

**EXERCISE**

**IN HARD CHOICES**

**“On the Road”**

**1992-93**

*Exercise in Hard Choices*



**Governor Henry Bellmon**



**Honorable Robert N. Giaino**



**Carol Cox Wait**

The Committee for a Responsible Federal Budget is a bipartisan nonprofit organization formed to educate the public on the federal budget and on the federal budget process.

The Committee is Co-chaired by Robert N. Giaino and Henry Bellmon. Carol Cox Wait is President.

Our thanks to the House and Senate Budget Committees and the Congressional Budget Office. Their staffs made a major contribution to the success of this project.

- Our audiences may be more interested or better informed than the average voter. They do volunteer for a four hour meeting on the Federal budget.

But the reaction to the Exercise is so consistent, the results are so similar across the country, we believe this report represents fairly and accurately the kinds of choices people will accept to put the country's fiscal house in order.

- Americans are tired of deficit reduction packages that do not solve the deficit problem. They fear that we may have to do this again, and again and again.

President Clinton has explained clearly that higher taxes on the rich alone will not solve the deficit problem. The middle class will have to pay. And people are willing if only we will really solve the problem.

- To achieve that goal, our participants cut virtually every area of federal spending. Then they turn to the revenue side of the budget.
- Most of our audiences raise most of their revenue through higher taxes on energy consumption.
- Most of our audiences don't support higher individual or corporate income taxes -- the exception being the "Millionaires' Surtax".

### HOW DOES IT WORK?

- Each group completes the Exercise collectively. Groups are not permitted to report multiple or minority results. As a consequence, a small percentage (about 6%) fail to complete the Exercise.

- At the beginning of each meeting participants are given an overview of the budget and the deficit. They are given directions to help them complete the Exercise.

- During the Exercise, sponsoring Members of Congress listen and respond to their constituents' deliberations. Staff circulate among the groups, listen, answer questions and join the debate.

- At the end of each meeting groups report their results to the entire audience. There is an opportunity for questions and answers.

### THE OPPORTUNITY FOR CHANGE

We conducted nine Exercises this year involving almost one thousand people. Six were co-sponsored by Members of the House and Senate: Two Democrats and four Republicans; one was co-sponsored by a Democratic Governor; and two were conducted jointly with the Concord Coalition.

Perhaps the most surprising and heartening conclusion we reach as a result of this project is this: People go out of their way to find options which will affect them and/or their areas of the country.

Groups across the country seem to understand that they cannot shift the burden of deficit reduction onto someone else's shoulders.

At table after table, in group after group, in city after city, we heard the same refrain: "I will agree to cuts in my favorite programs, I will pay higher taxes -- provided that everyone else also contributes to the cause. Everybody is in this together or nobody is in at all."

While they recognize that it won't be easy, almost always, almost all of our groups reach agreement to do what it takes.

## ***Exercise in Hard Choices***

### **THE DEFICIT: PUBLIC OPINION POLLS AND COMMON WISDOM**

Public opinion polls suggest that the American people want a balanced budget. But pollsters also tell us Americans oppose the changes in laws and policies that would balance the budget.

Common wisdom in Washington suggests that voters will support spending cuts or revenue increases as long as they, the voters, are not affected.

Both are wrong. Voters are prepared to accept hard budget choices, even hard choices that affect them directly.

The Exercise in Hard Choices: "On the Road" is a simulated budget committee mark-up. It gives ordinary citizens an opportunity to examine the choices Congress and the President are considering to reduce the deficit and reorder national priorities. Citizens go through the Exercise in groups of eight to ten. We make up the groups to ensure diversity at each table. Conservatives and liberals, old and young, representatives of business, labor, agriculture, and education, retirees, registered Democrats, Republicans and Independents work together to solve the problem.

Most of the "On the Road" meetings are conducted with Members of the House and Senate in their home districts and states. Other co-sponsors have included Governors, the Concord Coalition, and Town Hall of California.

### **WHAT SHOULD BE THE GOAL?**

Each of our participant groups adopts a goal: most often to balance the budget without taking into account social security trust fund reserves.

### **AVERAGE OUTCOMES**

On average, our groups reduce the deficit by *\$1 trillion* over five years. Given time, most probably would go back, restore some cuts and reverse some revenue increases. But they would balance the budget. On a policy basis (excluding interest), 55% of our deficit reduction comes from spending restraint and 45% from revenue increases.

### **WHAT HAVE WE LEARNED?**

(see centerfold for compilation of results)

- People do want a balanced budget.
- Americans will support the hard choices necessary to balance the budget.
- They will support those hard choices only as part of a package which is generally perceived to be fair.
- "Fair" packages spread the burden of deficit reduction broadly across interest groups and regions.
- Budget professionals, ourselves included, and most political leaders, would spare the poorest in society from further program cuts and revenue increases. However, our audiences feel so strongly that everyone must share the burden of deficit reduction, they spare no group. Participants don't ask much of the poor, but they expect everybody to give a little.
- Given their determination to balance the budget, majorities of our audiences vote to increase spending for only two programs: Head Start and the Women's, Infants' and Children's (WIC) feeding program. Most reject proposals to increase spending for child care, health, transportation, etc.

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# *Our Budget Committees*



## *Hard Choices -- What We Chose:*

**DEFENSE** 75% of all groups choose to reduce active duty force levels approximately 217,000 and reserves approximately 16,000. In total, 97% reduce force levels below those proposed by the Bush Administration.

85% would reduce nuclear weapons research, development, and production and 98% would reduce nuclear warheads.

96% would cancel the B-2 Bomber. About 80% would limit SDI funding, cancel or delay procurement of warships and airplanes, reduce independent R&D and military benefits.

70% would cut military intelligence, about half would cut military pay, and 40% would *increase* readjustment assistance to areas hard hit by defense cutbacks.

### **INTERNATIONAL**

61% of our audiences vote for a 25% across-the-board cut in international, understanding that Israel and Egypt are by far the largest beneficiaries of foreign aid and undoubtedly would be affected.

### **GENERAL SCIENCE, SPACE, AND TECHNOLOGY**

75% support the Bush proposal for a modest increase in 1993, followed by a four-year freeze. 58% would cancel new spacecraft development projects. 86% vote to cut University research overhead. Almost 70% would cancel the Advanced Solid Rocket Motor and Space Exploration Initiative. 75% cancel the space station.

### **ENERGY**

85% accept the Bush Administration's proposed four-year freeze, but only 36% would cancel the clean coal initiative.

### **AGRICULTURE**

77% support the Bush four-year freeze and 87% would streamline Farm Agencies' Field Offices to save money.

### **COMMERCE AND HOUSING CREDIT**

83% would accept President Bush's proposed 4-year freeze. About 70% vote to end postal subsidies for non-profits and cut Farmers Home Administration.

## ***Discretionary Spending***

Most groups *would not* freeze transportation spending, but 53% would cut mass transit and 84% vote to eliminate airport grants-in-aid.

The majority of our audiences *reject* the Bush Administration's proposal to freeze spending in this function for four years. 72% vote to eliminate ARC, 57% to end CDBGs, and 82% to cut TVA.

62% accept President Bush's proposed four-year freeze. 55% would eliminate federal funds for the arts and humanities. 57% *increase* Head Start. Fewer than 1/3 support increases for anything else--job training, elementary and secondary education and higher education student assistance.

Large majorities agree with the Bush proposal to freeze health (69%), income security (64%), Medicare (88%), and Social Security (85%). This freeze generally affects only administrative overhead. Most programmatic expenditures are entitlement benefits. 64% would *increase* funding for WIC. But only about 46% would increase funding for housing/homeless aid.

84% vote for the Bush Administration's four-year freeze. 89% would close or convert under-used VA hospitals and 86% would cut funding and improve the delivery of Veteran's health.

66% freeze funding for the Justice function in the budget and 72% would cut drug law enforcement funding.

80% accept the Bush recommendations to *increase* funding for IRS computers, partly offset by cuts in legislative branch and freezing the Federal payment to DC. 79% modify Davis Bacon and delay federal civilian employee pay adjustments. 80% cut employer share of postal service and public health service retirement costs.

### **TRANSPORTATION**

### **COMMUNITY AND REGIONAL DEVELOPMENT**

### **EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES**

### **HEALTH, INCOME SECURITY, MEDICARE, AND SOCIAL SECURITY**

### **VETERANS' BENEFITS AND SERVICES**

### **ADMINISTRATION OF JUSTICE**

### **GENERAL GOVERNMENT, ALLOWANCES, AND UNDISTRIBUTED OFFSETTING RECEIPTS**

**ENTITLEMENTS AND OTHER MANDATORY SPENDING**

**FEDERAL RETIREE HEALTH CARE**

90% limit amounts providers can bill for federal retirees who are over 65 but not covered by Medicare.

**MEDICARE**

95% vote to delay the hospital update *and* increase premiums for Part B to 75% of program costs for beneficiaries with incomes over \$100,000 for singles and \$125,000 for couples. 2/3 would raise Part B premiums to 30% of program costs for all beneficiaries, impose 20% co-insurance for home health visits *and* impose 20% co-insurance on skilled nursing home services.

80% vote for a one-year PPS freeze and 92% support a one-year Part B rate freeze.

65% would tax the insurance value of Medicare with income thresholds.

**HEALTH CARE REFORM**

About 1/3 support small group reform. Fewer than 7% supported any other option to increase spending for health care reform.

**SOCIAL SECURITY AND OTHER RETIREMENT**

75% eliminate lump sum retirement for federal retirees. 74% defer COLAs for federal retirees until age 62. 40% support changes in COLAs and 60% support changing the tax treatment of social security benefits, but no single option to do either received the support of a majority of groups. Our groups would not increase the earnings limit for social security recipients.

**OTHER ENTITLEMENTS**

80% eliminate trade adjustment assistance *and* reform veterans' pensions. 84% restrict re-use of VA home loans and extend customs user fees. 61% vote to lease ANWR mineral rights.

**ENTITLEMENT CAP**

3/4 of our groups vote for the Nunn-Domenici entitlement cap, but they made discrete choices to cut entitlements more than the cap would have done, so our totals do not reflect any savings from the cap.



## **Chose: Pay-as-You-Go**

80% - 90% of our groups vote to cut REA; raise all federal power rates and user fees for private use of Federal lands; eliminate wool, mohair and honey subsidies; reduce dairy price supports; auction the radio spectrum; impose user fees for air traffic control; increase inland waterway user; fees and reform veterans' comp. 65% replace guaranteed student loans with direct loans and limit growth in grants to states for foster care administrative costs.

60% of our groups would impose a surtax on taxable incomes over \$1 million. 44% would raise marginal rates to 16%, 30%, and 33%. No other options to raise individual income taxes got more than a quarter of the vote. No option to raise corporate income taxes got 28% of the vote.

51% limit mortgage interest deductions to \$12,000 on individual and \$20,000 on joint returns. 31% would limit eligible principle to \$300,000.

91% vote to raise cigarette taxes and 95% to raise alcohol taxes.

A total of 84% raise energy taxes: 52% voted to raise motor fuels taxes 25¢ per gallon over five years; 20% support a broad based energy tax; and 12% favor an oil import fee.

80% support water pollution taxes. And 79% would limit deductions for business meals and entertainment to 50%. 78% or more of our groups supported all of revenue raising proposals in the last Bush budget: Extend Medicare/HI tax to all State/local employees; increase employee contributions to civil service retirement; extend communications excise taxes and abandoned mine reclamation fees; modify tax treatment of annuities; tax book value of securities dealers' inventories; tax large credit unions; and disallow deductions for interest corporations pay on loans secured by cash value of life insurance policies.

More favorable tax treatment for retirement savings, enterprise zones and a permanent investment tax credit were the most popular revenue losers among our groups -- but none got 50% of the vote.

### ***OTHER MANDATORY SPENDING***

### **REVENUES**

#### ***INCOME TAXES***

#### ***MORTGAGE INTEREST***

#### ***"SIN TAXES"***

#### ***ENERGY TAXES***

#### ***MISCELLANEOUS REVENUE INCREASES***

#### ***REVENUE LOSERS -- TAX REDUCTIONS***



**Hank Brown**

“A bipartisan group of Coloradans balanced the budget in a day long session. With good common sense and objective information from the Exercise in Hard Choices, they developed a sound budget where Washington has failed.”



**Howard Dean**

“Because of your efforts, there are now over 120 Vermonters who more intimately understand the magnitude of the burdens associated with the federal deficit and the exceedingly difficult, but necessary, choices we must make to remove this burden from future generations.”



**Pete V. Domenici**

“We were surprised that people took the Exercise so seriously. For four hours, our constituents went through every area of the budget and they cut almost everything. They also raised revenues, but the folks in Albuquerque did a much better job than Congress or President Clinton have done balancing spending cuts and revenue increases.”



**Jim Kolbe**

“You have an excellent program . . . you made the budget an exercise in reality for a significant number of my constituents. The results certainly were surprising to me. I had not expected to see such alacrity to take tax increases or cut entitlements deeply. I can't help wondering how representative these people really are of the public at large. It was very useful.”



**Warren Rudman**

“Spending a day doing The Exercise in Hard Choices is one of the best ways I know for ordinary citizens to get an appreciation of how the government's budget decisions are made. It should be called an “Exercise in Reality.” Anyone working alone can come up with a balanced budget fairly quickly. Producing one with other people who have different priorities and points of view is much harder. The Exercise shows that it can be done, and that most Americans are willing to make the hard choices required to get the deficit under control.”



**Terry Sanford**

“The Exercise in Hard Choices allows citizens to get a first hand appreciation for the hard choices required of lawmakers to bring the federal budget into balance. The more aware and informed the public is about the problem of the federal deficit, the more likely we are to be able to solve it. The Exercise in Hard Choices is a wonderful educational tool that I hope will continue.”



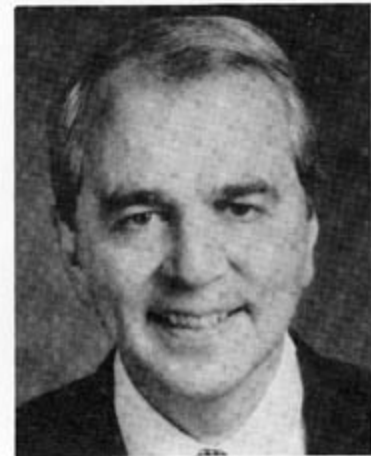
**Rick Santorum**

“If we could just get members of Congress to sit down and work through your exercise, for a few hours, as my constituents did, budget problems soon would disappear.”



**Charles Stenholm**

“One of my most difficult tasks as a Congressman going back home to my District comes when I try to make some sense of what goes on in Washington for my constituents. Never is the translation harder than when I try to explain how Congress comes up with its trillion dollar budget. The ‘Exercise in Hard Choices’ is like an answer to prayers in that effort.”



**Paul Tsongas**

“As anyone who followed my presidential campaign would know, I campaigned around the themes of hard choices and shared sacrifice. Nothing drives these themes home more than The Exercise in Hard Choices. This budget-balancing exercise is the best way I know to illustrate to people that budgeting is all about compromise and sacrifice. I’ll give up my Air Force base if you give up your highway project. Before our elected officials will begin to make the tough choices, they must know that the American people will support them. The Exercise in Hard Choices is an excellent place to start.”

# Grass-Roots Groups Try to Hold Candidates' Feet to Fire

## BALANCING ACT THE FEDERAL BUDGET GAME

### Deficit-Cutting Plan Austere, Radical

By Christopher Scanlan  
Knight-Ridder News Service

WASHINGTON — Millionaire businessman Charles Woods wasn't supposed to win many votes in Nevada's senatorial primary. But that was before supporters of Ross Perot started asking candidates what they planned to do about the federal deficit.

Woods answered a questionnaire and attended a candidates' night put on by the local chapter of "United We Stand, America" formed by Perot's backers after he left the presidential race last July. Woods' opponent, Democratic incumbent Sen. Harry Reid, didn't do either.

The group endorsed Woods, who captured 39 percent of the vote, a far better showing than expected. Reid won with 53 percent, but was apparently so shaken by Woods' unexpected showing that he called Perot to complain. Perot's supporters "did not want to be fair," said Larry Werner, a Reid campaign official. "It's either agree with them in total or be targeted."

There may be a lesson for America's politicians from the episode. In an election year when the politicians would just as soon tiptoe around the \$335.5 billion federal deficit, growing numbers of ordinary Americans are joining grass-roots movements dedicated to holding candidates' feet to the fire.

"People have awakened to the fact that the country is going to hell in a handbasket and the thing that's driving it is the deficit and government debt and the apparent inability of the people we have put in Congress to deal with it," says Orson Swindle, executive director of "United We Stand, America."

In every state, Perot supporters — "an army without a general," as one described them, have banded together to press politicians to make the kind of tough economic choices, such as deep spending cuts and steep tax increases, their candidate called for.

They are not alone. Similar grass-roots campaigns include:

✓ **LEAD ... OR LEAVE.** Organized by a pair of young activists, the group asks the politically unthinkable: What if the president and every member of Congress promised to quit if they don't make a big dent in the federal deficit? So far, 64 congressional candidates, including 10 incumbents, have agreed to sign a pledge to leave office if the deficit isn't cut in half by 1996.

Says Jon Cowan, 29, who founded the group with Rob Nelson, 29: "The message we're sending is really simple: get the job done or get out of public office."

"It's time for the politicians to be accountable, and particularly accountable to the younger generation that's going to have to pay the price of today's reckless leadership."

**Cutting the nation's deficit may prove to be a difficult juggling act for the Clinton administration. The Federal Budget Game, opposite page, offers a first-hand look at some of the choices Congress will need to make to put America's fiscal house in order.**

✓ **THE CONCORD COALITION.** In a rare display of bipartisan harmony, a leading Republican, Sen. Warren Rudman of New Hampshire, and unsuccessful Democratic presidential candidate Paul Tsongas have teamed up with former Commerce Secretary Peter Peterson, a Republican, to form a group that will press for deficit reduction through grass-roots lobbying.

"Our goal is nothing short of revolutionary. We seek to break through the gridlock of politics-as-usual to tell the truth about our economic predicament," the three said in a statement.

They plan to hold lectures and town meetings around the country to ready Americans for the tough choices needed to bring the deficit under control. They believe these include limits on Social Security, Medicare and other entitlement programs, deeper defense cuts and, on the revenue side, a national energy tax.

✓ **COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET.** Long before this election season, changing attitudes about the deficit was a goal of the Washington-based Committee for a Responsible Federal Budget, which was started in the early 1980s by former White House and congressional budget officials.

Its consciousness-raising tool is an "Exercise in Hard Choices" that challenges ordinary taxpayers to take a shot at balancing the budget by pretending they are congressional budget negotiators. Small groups of taxpayers sit around a table for a few hours deciding what programs to cut and which taxes to raise.

"Everything we do is an attempt to get people to come to grips with the reality of the real choices that we face," says Carol Cox Wait, the committee's president. "What we hope to do is create a climate of public opinion in which you can do the things you need to do."

Changing public attitudes may be the greatest challenge of all, Rudman suggests.

"Most Americans, when polled, believe if you eliminate foreign aid, congressional perks, and waste, fraud and abuse, you can balance the budget," he told reporters last month. "The fact is, if you eliminated the entire discretionary budget of the United States in fiscal '92 — left only defense, interest, and entitlement programs, the deficit would be \$200 billion. But people don't understand that."

Tsongas, who made deficit reduction a cornerstone of his presidential campaign, says public acceptance of the need for sacrifice will make it easier for politicians to make difficult choices. "The Congress and the executive branch are perfect weather vanes," he says.

What grass-roots lobbying can do, he adds, is "change the direction of the wind."

By Robert A. Rankin  
Knight-Ridder News Service

WASHINGTON — There is no shortage of deficit-cutting ideas. The House Budget Committee laid out a list last December. The Concord Coalition, a new bipartisan group led by Sen. Warren Rudman, R-N.H., and former Sen. Paul Tsongas, D-Mass., proposes similar remedies.

Details differ, but their ideas strongly resemble an austere plan developed for Ross Perot by John White, a top budget official during the Carter administration. That proposal illustrates well the radical and unpopular steps most analysts agree must be taken if deficits are to be tamed.

It proposes:

✓ Raising the top income tax rate to 33 percent, up from 31 percent now, on individual taxpayers making over \$55,550 and on joint filers making over \$89,250.

✓ Taxing 85 percent of Social Security benefits, up from 50 percent now, for beneficiaries making over \$25,000, and over \$32,000 for joint filers.

✓ Raising income subject to Medicare tax above today's \$130,000 limit.

✓ Raising Medicare premiums to 35 percent, up from 25 percent, for all but the poor.

✓ Cutting cost-of-living increases for federal pensions by one-third over five years.

✓ Increasing the gasoline tax by 10 cents a gallon.

✓ Doubling the tax on tobacco to 48 cents per cigarette pack.

✓ Limiting the deduction for mortgage interest to \$250,000 and eliminating it for vacation homes.

✓ Ending the tax exemption for employer-paid health insurance.

✓ Cutting the deduction for business meals to 50 percent from 80 percent now.

✓ Cutting defense spending \$40 billion more than President Bush proposes.

✓ Billing Europe and Asia \$100 billion each for defense services.

✓ Cutting federal administrative costs 15 percent.

✓ Eliminating protective tariffs such as for sugar producers, special tax breaks such as for alcohol fuels, and subsidies for agribusiness.

✓ Raising user fees for many federal services.

✓ Adoption of a line-item veto constitutional amendment and a strong deficit-reduction law.

# BALANCING ACT

## THE FEDERAL BUDGET GAME



Voters elected you on your promise to balance the budget. Now comes the hard part . . .

You promise to eliminate the \$333.5 billion federal deficit by cutting, toughening and reforming social welfare programs for most of your goal. Cut all savings and you only save about \$15 billion, slash the major welfare program - AFDC - and save \$13 billion. You're still deep in the red. You're going to have to cut social



programs like Social Security. Or, even more painful, raise taxes.

It's like a long time to eliminate the deficit. For starters, try to cut \$40 billion this year and still get re-elected.

### HOW YOU PLAY

- To start, choose any combination of tax increases under Revenues, at 1.
- Choose any combination of budget cuts under Cuts, at 2.
- Write the dollar value (as shown in the examples for 1a) for each item you pick on the game board in the columns labeled Revenues and Cuts. Make sure you choose only one item in groups separated by the word "OR".
- Political cost: If each choice you make has a Political Cost, write the number on the game board in the Political Cost column. If this total exceeds 200, it counts against your chances for re-election.

- Pain Index: Let's say you've seen the pain your choices inflict on business, the elderly, the poor and the middle class. For each pain index, \$5 in one square on the game board (as shown) under the appropriate group. (For example, Middle class 4, Elderly 2). The Pain Index is a barometer of economic impact. It doesn't affect your score, but it's a guide to what you'll need to watch hardest in your next campaign.
- Score: See example below.

- ### REVENUES
- 1a. Raise income tax rates from 15%, 20% and 31% to 18%, 20% and 33%**  
Affects all taxpayers. Opponents can't you "tax-happy"  
Revenue: \$15 billion  
Political cost: 30  
Pain: Middle class 3, elderly 3
  - 1b. Add 5% surtax on income tax**  
Affects all taxpayers. Ratings in table for 20 years  
Revenue: \$14 billion  
Political cost: 25  
Pain: Middle class 3, elderly 3
  - 1c. Raise top tax rates from 20% and 31% to 30% and 35%**  
Affects 75 million households  
Highest income with taxable income over \$26,952; singles over \$22,100  
Revenue: \$9 billion  
Political cost: 17  
Pain: Middle class 3
  - 1d. Add 10% surtax on millionaires**  
Affects 61,000 millionaires, mostly top-tier income taxpayers  
Revenue: \$1 billion  
Political cost: 13  
Pain: Business 5
  - 1e. Add 3% surtax on corporate tax**  
Hits 1.3 million corporate taxpayers nationally; your state's largest employer moves to Mexico  
Revenue: \$1 billion  
Political cost: 15  
Pain: Business 4, middle class 4
  - 1f. Tax 85% of Social Security and Railroad Retirement benefits for singles making over \$25,000 and couples over \$32,000**  
Affects one of five Social Security recipients  
Revenue: \$3 billion  
Political cost: 125  
Pain: Elderly 2, middle class 2
  - 1g. Tax 50% of Social Security and Railroad Retirement benefits; no income threshold**  
Affects 41 million people on Social Security, \$50,000 annual net workers, survivors, retired, sickle 17%  
Revenue: \$4 billion  
Political cost: 125  
Pain: Elderly 3, middle class 2, poor 3
  - 1h. Tax 85% of Social Security and Railroad Retirement benefits; no income threshold**  
Same as 1g, but only single, small ones  
Revenue: \$10 billion  
Political cost: 125  
Pain: Elderly 5, middle class 5, poor 5
  - 1i. Increase premium for Medicare coverage of doctors' bills by 5%**  
31 million elderly and 3.2 million disabled on Medicare; opponents will try to raise elderly  
Revenue: \$1 billion  
Political cost: 40  
Pain: Middle class 2, elderly 2
  - 1j. Raise cigarette tax to 44¢**  
60 million Americans will smoke; Mexico PACS give \$65,000 to opponents  
Revenue: \$7 billion  
Political cost: 12  
Pain: Business 1, middle class 2, poor 2
  - 1k. Increase alcohol tax 15%**  
130 million Americans drink; Beer Drinkers of America start letter campaign; 76 local PACS give opponents \$75,000  
Revenue: \$4 billion  
Political cost: 20  
Pain: Business 4, middle class 4, poor 4
  - 1l. Add 35¢-a-gallon tax on domestic and imported oil**  
Fuel prices rise 12¢ a gallon; oilers cry out in "Wah-yoo"; consumer groups cry foul  
Revenue: \$18 billion  
Political cost: 30  
Pain: Poor 5, Business 5, Elderly 5, Middle class 5
  - 1m. Raise gasoline tax 32 cents**  
Adds as much as \$100 to yearly cost of driving mid-size car 15,000 miles; auto clubs, gas station operators and commuters grouse  
Revenue: \$11 billion  
Political cost: 45  
Pain: Poor 5, Business 5, Elderly 5, Middle class 5
  - 1n. Increase energy consumption tax 5% on top 100 million average residential bill by \$90 a year**  
Revenue: \$13 billion  
Political cost: 45  
Pain: Business 5, Poor 5, Middle class 5, Elderly 5

- ### CUTS
- 2a. Cut defense**  
700,000 jobs and 12,000 military jobs cut  
Cuts: \$5 billion  
Political cost: 15  
Pain: Business 3, middle class 3
  - 2b. Cut defense**  
70,000 jobs and 1,000 military jobs cut  
Cuts: \$1 billion  
Political cost: 15  
Pain: Business 3, middle class 3
  - 2c. Cut 0-2 teacher**  
4,200 jobs and 100 military jobs cut  
Cuts: \$2 billion (\$200 million)  
Political cost: 2  
Pain: Business 1, middle class 2
  - 2d. Reduce farm taxes combined 500,000 jobs; business health program**  
Cuts: \$1 billion  
Political cost: 7  
Pain: Business 1, middle class 1
  - 2e. Cancel/Reduce Social Security, other programs**  
77,000 Social Security jobs and 100,000 other jobs cut  
Cuts: \$3 billion  
Political cost: 12  
Pain: Business 2, middle class 3
  - 2f. Cut foreign aid 35%**  
10,100 jobs and 100 military jobs cut  
Cuts: \$2 billion  
Political cost: 3  
Pain: Business 2, middle class 1
- (Continued below)
- 3a. Freeze 1 year's Social Security cost-of-living adjustment**  
\$1 million-American on Social Security; seniors \$600 annual  
Cuts: \$4 billion  
Political cost: 25  
Pain: Middle class 5, elderly 5, poor 5
  - 3b. Hold food stamp spending to '91 levels**  
One in 10 Americans in food stamps; since Jackson State you  
Cuts: \$2 billion  
Political cost: 5  
Pain: Poor 2, elderly 2
  - 3c. Cut welfare for 1 year to '91 levels**  
6.6 million families on welfare; 10 million on food stamps; you  
Cuts: \$11 billion  
Political cost: 20  
Pain: Poor 5, elderly 5
  - 3d. Freeze welfare for 1 year**  
\$5.5 million of higher to welfare; William Buckley makes you on Friday; 10 million on food stamps; you  
Cuts: \$6 billion  
Political cost: 12  
Pain: Poor 3, elderly 3
  - 3e. Freeze domestic discretionary spending for 1 year**  
\$20,500 employees; low budget; 100,000 jobs cut  
Cuts: \$14 billion  
Political cost: 40  
Pain: Elderly 5, poor 5, middle class 5, Business 5
  - 3f. Cut discretionary spending to '91 levels**  
Search for jobs; tax raising; 100,000 jobs cut; 100,000 jobs cut  
Cuts: \$20 billion  
Political cost: 10  
Pain: Elderly 5, poor 5, middle class 5, Business 5

### PAIN INDEX WHO GETS HURT

REVENUES	CUTS	POLITICAL COST
<p>1a. <input type="checkbox"/> 1b. <input type="checkbox"/> 1c. <input type="checkbox"/> 1d. <input type="checkbox"/> 1e. <input type="checkbox"/> 1f. <input type="checkbox"/> 1g. <input type="checkbox"/> 1h. <input type="checkbox"/> 1i. <input type="checkbox"/> 1j. <input type="checkbox"/> 1k. <input type="checkbox"/> 1l. <input type="checkbox"/> 1m. <input type="checkbox"/> 1n. <input type="checkbox"/></p> <p>TOTAL \$ REVENUES</p>	<p>2a. <input type="checkbox"/> 2b. <input type="checkbox"/> 2c. <input type="checkbox"/> 2d. <input type="checkbox"/> 2e. <input type="checkbox"/> 2f. <input type="checkbox"/></p> <p>TOTAL \$ CUTS</p>	<p>1. <input type="checkbox"/> 2. <input type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10. <input type="checkbox"/> 11. <input type="checkbox"/> 12. <input type="checkbox"/> 13. <input type="checkbox"/> 14. <input type="checkbox"/> 15. <input type="checkbox"/> 16. <input type="checkbox"/> 17. <input type="checkbox"/> 18. <input type="checkbox"/> 19. <input type="checkbox"/> 20. <input type="checkbox"/> 21. <input type="checkbox"/> 22. <input type="checkbox"/> 23. <input type="checkbox"/> 24. <input type="checkbox"/> 25. <input type="checkbox"/> 26. <input type="checkbox"/> 27. <input type="checkbox"/> 28. <input type="checkbox"/> 29. <input type="checkbox"/> 30. <input type="checkbox"/> 31. <input type="checkbox"/> 32. <input type="checkbox"/> 33. <input type="checkbox"/> 34. <input type="checkbox"/> 35. <input type="checkbox"/> 36. <input type="checkbox"/> 37. <input type="checkbox"/> 38. <input type="checkbox"/> 39. <input type="checkbox"/> 40. <input type="checkbox"/> 41. <input type="checkbox"/> 42. <input type="checkbox"/> 43. <input type="checkbox"/> 44. <input type="checkbox"/> 45. <input type="checkbox"/> 46. <input type="checkbox"/> 47. <input type="checkbox"/> 48. <input type="checkbox"/> 49. <input type="checkbox"/> 50. <input type="checkbox"/> 51. <input type="checkbox"/> 52. <input type="checkbox"/> 53. <input type="checkbox"/> 54. <input type="checkbox"/> 55. <input type="checkbox"/> 56. <input type="checkbox"/> 57. <input type="checkbox"/> 58. <input type="checkbox"/> 59. <input type="checkbox"/> 60. <input type="checkbox"/> 61. <input type="checkbox"/> 62. <input type="checkbox"/> 63. <input type="checkbox"/> 64. <input type="checkbox"/> 65. <input type="checkbox"/> 66. <input type="checkbox"/> 67. <input type="checkbox"/> 68. <input type="checkbox"/> 69. <input type="checkbox"/> 70. <input type="checkbox"/> 71. <input type="checkbox"/> 72. <input type="checkbox"/> 73. <input type="checkbox"/> 74. <input type="checkbox"/> 75. <input type="checkbox"/> 76. <input type="checkbox"/> 77. <input type="checkbox"/> 78. <input type="checkbox"/> 79. <input type="checkbox"/> 80. <input type="checkbox"/> 81. <input type="checkbox"/> 82. <input type="checkbox"/> 83. <input type="checkbox"/> 84. <input type="checkbox"/> 85. <input type="checkbox"/> 86. <input type="checkbox"/> 87. <input type="checkbox"/> 88. <input type="checkbox"/> 89. <input type="checkbox"/> 90. <input type="checkbox"/> 91. <input type="checkbox"/> 92. <input type="checkbox"/> 93. <input type="checkbox"/> 94. <input type="checkbox"/> 95. <input type="checkbox"/> 96. <input type="checkbox"/> 97. <input type="checkbox"/> 98. <input type="checkbox"/> 99. <input type="checkbox"/> 100. <input type="checkbox"/></p> <p>TOTAL \$ POLITICAL COST</p>

### SCORECARD

Revenues \_\_\_\_\_

Cuts \_\_\_\_\_

**TOTAL BUDGET SAVINGS** \_\_\_\_\_

### RE-ELECTION INDEX

Revenues political cost \_\_\_\_\_

Cuts political cost \_\_\_\_\_

Political cost total \_\_\_\_\_

Use your political cost total to figure out your chances of being re-elected.

0-50	Shoo-le
51-100	Uphill battle
101-150	Sweat it out
151-200	Sure loser

- ### CALCULATING YOUR SCORE
- Add the numbers in each of the Revenues, Cuts and Political Cost columns. Write these totals on the Scorecard to the right.
  - Add the Revenues total and the Cuts total. How close did you come to \$40 billion?
  - Add your Political Cost total. Where do you rank on the re-election index?



SEND IT IN!  
We'd like to hear about your deficit-cutting choices and your comments about playing the federal budget game. Please send your game sheet and any additional remarks to:  
The newspaper address  
Newspaper, c/o State, 26  
In a few days, we'll share your decisions along with the choices made by a panel of local experts.

Name \_\_\_\_\_  
Age \_\_\_\_\_  
Sex  Male  Female  
Address \_\_\_\_\_  
Phone # \_\_\_\_\_

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## *Exercise in Hard Choices*

### GETTING THE WORD OUT

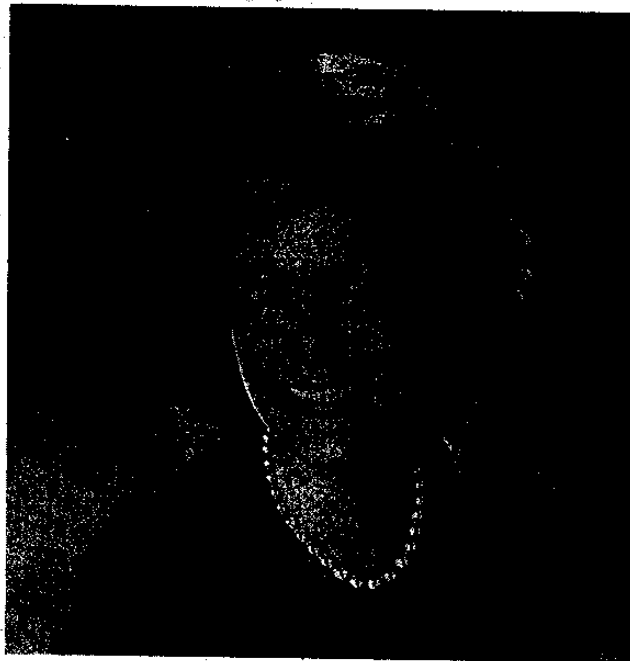
In November, the CBS program *60 Minutes* included a segment on the federal budget centered around our Colorado Exercise. *Today's Life Choices*, a public television show produced by Notre Dame University, aired a longer version of the program, also filmed at the Colorado meeting.

CNN Television news carried parts of the Los Angeles meeting.

The Exercise led the evening news on both local television stations in Burlington Vermont.

USA Today ran an article about the Exercise as the centerpiece of an Editorial page, devoted to the budget deficit issue, October 26, 1992.

Knight-Ridder Washington Bureau correspondent Christopher Scanlan attended the meeting with Senator Terry Sanford in Greensboro, North Carolina, the first we conducted last year. Based on his experience, Knight-Ridder put together a simplified version of the Exercise. More than a dozen newspapers across the country used that simplified version on the front pages of their Sunday Editorial sections. (See articles reproduced on the preceding pages.)



#### **Lesley Stahl**

"60 Minutes looked for a way to make the budget debate in Washington real to our viewers. We found it through the Exercise in Hard Choices. Our "budget committee" struggled for hours. Finally, they balanced the budget but it was not easy. We all learned how difficult it is going to be to get the deficit down. Every one of us who completed the Exercise really enjoyed it."

**EXERCISES IN HARD CHOICES**

CITY	DATE	CO-HOST
Greensboro, NC	4/25/92	Senator Terry Sanford
Pittsburgh, PA	6/5/92	Representative Rick Santorum
Abilene, TX	9/8/92	Representative Charlie Stenholm
Denver, CO	9/26/92	Senator Hank Brown
Albuquerque, NM	11/4/92	Senator Pete V. Domenici
Boston, MA	1/9/93	The Concord Coalition
Los Angeles, CA	2/5/93	The Concord Coalition and Town Hall of California
Tucson, AZ	2/8/93	Representative Jim Kolbe
Burlington, VT	2/20/93	Governor Howard Dean
Washington, DC	3/13/92	U.S. Public Health Service Primary Care Fellowship Program
Washington, DC	5/20/92	American Council on Education Fellows Program
Dallas, TX	6/23/92	Association of Government Accountants Annual Meeting
Washington, DC	11/21/92	Stennis Center for Public Service Former Truman Scholars

The Committee for a Responsible Federal Budget thanks:

The American Business Conference  
American Express  
The Business Roundtable  
CSX Corporation  
Exxon Corporation  
The Philip Morris Companies

Their generous support made the 1992-1993 project possible. This Exercise continues to be one of our most popular programs. We are working with a number of Members of the House and Senate to schedule meetings in their home districts and states where we will conduct an updated version of the Exercise in 1993-1994.



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