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John H. Chafee and John B. Breaux

Yes, We Can Conquer the Deficit

As we enter the New Year, our government remains in a partial shutdown. There's been plenty of inflated political rhetoric. And each side has produced budgets that are totally unacceptable to the other. But the weeks and months of negotiations have produced little progress. Is this an impossible situation—a Gordian knot?

We think not. We think enough is enough is enough. That's why we formed a centrist coalition, composed of 20 senators, half Republicans and half Democrats. We believe we can balance the budget. In fact, we've produced a budget framework that brings the same total savings—\$661 billion over seven years—as the most recent Republican budget.

To produce our balanced budget plan, each side had to give some. Democrats, opposed to a tax cut, had to give. Republicans, seeking deeper cuts in spending, had to give. But our plan does more than simply split the difference between the two political extremes. It makes hard choices, and it will cause some pain in the short term. But we believe a balanced budget is critical to our nation's future.

So what are the features of our centrist coalition budget?

(1) **Conservative economic assumptions.** Our plan is based on the more conservative projections of the Congressional Budget Office (CBO) rather than those from the administration's Office of Management and Budget (OMB). If, however, a robust economy produces additional savings, they could be used for more tax relief and spending for important national priorities.

(2) **Medicare.** Our plan proposes reducing Medicare spending over the next seven years by \$154 billion—\$47 billion less than the most recent Republican plan and \$57 billion more than the administration proposed. We thus lower the current growth rate from 9 percent to 7 percent. Importantly, we maintain the Part B premium contribution at 31.5 percent, impose affluence testing for wealthier seniors, reduce contributions for low-income retirees, and link the Medicare eligibility age to that of Social Security, which will rise to 67 by the year 2027.

(3) **Medicaid.** Our plan would save \$62 billion over seven years. That's \$54 billion less than the Republicans' plan and \$25 billion more than the administration's. We would retain, but cap, the entitlement on a per-beneficiary basis, lowering the growth in federal spending from 10 percent to 8 percent a year and giving states much greater flexibility.

(4) **Welfare and the Earned Income Tax Credit**

(EITC). We include savings of \$58 billion for welfare reform and changes in the EITC. This includes the savings from the Senate-passed bipartisan welfare reform bill with some additional spending. It retains substantial tax relief for the working poor, which is critical to our overall welfare reform efforts.

(5) **Discretionary spending** (i.e., education, FBI, State Department, EPA, National Park Service, etc.). Our plan provides \$268 billion in savings through 2002. That's \$115 billion less than what the Republicans wanted and \$8 billion more than the president's proposed freeze.

(6) **Tax cuts.** Our bipartisan proposal provides for unspecified tax cuts totaling \$130 billion over seven years. That's \$113 billion below the latest Republican offer and \$67 billion over the president's latest budget proposal. Our bipartisan budget calls for \$25 billion in new revenues from closing corporate loopholes.

(7) **Consumer Price Index (CPI) adjustment.** Most economists, including Federal Reserve Board Chairman Alan Greenspan, believe the CPI over-

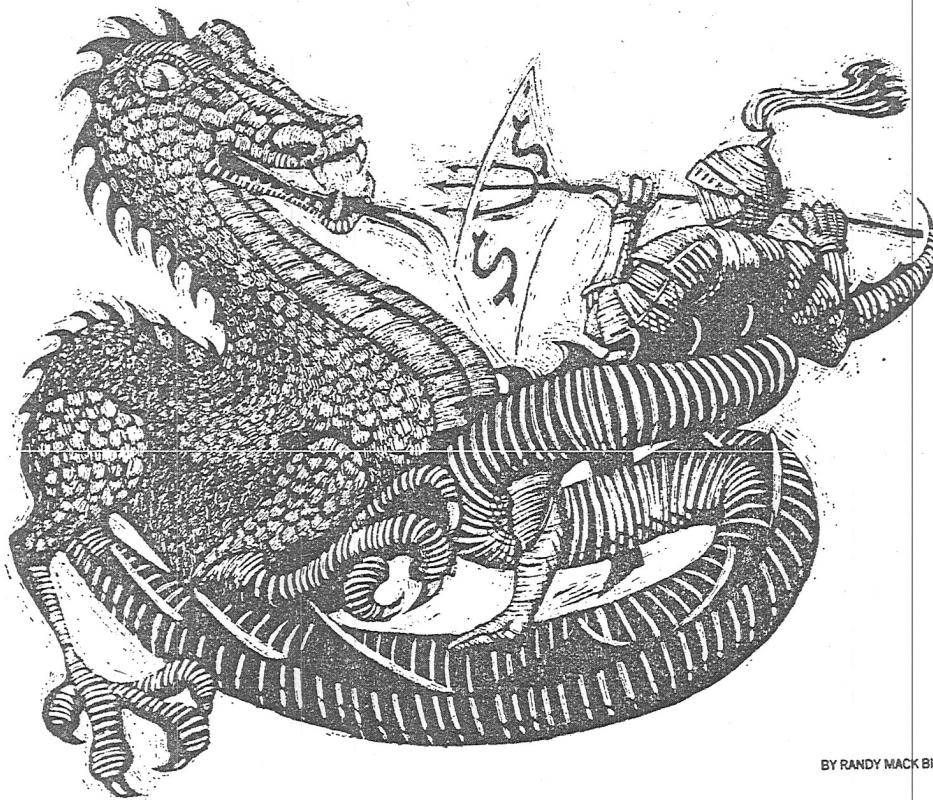
states inflation. The commission appointed to study this issue estimates that the overstatement ranges from 0.7 to 2.0 percent a year. To correct for this, in making future inflation adjustments, we propose subtracting 0.5 percent from the CPI through 1998 and 0.3 percent thereafter. The adjustments then will more accurately reflect the true increases in the cost of living. This is a modest change given the estimates of the overstatement.

Is ours the only possible solution to this budget quandary? Of course not. But it is the only bipartisan proposal that has emerged in Congress. It has substantial support, totaling one-fifth of the Senate.

It's time to end the bickering. First, Congress should reopen government while discussions continue. Then, the budget negotiators should take our plan—or a better one if they've got it—and end this unseemly and destructive stalemate.

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BY RANDY MACK BISHOP