



## **Obama's Budget: Why won't president fix what needs fixing (hint: Social Security, Medicare)?**

Nicole Kaeding

January 29, 2015

The president's budget proposal, to be released Monday, presents an opportunity to tackle the long-term fiscal crisis facing the nation. Unfortunately, the White House seems positioned to waste the opportunity. The responsible thing to do would be to propose a plan to tackle our looming entitlement catastrophe and cut spending. But instead he will propose more of the same failed tax-and-spend policies he has favored for his 6 years in office.

The nation's short-term fiscal issues have stabilized temporarily. Fiscal year 2015 brings the smallest deficit during President Obama's tenure, down to \$470 billion from its high of \$1.4 trillion in 2009. However, the Congressional Budget Office (CBO) predicts that it will start increasing quickly towards the end of the decade and by 2025 it will exceed \$1 trillion.

The momentary decrease is largely due to two factors. The first is large tax hikes: \$500 billion in ObamaCare and \$620 billion from the Fiscal Cliff deal of 2013, both over 10-year periods. Second, the bipartisan 2011 Budget Control Act (BCA) limited the growth in government by capping spending.

Instead of continuing these small steps in the right direction, President Obama will call for an about-face. He will ask for the BCA spending caps—which he originally negotiated—to be removed. He will throw money at infrastructure and manufacturing. He will propose a litany of free programs previewed during his State of the Union, such as free child care and free community college. He will hide some of his additional new spending programs within the tax code, including a larger child tax credit and a new tax credit for dual-earner families.

The White House will make a small gesture towards paying for all these new programs with \$320 billion in tax increases over the next ten years, repeating tired rhetoric of making the wealthy pay more. While he has already scrapped a plan to hike taxes on college savings accounts after widespread outrage (even from his own party), Obama wants to raise capital gains taxes again, expand the death tax, and impose a new tax on banks.

For all the creative new ways the administration is finding to compound the tax burden on hardworking Americans, there is precious little mental energy reserved for the most pressing budget issue of all: reforming Social Security and Medicare. These programs are the cornerstone

of federal entitlements, represent half of all federal spending, and if left untouched promise to balloon uncontrollably to the detriment of our fiscal health.

Demographic changes are ratcheting the pressure on Social Security and Medicare.

Approximately 10,000 baby boomers hit age 65 every day while life expectancy continues to increase. Longer periods of retirement means longer periods that benefits must be provided. Social Security and Medicare's unfunded liabilities are close to \$66 trillion. Waste is also rampant within these programs. One estimate suggests that up to 20 percent, \$120 billion, of Medicare's expenditures are improper. Half of the entire increase in federal spending over the next ten years is these two programs.

The budget's entire approach says a great deal about the president's willingness to tackle large problems. It shows a lack of imagination and fiscal understanding within the White House. The nation's long-term fiscal situation needs a solution, and the White House is releasing an unserious plan that shirks the very real responsibility to address our troubled entitlement programs.

Increasing spending and refusing to offer reforms is the wrong approach to solve a dire fiscal situation.

The president's forthcoming budget presents a perfect opportunity for him to lay out his vision for fixing America's long-term budget mess. Rather than take advantage of that opportunity, he apparently plans to continue down the same path of higher spending, more taxes, and more bloat.

*Nicole Kaeding is a budget analyst for the Cato Institute and focuses on federal and state spending policy.*