

IMMEDIATE TEST FOR BUSH: PICKING NATIONAL ECONOMIC COMMISSION MEMBERS

One of President-elect George Bush's first official acts will be to name two new members to the National Economic Commission (NEC), the bipartisan panel set up by Congress to recommend ways to reduce the federal budget deficit. Bush's selections could turn out to be one of the most important political decisions he makes between now and Inauguration Day. His choices will determine the political dynamic of economic policymaking for the key first year of his term.

For months, some Commission members have been working to prepare the ground for a major tax increase. Yet Bush's "read my lips" pledge against a tax hike was a central theme of his campaign and a major reason for his victory. In an important sense, this election has been a referendum against a tax hike. The American people have given Bush a clear mandate to stand firm on this. His selection of new NEC members thus is a critical litmus test. If he chooses two individuals who agree, in advance, to reject any proposal within the NEC for a tax hike, Bush will live up to his election promise. But if he picks individuals who will not rule out taxes, he will indicate to Capitol Hill that his campaign pledge is in fact negotiable, igniting fierce congressional pressure on the Bush White House to agree to a tax end-run on the American people.

Fueling Fears of New Taxes. The National Economic Commission was established by Congress last year. Under the law, the President-elect can choose two members — one Democrat and one Republican — as soon as the election is over, bringing the Commission up to its full strength of fourteen members. These last members can take part in the NEC proceedings immediately, although their votes are not counted officially until they are sworn in on December 19. The ostensible purpose of the NEC is to bring leading political figures together to recommend ways of reducing the federal deficit. But some members of the Commission, co-chaired by former Republican cabinet officer Drew Lewis and veteran Democratic operative Robert Strauss, apparently see their mission as undermining opposition to raising taxes as part of a deficit reduction package. The Commission leadership and staff, moreover, have used various tactics to try to nudge members to favor a tax increase. For instance, until recently the Commission has conducted its hearings behind locked doors, with a roster of witnesses heavily backing tax hikes, further fueling fears that the NEC is little more than a Trojan Horse for new taxes.

Such behind-the-scenes attempts to stack the deck in support of a tax hike has led to bitter public exchanges between the co-chairmen and those NEC members who believe a tax hike merely would reduce the pressure for sensible spending reductions. The Commission now appears deeply split on the tax issue.

Crucial Coming Weeks. The weeks between now and the end of the year, when the Commission is due to deliver its draft report, will be crucial in determining the dynamics of economic policy under the Bush Administration. With a decisive election victory for the candidate opposed to any tax increase, advocates of a tax hike can be expected to focus on the NEC as the vehicle to build momentum for new taxes in the next Congress. By arguing that the Commission is "above politics," and by papering over deep divisions among its members, their aim will be to ignore the election returns and isolate the new President, claiming that Bush should not hold out against the "consensus" for new taxes.

Bush must not allow himself to be trapped in this way. He should pick two members who are unequivocal in their opposition to a tax increase. In support of these choices, he should note that by allowing the President-elect to select two NEC members, Congress recognized that the makeup of the Commission should reflect the mandate given by the election, and that yesterday's mandate is for no tax increases. He should also remind the Commission that the American people are wise to reject taxes as a "solution" to the deficit problem: studies have demonstrated clearly that past tax hikes have not reduced the deficit, and only Reagan's intransigence on taxes forced Congress to give any consideration at all to deficit-reducing spending cuts.

Blocking a Tax End-Run. Bush's choice of NEC members thus is crucial to the politics of deficit reduction. If he picks members who will refuse to endorse any Commission report that includes a recommendation to raise taxes, he will send the message to Congress that "read my lips" was no mere campaign ploy. That will block the tax end-run planned by many supporters of the NEC. It will also remove taxes from the bargaining table, allowing Bush to continue the Reagan policy of keeping Congress's feet to the fire on spending cuts by denying lawmakers the option of raising taxes to satisfy deficit reduction targets. On the other hand, if he chooses two less resolute individuals, he will breathe new life into the tax hike lobby. This lobby will infer that despite the campaign rhetoric, Bush will blink in any confrontation over taxes. And with that perception on Capitol Hill, Bush would lose the initiative on budget policy and his Administration immediately would be thrown on the defensive.

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For further information:

Stuart M. Butler, "The National Economic Commission: A Tax-Hike Trojan Horse," Heritage Foundation *Executive Memorandum* No. 216, September 30, 1988.

Peter T. Kilborn, "Divided Panel on Budget Deficit Abandons Its December Deadline," *The New York Times*, November 9, 1988, p. 1.