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Republican Still Think They Can Cut Taxes & Reduce Deficits

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Congressional Republicans are engaged in a complicated political two-step, pursuing both tax cuts and deficit reduction in an election year when record federal shortfalls are starting to draw the public's attention.

Ignoring Democrats and deficit hawks who said the two policies are contradictory, the GOP-run House Budget Committee embraced both goals Wednesday with a pair of measures.

The panel by voice vote approved a bill making it harder for lawmakers to expand benefits for programs like Medicare unless they are paid for with spending cuts. Unlike the Senate-passed version, tax cuts would not have to be paid for, protecting a prime priority that President Bush and GOP lawmakers have retained even as this year's deficit nears an unprecedented \$500 billion.

"New spending and new tax cuts are not equivalent. New spending does not help maximize economic growth and tax cuts do," said Rep. Patrick Toomey, R-Pa.

The committee also neared passage of a \$2.41 trillion budget for 2005. It largely follows the fiscal outline Bush proposed last month, but it differs from his proposal in that it seeks faster deficit reduction, smaller tax cuts and lower spending.

The conflicting strains - erasing red ink yet reducing federal revenues, endorsing Bush priorities while recasting them - underscore the tricky terrain Republicans must tread as they try to retain the White House, House and Senate in November's elections.

The loss of 2.2 million jobs since Bush took office in 2001 means they need a plan for invigorating the economy. Their chief answer has been tax cuts which appeal to the GOP's conservative and business supporters.

Yet many Republicans have become disenchanted as deficits have spun out of control. Many in the party like the idea of clamping down on spending, but omitting tax cuts from the requirement for budget savings has rankled GOP deficit hawks, raising questions about whether it will garner enough votes to pass the narrowly divided Congress.

"I'm not sure reducing taxes and cutting deficits are necessarily corollaries of each other," said moderate Rep. Michael Castle, R-Del.

Democrats hope to use the red ink as a sign of Bush's inability to manage the economy and create jobs. They mock the GOP proposal to require savings for expanded spending, but not tax cuts, as a half-measure aimed more at protecting Bush's tax agenda than reducing red ink.

"What you're doing is ignoring the elephant in the room," said Rep. John Spratt, D-S.C., referring to the exemption of tax cuts. "This is a dodge."

"They've created a mess, and now they're trying to cover their flanks," said Rep. Rahm Emanuel, D-Ill., a budget committee member.

Until they expired in 2002 after a dozen years, budget controls required lawmakers to find savings for any tax cuts or expanded benefit payments.

But that was a compromise from an era when the White House and Congress were held by different parties. With the GOP controlling both branches of government, most of its members - including Bush, House Speaker Dennis Hastert, R-Ill., and Senate Majority Leader Bill Frist, R-Tenn. - have no interest in renewing those strictures for tax cuts.

The House budget panel rejected a Democratic effort to impose the restrictions on tax cuts also by a party-line, 24-18 vote.

Last week, Democrats teamed with GOP moderates to force through the Senate a measure applying the requirement to spending boosts and tax reductions. It would let tax cuts or spending increases go unpaid for if 60 of the 100 senators would vote accordingly.

Under the House plan, most benefit programs - excluding Social Security - would be automatically cut if increases for those programs were enacted but not paid for.

The prospects for a final House-Senate compromise are uncertain.

The House committee's budget would hold most domestic programs to the same levels as last year and give Bush the boosts he wants for defense and domestic security. Republicans defeated Democratic efforts to add spending for emergency workers and

veterans while trimming tax cuts.

The budget would allow \$138 billion in five-year tax cuts - including renewals of popular, expiring breaks for married couples and families with children and the expanded 10 percent tax bracket. But it would ignore Bush's effort to make permanent other tax cuts expiring later this decade, the bulk of the \$1.3 trillion in 10-year tax reductions he proposed last month.

The House plan also claims to halve this year's expected record \$477 billion deficit in four years, a year sooner than Bush proposed.

Like Bush's budget and a similar plan approved by the Senate last week, most deficit reduction comes not from budget cuts; rather, an assumption that a strengthening economy will produce extra federal revenue.

The budget sets guidelines for spending and taxes for the year and leaves actual changes in revenues and expenditures for later legislation.

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