Senator Thomas Daschle

Slaying the Dragon of Debt: Fiscal Politics and Policy from the 1970s to the Present

A project of the Walter Shorenstein Program in Politics, Policy and Values

Interviews conducted by
Martin Meeker
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Today is the 6th of December 2010. This is Martin Meeker interviewing Senator Thomas Daschle for the National Debt Oral History Project. I’d like to begin with your career in the House of Representatives. You started in the Ninety-Sixth Congress. You began in 1979. But I’d like to actually move forward a little bit to the Ninety-Seventh Congress with President Reagan, and in particular the new model toward tax reduction, spending cuts, defense increases that Regan brought in during that period of time. There were a whole series of pieces of legislation that come through during that Congress, the most important being the OBRA and the ERTA. And these were generally based on this notion of supply side theory economics, the notion that if you cut taxes you’re going to spur growth in the economy, which will then actually, perhaps paradoxically, result in increased revenues to the federal government. And, on both sides of the aisle, there was a notion in the early 1980s, even in the late 1970s, that increase tax rates and corporate tax rates had gone too high and so there was agreement that tax cuts needed to happen. And I know that you voted affirmatively for many of the Reagan tax cuts in the early 1980s and I just want to sort of get a sense of your thinking was as a second term Congressman from South Dakota when the so-called Reagan Revolution happened and the Kemp-Roth tax cuts were proposed. How you felt about it and what your thoughts were at that time?

Well, I was a fairly junior member of Congress and believe that this theory needed the opportunity to work, to be assessed, to have an opportunity for evaluation. And I must say, it was a new president and it was our feeling that the president ought to be given an opportunity to implement many of the proposals that his administration was advocating. I look back at that as one of the perhaps many mistakes that I made in my career legislatively in terms of the votes that I cast, in large measure because I think that theory, if you will, religion that if you cut taxes adequately enough you can actually generate more revenue is fallacious. It’s been debunked. There isn’t a legitimate budget analyst who will now subscribe to that theory. But there are still religious zealots who believe that that is what happens, even though all of the evidence proves to the contrary. For every dollar in tax cut you get about thirty cents back in revenue. So there’s not much correlation between cuts and revenue. In fact, right after the Clinton tax increases in 1994 we actually generated far more revenue. Nonetheless, it’s a mistake that I regret. But I think the original thought was that this is a new president. This is a theory that deserves an opportunity for evaluation that I’m going to support.
Meeker: But from what I understand—I’ve read interviews, for instance, with people like Charles Schultze, who was Carter’s Chair of Economic Advisors—and he said that in the late 1970s there was even a consensus emerging amongst Democrats that it was time for serious tax cuts. The level of taxation and spending in relation to GDP was considered to be too high already. So one of the things I was getting at in asking a question about that was the degree to which Democrats like you were willing to explore the notion of supply side economics. And then, two, there’s perhaps another reason to vote for tax cuts during that period of time was not necessarily a belief in the supply side religion, if you will, but more a notion that government spending had gotten too large a percentage of the GDP. So it sounds like you were willing to explore the supply side theory in addition, perhaps, to the notion that spending had gotten too large as part of GDP?

Daschle: Well, I guess, to be honest, I wasn’t that concerned about government spending at that level. I thought that it wasn’t how much we were spending but how wisely we were spending the money that was a greater concern to me. And it just seemed to me that as we were going through the many, many challenges that our country was facing, education and health care and infrastructure and the whole array of challenges. That it wasn’t that we were spending too much but in many cases we just weren’t spending wisely enough.

Meeker: Okay. So during Reagan’s first term, a whole series of important elements in the economic history of the United States transpired: we have a pretty massive recession in ’81 and ’82. We have the tax cuts. We have an intense increase in defense spending and the result is that by ’84, ’85, there’s starting to be pretty major annual budget deficits contributing to a mounting national debt that was really sort of all out of proportion with peace time economics in the United States. And I came across a Reagan veto of an emergency farm credit legislation that was issued in 1985. I’m not asking you to go back in time to remember the legislation too closely but when Reagan vetoed this measure, which is something that you supported based on your constituency, he said that he vetoed the measure because “it was a massive new bailout that would add billions to the deficit.” In response, Speaker Tip O’Neill said, “For an Administration that has added a trillion dollars to the national debt, this is a reasonable price for ensuring the survival of an American way of life,” meaning the family farm. And then still in 1986, in Reagan’s State of the Union address, the deficit was approaching 200 billion annually. Reagan continued to want to cut taxes, increase defense spending, and cut domestic programs. Yet at the same time, he also said that he was interested in balancing the budget. And so I’m interested in your comment on how you and your colleagues in the Democratic caucus dealt with a president who both
created massive budget deficits, yet at the same time more or less appeared as a deficit hawk in the media and in popular imagination since that time. How did you and your fellow Democrats kind of address this situation?

Daschle: Well, I think that the experience involving President Reagan and debts and deficit points out that the problem that exists in Washington is really discerning the difference between myth and reality. All too often, the perception created around the myth has a lot to do with the message and the effectiveness of the messenger. He was a pretty good messenger and had a message that involved an echo chamber. Most of the Republicans in Washington shared his view about the importance of that message. But when you’re a true believer, you can speak and act in contrast to the facts and still be a compelling messenger, and that’s exactly what happened. You’re absolutely right. The tax cuts and the defense increases and the recession, those three factors, were immensely responsible for the creation of a huge debt. Up until that time, the single largest debt we’d ever had. We doubled the debt of the entire country. I remember when I came to Congress the debt was around $780 billion and we went from 780 to three trillion dollars in debt by the end of the Reagan Administration. So we created a huge problem for ourselves, in large measure because we couldn’t reconcile the difference between the myth and the reality.

Meeker: That’s an interesting point that I’d like to follow up on. So this myth, the message Reagan is a great communicator. How would you characterize what his message was that he was able to communicate given the, perhaps, inconsistencies of the reality?

Daschle: Well, I think his message was really pretty simple. It wasn’t the tax cuts that created the deficit. It’s spending. And because we’re spending too much on entitlements, we’re spending too much on government programs, that we needed to reduce the amount of spending. Never mind that he increased spending dramatically for defense. He increased spending dramatically for all kinds of tax expenditures. That is, loopholes that were used for tax reduction. So the combination of the recession, of the spending for defense and the taxes never really came up. The real issue for Ronald Reagan was we’re spending too much, and that resonated with some of the population around the country, and certainly in the media.

Meeker: So given this successful message, what efforts were made by Democrats during that period of time to create an alternative counter narrative, if you will, and what did that counter-narrative look like?
Daschle: Well, I think the Democrats did four things, primarily. One is that they wanted to focus attention on why we got into this problem, so they used the committees of Congress to hold hearings and to bring in witnesses and to counter the argument. That is, to really present the facts in testimony before the Congress. The problem is that that testimony never really gets created as a message. It’s good factual material and it’s good for the historical record, but as a message device, it really doesn’t leave a lot. The second is that we offered legislation to address the problem in various ways and that was a little bit more successful.

Meeker: Can you give me an example of the legislation? Are you thinking of like the tax reform of 1986?

Daschle: Right. The tax reform was designed in part to address this issue of lost revenue. But over time that tax reform effort, I think, was undermined by many Democrats who felt that it ought to be a revenue neutral issue ultimately. That it shouldn’t be a revenue enhancer as much as it ought to be a reform measure. And so there were divisions within the Democratic ranks about what we should do with regard to this reform effort. My own view is that we could have gone a lot farther with revenue enhancement. But nonetheless.

The third thing that I think was done was to work in coordination with others to come up with simple principles, simple ideas, that might make a more effective message and use those. I can remember different devices. I don’t remember for sure when we made the case but I remember talking about the difference between a pizza and a Lexus. If you were a working person, you got a tax break that allowed you to buy a pizza. If you’re a wealthy person, you had a tax break enough to buy a Lexus. And so the contrast, through symbols, was part of what Democrats attempted to do. Is to try to emphasize the importance of a simple picture that only you can—and then the fourth thing we did was to try to work across the aisle to find Republicans and supporters who were not of a Democratic inclination, whether independents or Republicans, at all levels, governors, state legislators, other state office holders, to try to form a coalition to try to address this in a more organized way.

Meeker: Can you give me an example of what some of those pieces of legislation would have been? The bipartisan pieces of legislation that were going to attempt to address these issues?
Daschle: Well, I think the whole deficit reduction effort was part process and part substance. The process was sort of the whole PAYGO approach to deficit spending. Can we find offsets? Can we agree that everybody’s going to be supportive of offsets every time we talk about regular spending or tax cuts. Either one would require offsets. That was popular for a while and to a certain extent there was a great deal of willingness on the part of Republicans and Democrats to look for sort of PAYGO approaches. Ultimately we passed a number of provisions that required PAYGO as we went forward.

Meeker: In 1990 in particular?

Daschle: Right.

Meeker: Before we get to 1990, though, still during Reagan’s Presidency and your period in the House. Probably the most significant—and I say significant perhaps in quotes—was the Gramm-Rudman-Hollings legislation of 1985.

Daschle: That was another piece of legislation.

Meeker: Yeah. It was bipartisan-sponsored. I believe you voted for it. I’m interested in your opinion of that legislation, reflecting on what it was able to accomplish and what it was not able to accomplish. There is some debate amongst historians about the degree to which legislators and experts thought that the Gramm-Rudman-Hollings legislation would be effective, at all, or was it merely sort of window dressing—legislators kind of getting together and saying in principle we want to reduce annual budget deficits but in reality realized this piece of legislation was not going to accomplish it for a variety of reasons. What was your thinking on the legislation when it was being introduced and when it was passed?

Daschle: Well, my thinking was that you had another example of combining substance and process. That in order to get to the substantive issue of meaningful deficit reduction we had to find ways to revise the process and that Gramm-Rudman-Hollings, in a very delineated fashion, laid out a process by which that would happen. The problem was that there really was very little discipline in applying the concept as years went on and ultimately became more window dressing than meaningful and substantive legislation. So while we all felt good about the fact that it passed and that it was intended to contribute significantly,
I think most people looking back are somewhat disappointed that it didn’t have much impact at all.

Meeker: So you were optimistic at the time when it passed that it would have a substantial impact?

Daschle: Right.

Meeker: From what I understand, there were a lot of accounting tricks and various kinds of one time savings that were done in the first couple of years of the legislation. There was also the question about the power of sequestration and the degree to which the Supreme Court would determine the original Gramm-Rudman-Hollings of ’85 to be Constitutional or not. Ultimately it was determined not and there was a revision in 1987. As someone who knows a bit about the law, did you have a particular feeling about that element of the legislation?

Daschle: I did. Obviously, when you do things like this, you always worry about how far you can push the envelope and what the boundaries are. But the feeling was that if we don’t try, we’ll never know. And so the effort was orchestrated in a way that allowed us to push the envelope and to recognize that there are some risks here, but if we don’t try we’ll never know. And that’s ultimately what we did. We tried, we learned and we adapted. And even then, it still had very little impact.

Meeker: When historians look back at this period of time, the seventies and eighties and the emergence of these massive deficits during the Reagan Administration, they point to a couple of key pieces of legislation. The 1974 Budget Act, which created the Congressional Budget Office, and arguably was an instance in which Congress pulled a little more budget making power away from the executive branch. But Gramm-Rudman-Hollings, it seems like perhaps there’s a bit of relinquishing of some of that budget making power. Maybe not necessarily to the executive branch but perhaps to a set of rules, if you will. Was there any concern amongst legislators that you would be giving up a measure of power over this?

Daschle: Well, there were people who opposed the legislation for that reason. I don’t remember now. I couldn’t give you the names. But I remember the feeling that this was delegating responsibility to a process that did cause concern
among certain members for the way it relegated power away from Congress. Our feeling was that a lot of these issues had become so politicized and so politically volatile that it was very difficult and that was part of the problem. That because of the politicization of a lot of these questions, especially involving making cuts or doing tax cuts, that we had to depoliticize a little bit and we had to subject it to more of a regulatory structure and maybe take some of that politicization out of the process. It didn’t work that way but I think that’s ultimately what was the motivation behind the law.

Meeker: That’s interesting. So we spoke a little bit about the Tax Reform Act of 1986 and you had mentioned that this was, from your perspective, an attempt to address the revenue side of the deficit equation. But it’s interesting looking at it now: it certainly did reduce tax loopholes, reduce tax expenditures. And yet, at the same time, it also was the first time, I believe, since the imposition of an income tax that they were lowering the highest marginal tax rate at the same time that they were raising the lowest marginal tax rate, which, in retrospect, appears somewhat regressive, not progressive. Is that just sort of a failure of my interpretation? What were the politics behind that tax reform and did the Democratic caucus think that in fact it would raise revenues or was there a belief that it was simply going to be revenue neutral and it was just a modernization of the tax code?

Daschle: Well, unfortunately, the expectations among Democrats in Congress were that ultimately it would raise revenue by eliminating a lot of the tax expenditures and that it would also simplify. I think everybody rallied around this notion of simplification. That taxes had become too complicated, that preparing taxes had become very onerous, and as a result, simplicity and a streamlining of the rates and the effort to make the process more understandable was what motivated a lot of Democrats. Simplicity is a very elusive goal and I don’t think we actually accomplished much in simplicity with that law either. But nonetheless, that was the objective. That somehow, by bringing rates into simpler categories, we were making tax legislation ultimately simpler. I don’t think we necessarily accomplished simplicity or actually created more fairness. As you note in your question, one of the things we probably failed to recognize is how much progressivity was sacrificed in the interest of simplicity. And we look back with some chagrin that we gave away progressivity so quickly.

Meeker: I’m wondering if perhaps there are any kind of conversations or debates within your caucus that you can reconstruct for me that might help bring alive that debate within the Democratic caucus. I know it’s many years ago, but do you remember if legislators might have come down on one side of the issue or
another? I’m just trying to get a sense because certainly this is of interest today, right?

Meeker: And I’m trying to get a sense of, when there was a significant reform of tax code in 1986, how it was that these debates happened and how it was that this decision was arrived at to support this version of the legislation.

Daschle: Well, I think that, again, I give President Reagan a great deal of credit because he framed the debate and he motivated the Congress to get very serious about this. And then you had senators like Bill Bradley and congressmen who were very respected like Danny Rostenkowski. And so you had credible people on the Democratic side who proclaimed their support, as well, for tax simplicity and reform and a recognition that this notion that Reagan had put forth that we’ve got to reduce the onerous nature of tax collection in America. I can recall caucuses talking about what the rates were in the forties and fifties and how dramatically we had reduced those rates from almost 90 percent down to what they were projected to be, forty something. There was this outcry among many, especially progressive Democrats, about how unfair these rates would be to the working people. They were going to be paying the same rate as somebody making ten times their income and that progressivity was sacrificed on the altar of simplicity. That was really a huge disappointment to many Democrats. But it was voiced, it was vigorous and it was largely ignored.

Meeker: Okay. So let’s move on to your Senate career. In 1986 you were elected to the Senate from South Dakota. And you were, from what I understand, immediately appointed to the finance committee, which was a pretty choice committee appointment for a first-term senator. I’m wondering if you can maybe give me a little background on your appointment to that committee and your interest in serving on that committee.

Daschle: Well, I had a great interest in health care and in trade issues. The finance committee really is probably the most prestigious committee in the Senate. I had three parts to my argument. At that point we had a steering committee that actually voted on these committee assignments, much like the House. It’s no longer the case. But at that time, that’s what we had. And so I made the case, first of all, that a freshman deserves to be on the committee because it was a freshman that brought the Democrats back to the majority in 1987. If I recall, there were nine of us. Maybe more. I don’t recall now how many Democratic
freshmen there were. I think it was nine. But in any case, we brought the majority. So that was my first argument. Secondly, I had a map that I showed everyone which showed virtually the entire western part of the United States had no representation on the committee. The only exception was Max Baucus in Montana. But west of the Mississippi there was zero representation except for one senator. So that was also a major part of my campaign. And then the third part was that I felt I could be a good team player. I could work with the leadership and be very supportive of those who served as leaders of the committee, Lloyd Bentsen in particular. He had been very helpful to me in my election and so he was kind enough to indicate his support. So the combination of those three things. The fact that I could help the leadership, that I could reflect a large portion of the country that was heretofore ignored and that we had helped to bring the Democrats back into the majority seemed to work. I won the election.

Meeker: Did you have any policy agenda when you joined that committee?

Daschle: Well, my primary policy agenda at the time was more health related. I had already taken a real interest in health care. The Medicare/Medicaid/Social Security issues were of great import to me and those are the ones that motivated me primarily to be on the committee.

Meeker: To in essence protect their longevity and their health?

Daschle: Exactly.

Meeker: George H.W. Bush is inaugurated in 1989 and I recently came across a reference to something called the National Economic Commission which was apparently something that he established—a blue ribbon panel to address the mounting deficit. They issued a report. It went nowhere. It didn’t result in any particular piece of legislation from what I can tell. I’m wondering if you might provide us with an overview of Reagan’s approach to this issue of deficits versus George H.W. Bush’s approach to deficits.

Daschle: Well, I don’t know that there was much difference. I can remember George Bush ’41 making his pledge at the convention. That “Read my lips. No new taxes.” So he and President Reagan had almost exactly the same position with regard to that initially. Ultimately he agreed to that budget compromise in 1982, that some argue started his demise. That he so effected his base that his
base wasn’t energized in the 1992 election. As a result, he paid a high price for it. But that really wasn’t where he started. He started really where Ronald Reagan left off and had almost exactly the same agenda. Increase defense, decrease tax revenues, and cut spending.

Meeker: Well, let’s focus a little bit, then, on that: the 1990 Budget Enforcement Act, which was this piece of legislation that brought about these modest tax increases that, as you say probably affected his chances for reelection in 1992. What was the extent to which you participated in these negotiations? I know that there was a budget summit involved in it and it was a pretty intense series of negotiations.

Daschle: Well, I was chairman of the policy committee at the time, the Democratic policy committee. So as part of that, I was kind of a sounding board, along with the other members of the leadership, to consult with other leaders in the White House as we talked through these things. I wasn’t directly involved and I had no specific responsibility in that regard. But my job was primarily to help think through just how we might move forward and then also to lead some of the discussions within the caucus with regard to the proposals as they became more clear. And so I had that kind of a dual role. Provide my own best thought or counsel on how it would effect us, and secondly, to share largely the information and convene discussions with regard to caucus reaction, as well.

Meeker: In approaching these budget negotiations for the fiscal year ’91 budget, what were some of the main concerns of the Democratic caucus at this point in time? Was it about entitlements? Was it about domestic discretionary spending? Was it about starting to reign in defense spending? All of the above? What were some of the main concerns?

Daschle: It really was all of the above and it was, again, party process driven. How is this going to work? As you may recall, they met out of Andrews Air Force Base, which was kind of an unusual place to have budget sessions. But they wanted to get away from the Hill, away from the media, and they wanted to be able to have kind of the insulation that came from a location of that kind. But I think everything was on the table. There were a lot of moving parts and a lot of fits and starts, as these things normally imply. But by and large it picked up some momentum and ultimately decisions were made. I think as time went on the comfort level rose somewhat among Democrats, that this was, while difficult, probably as good on agreement as we would get with this administration.
One of the innovations of that piece of legislation were the PAYGO rules and also the legislation overall, as you have mentioned before, was agnostic, if you will, when it came to whether a balance was going to be achieved through revenue increases or spending cuts, whereas other pieces of legislation, seem to me, were more inclined toward spending cuts and make revenue increases much more difficult. I wonder if you have any idea of where these new rules came from and where these difficult approaches, such as PAYGO, came from. Was that something that emerged out of the Democratic caucus?

Yeah. I think by and large it started with the various think tanks in town and around the country.

So Brookings, for example?

Brookings. I don’t know that anything was original as it relates to these ideas. But they had been around at least as long as the prior decade. It might have even gone back farther than that. But I remember, with these deficits becoming increasingly pronounced and much more serious, very thoughtful discussion and conversations were taking place about how we could confront them. PAYGO was offered. I wouldn’t know who the originator was but there was a growing consensus that PAYGO, that is, pay for every new expenditure, tax or spending, should be offset. And I think that that was almost a given when the negotiations began. It really wasn’t one of the more contentious issues. Everybody understood we had to take responsibility for these new commitments. And so, while in principle it worked, and there was general consensus around them, it was the implementation that presented difficulties.

Well, I think finding offsets is always difficult. It’s easy to say, “Well, there ought to be an offset for a hundred billion dollar expenditure,” but where do you find the offsets? And pretty soon it was smoke and mirrors. It was offsets that really weren’t offsets. They could be scored as offsets but they became more and more frivolous and less and less meaningful, and ultimately, the offsets themselves were a source of derision in large measure because in many cases they weren’t real.
Meeker: How long did it take for this unraveling to happen?

Daschle: I would say over the course of the decade of the nineties. Even though I will say that ultimately, in part, I think everyone acknowledges the role of the initial budget negotiations as having the impact that it did almost ten years later with the balanced budgets that we were enjoying. It was the combination of a series of actions by the Bush Administration and the Clinton Administration, along with Congress, that brought that about.

Meeker: Well, that was what I was going to ask you. There is some sense, when historians are looking at the surpluses in the late 1990s, that it was the 1990 Budget Enforcement Act that really set the stage for those to happen. What is your opinion on that assessment?

Daschle: I think that’s right. I think it started there. I think President Bush deserves some credit, as does President Clinton, for designing ways with which to address it. There are other factors. We mentioned the recession earlier in the eighties and how much of an impact that had. Well, we had explosive growth in the nineties and that growth created twenty-two million jobs with a lot of revenue implications. And so the combination of a strong economy, along with revenue enhancements, and some leveling out of spending, especially in defense, that allowed us the opportunity to create the budget surpluses we were starting to enjoy.

Meeker: And then perhaps also some of the process changes that the Budget Enforcement Act brought about.

Daschle: Exactly. Right.

Meeker: From within the Democratic caucus, looking out at the 1990 Budget Enforcement Act toward the Republican caucus, in particular some of the internecine warfare that starts to emerge between the White House and between some of the more conservative leaders in Congress, such as Newt Gingrich at that time, who, from what I understand, was actively campaigning against the Budget Enforcement Act, much to the chagrin of the Bush White House. I wonder what that looked like and if you had any sense of what the
longer term implications of that disagreement amongst Republicans would entail.

Daschle: Well, I think that it’s fair to say that there were disagreements on both sides. The Republicans and the Democrats had disagreements. The vocal opposition came largely from the Republican side, from the so-called supply-siders and others who really believed in this tax cut religion that had already started to get debunked pretty seriously given the size of the deficits and the realization that those tax cuts didn’t produce the kind of economic revitalization in the eighties that we had expected. But nonetheless, it continued to be a source of interest for Democrats to watch this public debate between Republicans who are arguably more traditional in the belief that you had to increase taxes and cut spending in order to bring about a balanced budget and those who subscribed to sort of the Laffer theory, which was cut taxes and you’re going to increase revenue. That conflict played itself out over and over again during the nineties.

Meeker: It’s a point that has come up time and again in our research, thinking about the transformation of the Republican Party from, say, the 1960s and 1970s in which there’s an argument that there was a degree of fiscal conservatism in the Republican Party. A conservatism that later on, 1981 is maybe the opening salvo, is replaced by some pretty robust fiscal risk taking. Would you agree with this assessment that the nature of the Republican party when it comes to fiscal politics has changed pretty drastically over that period of time or do you see a fairly constant approach?

Daschle: No, I would say that it’s evolved in a far more ideological manner than ever before. I think more and more Republicans seem to have that same religion, that tax increases are not something under any circumstances, any circumstances, that they can vote for. That they will continue to support tax cuts regardless. In a recession it’s because we can’t afford to increase taxes for fear that it could exacerbate the recession. But even in times of surplus, their attitude is that it’s really the private sector that generate the jobs and we can’t undermine their ability to influence the economy in a positive way with tax increases. Never mind all the tax fairness questions, the revenue questions, the significant public policy implications here. The bottom line is they have all drunk the Kool-Aid.

Meeker: Why do you suppose this happened?
Daschle: Well, I think because there are interest groups within the ranks, and because, in large measure, they have three things that they didn’t have before. They have people who can articulate this point of view in the media today that they didn’t have thirty years ago. The talk show hosts, the Fox News Channel, the extraordinary network for messaging has never been better. So it starts with that. Secondly, I think we put more emphasis these days on primaries than generals because in most congressional districts, and even in some states today, it’s the base that has the influence, not the middle. And because the base has the influence, they’re going to be all the more demanding for that sort of political loyalty and philosophical loyalty to some pretty key principles, and no tax cuts is one of them. We’ve seen countless examples in recent years. Not countless, but several examples in recent years where moderate republicans have paid a high price for not being as conservative as they need to be. And then I think the third thing is that there’s tremendous peer pressure within the Congress itself right now. Unanimity is expected and so if you have any inclination of bolting, you have a lot of explaining to do. It not only effects your constituency within the Republican ranks back home, but your constituency as you deal with members right here in Washington. So that combination of peer pressure and just the evolving nature of elections and the media has really created a different environment today than ever before.

Meeker: Going back to the late seventies and early eighties when the Laffer Curve had some currency. There’s are many elements of it that are perplexing but one of them is this notion that if you reduce taxes, the federal government’s actually going to get increased revenues. Which in some ways can be regarded as the federal government is doing a good job, we just need to figure out a better revenue stream so the federal government can be funded. But it seems to me that at some point between then and now, this notion, from the Republican side, that we want to give the federal government any funds has sort of disappeared and it’s moved toward more a very kind of bald ‘starve the beast’ approach. They threw away the window dressing of the Laffer Curve and now it’s simply let’s just de-fund the federal government as much as possible. One, does this seem like a reasonable interpretation? Maybe what I should ask is, from your perspective, is this a rational interpretation of where Republicans stand vis-à-vis their attitudes toward the federal government at this point?

Daschle: I don’t know that it characterizes all Republicans accurately. But I would say that there’s a large percentage of Republicans who subscribe to the so-called starve the beast approach to government policy. That the more we can reduce taxes, the less the government has the ability to engage in the public policy questions that require revenue. So I think that there is some truth to that. They don’t seem to be all that troubled by the deficit and the degree to which that starve the beast approach actually fails if you don’t really reduce the spending.
So they will continue to believe and starve the beast, lower tax rates and let the consequences fall where they may, even if it does mean more deficits, because I think they believe, ultimately, enough pressure will be brought to bear among those in Congress to deal with the deficit in a very meaningful way. But they haven’t had to reconcile that yet.

Meeker: Do you see this as the dominant strain within the Republican Party at this point?

Daschle: I would say so.

Meeker: Do you have a sense about when that happened? Would that have been ’94? If there was a watershed moment?

Daschle: I don’t know if there was one watershed moment. But certainly ’94 was one. I think the ’90 Budget Act was another. I think the effort over the years to recognize the consequences of two wards. Not one but two and how you deal with that. All of that has played itself out. But bottom line is we’ve got debt and deficits that nobody ever fathomed a few years ago, in large measure because of the convergence of all these factors.

Meeker: Let’s move into the Clinton Presidency. Maybe a few words about the ’92 election, because it’s a rather unique election in the fact that there were three candidates and a sitting president lost. Only ended up being a one-term president. I’m wondering if you can give me a sense of the degree to which the deficit and debt was a central issue in the 1992 election. There’s some debate about this at this point in time. Some people say that Perot really brought this in to the ’92 election and made it a substantial piece of the political discourse. And some people say that it was something else entirely.

Daschle: Well, I think primarily George Bush lost because Ross Perot got 20 percent of the vote. It’s that simple. He was much more successful than any third party candidate has been in decades and he drew off a lot more Bush support than he did Clinton support. That was basically it. I think President Clinton was a very able candidate and one of the best we’ve ever had but I think it was really Ross Perot that he can thank for his election initially.
Looking at Clinton the candidate to Clinton the newly inaugurated President, we’ve observed a fairly important transformation that happens during that period of time. When he comes out with his economic plan as a candidate in June or July in 1992, it involved a lot of investment, a lot of stimulus. People like Robert Reich worked on it. To after his inauguration, the emphasis on stimulus, the emphasis on investment in the United States begins to disappear in favor of a focus on deficit reduction. I’m wondering, as someone who was just elected to your second term in the Senate, if you observed this change and, if you did, what did you think of it? Did you feel like your candidate was abandoning his pledges or did you agree that it was important for the Democratic leadership to really take on the deficit issue in a really forceful way?

Well, I thought that the President had a rare opportunity to put the economy on a much better track. The slogan was, “It’s the economy, Stupid,” and everybody understood how much a part of our agenda economic factors needed to be. We could see the potential for real economic growth but we also could see the disastrous results of the Reagan and Bush tax policies in the early years. And so the need to change course and to put more thought into what is largely traditional thinking with regard to deficits and debt started to take hold again. We tried sort of the Laffer experiment and it didn’t work. So the view was this is our moment to try to get something done. The President was determined to make that a pretty high priority.

Well, let’s then talk about the budget for fiscal year ’94, which was passed in 1993, which entailed bold spending cuts, as well as tax increases, including increasing the highest marginal rate, which was not without controversy and was difficult to get passed. It was a very small margin in the House, I know. I’m not quite sure what the margin was in the Senate.
Sure. So it was extremely close in both houses. There’s some question about the degree to which, particularly the tax increases in that bill resulted in the 1994 election with Contract for America and Newt Gingrich and his group coming in and, one, I’d like you to sort of weigh in on that. What was the source of the ’94 election changes? Well, maybe I can just ask you that first.

Well, I think there were two major factors. One, the President got off to kind of a rough start. There were a lot of investigations already about Whitewater and issues involving his personal life. So that effort had already begun. And so there was a wariness about the Clinton Administration that took its toll. The second was a major scandal in Congress having to do with the House bank. And House members were writing checks that were reported to have bounced and it became a huge issue and I think a metaphor for governance. The line of logic was if they couldn’t even balance their own checkbook, how in the world would they ever balance the government checkbook? If they can’t manage their own money better, what business do they have managing ours? And so that became sort of the theme. Polls reflect different points about this but I think you have to give some credit to the Republicans and Newt Gingrich for the Contract with America and sort of the message that they were able to create around it. So I think that’s a distant third but it was certainly on the table.

So you don’t necessarily see the tax increases involved in the losses in ‘94?

I don’t think it had much effect, if any.

Regardless of the role that played in the ’94 elections, there is some debate about whether deficit reduction can be a politically winning issue or not. It seems clear that Clinton’s budget that was passed in 1993 obviously had a positive impact on bringing about budget surpluses later in the debate, both with spending cuts and revenue increases. Put the government in a better fiscal situation. But there’s some debate that this is an issue that Americans don’t necessarily understand all that well or perhaps don’t care about as much as many other issues. And so in a pure sort of political calculus sense, maybe that hard work that was done in ’93 didn’t pay off in the way that perhaps people had expected it might have. Do you remember conversations about this?
Daschle: Yeah. I think I can recall polling experts who would share with us sort of in a generic way or a general way. There was widespread support for deficit reduction, people expressed concern, so long as we didn’t adversely effect their own circumstances. For example, seniors were very supportive of deficit reduction but not if it meant cutting Social Security of Medicare, some of the benefits that they were getting. Agriculture was the same way. Business. Everybody had their constituencies and their agendas. But in terms of the energy that the issue generated, it was really very minor, very moderate. There was sort of wide support but not very deep support for deficit reduction.

Meeker: I should probably wrap up. One of the perplexing things that myself as a historian, looking back at the 1990s when we first started this project, was that I think there’s an amnesia, if you will, about what Clinton, if we can attribute it to his Presidency and I think there’s some argument to do it, was able to achieve with bringing about budget surpluses. I’m not sure if the American people remember this and appreciate it. What I’m trying to get here is it seems like there’s still sort of a popular opinion that Democrats are the party of tax and spend and Republicans are the party of fiscal restraint. But the evidence in the 1990s shows quite the contrary. I’m wondering how it is that that sensibility continues, especially in light of what happened in Bush ’43 Presidency with massive spending and even bigger debt. How does one explain this quandary?

Daschle: Well, I think it’s most accurately described as a war of messengers. Democrats generally lose that war because we advocate more spending for certain things. Education, health care, infrastructure. There is the perception that it’s the Democrats who are the big spenders and the Republicans who are the tight wads. Well, that’s only partially true. As it relates to discretionary domestic spending, Republicans are tightwads. But give them a tax cut. They’ve never seen one they didn’t like. Give them a defense program. They support anything that explodes. And so you’ve got this contrast between perception and reality that drives so much of the debate and sort of the larger view of Washington today. The difference between myth and reality plays itself out every single day but discerning the difference is the challenge. And because in large measure, I think Democrats are not as good a messenger as Republicans. We don’t do as well when it comes to adjusting the perception and destroying the myth.

Meeker: How might Democrats influence that perception? What do you think they could do?
Daschle: Well, I think it’s inexcusable that with control of the White House, that we could be losing the message war. I always used to envy the President for having the microphone and the platform from which to create message. Yet today I think we’re not even able to compete with Republicans, even though we have the White House and the Senate. So it’s a big problem but we’ve got to do better at messaging. We’ve got to create message strategies that allow us—the echo chamber required, the strategy required and ultimately the implementation of a plan that will bring about the kind of change in adequate messaging that would make us much more capable as time went on in these national debates.

Meeker: Is that possible to do without there being a Democratic Fox News?

Daschle: Well, no. That’s part of it, is they have a much better infrastructure than we do. Fox News, the bloggers, The Wall Street Journal, the printed press in many cases. They have an incredibly impressive network from which to create message in a profoundly effective way. We have very little of that.

Meeker: Okay. Just one final question. Do you have any thoughts or comments on the recent fiscal commission report that came out last week?

Daschle: Well, I think it’s a good beginning and I would have voted for it had I been on the commission. I think it’s important to start. There are a lot of things in there that I question but I think you’ve got to be willing to look at the larger picture and I think that those who chose to do that were right in doing so. You can piecemeal and pick apart these things, as the opponents did, but that’s never going to get us where we need to go. You’ve got to start with a larger framework. I applaud those who supported it for doing so.

Meeker: All right. Good.

Daschle: Great.

Meeker: Thank you very much. I appreciated your time today.
Daschle: You’re welcome. Absolutely.

[End of Interview]