Bush seeks to defend budgetary credibility
> By James Harding and Andrew Balls in Washington

The White House sought to defend its budgetary credibility on Wednesday, trying to square the $400bn it promised as the price tag on Medicare reform and the $720bn figure released by administration officials this week.

At a time when White House estimates are at the heart of the controversy over Social Security reform, the renewed dispute over the prescription drugs benefit threatens to derail President George W. Bush's efforts to overhaul the pensions system.

The Medicare dispute treads on the White House's chosen storyline: fiscal responsibility. It presented an austere budget on Monday, making the case for sweeping cuts in discretionary spending in order to halve the deficit by 2009.

Scott McClellan, the White House press secretary, said on Wednesday that measuring the $400bn (€312bn, £215bn) figure against the $720bn was unfair as it did not compare “apples with apples”. The figure White House officials have recently quoted is $511bn for the period 2004 to 2013; the new figure is for 2006 to 2015, which, officials explained, is higher because it includes two years of full drugs coverage not included in the original projections.

Democrats have seized on another number released by the White House: a $1,200bn estimate for 2006-15 before anticipated government savings. But while the argument continued, it has become clear that the administration has abandoned the $400bn figure used in 2003 to persuade wavering members of Congress that its Medicare reforms would not be unaffordable. Mr Bush said on Wednesday: “There's no question that there is a unfunded liability inherent in Medicare that . . . Congress and the administration is going to have to deal with over time.

“The reforms haven't even begun yet. I signed a piece of legislation last year and the major reforms of providing prescription drugs for our seniors kicks in next year.”

However, Republican economists have estimated that the long-term unfunded liabilities of the Medicare drugs prescription benefit alone dwarf Social Security's projected shortfalls.

Kent Smetters, an academic economist and former Treasury official, estimates that the unfunded liability of the drugs benefit in the very long term is almost twice as large as Social Security's projected funding shortfalls.

The fresh interest in Medicare threatens to inflame concern among conservative Republicans, potential obstacles to Social Security reform. As with Medicare, the White House is operating on a narrow definition of the costs of Social Security reform. It has limited its forecast to a 10-year window ending at 2015 and predicted the cost will be
$745bn, including interest costs.

It has provided few details on its calculations but independent assessments suggest the full cost of the transition to personal savings accounts will run into thousands of billions of dollars over the next 20 years. Moreover, top administration officials have stressed that the administration is not committed to the sharp benefit cuts proposed by a presidential commission on Social Security. It is the benefit cuts, rather than private accounts, that would close the future funding gap.