

# US: Democrats agree on commission to cut Social Security, Medicare

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Obama administration officials and Democratic congressional leaders reached agreement Tuesday on the establishment of a bipartisan commission that would put recommendations for drastic budget cuts to a vote in Congress before the end of 2010. The commission would have unprecedented legal authority to propose changes in both the tax code and major entitlement programs like Social Security, Medicare and Medicaid, with Congress required to hold an up-or-down vote on its recommendations.

The exact method for establishing the commission depends on congressional action. The Senate and House could vote to establish the commission, as an amendment for legislation to raise the national debt ceiling to \$13 trillion.

Press accounts suggested this was unlikely, given divisions over policy between Republicans and Democrats, as well as within both parties. If Congress fails to act, Obama would issue an executive order to create the commission, although this would leave its decisions with less legal force.

The 18 members of the commission would be appointed: six each by the congressional Democratic and Republican leaderships, and six by Obama, of which only four could be Democrats. This would give the commission a 10-8 Democratic majority.

Fourteen votes would be required to adopt any recommendation, meaning that at least half the Republicans would have to agree. This effectively ensures that only cuts in spending will be considered to lower the deficit, not tax increases on the wealthy or big business, since every congressional Republican leader has taken a “no new taxes” stand.

Obama is expected to focus on the rising federal deficit in his first State of the Union speech, scheduled for January 27, and the new bipartisan commission will

be the major fiscal initiative for the coming year.

The commission would wait to deliver its recommendations until after the November congressional elections, meaning that voters would have no say on any proposal to slash vitally needed social spending. Moreover, Congress would have to accept or reject the commission’s proposals as a whole, without the right to amend them or to reject specific elements of the package.

Negotiations on the commission were limited to Democrats, with Vice President Joseph Biden and Budget Director Peter Orszag representing the White House, and Senate Majority Leader Harry Reid, House Speaker Nancy Pelosi, and House Majority Leader Steny Hoyer leading the congressional delegation.

Last year’s budget deficit was a record \$1.4 trillion, four times the worst previous figure, in large measure because of the bailout of Wall Street, the Obama administration’s stimulus package and the impact of the recession on government tax receipts. This year’s deficit is projected at about the same level, followed by trillion-dollar deficits each year for most of the decade. These figures will be even worse if the recession continues and unemployment remains at or near double-digit figures.

Congress voted last month to increase the debt limit to \$12.4 trillion, a stopgap measure that will allow the Treasury to fund government operations through the first quarter. A further increase to \$13 trillion is required to avoid a finance-driven shutdown of much of the federal government.

The driving force behind the commission is a group of conservative Democrats in the Senate, led by Budget Committee Chairman Kent Conrad of North Dakota, who has threatened to block the increase in the debt ceiling unless the commission was established.

The dimensions of the cuts being prepared is suggested by the commission's mandate to propose a path to reduce the federal deficit from the current level of 10 percent of gross domestic product to 3 percent by 2015. This would amount to a reduction in the annual deficit of about \$700 billion—an amount, not coincidentally, roughly equivalent to the bailout of Wall Street—to be subtracted from federal social spending every year.



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