

Clark S. Herman Associates, Inc.

Est. 1919

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1882-1945

HARRY C. HERMAN
1917-1984

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*from Herman
for GAR*

November 16, 1995

Memorandum

To: Terry Mahony
Bruce Allan
Tom Patton

From: Clark S. Herman *CSH*

Re: November 30th HDTV Capitol Hill Briefing and Demonstration

Purpose: 1) To Demonstrate Network, Manufacturer, Consumer, and Labor's Common Positions on HDTV/ATV's Commercialization and Auctions of Second Channel.

2) Allow Audience To See and Appreciate an HDTV Demonstrations.

I. Location - U.S. Capitol - Room HC-5 - (contact Brenda at 225-5107)

II. Time - 8:00AM - 10:00AM

III. Participants - Organization and Name

NBC	Mike Sherlock
CBS	?
ABC	?
Thomson	Joe Clayton?
Philips	? Tom will not be available
Sarnoff	Glenn Reitmeyer
National Consumers League	Linda Golodner
IBEW/IUE	?

Coastal Building on the Navesink
151 Bodman Place, Suite 401 • Red Bank, New Jersey 07701-1070

- IV. Speakers - To Be Determined
- V. Invitations - Separate letters of invitation to House, Senate Commerce Committees and staff (already drafted) to be sent out on November 20, 21 at the very latest. Proposed sponsors to ask are: Fields, Markey, Pressler, Hollings.
- VI. Advance Publicity - Roll Call, Trade Press blast fax, Republicans and Democratic TV Systems and phone calls from participants to targeted staff.
- VII. Media Presence - need to discuss
- VIII. Refreshments - need to discuss
- IX. "To Do" List and Timetable
 - A. Each organization should move its participant by Monday noon (November 20th)
 - B. We should decide who is going to speak and the messages they will convey by Wednesday November 22nd.
 - C. Signed Letters of Invitation
 - D. Follow-up to letters of invitation (faxes, calls, notices to be published)
 - E. Role of Media if any
 - F. Refreshments

Assignments will be given for all above action items in our next conference call.

How to Cut a Budget Deal Without Even Breaking a Sweat

A Seven-Step Program to
Kick the Gridlock Habit....

By Norman J. Ornstein



GOVERNMENT 101.

WASH.
Post
11/19/95

AS WE WATCH clumps of neighbors unfurled and the threat of default raised, there is a great money here. Any two reasonable people chosen at random could take the White House budget and the congressional budget, put them side by side, and strike a reasonable deal in no time at all—a deal that could capture the requisite 250 votes in the House, with about 180 Republicans joining 70 Democrats in the Senate center.

The bottom line? White budgets that will total about \$13 trillion over seven years, each side would have to give about \$200 billion—not even 2 percent—to reach a compromise. Where can you find the money to bridge the gap and satisfy the political objectives of both sides? Here are seven ways to compromise. Mix and match the details and you have a deal.

Compromise on economic assumptions. The GOP budget plans are built on economic projections, from the Congressional Budget Office (CBO). The White House budget is based on projections developed by the Office of Management and Budget (OMB). When the White House released its figures, they were astoundingly refuted by congressional Republicans.

In August, a prestigious, independent group of economic forecasters said that in some respects OMB's projections were flimsy closer to the mark than CBO's. (In particular, the forecasters said the OMB projection of 2.5 percent annual economic growth was closer to the likely reality than the CBO's 2.3 percent estimate.)

That finding provides a clear opening for Republicans to discuss assumptions without moving to unrealistically rosy scores. You don't need a Nobel Prize in Mathematics to see an obvious compromise—2.4 percent growth. Add in a compromise on forecasts of neutral inflation, and you are more than halfway to a reasonable deal.

Cut the Consumer Price Index. Ever since Federal Reserve Chairman Alan Greenspan commanded publicity that the government's official index of inflation, the CPI, has likely been overstating inflation for years, a debate has raged about the implications of his assertion. Greenspan suggested the overstatement was in the range of one-half to 2 percent.

Now a group of academic economists appointed by the Senate has said that 1 percent is a reasonable estimate of the understatement. If budget deal-makers made a technical adjustment in the CPI accordingly—or even pick a smaller figure, say seven-tenths of 1 percent or even one-half of 1 percent—it would mean anywhere from \$50 billion to \$125 billion less in federal outlays and more in revenues over the next seven years, and would take us most of the rest of the way to a deal.

Stop the timetable. The Republicans' budget brings a balance in seven years, by 2002. The president's budget starts with a 10-year glide path to balance, since revised to nine years by positive economic news. One side says seven, the other says nine—my goodness, where could we compromise? Moving to eight years would provide a nice additional cushion—maybe \$50 billion—to satisfy other objection-

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tives. House Republicans have said the seven-year timetable is a non-negotiable foundation of their plan. But if other compromises can't be made, eight years is a fallback.

Split the priorities. No budget deal will work without reconciling the very different spending priorities of the two parties. But in budget terms, if not ideologically, most of these differences amount to little more than house change in a \$1.6 trillion dollar budget. The entire budgets of the National Endowments for the Humanities and the Arts, the Corporation for Public Broadcasting, and the Legal Services Corporation and the president's national service plan, add up to little more than one-twentieth of 1 percent of the budget. A little give here by Republicans, preserving some agencies and programs while trimming funding and perhaps reforming operations, will not damage the goal of budget balancing but will make a compromise much more workable and palatable. Education is harder—the partisan gulf is more like \$70 billion over seven years—but still within the realm of compromise.

Trim the tax code. The simplest way to reach a budget agreement would be to drop the tax cut, and use the \$245 billion to resolve all the other differences; do that, and we could find a deal in two minutes, not five. (That in fact was the approach of Charlie Stenholm's conservative Democratic group, the Coalition.) But dropping tax cuts entirely is not politically realistic, so here are two ways to deal with them. One: Include the two key components to the GOP tax package, the capital gains cut and the \$500 per child credit—but change them. Take out any retroactive effect of the capital gains cut (it's supposed to encourage new investment, not reward past behavior) and cut the top income levels for the full child credit to,

say, \$70,000. That would keep the core values and still find \$30 billion to use for a sensible budget deal. Two: Give the Republicans their pre-election installment of the child credit, a \$125 cash payment per child to families next October. But keep the rest of the tax package in a "lockbox," with the benefits distributed only as we see a real deficit reduction via the spending cuts (and remember, even in the toughest GOP plan, most of the cuts are just promises to be kept by future Congresses).

Card "corporatis" self-care. All right, freshman Republicans insist on the full \$245 billion in tax cuts. So create a balance on the other side. Turn to some of the 129 items totaling \$97 billion a year in specific tax breaks for corporate interests identified earlier this year by the Cato Institute. Add, say, \$25 billion of them to the \$25 billion or so in corporate loophole-pluggers already in the GOP budgets. That would also soften the image of Republicans as reverse Robin Hood, taking from the poor to give to the rich.

Auction off spectrum. Even as Congress deals with the budget, it is attempting to open digital channels to add to the existing analog broadcast spectrum. Six new channels for each existing one, commercially viable in a couple of years, with untold profit potential. Auction them off (as the FCC has been doing with stunning success on other parts of the communications spectrum, and as Senate Commerce Committee Chairman Latoro Pressler has recommended) and the agency estimates we could raise between \$11 billion and \$70 billion.

Seven steps, pick among them like items on a Chinese menu, and a path to a sensible, realistic and tough budget plan is easily achievable. All it takes is a little rationality—the one commodity in shortest supply.