

Reports Highlight Need for Entitlement Reform

Jillian Bandes

Wednesday, May 13, 2009

There's no good news inside the annual report released Tuesday on the state of Social Security and Medicare. There's just bad news and worse news.

Benefit payments will exceed tax revenues by 2016, one year earlier than expected. The trust fund for these programs will expire four years earlier than expected, in 2037.

One year may not seem like a significant difference, and 2037 may seem far away enough to allow time to rectify the problem. But that's not a realistic approach, according to Josh Gordon, policy director for the Concord Coalition, a nonprofit organization dedicated to promoting responsible fiscal policy.

"Any looking at these dates obscures the issue, which is that we have a federal budget which as a whole is unsustainable," said Gordon. The dates are "significant from a touchstone standpoint, but that doesn't mean...we don't have to worry about it now."

It's especially troublesome considering that Social Security taxes and Medicare currently fund other parts of the U.S. budget, said Gordon. Breaking even is actually a significant loss for Uncle Sam.

The report itself described the situation in blunt terms. "Projected long run program costs are not sustainable under current program parameters."

That's a generous way of looking at it, according to John Goodman, President of the National Center for Policy Analysis, which promotes private alternatives to government programs.

"In another three years we will need one out of every ten income dollars to cover the deficit for these programs. By 2020 we'll need one out of every four dollars. So clearly, these elderly entitlement programs are on a path that will crowd out everything else the federal government is doing," said Goodman.

If the government waited until 2037 to fix the problems, Social Security and Medicare would only be able to pay out as much money as they take in — a 25% cut in benefits. That's assuming a current model of economic growth.

Waiting until the trust runs out would not only disenfranchise those who had paid into the system but perpetuate a bankrupt system of entitlement benefits, said Matt Kibbe, President of FreedomWorks. The system is dysfunctional and the policies of the current administration are only making it worse.

"What's interesting about spending money that you don't have is that you either have to raise taxes or debase the currency, both of which make future entitlement recipients poorer."

Many think that President Obama has enough political capital to enact meaningful reforms. Obama has said publicly that Social Security and Medicare must be reformed, which is a significant difference from other liberals' rhetoric on entitlement reform. Goodman thinks the time may be ripe for bold action.

"I believe he can count on support from both Democrats and Republicans" if Obama were to try and enact reforms, he said.