THE DAILY CALLER

Don’t know what Chained CPI is? That’s what the politicians are counting on

By: Matt K. Lewis – March 28, 2013

If you’re not sure what “chained CPI” is, you’re not alone. That’s a feature, not a bug. In fact, its wonky and innocuous-sounding name might just be the reason chained CPI could be included if some sort of grand bargain to reduce the deficit ever materializes.

A quick explainer: Right now, Social Security and other benefits are adjusted annually in order to keep pace with inflation (as measured by the Consumer Price Index). Switching to chained CPI would mean using a different (probably more accurate) formula, which assumes lower cost of living increases. The obvious result of switching would be that the government would have to pay out less in benefits.

The reason this idea is so appealing to green eyeshade numbers-crunchers and political strategists, alike, is simple: Most people don’t like to have their benefits cut, but since so few Americans understand what “chained CPI” is, it’s more politically feasible than other options.

Democrats who might take heat for raising the retirement age, would probably elicit a collective yawn from their constituents if they voted to change how government calculates inflation.

As TPM’s Brien Beutler reported, Nancy Pelosi has even voiced support. “No, I don’t,” consider it a benefit cut, she said. “I consider it a strengthening of Social Security.” And the *Wall Street Journal* has also noted that, “President Barack Obama has expressed interest in the chained-CPI idea in the past.”

But this isn’t just an idea popular with prominent Democratic politicians. Backing chained CPI means Republicans could (according to the CBO) cut $127 billion in spending over the next decade and raise additional revenue over the long run — all without having to *technically* vote for a tax increase.

Of course, “technically” is the operative word. The problem is, as The Club for Growth’s Barney Keller tells me, “Liberals want to link both Social Security benefits and tax brackets to chained CPI. Conservatives only want to apply it to social security benefits.”

This is a big deal. As the *Wall Street Journal* explains, “more people would pay somewhat more in tax, because they would move up to higher tax brackets slightly faster." In other words, this would create a situation called "bracket creep," whereby people who are bumped into higher tax brackets even though they aren't making more money.

As Chris Edwards at the libertarian Cato Institute has written, "It would create a large tax increase over the long run. And it would be an invisible annual tax increase on families and voters because there would be no obvious changes in their tax forms."

Despite the fact that chained CPI could, in effect, cut entitlement benefits and result in *de facto* tax increases, it's one of the few ideas being kicked around that could generate bipartisan support. Critics say this is primarily because few average voters will comprehend what chained CPI really is.

And for all the downside, the potential billions of dollars saved still wouldn't be a game-changer. Keller tells me he's generally supportive of chained CPI, but that personal retirement accounts are the real solution to fixing Social Security. "In the grand scheme of things, chained CPI for social security is a big nothing-burger compared to the comprehensive reform that needs to be done to our entitlement programs," he says.

But other conservatives are more enthusiastic. "[S]witching to chained CPI is a small but important first step toward addressing the government entitlement crisis," Romina Boccia and T. Elliot Gaiser write at the Heritage Foundation's blog, *The Foundry*. "This measurement more accurately accounts for the impact of inflation."