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Column / The Oval

Richard Wolffe & Holly Bailey



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Why is the Bush administration so sanguine about the costs of Katrina's recovery? Democrats say it's because the GOP doesn't care about fiscal responsibility or the size of the budget deficit. Inside the White House, officials reject those criticisms, saying they side with the deficit hawks who are pushing for budget cuts to close the fiscal hole. Yet at the same time, they offer plenty of reasons why they think the hawks will fail. "We are very much in sympathy with these guys," says one senior official who declined to be named so he could speak freely about the politically-fraught negotiations with Congress. "If they want to wave the flag of fiscal restraint, that's exactly what we have been doing."

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There are other reasons for the coolness toward spending cuts. First, Bush's aides are relaxed about spending because the strong economy was going to reduce the deficit by around \$100 billion this year in any case. Moving it up \$100 billion only takes the numbers back to where they were when first projected. Second, those same aides don't think the president's new ideas cost that much—at least not compared to the huge infrastructure spending to rebuild the Gulf Coast. Who in Congress is going to object to rebuilding the bridge across Lake Pontchartrain, especially when they just voted through their own \$286 billion transportation bill? Finally, there's a leadership deficit that matches the budget. Can the deficit hawks push their fellow members of Congress to drop their favorite pork? John McCain has been trying to shame his fellow senators for years to do just that, but they still managed to spend record amounts on questionable roads and bridges this year.

That means the debate over the deficit is, at least for the White House, less about real numbers and more about politics. Based on that calculation, the Bush administration has more than covered its back. Bush's aides say they still expect to cut the deficit in half by the time they leave office. And in the short term they can point once again to the 150 programs they wanted to cut or eliminate this year, especially in Medicaid, housing and transportation. "We offered savings in our budget this year and Congress has always taken a different view—that behind every program is a constituent group and behind every group is a vote," said the senior official. Inside the administration, just like on top of Capitol Hill, they know there are precious few votes for cutting the deficit.

Since the storm, White House officials have insisted that Katrina won't hinder Bush's efforts to move forward on his second-term agenda. Yet there have been subtle hints that the administration could be dialing back in some areas, most notably Social Security. On Wednesday, Bush met with members of a commission he had impaneled to weigh changes to Social Security—a meeting that White House officials hoped would restore a sense of momentum to a plan that has stalled before Congress. Yet McClellan, in summing up the meeting for reporters on Wednesday morning, notably omitted mention of the most controversial aspect of Bush's plan—diverting Social Security funds into private retirement accounts—and instead focused on Bush's commitment to "solvency." When specifically asked if the president still supported private accounts, McClellan seemed to dodge the question, telling reporters that "restoring solvency" remains Bush's top priority. That's a top priority alongside all the other top priorities, including two hurricanes and at least one war.

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White House officials say they cannot even begin to speculate about how much the reconstruction effort might cost. Yet administration officials have told some congressional Republicans privately that they anticipate the actual bill for the plan will be "somewhat less" than the widely circulated \$200 billion estimate. What does "somewhat less" mean in real dollars? "We have no idea," a House GOP leadership aide says. And that's part of the problem facing a White House that has a bad reputation among members of Congress for being less than forthcoming about the actual costs of programs it has proposed over the years.

Indeed, for the Republicans raising a fuss over the costs and scope of Katrina rebuilding, it is not a question of whether the region should be rebuilt or how much aid those affected by the storm should receive. Most have expressed support for Bush's pledge to do "whatever it takes" to redevelop the affected cities. The showdown is over the president's credibility on fiscal issues-and it's a fight that has been brewing since the president's first term.

It should be no surprise that one of the first programs targeted for post-Katrina cuts by fiscal conservatives in the House was the Medicare prescription drug plan set to go into effect later this year. Back in 2003, the administration estimated the drug add-on would cost an estimated \$400 billion over 10 years-a figure that prompted opposition from many Republicans who feared the White House had underestimated costs. Yet after a major lobbying push from GOP leadership and the White House-which included 4 a.m. phone calls from Bush to wavering lawmakers-many fiscal conservatives voted for the plan in spite of its hefty price tag. A few months later, the administration revised the cost estimate to \$534 billion. Yet the real outcry among Republicans didn't happen until last February, when the administration revised the cost again-upping the cost to \$724 billion. It was "total sticker shock," said Rep. Mike Pence, who chairs the Republican Study Committee, an influential caucus of fiscal conservatives.

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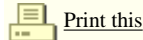
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Last week, Pence proposed delaying the Medicare benefit by a year to pay for Katrina—a move that he estimates would save as much as \$40 billion. On Wednesday, he and other RSC members released a list of proposed cuts that could save the government as much as \$500 billion over the next decade. The plan, dubbed Operation Offset, calls for rolling back an estimated \$25 billion in so-called pork projects added to last month's \$285 billion highway bill. It also calls for cuts in student-loan funding and space-exploration programs and proposes an elimination of all federal funding for the Corporation for Public Broadcasting.

The White House remains vague on where the money for its Katrina plan will come from. On Friday, Bush told reporters there would have to be "spending cuts." Yet the administration hasn't been shy about saying where the money won't come from. Bush and his aides have said there won't be a tax hike and that tax cuts scheduled to go into effect next year will proceed on schedule. At the same time, Treasury Secretary John Snow seemed to contradict the White House on Tuesday when he said that some of the president's agenda would move to the back burner, including a repeal of the estate tax and plans to make some of Bush's tax cuts permanent. Meanwhile, McClellan on Monday rejected calls to defer the Medicare drug plan by a year, telling reporters that "seniors have waited long enough for prescription drugs."

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Disaster, Take Two

Will the White House do better with Rita than Katrina? And why George Bush doesn't worry about the deficit.

WEB EXCLUSIVE

By [Richard Wolffe](#) and [Holly Bailey](#)

Newsweek

Sept. 21, 2005 - The message sounds familiar: listen to your local leaders, get out of the way of the storm and to those left behind, help is already on the way. That's what the White House told folks in Louisiana and Mississippi before Hurricane Katrina, and that's once again what it's saying before Rita. With a new, devastating hurricane bearing down on the Gulf Coast, the president and his aides are determined to show how they are ready for the worst. But this hurricane season is rapidly turning into a two-front battle. The political maneuvering is still unfolding over one hurricane and it's already time to start dancing around a second storm.

In the days before Katrina, President Bush told reporters at his ranch in Crawford that he'd already signed disaster declarations for Louisiana and Mississippi to "allow federal agencies to coordinate all disaster relief efforts with state and local officials." That is remarkably close to the message ahead of Rita. White House Press Secretary Scott McClellan spoke on Wednesday of yet more emergency declarations, of prepositioning food and water and of the "close contact" between federal officials and their state and local counterparts.

The White House would like to think it's ready for Rita. But the president's aides also thought they were ready for Katrina, even after it passed through New Orleans. Knowing when you're overwhelmed is a far harder call, especially when there's been little time to study the lessons of the last disaster. When asked if the response to Rita would be better than Katrina, McClellan sidestepped reporters. "In terms of Katrina, we're still focused on the immediate needs of the people in the region and working to make sure that they are getting back up on their feet," he said. "We are determined to learn the lessons of Katrina, and that's why we have been assessing what's been working and what hasn't been working and taking steps to address those issues."

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Bureaucracies move more slowly than hurricanes, especially when there's little to gain politically from an extended investigation into what went wrong.

Whatever happens with Rita, it will test at least two propositions from the Katrina fiasco. The first is the competency of state officials and their relationship with the Bush administration. The White House was quick to point fingers at Louisiana's governor in the aftermath of Katrina; there is no such room to play the blame game with Texas Gov. Rick Perry, who moved into the mansion in Austin when Bush moved into the White House.

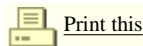
The second test is whether the Bush administration can turn on a dime. On one point, they are showing a readiness to respond quickly with one of their biggest assets: the president himself. Bush is prepositioning himself in the Texas area on Saturday, after traveling first to Birmingham, Ala., on Friday. The excuse is a two-day "thank you" tour of states that have taken in large numbers of Katrina evacuees. But it could easily turn into a Rita disaster tour, if the worst projections come true. The critical question remains where he'll spend Saturday night. Given his druthers, Bush would much prefer to spend the night at his ranch in Crawford. The downside: it reminds the world how he spent so long on vacation before Katrina struck. The upside: he'll be close to Houston after Rita passes through. One thing seems sure: as Cindy Sheehan and antiwar protestors take to the streets in Washington this weekend, Bush won't be at the White House.

Those Katrina blues

Nearly a week after President Bush addressed the nation from New Orleans's deserted French Quarter, the White House continues to face two major questions about the administration's plan to rebuild the Katrina-ravaged Gulf Coast: how much will it cost, and where will the money come from? On both issues, the White House has stonewalled, dodging questions from both reporters and members of Congress, including some Republicans who are in open revolt over Bush's blank-check approach to the region.

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