

The Budget Talks

THE PRESIDENT and Republican leaders were careful to put a civil face on Tuesday's decision to suspend the budget talks. We take that as a good sign, even if all it means is that neither side wants to be blamed for breaking off the talks. Both sides also continue to subscribe to the goal of a balanced budget; that too is a useful, if frail, discipline. But a balanced budget, as everyone understands by now, is not the only point at issue.

The president said that in getting to balance "I don't believe we can go to the point where we don't know for sure that we have protected the people that are entitled to protection." He's right, of course, but how do you decide where to draw the line? Our sense is that he and the Republicans both have made mistakes in doing so.

There shouldn't be a tax cut. The Democrats have rightly argued that the large, not to say excessive, tax cut the Republicans propose makes it almost impossible to reduce the deficit and not do social harm. But much the same is true on a lesser scale of the smaller cut the president proposes. Mr. Clinton said Tuesday that "clearly all sides have agreed on more than enough [spending] cuts to both balance the budget in seven years . . . and allow a modest tax cut." But clearly they haven't. He pays for his own tax cut only by pretending that it will be allowed to lapse in the year 2000. In that election year a future administration and Congress will be called upon to impose a discipline that, in this election year, this administration and Congress will not—or else, of course, the deficit will rise. Once again, a burden is being shifted to the future; it's a shell game. The Republicans, even though they are willing to cut spending more, are having trouble fitting their tax cut under the balanced budget tent as well.

The tax cut is an easy issue, or ought to be. Medicare is a harder one. The cost of the program needs to be constrained. The problem is more like 20 years away than seven. The money to pay for Medicare in its present form when the baby boomers begin to retire isn't remotely in sight. The Republicans, partly to cut projected costs, partly also because, for philosophical reasons, they want to reduce the federal role in the provision of care, propose to restructure the program. Instead of having the government pay the bills of the elderly and disabled directly, they would have it give them vouchers to shop for health insurance on their own. Part of the theory is that the resulting competition on the part of insurers and providers would hold down costs.

The Democrats have pummeled the Republicans on grounds that their proposal would destroy the program. Our own view is that it's not that bad an idea if three things happen. The voucher has to be large enough to buy a basic insurance policy. It isn't clear that their vouchers would be; they try to cut too much. There need to be rules as well to keep insurers and providers from creaming the market while abandoning the sickest and least well-off. The Republican plan isn't tough enough in this regard, and the medical savings accounts it includes are a particular offense that ought to be dropped. Finally, if Medicare is to be shaken up, as it should be, the backup program, Medicaid, needs if anything to be strengthened. The Republicans would basically repeal it instead. If all three of these steps were taken, we think the Democrats led by the president safely could and should agree to a much more extensive restructuring of Medicare than for political reasons they have been willing to entertain thus far.

To protect against cuts in entitlements, the Democrats ought not agree to trash the rest of the government out in the future by capping the part of the budget subject to the appropriations process. The caps to which Mr. Clinton has lately agreed would require a cut in the general operating budget of the government of nearly a third in real terms by the year 2002. The Republican budget would require a similar cut. Because the Republicans don't care as much what the likely consequences would be, they are willing to countenance that. The Democrats shouldn't be.

If they do the right thing on taxes, Medicare and appropriations and heed the president's rule to otherwise protect those most in need of protection, they will probably still be short of what they need to balance the budget. We have suggested world without end that they could equitably raise the remainder by declaring an indexation holiday. If Social Security benefits were increased by something less than the full inflation rate for a number of years and if the same thing were done with those features meant to keep inflation from increasing people's income taxes, the deficit could be enormously reduced in increments so small that most people would scarcely feel it.

The so-called Blue Dog Democrats in the House, whom the Republicans now threaten to court, have endorsed such a step. Indeed, they've endorsed a budget pretty much like this. If the president and Republicans alike would court the Blue Dogs and the Blue Dogs would hold firm, the country would be better off.