

Day Three of US Shutdown: Talks Focus on Cuts to Medicare and Social Security

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There were more indications Thursday—day three of the US government shutdown—that the aim of both the Democrats and Republicans in negotiations to reopen the government and raise the debt ceiling will focus on major cuts to entitlement programs such as Social Security and Medicare.

The *New York Times* and *Wall Street Journal* reported Thursday evening that Republican Representative Paul Ryan of Wisconsin, the chairman of the House Budget Committee, has held meetings with senior House Republicans aimed at using the government funding crisis to revive earlier proposals for a “Grand Bargain” to cut social programs and slash corporate taxes and income taxes for the wealthy.

The *Times* wrote that the Republicans are discussing a “broad deficit reduction deal that would allow some increases to federal programs squeezed by the automatic cuts known as sequestration in exchange for long-term changes to programs like Medicare and Social Security. The package would most likely include instructions to try to move along efforts to simplify the tax code as well.”

Ryan and other Republicans are taking up signals by President Obama that he is open to a deal along similar lines. In an interview Wednesday with CNBC, Obama made clear that he is considering cuts to social programs—including Medicare and Social Security—as part of a broader deal with the Republicans over the debt limit and funding for the federal government.

Asked by the interviewer about Republican proposals to “end budget negotiation [by the] replacement of sequester cuts with entitlement cuts,” Obama replied, “It is important for us to deal with our long-term entitlement spending.” He added, “I think it is very important for us to continue to cut out programs that are unnecessary, not working—some of them need to be reformed.”

While Congressional Democrats have publicly claimed that they do not intend to negotiate the terms of an increase of the debt limit, which will be reached later this month, the Republican proposals outlined by the *Times* are broadly in line with an earlier budget proposal made by the Obama administration, which replaced certain cuts implemented by the sequester with over a half trillion dollars in cuts to Medicare and Social Security.

The discussions over unpopular cuts to those programs are largely taking place outside of public view. At the same time, Obama has made clear that he sees the question of raising US government’s debt limit as significantly more important than any measures to resolve

the government shutdown, which has resulted in the furlough of 800,000 government workers and the halting of key social programs and regulations.

Speaking at a construction company outside Washington, D.C. Wednesday, Obama said that his primary concern is raising the debt limit is to prevent a default by the US government. "As reckless as a government shutdown is...an economic shutdown that results from default would be dramatically worse," Obama said.

These comments echoed those of the top Wall Street bankers Obama met with Wednesday to discuss the potential impact of the US government's failure to raise the debt limit. "We'd like to see the fight not be on this ground," said Goldman Sachs CEO Lloyd Blankfein as he left the meeting, adding that, "They shouldn't use the threat of causing the US to fail on its obligations to repay its debt as a cudgel."

Congressional Democrats agreed that the focus of the discussion has shifted to the debt limit, with Senate Democratic Majority Leader Harry Reid saying, "The debt ceiling is facing us very quickly. We're talking about the [continuing resolution to fund the government] now. It's hard to separate the two because they're right both on top of us."

Republicans agreed that the two issues had become intertwined, likely leading to a prolonged shutdown of the government. "I think there's going to be a stalemate for two or three weeks," Mississippi Republican Senator Roger Wicker told Politico. "Why would the parties negotiate one deal to have another impasse? It's all been psychologically rolled together."

Obama's speech came after the Treasury Department issued a report projecting that a default by the US government would lead to an economic downturn "comparable to or worse" than the crash of 2008. The report added, "In the event that a debt limit impasse were to lead to a default, it could have a catastrophic effect on not just financial markets but also on job creation, consumer spending and economic growth."

The report reaffirmed the Treasury's earlier deadline of October 17 for raising the debt limit before the country's cash reserves run critically low. On Wednesday, an aide to House Speaker John A. Boehner told the *Washington Post* that while the Republican leader does not intend to allow the US to default on its debts, Republicans will seek a deal on spending cuts, including entitlements. "Speaker Boehner has always said that the United States will not default on its debt, but if we're going to raise the debt limit, we need to deal with the drivers of our debt and deficits," the aide said.

Speaking on the Senate floor Thursday, Republican Senator Bob Corker said, "I'm concerned that so much focus has been placed on the 'shiny object,' the health care law, as it relates to the [continuing funding resolution] that our focus has been taken off the gains that we've made in controlling spending," Corker said in his floor speech.

While the ongoing government shutdown was triggered by the refusal of Republicans in the House of Representatives to approve a government funding bill that did not include a delay in implementation of Obama's healthcare law, the government shutdown and the threat of a default has become the occasion for both parties to seek a deal that will intensify the assault on the working class.

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