

. . . I know there are severe problems in your transition to a market economy. I know, too, that anywhere free markets exist, they do not solve all social problems. They require policies that can ensure economic fairness and basic human decency to those who need and deserve help. . . .

To too many people in this country, I know that economic reform has come to mean hardship, uncertainty, crime, and corruption. Profitable enterprises once owned by the state have been moved into private hands, sometimes under allegedly questionable circumstances. The demands of extortionists have stopped some would-be entrepreneurs from even going into business. And when the heavy hand of totalitarianism was lifted from your society, many structures necessary for a free market to take shape were not there, and organized crime was able to move into the vacuum.

These are real and urgent concerns. They demand an all-out battle to create a market based on law, not lawlessness, a market that rewards merit, not malice. Economic reform must not be an excuse for the privileged and the strong to prey upon the weak. . . .

In the 21st century, we will face new and different security threats. In the 21st century, I predict to you there will be no world war to write about between nations fighting over territory. I predict to you that there will not be a new great colossus killing tens of millions of its own citizens to maintain control. I believe the battles of the 21st century will be against the organized forces of destruction that can cross national lines or threaten us from within our borders. We see these forces in the bombing of the World Trade Center, in the terrible tragedy in Oklahoma City in the United States. We see it in the bombings on the streets in Israel designed to kill the peace process in the Middle East. We see it in that terrible gas attack in the Tokyo subway. We see it in the problems that you and so many other nations have with organized crime. . . . We must work together to defeat these new security threats, for in this new century the world wants and needs strong democratic countries where people are truly free and secure. And this world needs a strong and democratic Russia to help meet these challenges. It is in that context that I have pledged to President Yeltsin we will continue to work on all the issues between us. . . . We have already witnessed what Russia can do on the world's stage when it is completely engaged and committed to democracy. From the Near East to as far away as El Salvador, America and the world have been made more secure by Russian leadership and cooperation. As Russia takes her rightful place, we believe that the trends toward democracy and economic freedom and tolerance must and will continue.

I know there are some in this country who do not favor this course. And believe me, there are some people in my country who do not believe that you will follow this course. They predict that instead you will repeat the patterns of the past. Well, of course the outcome is not assured; nothing in human affairs is certain. But I believe those negative voices are mistaken. . . .

## Domenici plan draws battle lines on Medicare and Medicaid

by Mel and Kathleen Klenetsky

House Speaker Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.) promised America a balanced budget amendment in their first 100 days in office. While the Gingrichites succeeded in passing their balanced budget amendment in the House, they failed in the Senate by one vote. The Senate and House Budget Committee proposals released in the second week in May are the latest Republican efforts to fulfill their goal of balancing the budget by the year 2002. Because they failed to achieve a balanced budget amendment, which would have mandated the federal government to balance the budget, they are now trying to legislatively cut the budget—by almost \$1 trillion on the Senate side and \$1.4 trillion on the House side, over the next seven years—in a fruitless attempt to balance it.

This “hellfire” approach is spearheaded by almost a half-trillion dollars in proposed cuts in Medicare and Medicaid. Should these cuts go through, millions of elderly will be added to the poverty rolls. Health and Human Services Secretary Donna Shalala, at a press conference called to address the House and Senate budget proposals, said, “First let me say that Medicare cuts will make elderly and disabled Americans poorer. . . . Three-fourths of the people who are on Medicare today . . . have incomes under \$25,000 a year. We’re not talking about rich people. . . . By the year 2000, if these cuts go through and if they’re split between the providers and the beneficiaries . . . the elderly and the disabled, those people who make under \$25,000 a year, in the year 2000 would pay almost \$1,000 more for their health care. That would make them poor.”

Sen. Pete Domenici (R-N.M.), chairman of the Senate Budget Committee, announced his plan on May 9, to cut the federal budget by \$961 billion over the next seven years. Domenici’s budget calls for \$255 billion in savings from Medicare and \$175 billion in savings from Medicaid, which means that he plans to balance the budget with almost 50% of his proposed cuts coming from plans that service the elderly and the disabled. Medicare is entirely for the elderly, and almost two-thirds of Medicaid expenditures go to the elderly and the disabled.

“The budget that we put before you presents hard choices and I make no apologies for that,” Domenici said. “The American people, by overwhelming majorities, 80% of

them, want a balanced budget." Domenici's Senate budget proposal does not include a tax cut, whereas the House budget proposal, presented by House Budget Committee Chairman John Kasich (R-Ohio) on May 10, calls for spending cuts of \$1.4 trillion, over seven years, to allow for the inclusion of a \$350 billion tax cut.

### Clinton responds

One week before Domenici and Kasich presented their plans, President Clinton, addressing 2,000 delegates at the White House-sponsored Conference on Aging, declared his opposition to any efforts of the Republicans to balance the budget on the backs of the elderly. Clinton said, "I believe it is wrong simply to slash Medicare and Medicaid to pay for tax cuts for people who are well off. We must have a sense of what our obligations are. . . . Reducing the deficit is terribly important, but it is also important that Congress protect programs for seniors, like Medicare."

Even though the Domenici proposal does not call for a tax cut until the budget is balanced, Budget Director Alice Rivlin, in a May 9 televised interview on the MacNeil-Lehrer program, was quick to point out that since two announced Republican Presidential candidates favor a tax cut, namely, Senate Majority Leader Robert Dole (R-Kan.) and Senator Gramm, it is unlikely that the Domenici preference for no tax cut will hold.

Both the Domenici and Kasich budget resolutions take a healthy chunk of the projected savings out of the programs set up for the elderly and the poor. More than two-thirds of the \$961 billion in budget cuts from the Domenici bill come from Medicare, Medicaid, and other programs such as welfare, veterans benefits, and farm support programs. More than 25% comes from Medicare alone. The Kasich bill calls for \$280 billion in cuts from Medicare and \$184 billion from Medicaid. Almost one-third of Kasich's projected cuts are to come from these areas.

### Resistance mounts

Others are speaking out against the Domenici-Kasich proposals. "Medicare needs to be reformed, not pushed to the breaking point," said Horace Deets, the executive director of the American Association of Retired Persons. "We are not going to permit these budget cutters to destroy it," Sen. Edward Kennedy (D-Mass.) said of Medicare and the proposed cuts. "We are standing with our seniors."

Gingrich and other Republicans now find themselves in a political dilemma. While they were swept into office last November with pledges to downsize the federal government and slash spending, they now find themselves facing a potentially lethal political backlash from those layers of the population, such as the elderly, who are the first victims of the downsizing.

While polls are of doubtful worth, a number of them, including some conducted by Republican affiliates, show that substantial cuts in Medicare, along the lines now being

proposed by Domenici and Kasich, could lead to an all-out revolt that might overthrow Republican domination of the Congress and terminate Republican chances of capturing the White House in 1996. A *Wall Street Journal*-NBC News Poll from the beginning of May showed that only 9% of people polled thought that the government was spending too much on seniors. At least 48% said that the government is spending too little on the elderly, and half of those aged 18-34 thought that the government was spending too little on senior citizens. That last figure is particularly interesting, because advocates of cuts against the elderly have tried to turn the younger generation against those 65 and over.

With all of this known, the Contract with America backers are trying to disguise their cuts by saying that these are not cuts, but just a slowing of the growth rate of Medicare and Medicaid benefits. In the case of the Domenici plan, Medicare and Medicaid would be cut from the current growth level of 10%, to 7% and 5%, respectively.

Worse, however, is the patently silly claim that the massive Medicare cuts which Gingrich and his fellows are demanding won't be used to reduce the federal deficit, but will somehow be plowed back into the program!

On April 28, in a speech to the conservative Seniors Coalition, Gingrich declared, "Our goal will be to bring in a bill that will save the Medicare system for a generation." But these obfuscations and high-flying phrases can't quite hide the fact that "reforming" Medicare the way Gingrich et al. propose, is like substituting lethal injection for hanging, and calling it reform of capital punishment.

On May 9, Secretary Shalala told the Senate Finance Committee, "We cannot destroy Medicare in order to save it." Shalala cautioned that deep cuts in the program imperiled rural and inner-city hospitals and shifted costs on to small businesses and individuals.

### Choice limited

Ironically, one of the methods for "reforming" Medicare which Gingrich and the "Contract on America" gang have seized upon, would move people out of Medicare completely, and herd them into private health maintenance organizations (HMOs) and other managed-care plans. This would severely limit the choice of physicians and treatment modalities available—one of the chief complaints the Republicans leveled against President Clinton's ill-fated health reform package.

Both the Domenici and Kasich budget proposals also take a hatchet to program after program in the federal government. Under the Domenici plan, more than 100 programs, including the Commerce Department, would be scrapped. Kasich's plan takes the axe to 283 programs, 14 agencies, and 68 commissions. Kasich would eliminate the departments of Commerce, Energy, and Education entirely. The radical nature of these ideological proposals shows an irresponsible mentality that seeks to destroy, not reform, the federal government.