



New budget talks are unlikely to produce a 'grand bargain'

By: Susan Ferrechio - November 1, 2013

The House and Senate have just begun formal budget talks that many hope will lead to the previously elusive "grand bargain" on spending, taxes and entitlement programs.

But with election-year politics in play and the clashing priorities of Democrats and Republicans, it's much more likely lawmakers will produce a narrower deal that keeps the government functioning through 2014 but falls far short of anything grand.

"I would put the odds of an elusive grand bargain at somewhere around zero," Tad DeHaven, a budget analyst for the Cato Institute, told the *Washington Examiner*.

The possibility of a grand bargain that would settle many of the contentious fiscal issues that divide Republicans and Democrats seemed far more likely earlier this year when Obama was wining and dining Republican lawmakers at private White House dinners and at the nearby Jefferson Hotel. At the time, Obama told Republicans over roast duck and filet mignon that he agreed with their long-held view that some kind of reform of entitlements like Social Security and Medicare was needed to ensure the future health of the federal budget.

Obama recently signaled anew his willingness to consider entitlement reforms that many of his fellow Democrats fear could ultimately gut the social safety net.

"The challenge that we have right now are not short-term deficits, it's the long-term obligations that we have around things like Medicare and Social Security," Obama said in a speech ahead of budget talks in early October. "We want to make sure those are there for future generations."

Despite Obama's openness to reform, the politics of a federal budget have shifted dramatically since the days of his private dinners and talks of a grand bargain. Democrats face critical midterm elections in 2014, and they are suddenly not in the mood to bargain with Republicans over the Social Security or Medicare programs that are so important to so many voters.

Many Democrats, in fact, don't believe they have to concede to the GOP on entitlements at all.

Senate Majority Leader Harry Reid, D-Nev., warned a host at Nevada Public Radio station KNPR to stop talking about Medicare and Social Security reforms. That's not going to happen any time soon, he said.

"Get something else in your brain," Reid said. "Stop talking about that. That is not going to happen this time. There is not going to be a grand bargain."

Reid and many other Democrats believe the Republican Party has been greatly weakened recently thanks to its failed attempt to defund Obama's new health care law. The Republican refusal to vote for federal funding legislation unless it cut funding for Obamacare led to a 16-day partial government shutdown and a significant drop in poll numbers for the GOP.

"The Republicans, since this deal went down, have been battered, bruised, embarrassed and humiliated," Reid said on KNPR. "Their standing is lower than any time since polling has started because what they have done is absolutely senseless."

In other words, Reid said, Democrats now have far more leverage at the negotiating table and don't have to offer Republicans any major concessions on Social Security or Medicare even though the GOP controls the House.

It's a safe position for Reid to take and protects his five-seat Senate majority by shielding a handful of vulnerable Democrats from a potentially devastating political vote on entitlement cuts just months from Election Day.

Budget negotiators have also suggested a smaller deal is the most likely outcome of the conference committee.

House Budget Committee Chairman Paul Ryan, R-Wis., who will lead the talks for the House GOP, has said he wants to narrow the focus of the negotiations to the so-called sequester spending cuts signed into law in 2011.

Republicans want to preserve more than \$1 trillion in spending cuts, but redistribute them so that certain programs and agencies, chiefly the Pentagon, are not hit so hard.

Democrats, however, want to restore the cuts and make up the difference through tax increases. They're betting Republicans will agree to do away with the sequester cuts out of fear of being blamed by voters for another government shutdown.

The gap between the sequester-level budget Republicans want to preserve and what the Democrats want to spend is more than \$90 billion a year.

"People don't realize how big the spending difference is," Rep. Jack Kingston, R-Ga., a top lawmaker on the House Appropriations Committee, told the *Examiner*. "That's where the real fight is going to be."

There is a hard deadline for a compromise. The two sides have only until Jan. 15 to come up with yet another deal to keep the government funded and operating. That's when the current stopgap funding

measure expires. Lawmakers then face a Feb. 7 deadline to agree to terms on another increase in the nation's borrowing limit.

Emboldened Democrats believe they will win the fight to restore the spending cuts, while political experts like DeHaven agree that a weakened GOP will end up making at least some concessions.

"It's hard for me to see them holding the line on spending," DeHaven said.