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Political Memo; Re-examining the Fine Print On Clinton's Tax Promises

By MICHAEL KELLY,

At a time when the public has repeatedly shown its distaste for the maneuvers and machinations of politics, President Clinton's White House is banking on a five-word loophole to save it from voter outrage should Mr. Clinton propose a broad-based energy tax.

During the campaign, Mr. Clinton promised tax cuts for the middle class. Now Mr. Clinton and his chief economic advisers are backing away from the tax cut and strongly hinting that an energy tax will hit the middle class the hardest.

"They campaigned on a middle-class tax cut and then four days into a new Administration the chief economic spokesman is talking about a middle-class tax increase," said Robert S. McIntyre, director of Citizens for Tax Justice, a liberal research group. "That's a flip-flop."

Although Vice President Al Gore and Treasury Secretary Lloyd Bentsen have mentioned the possibility of an energy tax in recent interviews, the President and his advisers insisted today that their economic plan was still under discussion and that no decision had been made.

Still some Clinton advisers say they are not worried about public outrage. They say the President built himself an escape hatch a little less than a month before Election Day.

"Every time Clinton said 'I'm not going to raise taxes on the middle class,' he always added the phrase 'to pay for my programs,'" said a chief political adviser to the President, who spoke on the condition of anonymity. "He never, never, said just, 'I will not raise taxes on the middle class.' He always said 'I will not raise middle-class taxes to pay for my programs.'"

By this logic, the adviser said, Mr. Clinton's legalistic construct was a "distinction with a difference" that allows him "the opportunity he now has" to raise taxes without incurring voter wrath.

But of late that sort of politics-by-loophole has not been playing well.

In 1990, President George Bush signed an agreement with Congress that obliged him to break his "read my lips" campaign promise of 1988 not to raise taxes. Mr. Bush and his advisers reasoned that voters had never taken his promise seriously in the first place and would forgive its being breached. The voters reacted with far more anger than understanding, and Mr. Bush never regained their trust when the economy turned sour.

In recent weeks, the gulf between Washington's view of what constituted acceptable behavior and that of

many voters was again demonstrated in the matter of Zoe Baird. Mr. Clinton pressed forward with his choice of Ms. Baird as Attorney General despite the disclosure that she had once hired illegal aliens. Mr. Clinton and his advisers figured voters would forgive Ms. Baird what they considered a small transgression in an otherwise impressive career.

The voters, recalling Mr. Clinton's emotional promises to run a Government for the "people who pay their taxes and play by the rules," saw him as trying to give a break to a rich woman who had done neither and forced Ms. Baird's withdrawal. Some See a Liability

Mr. Clinton's aides know full well that Mr. Bush's mistake helped cost him his job. But they still contend that Mr. Clinton is protected by his escape clause. "People won't get away with saying Clinton promised that he was not going to raise taxes and then did," the adviser said. "He had many opportunities to make a 'read my lips' statement, and he did not."

Some outside the Clinton camp disagree strongly with that logic, however.

Kevin Phillips, a Republican political analyst who charted the rise of middle-class anger in the late 1980's and spared no criticism of Mr. Bush's broken promises, said: "At the most recent count, only 800,000 Americans were lawyers, and I don't think the 248 million or so who are not lawyers are going to buy a caveat stuck on in the middle of a passionate plea to the middle-class voters that they should vote for him because he was going to save them. Talk about reading his lips."

Mr. Clinton introduced the escape clause on taxes for the middle class before a national audience in an Oct. 19 Presidential debate in Richmond. "I will not raise taxes on the middle class to pay for these programs," he said. 'Very Conscious Decision'

Listeners without the benefit of law-school training might have taken that as a pledge to not raise taxes on the middle class. But the President's adviser said Mr. Clinton had purposefully used, and reiterated, the phrase "for these programs" to allow himself a way out of what careless voters might have thought they had been promised.

"It was a very conscious decision on his part," the adviser said. "I can tell you this from strategy sessions and debate prep sessions. The idea of a flat-out promise of 'I will not raise taxes on the middle class, period,' was rejected by the President. He refused to allow himself to be boxed in that way."

The matter of the escape clause illustrates a larger point about Mr. Clinton that has become increasingly obvious: It is always wise to read the fine print. The fine print of Mr. Clinton's promise on the tax cut for the middle class was quite different from the broad thrust of his oratory on the subject.

For a year, the Democrat campaigned on a platform of economic renewal in which the Federal deficit could be halved in four years rather painlessly by raising taxes on rich people and foreign corporations and by improving the way Government programs are managed.

In "Putting People First," Mr. Clinton's often-touted plan for American renewal, the candidate promised: "We will lower the tax burden on middle-class Americans by asking the very wealthy to pay their fair share. Middle-class taxpayers will have a choice between a children's tax credit or a significant reduction in their income-tax rate."

On July 13, speaking to reporters in New York, Mr. Clinton said flatly, "I'm not going to raise taxes on the middle class," according to reports by The Chicago Tribune and the Reuters news service. On the

same day, in an interview shown by Cable News Network, he said, "I don't think we should raise middle-class individuals' taxes, because their income went down and their tax rates were raised" in the 1980's.

But in the fall campaign, when his words were scrupulously followed by a larger audience, Mr. Clinton took more care. After the Richmond debate, he regularly re-stated the position that his promise to the middle class was only that he would not raise their taxes "to pay for these programs."