

Administration Launches Assault

By John F. Harris
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In outraged and accusatory tones, the Clinton administration yesterday began what White House aides promised would be a sustained attack on proposals by congressional Republicans to balance the budget by 2002. While Cabinet secretaries across the government denounced the cuts in their agencies, White House Chief of Staff Leon E. Panetta singled out planned reductions in Medicare and Medicaid as allegedly the most draconian and unfair.

"The Republican budgets confirm our worst suspicions about the direction they want to take the country," said Panetta, his voice occasionally rising to a near shout. He predicted a "second-class health care system" for senior citizens and poor people if the GOP plans to slow the rate of growth in the government's two largest health programs are realized.

While Clinton in February invited Republicans to come forward with proposed cuts after he submitted his budget—which forecasts large annual federal deficits for the indefinite future—the White House did not give any nods to Republicans for political fortitude.

Instead, Laura D'Andrea Tyson, the director of the White House's National Economic Council, argued that a balanced budget within seven years may not be a good idea even in the abstract, no matter what programs are affected.

"It exposes the macro-economy to considerable downside risk," said Tyson, predicting balancing the budget in seven years might cause or exacerbate a recession, especially combined with likely state and local cuts.

She argued "any effort to reduce government spending takes a dollar out of the economy [which] means a dollar in reduction in demand in the economy, so it increases the contractionary risk on the economy."

This was the first time a senior administration official had argued so

bluntly that continued budget deficits had a positive side. In January, Vice President Gore said on CBS's "Face the Nation" that it was both possible and desirable to balance the budget by 2002.

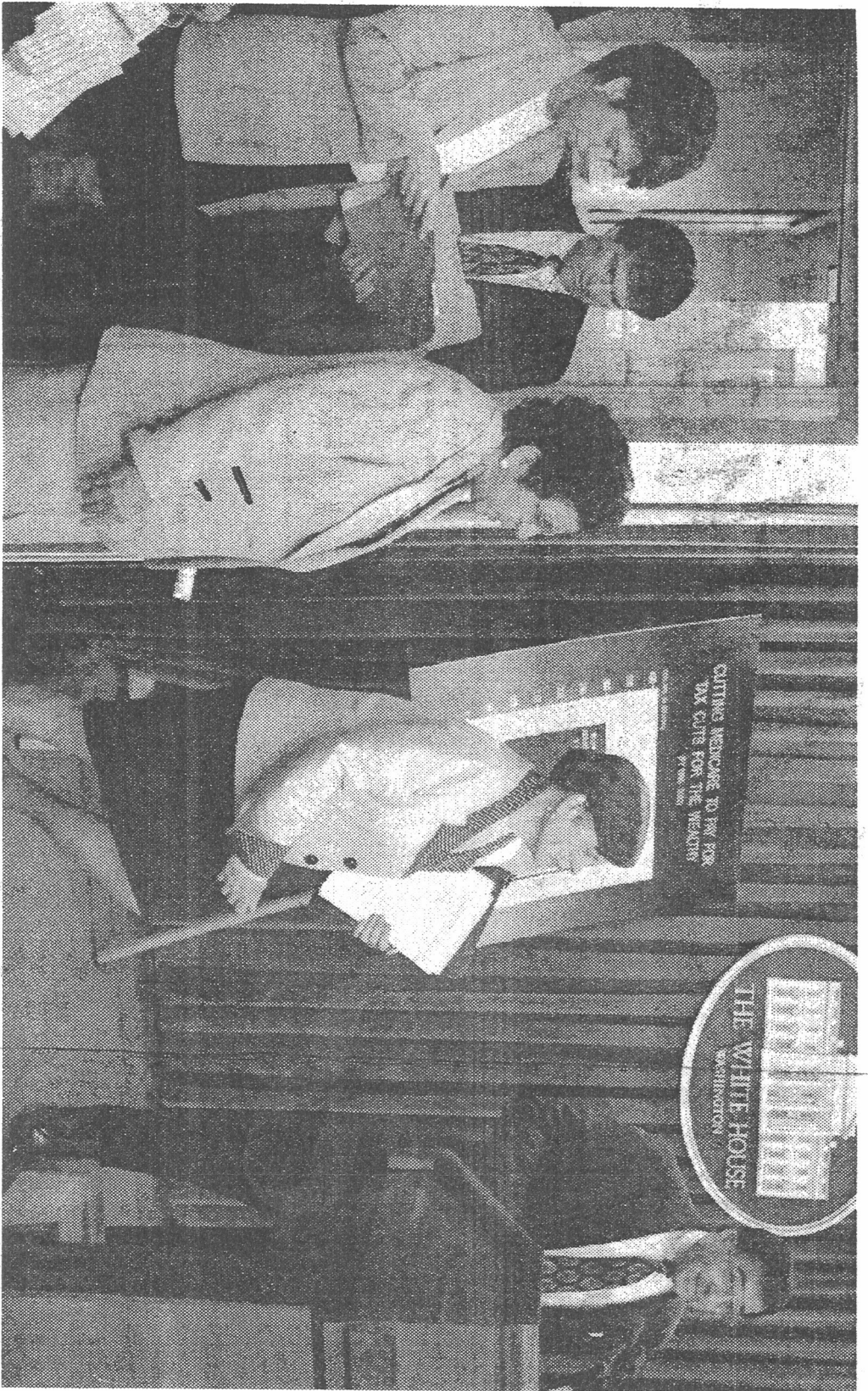
"We think that the task of balancing the budget is one that we have to actually take responsibility for ourselves and do it," Gore said then.

Yesterday, however, the administration's emphasis was focused on criticizing the Republican budget plans. Panetta, who directed the administra-

tion's response while Clinton was traveling in Russia, said the House Republican plan to spend hundreds of billions of dollars less than projected on Medicare, the health care program for senior citizens, would be "used to fund the crown jewel of the 'Contract [With America],' which is their huge tax cut for the wealthy."

"In trying to fulfill their contract," Panetta concluded, "the Republicans have broken our nation's contract to working families and their parents."

House Majority Leader Richard K.



White House Chief of Staff Leon E. Panetta, right, speaks to reporters yesterday at the White House. He is accompanied by, from left, Laura D'Andrea

Tyson of the National Economic Council, Larry Haas of the Budget Office, HHS Secretary Donna E. Shalala and Budget Director Alice M. Rivlin.

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Armev (R-Tex.) accused Clinton and other Democrats of demagoguery.

"The Democrats' political strategy of using the issue to scare seniors will harm them in the long run because it will reinforce this sad truth: The party that once lived by the motto, 'We have nothing to fear but fear itself' has been reduced to the motto, 'We have nothing to offer but fear itself,'" Armev said at a forum sponsored by the American Enterprise Institute.

While Republicans have proposed a bipartisan commission to avert the

predicted bankruptcy of Medicare early next decade, Clinton has rejected that idea unless Republicans abandon their proposed tax cut for wealthy Americans.

Panetta also complained that a Republican plan to scale back the earned income tax credit "represents a tax increase on 12 million working families earning less than \$27,000."

Across the government, senior officials aimed their rhetorical guns at other aspects of the Republican budgets.

Health and Human Services Secretary Donna E. Shalala disputed the GOP contention that Medicare costs are rising faster than private health care costs. And she said slowing down the rate of growth in Medicaid, which pays for health care for poor people, would hurt many in the middle class. That is because many of the people in nursing homes are old people who have reduced their assets; middle-class children, she said, would end up shouldering more of the burden for elderly parents.

"It's scalp-taking time," Energy Secretary Hazel R. O'Leary said of the House Republican plan to eliminate her department and merge its functions with other departments.

Education Secretary Richard W. Riley, whose department would also be eliminated under the House plan, said if Republican cuts are approved it would represent a "collapse" of the long-standing tradition of bipartisan support for federal education spending. "The whole idea is wrong for children, and wrong for America," Riley said. "It's extreme, short-sighted, and not in touch with the reality of the times."

Officials at the National Institutes of Health speculated that next year's budget could be cut by 10 percent to 25 percent. With a budget this year of \$11.3 billion, the agency finances most of the non-military, non-pharmaceutical medical research in the United States. The projected cuts range from \$1.1 billion to \$2.5 billion.

"This is a terrible outrage," said Veterans Affairs Secretary Jesse Brown whose ambitious plans for more veterans hospitals would be cut short by the GOP spending proposal. "Under no circumstances will the veteran community and the American people support an effort to balance the budget by defaulting on our most sacred obligation, that of caring for our veterans."

Staff writers Dan Balz, Stephen Barr, David Brown, Bill McAllister and Rene Sanchez contributed to this report.