
Revised November 1, 2011

DEMOCRATS OFFER SIGNIFICANT CONCESSIONS Plan Is to the Right of Bowles-Simpson and Gang of Six

By Robert Greenstein, Richard Kogan, and Paul Van de Water

The new deficit-reduction plan from several Democrats on the congressional Joint Select Committee on Deficit Reduction (the “supercommittee”) marks a dramatic departure from traditional Democratic positions — and actually stands well to the right of plans by the co-chairs of the bipartisan Bowles-Simpson commission and the Senate’s “Gang of Six,” and even further to the right of the plan by the bipartisan Rivlin-Domenici commission. The Democratic plan contains substantially smaller revenue increases than those bipartisan proposals while, for example, containing significantly deeper cuts in Medicare and Medicaid than the Bowles-Simpson plan. The Democratic plan features a substantially higher ratio of spending cuts to revenue increases than any of the bipartisan plans.

Although the new plan thus moves considerably closer to Republican positions than any of the bipartisan plans, Republicans have been quick to reject it. This rejection likely dooms chances that Congress will be able to pass a big, bipartisan plan. The counter-offer by Republican members of the supercommittee, reflecting little or no movement on tax increases and calling for even deeper spending cuts than in the Democratic plan — including severe Medicaid cuts that would impose significant harm on low-income children, parents, and elderly and disabled people — appears to leave little room for progress.

The significance of the Democratic plan stands out clearly from its basic numbers:

- The Democratic plan contains \$73 billion more in Medicare and Medicaid cuts (\$475 billion) than Bowles-Simpson (\$402 billion), and the same or a greater amount of cuts in this area than the Gang of Six plan.¹
- At the same time, the Democratic plan contains \$800 to \$900 billion *less* in revenue increases than the Bowles-Simpson and Gang of Six plans.²

¹ The Gang of Six did not reach agreement on the level of health care entitlement cuts and offered two alternative levels of cuts, \$500 billion and \$383 billion.

² These numbers do not reflect any tax cuts that may be in the stimulus measures in the Democratic plan, the specifics of which are not available. To the degree that the stimulus measures include tax cuts (which they apparently do, for example with respect to the payroll tax), the overall difference between the Democratic plan and the earlier bipartisan plans in the amount of revenues raised will be greater than the numbers show here.

- The cuts in discretionary programs are as deep in the Democratic plan as in Bowles-Simpson and the Gang of Six.³
- When considered in conjunction with the discretionary program cuts enacted in the Budget Control Act of this past summer and measured against the baseline that Bowles-Simpson and the Gang of Six used, the Democratic plan results in a much greater ratio of spending cuts to revenue increases — at least 6 to 1, as Table 2 shows — than Bowles-Simpson and the Gang of Six, both of which had 2-to-1 ratios, including debt-service savings. Bowles-Simpson and the Gang of Six used a baseline that assumes that the Bush upper-income tax cuts will expire as scheduled. Relative to that baseline, those plans had \$1.2 to \$1.4 trillion in revenue increases, while the Democratic plan has about \$400 billion. Relative to a current-policy baseline that assumes that Congress will extend all of the Bush tax cuts, the Gang of Six and Bowles-Simpson had \$2.1 to \$2.2 trillion in revenue increases, and the Democratic plan has \$1.3 trillion. (See Table 1; under this baseline, the spending-cut-to-tax-increase ratios for the three plans are lower, but a substantial gap remains between the ratio for the Democratic plan and that for the two bipartisan plans.)
- The Democratic plan has \$200 billion in Medicare *beneficiary* cuts, a level that exceeds the beneficiary cuts in Bowles-Simpson (the Gang of Six is not specific on this point) and is eight times the level of Medicare beneficiary cuts in the budget plan that President Obama released on September 19. Since half of Medicare beneficiaries have incomes below about \$21,000, it would be extremely difficult to secure \$200 billion in savings from increased Medicare beneficiary charges without requiring significantly larger out-of-pocket payments by beneficiaries with incomes as low as \$12,000 or \$15,000.

³ This also does not reflect any stimulus measures that may be in the Democratic plan.

Table 1

COMPARISON OF DEFICIT-REDUCTION PROPOSALS
Savings in Billions of Dollars, 2012-2021,
Relative to Current-Policy Baseline

| | Bowles-Simpson | Gang of Six | Democratic Offer¹ |
|--|-----------------------|--------------------|-------------------------------------|
| Revenue Increases | 2,238 | 2,064 | 1,300 |
| Medicare and Medicaid² | 402 | 500 | 475 |
| Other Mandatory Programs ³ (including chained-CPI proposal) | 364 | 373 | 385 |
| Discretionary⁴ | 1,295 | 1,165 | 1,300 |
| Subtotal, Spending Cuts | 2,061 | 2,038 | 2,160 |
| Debt Service Savings | 796 | 783 | 664 |
| Deficit Reduction | 5,095 | 4,885 | 4,124 |

¹ Figures for the Democratic offer do not include economic stimulus proposals, the details of which are not available but apparently include both temporary tax-cut measures (like an extended payroll tax reduction) and temporary spending increases (like an extension of federal unemployment benefits).

² The Gang of Six plan showed two alternative levels of health cuts, \$500 billion and \$383 billion.

³ The Bowles-Simpson plan includes the cost of repealing CLASS, whose implementation has now been suspended by the Administration.

⁴ The Democratic offer is adjusted to include \$900 billion in discretionary savings enacted in the April continuing resolution and the Budget Control Act, for comparability with the other two plans. The Fiscal Commission and the Gang of Six plans measure discretionary savings relative to CBO's March baseline.

Sources: Estimates for Bowles-Simpson plan are from Moment of Truth Project, *Updated Estimates of the Fiscal Commission Proposal*, June 29, 2011. Estimates for the Gang of Six plan are from material provided by staff. Estimates for the Democratic offer are based on press accounts. Estimates have been adjusted by CBPP staff to put them on a comparable basis.

Table 2

COMPARISON OF DEFICIT-REDUCTION PROPOSALS
Savings in Billions of Dollars, 2012-2021,
Relative to Fiscal Commission's Plausible Baseline

| | Bowles-Simpson | Gang of Six | Democratic Offer¹ |
|---|-----------------------|--------------------|-------------------------------------|
| Revenue Increases | 1,372 | 1,198 | 434 |
| Medicare and Medicaid² | 402 | 500 | 475 |
| Other Mandatory Programs³ (including chained-CPI proposal) | 364 | 373 | 385 |
| Discretionary⁴ | 1,295 | 1,165 | 1,300 |
| Subtotal, Spending Cuts | 2,061 | 2,038 | 2,160 |
| Debt Service Savings | 621 | 608 | 489 |
| Deficit Reduction | 4,054 | 3,844 | 3,083 |

¹ Figures for the Democratic offer do not include economic stimulus proposals, the details of which are not available but apparently include both temporary tax-cut measures (like an extended payroll tax reduction) and temporary spending increases (like an extension of federal unemployment benefits).

² The Gang of Six plan showed two alternative levels of health cuts, \$500 billion and \$383 billion.

³ The Bowles-Simpson plan includes the cost of repealing CLASS, whose implementation has now been suspended by the Administration.

⁴ The Democratic offer is adjusted to include \$900 billion in discretionary savings enacted in the April continuing resolution and the Budget Control Act, for comparability with the other two plans. The Fiscal Commission and the Gang of Six plans measure discretionary savings relative to CBO's March baseline.

Sources: Estimates for Bowles-Simpson plan are from Moment of Truth Project, *Updated Estimates of the Fiscal Commission Proposal*, June 29, 2011. Estimates for the Gang of Six plan are from material provided by staff. Estimates for the Democratic offer are based on press accounts. Estimates have been adjusted by CBPP staff to put them on a comparable basis.