yeah, well George Bush told me as long as you don't have two faces on the cover you're doing well," Gingrich responded.

"Hey," said Clinton. "They made me an X-ray," referring to an April 1992 cover of Time featuring a photographic negative of Clinton's face with the headline, "Why Voters Don't Trust Clinton."

Gingrich then signed on to a visit to the White House the next day with Dole to begin face-to-face meetings with Clinton. Two long sessions, Gingrich said, should be enough

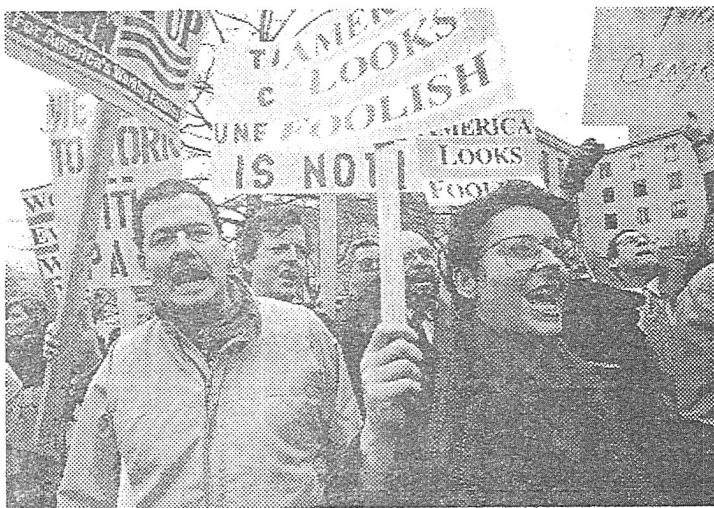


BY JAMES A. PARCELL—THE WASHINGTON POST

On the job: GOP leaders Tom DeLay, left, the majority whip, Gingrich and Majority Leader Dick Armey take questions from reporters on the partial shutdown of the federal government.

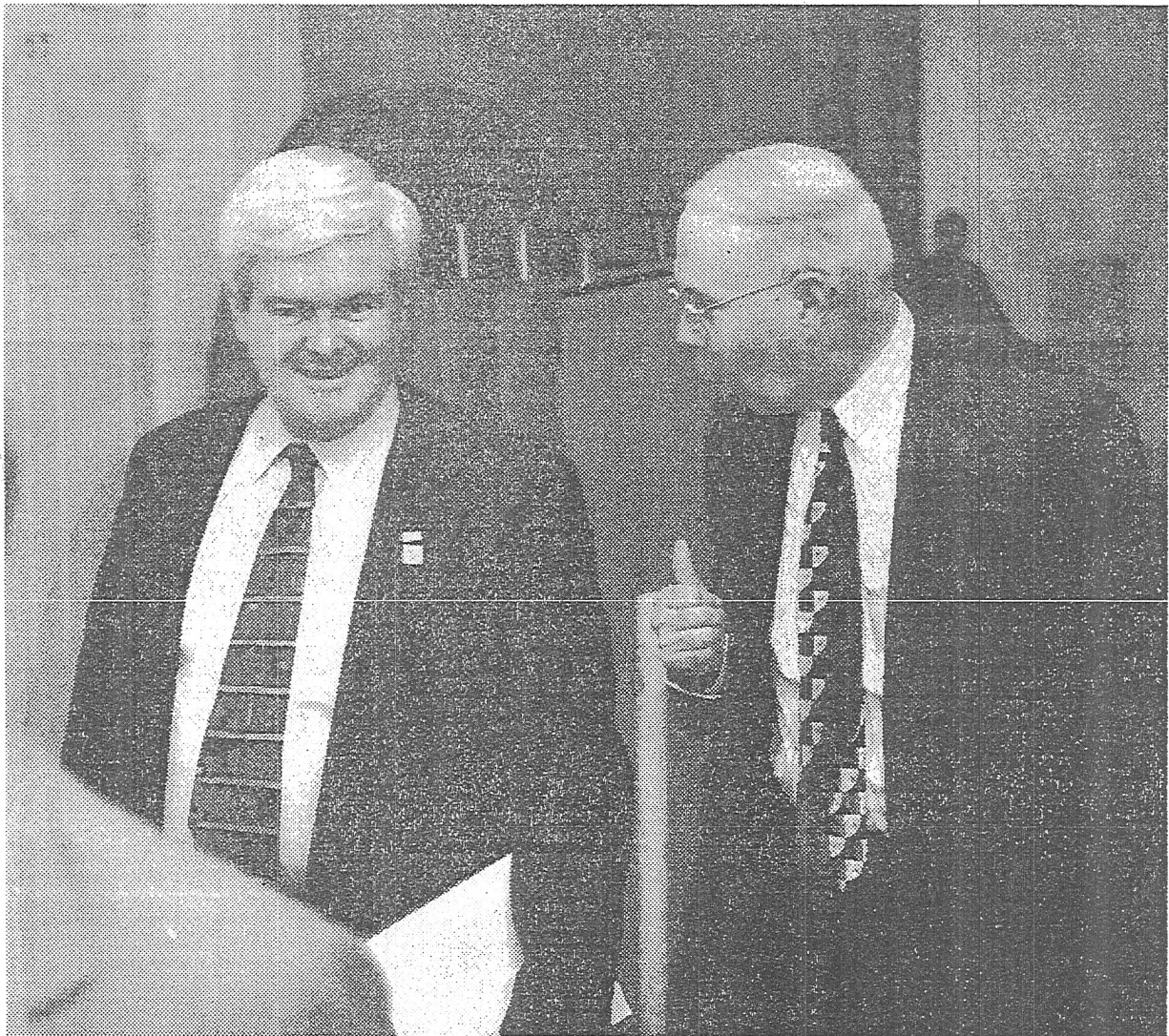
THE WASH

INSIDE THE REVOLUTION



BY DAYNA SMITH—THE WASHINGTON POST

Signs of the times: *Government workers take to streets to express their anger at being shut out of work because of the impasse between Congress and the White House.*



BY LARRY MORRIS—THE WASHINGTON POST

TV or not TV: Speaker Gingrich and Rep. Robert Walker (R-Pa.) head for television set on Dec. 15 to watch President Clinton blame breakdown in budget talks and shutdown of government on the GOP.

to determine whether there was a deal or a stalemate.

That night in Dole's office, Gingrich and Dole met with Kasich and Domenici and their staffs to go over what would happen at the White House the next day. It was agreed that their mission would be single-minded. They would demand that Clinton put a CBO-scored balanced budget on the table. That was it. Nail them down. Don't negotiate about the negotiations.

The Misunderstanding

The White House session on Tuesday, Dec. 19, lasted two hours. The more it dragged on, the more worried Republicans outside the Oval Office became. The joke over among House leadership aides was that it was 4 to 1 in the room: Clinton, Vice President Gore, Panetta and Dole vs. Newt. What was going on in there? It does not take two hours to present a simple demand.

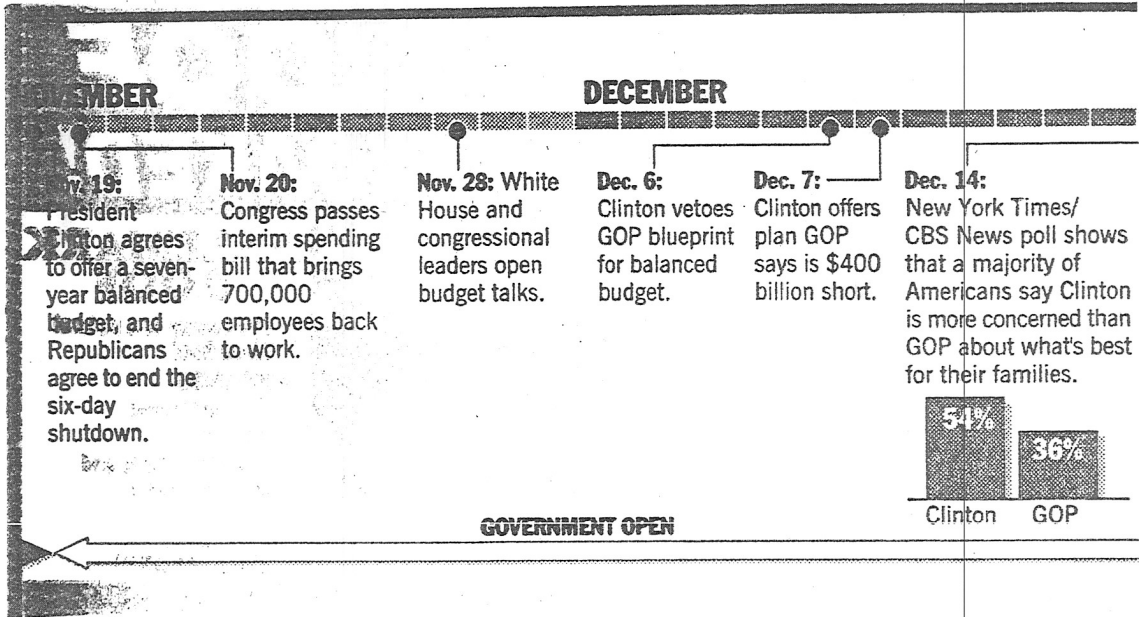
In a premeeting strategy session, Clinton and his aides had agreed that they would do everything possible to delay presenting a new White House balanced budget proposal. As soon as they did that, it would become the base

line for all negotiations. Clinton wanted more room to maneuver. When Dole and Gingrich arrived, he told them, "If we put one down, you guys are just going to attack it."

Rather than sticking to their demand, Gingrich and Dole accepted Clinton's argument. They would negotiate from a number of proposals, including the Republican plan and several measures floating on Capitol Hill drafted by conservative Democrats and bipartisan coalitions. The fact that Clinton committed himself to be personally involved encouraged the Republican leaders.

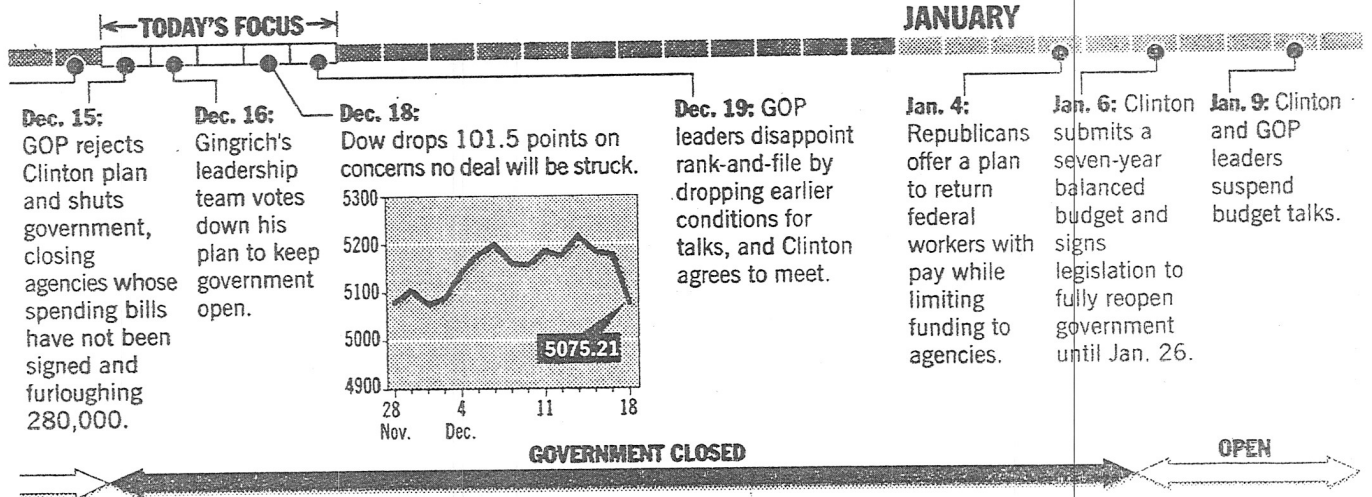
Just after Gore summarized the proceedings, Gingrich chief of staff Dan Meyer stepped over to Panetta and whispered a concern. The vice president had included the White House plan, which did not achieve a CBO-scored balance in seven years, as among those that would be on the table in future negotiations. Meyer did not think Gingrich and Dole had agreed to that.

Clinton closed the meeting by asking for a bill to reopen the government through the end of the year while the negotiations were taking place. That was too much, Gingrich said, and if he tried to push it on his members,



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THE REVOLUTION



"You'll be dealing with Speaker Armev." He agreed to go back and ask the House to reopen the government through the end of the week. It was agreed that the principals would convene again the next day after the advisers had met to set the ground rules.

Kasich and Domenici, who did not like being reduced to adviser status and had been excluded from the meeting, were unhappy that their negotiators did not stick with the game plan to demand the CBO-scored budget that Clinton promised Nov. 19. But Gingrich and Dole seemed optimistic. They thought the talks were back on track, that Clinton was ready to deal, and they went up to the Senate Press Gallery to tell the world about their accomplishments.

Gingrich announced what he thought were the key points of movement: The president would be personally engaged; only plans that were CBO-scored ahead of time could be on the table and they would get a deal before the end of the year.

The White House team watched Gingrich on C-SPAN. Gore stiffened when he heard the speaker declare that the White House plan would not be part of the discussions.

"We never agreed to that!" he said. He marched down to the White House press briefing room and said that the White House plan would be on the table, that it did not have to be scored by the CBO until after the negotiations were settled, and that there was no guarantee that a deal could be reached before the end of the year.

'This Dog's Got Distemper'

Meanwhile, Gingrich took the underground tunnels of the Capitol from the press gallery to the Cannon House Office Building Caucus Room where the Republican rank and file awaited once again. He sounded an optimistic note at first as he recounted his dealings with Clinton, but when he mentioned the idea of reopening the government, the crowd grew surly.

One by one, members took the floor to denounce the idea. They were already getting blamed by the public for everything, they argued, so what more was there to lose? The only way to get a balanced budget now was to keep the government closed and make it a crisis. "You've got to pound those guys!" shouted one moderate congressman. "Don't give them an inch!"

"Have you ever trained a dog?" Gingrich said, trying to explain his approach. "You need to use both sugar and a stick."

At which point freshman Tom Coburn of Oklahoma stood up and shouted, "Well, this dog's got distemper!"

Once again, Gingrich felt the squeeze. He wanted to keep the negotiations going, believing deeply that the only way to sustain the momentum of the revolution was to strike a deal before the end of the year. He wanted to maintain his partnership with Dole, who considered the House reckless for closing the government. But he realized that strategically he was still too far out in front of his rank and file. He could sense things falling apart again.

Late that night, in the Dinosaur Room, he convened another leadership meeting. DeLay, eager to hold off the latest Gingrich push to reopen the government, had brought in a tape of Gore's speech and insisted that the speaker watch it. Gingrich refused at first, but finally relented. The tape did not improve his mood.

NEXT: The Big Three