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Social Security reform looms with or without Obama

Issue a political hot potato

By [Sean Lenggell](#)

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Despite President [Obama \(/topics/barack-obama/\)](#)'s promises to lower the deficit and rein in spending, there was a conspicuous omission from his 2012 budget blueprint that many say would go a long way toward easing the nation's financial woes: Social Security reform.

The [White House \(/topics/white-house/\)](#) and top congressional Democrats argue that Social Security isn't contributing to the nation's deficit. Others say that's nonsense and accuse Democrats of using fuzzy math to justify their claim.

But with the Republican-controlled House eager to continue cutting spending and a bipartisan congressional commission suggesting significant Social Security scale-backs, expect the issue to gain momentum this year.

[Chris Edwards \(/topics/chris-edwards/\)](#), director of tax policy studies at the Cato Institute, a free-market think tank, said it was "bad politics" for the president not to tackle entitlement programs such as Social Security in his budget proposal.

"I actually think he's made it easier for Republicans to go ahead with their discretionary spending cuts because they can say, 'Look, the nation has got a fiscal crisis and the president is doing absolutely nothing,'" he said.

"Politically I think it was really stupid for [Obama \(/topics/barack-obama/\)](#) not to do anything."

Social Security paid out more than it received in payroll taxes in 2010, marking the first time the program was in the red since it was overhauled in 1983. The trend is expected to continue through at least 2016, according to a [White House \(/topics/white-house/\)](#) budget analysis.

In past years, the Social Security fund received more taxpayer dollars than it needed to pay benefits, and the surplus money was put into trust funds. But the [federal government \(/topics/federal-government/\)](#) has borrowed from these funds to pay for other projects, leaving IOUs that the [government \(/topics/federal-government/\)](#) will soon have to begin paying back out of other revenue.

The [White House \(/topics/white-house/\)](#) and Democratic leaders on Capitol Hill defend the trust fund system, saying that with the IOUs, the program will remain solvent for years.

Senate Majority Whip [Richard J. Durbin \(/topics/richard-j-durbin/\)](#), Illinois Democrat, and [Sen. Charles E. Schumer \(/topics/charles-e-schumer/\)](#), New York Democrat, appeared separately last week on Sunday morning news programs to say Social Security doesn't add "one penny" to the deficit.

Their view isn't universally accepted.

"It's false, period," said [Douglas Holtz-Eakin](/topics/douglas-holtz-eakin/), former director of the nonpartisan [Congressional Budget Office](/topics/congressional-budget-office/) (CBO) and now president of the conservative-leaning American Action Forum. "It's spending more in benefits than it takes in in payroll taxes, period. And that's a very simple fact."

[Michael D. Tanner](/topics/michael-d-tanner/) of the Cato Institute agreed that the two Democrats were wrong to say the program wasn't running a cash-flow deficit.

"If you [borrow from] the [Social Security Trust Fund](/topics/social-security-trust-fund/), you have to redeem the bonds in the trust fund. Well, those bonds are redeemed from general revenue, which means you're spending money you don't have," he said.

"They take an IOU that earns interest and pay the interest with a bunch more IOUs."

[Mr. Edwards](/topics/chris-edwards/) said he suspects the president chose not to deal with [Social Security](/topics/social-security-trust-fund/) now "so he could pounce on the Republicans and denounce their barbaric cuts when they proceed" with reforms.

"All those voters who swung from the Democratic side to the Republican side, all those independents, in this last November election, their swing to Republicans has now been validated," he said.

The president's high-level deficit commission late last year recommended sweeping changes to [Social Security](/topics/social-security-trust-fund/), including curbing benefits and raising the age at which Americans could receive retirement benefits.

Analysts generally agree that [Social Security](/topics/social-security-trust-fund/) would be significantly easier to reform than Medicare. Raising eligibility age requirements and reducing annual cost-of-living increases, for example, are simple procedures and could be implemented gradually over several years to reduce the impact on retirees.

"[Social Security](/topics/social-security-trust-fund/) is simply a question of demographics and math," [Mr. Tanner](/topics/michael-d-tanner/) said. "Medicare depends on the cost of health care - an uncontrollable variable."

Yet in Washington, lawmakers and administrations of both parties for years have considered [Social Security](/topics/social-security-trust-fund/) a politically untouchable "third rail," fearing a public backlash at election time if they pushed for reform.

"At some point it may be more touchable than others, but it hasn't lost its electricity," said [Sarah A. Binder](/topics/sarah-a-binder/) of the Brookings Institution, a liberal-leaning think tank. "I think that underlies both parties regarding their skittishness to touch it."

Capitol Hill Republicans, while quick to attack the president's budget outline, haven't offered their own detailed [Social Security](/topics/social-security-trust-fund/) reform plan. But House GOP leaders have hinted that reductions in [Social Security](/topics/social-security-trust-fund/) funding could be included in their 2012 budget proposal, which is expected this spring.

Republican hesitation to jump too quickly into the [Social Security](/topics/social-security-trust-fund/) reform fray may stem from the party's failed push to privatize the retirement system during the Bush administration, [Ms. Binder](/topics/sarah-a-binder/) said.

"Republicans probably took a lesson from that as well, which is, if you're going to propose it, you have to find the right terms to do it on and find the right way to frame it and package it," she said.

[Mr. Obama](/topics/barack-obama/) has promised to work with Republicans in coming months on revamping the entitlement programs.

"When it comes to difficult choices about our budget and our priorities, we have found common ground before," the president said Feb. 15, a day after he sent Congress his \$3.7 trillion budget blueprint for 2012. "I'm confident we can get [Social Security \(/topics/social-security-trust-fund/\)](#) done in the same way that [Ronald Reagan \(/topics/ronald-reagan/\)](#) and [Democratic House Speaker] Tip O'Neill were able to get it done: by parties coming together, making some modest adjustments."

The president's reluctance to be out in front of the of [Social Security \(/topics/social-security-trust-fund/\)](#) reform debate fits with his penchant for letting Congress take the lead on major legislative issues, political analysts say.

"I wouldn't have expected the president to just lay it out there, that he was going to do it himself," said John C. Fortier of the American Enterprise Institute, a conservative-leaning think thank. "There is still some worry [in Washington] that if you put anything out there ... it might box you in to do some things later on that people might react against."

Reforming [Social Security \(/topics/social-security-trust-fund/\)](#) would do much to convince world capital markets that the U.S. is a responsible borrower, [Mr. Holtz-Eakin \(/topics/douglas-holtz-eakin/\)](#) said, and leaving a broken system for younger generations to fix is irresponsible.

"It's just amazing to me [[Mr. Obama \(/topics/barack-obama/\)](#)] is taking a pass on the pre-eminent issue of our time," he said. "It's not complicated, and there is not one good explanation why Democrats wouldn't take it up."

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