

Tax Debate Roils House Democrats Copyright 2002 Roll Call, Inc.
Roll Call

January 28, 2002

By Ethan Wallison

House Democrats departed for their annual issues retreat last weekend amid deep concern that the party lacks a coherent budget message to take into the November elections, with a wide gulf opening between the leadership and the rank and file over how to address last year's \$1.3 trillion tax cut.

Senior Democrats, led by Minority Leader Richard Gephardt (Mo.), are working vigorously to distance the Caucus from suggestions that the party would like to raise taxes, fearing a backlash among voters.

But they face a growing consensus among progressives that the party's message this year must lay out a choice between spending on "priorities" such as health care or enacting the portion of last year's tax cut that applies to the "wealthiest" Americans.

"I think it can't be avoided," said Rep. Jan Schakowsky (D-Ill.), a key progressive. "At some point, if we're going to be champions for our constituencies and priorities, we're going to have to talk about taxes." But leaders are wary, stung by what they saw as a surprisingly effective counterattack from the White House in the aftermath of a Jan. 4 speech on the economy by Senate Majority Leader Thomas Daschle (D-S.D.).

In the speech Daschle suggested that the recession had been worsened by the tax cut backed by President Bush last year, but did not let the other shoe drop.

This allowed the White House and Congressional Republicans to claim that the speech advocated tax increases. Memorably, in its aftermath the President declared that "over my dead body" would the tax cut be altered.

Some Democratic strategists suggest that the party is caught between a fear of seeming to advocate raising taxes and an inability to make the case for its "priorities" without revisiting last year's tax cut.

"Democrats are scared to death of saying anything that sounds like a tax increase," said Rep. Charlie Rangel (D-N.Y.), the ranking member on the Ways and Means Committee.

So far, the response has been to try to cast the debate forward by anticipating the President's budget, which typically arrives on Capitol Hill the first week of February.

The leaders believe that by focusing on the upcoming budget rather than revisiting last year's

fight, they can raise last year's tax cuts as an issue - that is, as missing money - without necessarily discussing them explicitly.

"We can address this issue directly by talking about what the President has taken off the table," said Rep. Rosa DeLauro (D-Conn.), the party's message chief, referring to programs that presumably were crowded out by the tax cut. "It is going to force us to have a debate about choices."

The problem for Democrats, however, can be glimpsed in the latest numbers from the Congressional Budget Office. They show that the \$1.3 trillion tax cut consumed the projected surplus revenue that would have otherwise been available to Congress over the next 10 years (unless Congress dips into the share of revenues that lawmakers have ostensibly committed to Social Security and Medicare).

As a result, many Democrats believe the choice is between rolling back a portion of the tax cut or returning to deficit spending (if Social Security and Medicare remain off-budget) in order to pay for new or expanded government programs.

In Rangel's view, the Democrats should invoke the litany of "unexpected circumstances" - the war on terrorism, the sudden reappearance of budget deficits - and say that it is time to reorder priorities.

"I have no hesitancy in saying we should review the tax cuts that haven't taken effect," Rangel said, alluding to the vast lion's share of the cuts, which aren't due to kick in until 2004.

Rangel called it a "distortion" to suggest, as Republicans have, that a rollback of future tax cuts could be viewed as a tax increase. And he counseled Democrats not to fear the "small percentage" of taxpayers who would be affected if Congress could delay or eliminate the portion of the tax cuts that would go to the "wealthiest" Americans.

"They will not be heard to complain," Rangel said. "So we should not be afraid of their response."

In fact, most House Democrats did not necessarily dispute the substance of Daschle's speech; Gephardt, after all, is among those who in the past has blamed federal budget deficits for economic downturns.

The main problem, strategists said, was the timing: With Congress in recess, the White House was free to recast the speech's themes with little interruption from the Democrats. And the GOP cast it as a call for raising taxes.

In some corners of the Caucus, Democrats marveled at what they considered to be an unusually naive strategic maneuver by the Senate leader.

"It was like what the Republicans used to do with [former President] Clinton," one House Democratic aide said. "They would criticize him all the time when no Members were around and

forgot the White House gets the last word in these things."

In a speech to the centrist Democratic Leadership Conference last week, Gephardt acted to stop the bleeding by indicating that he believes what's done is done and that Congress ought to move on.

"It's my view that we shouldn't be reconsidering tax cuts in the middle of a recession," Gephardt said. "And in any case, the President has taken it off the table."

A top Gephardt aide later reinforced the message. "His voice is worth two-thirds of [the Democratic Caucus] in this process," the aide said of the President.

The aide added, "Gephardt's view is that we shouldn't waste time on something that's not going to happen."