

Democrats and Republicans work on compromise plan to cut social programs

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Vice President Joe Biden hosted bipartisan talks Thursday morning aimed at reaching an agreement to slash social programs in response to the federal budget deficit. Biden and a group of six Democrats and Republicans from the House and Senate emerged from the two-hour meeting with no details on any progress being made.

The vice president said the group faced “two looming concerns”—the debt limit and the longer-term debt—but that he was “optimistic” about the discussion. The talks will resume on Tuesday.

At issue is the \$1.6 trillion federal budget deficit and debate over extension of the \$14.3 trillion debt ceiling for government borrowing. Treasury Secretary Timothy Geithner has proposed emergency measures, effective today, that will forestall until August 2 a breach of the federal debt ceiling that is officially set for May 16. Major Wall Street banks and corporate interests have backed Geithner’s call to raise the debt ceiling, arguing that failure to do so could destabilize world credit markets and jeopardize US credit-worthiness.

At the same time, the Obama administration is committed to massive austerity measures, having outlined a plan that would cut \$4 trillion from the federal budget over 12 years through a combination of spending cuts and modest tax increases. A Republican plan passed by the House, authored by Budget Committee Chairman Paul Ryan, would slash more than \$6 trillion over 10 years, mainly through privatizing Medicare and converting federal funds for Medicaid into state block grants. It also includes a \$127 billion cut to the food stamp program.

The debate over the budget has shown that both the White House and congressional members of both parties have reached a consensus that deep cuts to social programs will be part of any final agreement. All

sides of the official political establishment insist that the working class must pay for an economic crisis caused by the financial aristocracy. Any differences are of degree, and relate to how close to the Republicans’ \$6 trillion cut Obama and the Democrats will shift.

There are various maneuvers taking place within both parties over what will be included in any compromise. On the eve of the debt-reduction talks with Biden, the *Washington Post* reported House Majority Leader Eric Cantor (Republican, Virginia) was considering abandoning the Ryan plan on Medicare, the health care program for the elderly. “He said Republicans recognize they may need to look elsewhere to achieve consensus after President Obama ‘excoriated us’ for a proposal to privatize Medicare,” the *Post* wrote.

A spokesman for Cantor denied the published report, saying the Republican congressman, influential with the party’s Tea Party wing, had been quoted out of context. “Eric made very clear that our position is the Ryan budget which—as you know—assumes a debt limit increase and includes Medicare, Medicaid and \$715 billion in mandatory savings,” spokesman Brad Dayspring told Politico.

Ryan himself, at a breakfast hosted Wednesday by Bloomberg News, told reporters that his budget offers a “menu of options...that I think we could get that are not necessarily the global agreement on, say Medicare or Social Security.” Obama has already declared his support for some of these options, including one requiring graduate students to pay interest on college loans while they are still in school.

Notably absent from reports on the differences between the two parties is any reference to Medicaid, the federal-state health care program for the poor. State governments under both Democratic and Republican governors are implementing drastic cuts in services and

reductions in eligibility, depriving hundreds of thousands of the most minimal health care. Whatever budget agreement is worked out at the federal level will involve even further reductions.

The Congressional Budget Office (CBO) has determined that under Ryan's Medicare privatization plan, the government would pay a shrinking share of beneficiaries' total health costs in the form of vouchers, while seniors would shoulder an increasing share. According to the CBO, the typical 65-year-old would be responsible for 68 percent of health costs, more than double what it would be under current law.

At a Senate Finance Committee hearing Wednesday, Chairman Max Baucus, (Democrat, Wyoming), a member of Biden's budget group, said he was open to a "trigger" to impose spending cuts if the government exceeded set deficit levels. "These trigger proposals have the potential to bring members from both sides of the aisle together and ensure action to reduce our debt," he said. The trigger is also part of the Obama administration's proposal.

The Finance Committee was taking testimony from former Senator Phil Gramm, co-author of the budget-cutting Gramm-Rudman law passed under the Reagan administration. Gramm, now an investment lawyer, told the committee, "To raise the debt ceiling again without requiring action now to deal with the problem is irresponsible and dangerous to the future of America."

While supporting the trigger concept, Senator Baucus said he was opposed to a spending-cap plan proposed by Senators Bob Corker (Republican, Tennessee) and Claire McCaskill (Democrat, Missouri) that would limit federal spending over time to 20.6 percent of gross domestic product. A Center on Budget and Policy Priorities analysis of the Corker-McCaskill plan showed that it would inevitably force mass cuts to Medicare, Medicaid and possibly Social Security.

Another bipartisan group, the so-called Gang of Six, met Monday for their first face-to-face meeting since leaving for recess two weeks ago. The group of three Republican and three Democratic Senators includes four members of the National Commission on Fiscal Responsibility and Reform appointed by Obama last year.

A December 2010 report by the fiscal reform panel proposed \$4 trillion in deficit reductions over 10 years through cuts to social spending, including reducing

future Social Security benefits. The plan fell short of winning the necessary panel votes to send a proposal to Congress.

There are indications that little progress has been made among the Gang of Six in resolving issues ranging from revenues to attacking Medicare, Medicaid and Social Security.



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