

# Bad Faith and Budget Politics

BY PAUL STARR

Compromise is often an unhappily revealing art. “Ideals may tell us something important about what we would like to be. But compromises tell us who we are,” the philosopher Avishai Margalit writes. In finding compromises with Republicans on the federal budget, Democrats need to remember not only who they are but who the voters depend on them to be.

From that standpoint, the start of the budget battle in early April did not go well. Acceding to Republican demands for cuts in Social Security and Medicare, the president’s budget left his party open to a cynical but predictable response. Without the least acknowledgment of a contradiction, the chairman of the House Republicans’ campaign arm, Representative Greg Walden, immediately went on television to denounce Barack Obama’s “shocking attack on seniors.”

We’ve seen it before. Many of the House Republicans who voted in 2008 for the bank bailouts called for by the Bush administration denounced the bailouts in the 2010 election as if they had nothing to do with them. In 2012, Paul Ryan and other Republicans campaigned against the \$700 billion in Medicare cuts in “Obamacare” as if the Ryan budget adopted by House Republicans did not include the same cuts—and without acknowledging that the Affordable Care Act included compensating measures that improved seniors’ Medicare benefits.

The two major parties today don’t just have ideological differences; they don’t observe the same rules of public accountability. The

Democrats have no choice but to accept responsibility; they hold the presidency, and they believe in making government work. The Republicans do not share that commitment, and they are now unrestrained by executive obligations or by moderates in their own ranks. So they put politics before governing and have made bad faith in negotiations standard practice.

Yet anticipating bad faith from the Republicans does not free Obama from the need to advance compromises. The GOP will likely control the House throughout the president’s term; Obama has to do business with people who cannot be trusted to own up to their side of a deal. He has to identify budgetary savings and make political concessions that nonetheless demonstrate fidelity to long-standing commitments and principles.

For both substantive and political reasons, I believe that means drawing a sharp line between Social Security and Medicare. Social Security should never have been part of the budget negotiations; its benefits are not excessive, they are crucial to the living standards of both poor and middle-income seniors, and they are not a factor in the federal deficit. The “chained” consumer price index (CPI) endorsed by Obama is a real cut even with the bump in benefits proposed for low-income seniors at age 76 and after; indeed, the bump effectively concedes that the chained CPI is not, in fact, a more accurate cost-of-living adjustment—it’s a diet COLA. Like Bill Clinton, Obama should have sworn to “protect Social Security first.”

Medicare, in contrast, is not just

a program for seniors. It is also a program for the health-care industry, and as a result it can be cut by eliminating past giveaways to the industry. For example, in 2003 Republicans provided a windfall to pharmaceutical companies by

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shifting low-income seniors’ drug coverage from the lower rates paid by Medicaid to higher rates paid by Medicare. Undoing that deal will save more than \$100 billion.

In addition, the financing of Medicare already relies on income-related premiums paid by more affluent seniors. Obama proposes raising those premiums and increasing the percentage of better-off seniors who pay them. The president also calls for some increases in cost-sharing for beneficiaries, and although I would have preferred another approach, most of these proposals are reasonable.

To be sure, even if a final deal incorporates these changes, Republicans will use them against Democrats in 2014. But after two elections when they cried wolf

over Medicare, Republicans face a credibility problem. So such measures are far less dangerous politically for Democrats than changes in Social Security.

Beyond the specifics of a budget deal, though, there is a larger issue about how the national debate frames changes in policy. Obama’s inclusion of Social Security appears to concede the idea that the program needs to be cut when it’s the healthiest part of the retirement security system. While Medicare has some features that can be trimmed, it’s more efficient than private insurance, and its costs are growing more slowly. The focus on cutting the programs seems to validate the conservative premise that our biggest problem is the deficit rather than persistently high unemployment.

Although Obama ought to be doing more to reframe the budget debate, he cannot simply huff and puff and blow the House down. I don’t believe that the chained CPI proposal was politically smart, but I am also hesitant to say that Obama has been politically stupid; after all, he did get elected president twice, which ought to inspire commentators with a little humility. When liberals express their outrage, they are playing a role that is useful to the president, proving his moderation. Moreover, as Ted Kennedy used to say in congressional negotiations, “Nothing is agreed to until everything is agreed to.” If the final budget agreement includes financing for some important new priorities like pre-K education that Obama has asked for, his strategy may ultimately look better than it does now. ■