



Gang of Six Plan: Spending Cuts or Wish List?

The bi-partisan “Gang of Six” plan, billed as a \$3.7 trillion deficit-reduction package, might better be described as a bi-partisan wish list. Rather than call for reductions in or elimination of any programs or departments of a federal government now \$14.3 trillion in debt, the plan contains a long list of savings over the next ten years to be “found” by various committees of Congress. The plan begins by proposing enactment of a “a \$500 billion down payment that would secure immediate debt relief?? Since our government is currently running in deficit at the rate \$1.3 trillion a year, this amounts to borrowing another half a trillion dollars for a “down payment” on the debt we’ve already accumulated.



The committees would be seeking “real deficit savings in entitlement programs,” including the following list:

- Armed Services would find \$80 billion.
- Health, Education, Labor, and Pensions would find \$70 billion.
- Homeland Security and Government Affairs would find \$65 billion.
- Agriculture would find \$11 billion while protecting the Supplemental Nutrition Assistance Program.
- Commerce would find \$11 billion.
- Energy would find \$6 billion and may propose additional policies to generate savings that would be applied to the infrastructure deficit or to reduce the deficit.
- Judiciary would find an unspecified amount through medical malpractice reform.

The plan would save an unspecified amount by tying the Social Security Cost of Living Adjustment to the chained Consumer Price Index, which includes a shift in consumer purchases to lower price goods when calculating increases in the CPI. It would exempt Supplemental Security Income for the poor and disabled from the shift for five years, then phase it in over the next five. According to the Congressional Budget Office, the shift would slow the growth in the annual adjustment by 0.25 percent a year. On the other hand, Congress would consider Social Security reform “if and only if the comprehensive deficit reduction bill has already received 60 votes.”

At the same time the plan would “permanently reform or replace” the Medicare Sustainable Growth Rate at an *increase* of \$298 billion, while offsetting that cost with unspecified “health savings.” The Finance Committee would “find an additional \$202 billion/\$85 billion in health savings and would maintain the essential health care services the poor and needy rely on.” The Budget Committee, meanwhile, would find a savings of \$26 billion in entitlement programs by seeking out “fraud, abuse and other wasteful spending government-wide.”



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On the revenue side, the plan would require the Finance Committee to come up with tax reform that would “deliver real deficit savings by broadening the tax base, lowering tax rates and generating economic growth ...” The plan would simplify the tax code by establishing three tax brackets with rates of 8-12, percent, 14-22 percent and 23-29 percent. At the same time, it would reduce tax deductions for health, charitable giving and home ownership and “retain support for low-income workers and families.” The Alternative Minimum Tax, expected to bring in \$1.7 trillion over the next decade would be repealed, but over all revenue -or at least estimates of it—will have to increase during the same period: “Tax reform must be estimated to provide \$1 trillion in additional revenue” and must generate “an additional \$133 billion by 2021, without raising the gas tax, to ensure improved solvency for the Highway Trust Fund.” How Congress will “generate” an additional \$13.3 billion a year for the Highway Trust Fund without increasing the federal tax rate at the pumps is not clear. Higher gas prices or increased travel by motorists could increase the flow of dollars to the federal treasury. Or perhaps the revenue will be “generated” by borrowing from other trust funds.

The issue of “additional revenue” has been a sticking point in the ongoing negotiations, particularly in the Republican House, where 235 members signed a pledge in 2010 not to vote for any tax increase. House Majority Leader Eric Cantor said on Tuesday the Gang of Six plan includes “some constructive ideas for dealing with the debt,” but he did not endorse it. The House approved its own “cut, cap and balance” plan on Tuesday, which some opponents of the plan criticized for not offering enough in the way of spending cuts and entitlement reforms, while others said it went too far.

“Regardless of what other parts of this bill say,” charged Representative Jerrold Nadler of New York, “there is no way to meet these goals without destroying Medicare, Medicaid, Social Security, veterans’ programs, and military preparedness.”

The Gang of Six is made up of three Senators from each party, with Democrats Dick Durbin of Illinois, Mark Warner of Virginia and Mike Crapo of Idaho, joined by Republicans Kay Bailey Hutchinson of Texas and Saxby Chambliss of Georgia. The sixth member, Republican Tom Coburn of Oklahoma, had bowed out in May when he believed the spending cuts in the plan were not enough. He rejoined the group on Tuesday, having been drawn back, [The Hill](#) reported, by the decision to add \$116 billion in healthcare-entitlement savings to the deficit reduction plan. Coburn had put out a \$9-trillion debt-reduction plan of his own on Monday, but conceded it could not get passed.

While it appears unlikely that legislation required to implement the long list of anticipated and hoped for savings and added revenue will be written and enacted by the August 2 deadline for a vote on raising the debt ceiling, the plan in its present form could form the basis of an agreement if an interim debt authorization is passed. At some point the committee recommendations are to be consolidated into one bill, with the exception of the Social Security reform, which will be voted on separately. If the Social Security reform receives 60 votes in the Senate it will be added to the deficit reduction measure, which will then be sent to the House. If not, the entire plan cannot pass, according to the procedural rules to be adopted.

Whatever legislation comes out of the Gang of Six plan, it will apparently be voted on in a hurry. The Majority and Minority leader could agree to “limit debate and the number of and the number of amendments, or impose other substantive restrictions by agreement, so that Leaders can manage the bill with a process that satisfies 60 Senators and the process cannot be held up by a small group on either side.”

Even if plan were to result in the anticipated \$3.7 trillion in deficit reduction over the next ten years,



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that would be less than the \$3.9 trillion that will be added to the debt in just three years at the current rate of deficit spending. And that is assuming the congressional committees will “find” all the anticipated savings in all the departments, bureaus and agencies run by people skilled and experienced in defending every dollar that comes their way.

In short, the Gang of Six plan offers a promise of savings, to be discovered and defined later, in exchange for a raising of the debt ceiling now.



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