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Attacks on Social Security, Medicare borrow a strategy from Lenin

For three decades, conservatives' proposals for dramatic changes to the programs have reflected a divide-and-conquer strategy inspired by the Leninist movement.

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About the last thing you'd ever expect is for conservatives to draw procedural lessons from the founder of the Soviet state. So it's fascinating to ponder the persistence of an attack on Social Security that was explicitly billed as a "Leninist" strategy three decades ago by analysts at the Heritage Foundation and is still in use today.

This is the notion, which is part of pretty much every proposal today to "fix" Social Security and Medicare, that benefits for the retired and near-retired should be guaranteed, while those for everyone else must be cut.

The usual rationale given for distinguishing among generations is that it's unfair to renege on a promise people have counted on for their entire working lives. But the real rationale is political. If you understand that, you might see almost all current proposals aimed at reducing the costs of Social Security and Medicare — whether they involve cutting benefits for most people across the board, raising eligibility ages, or means-testing the programs to cut or deny benefits to wealthier retirees — in a new light.

Let's go back to the original strategy brief by Stuart Butler and Peter Germanis. Their piece, "Achieving a 'Leninist' Strategy," appeared in the Cato Institute's Cato Journal for fall 1983. Anguished over President Reagan's failure to exploit Social Security's 1982 fiscal crisis to privatize the program, they concluded that the reason was the program's strong support among the powerful voting bloc of seniors.

The answer, they concluded, was to "neutralize" elderly voters while continuing to undermine confidence in Social Security among the young. Their model was the Leninist movement's "success in isolating and weakening its opponents."

Any plan to change Social Security, they wrote, "must therefore be neutral or (better still) clearly advantageous to senior citizens ... the most powerful element of the coalition that opposes structural reform."

The young, by contrast, were not organized to support privatization, and uninformed about its virtues. The task of filling the knowledge gap, they argued, could best be performed by "the business community and financial institutions in particular ... both through their commercial advertising and through public relations."

Ever since then, proposals for dramatic changes in Social Security and Medicare have reflected this divide-and-conquer strategy. Some have scarcely any other practical rationale. Consider, for example, the argument for means-testing Social Security. This often appears as the question of why the system should be burdened by paying a monthly benefit to Warren Buffett or Bill Gates (insert name of your favorite billionaire here).

Yet to reduce Social Security's costs significantly, any means test would have to reach far beyond billionaires. One reason is that there simply aren't enough taxpayers in the Buffett/Gates class to make a difference, especially when the maximum initial annual Social Security benefit, whatever your wealth, will be $30,156 this year. Only about 8,200 of the 140 million personal income tax returns filed with the IRS in 2009 reported adjusted gross income of $10 million or more.

Moreover, Social Security benefits are already sharply skewed toward the working class and middle class: 76% of all benefits paid in 2009 went to recipients with less than $20,000 in non-Social Security income, according to calculations by Dean Baker and Hye Jin Rho of the nonprofit Center for Economic and Policy Research. Those reporting $180,000 or more got 1% of the total. In other words, means testing makes no sense in terms of Social Security's fiscal condition; its only result would be to make the program less relevant to the lives of middle-class Americans — and that's a political strategy.

The same goes for increasing the full retirement age for Social Security (currently 67 for those born in 1960 or later) and the eligibility age for Medicare (65). An analysis of this commonly discussed nostrum for both programs was just released by the bipartisan Congressional Budget Office.

The CBO found that gradually raising the full retirement age to 70 for those born in 1973 and later would indeed cut Social Security outlays — by 2060 they would be 13% lower than if the law remained unchanged. But the burden would fall especially heavily on low-income seniors, who typically have few alternative income sources, and those for whom staying in the workforce isn't an option. The CBO says the change would "lower average income and increase poverty rates" among the elderly; does everyone understand the trade-off of a policy change so casually bruited about?

As for raising the Medicare age, that looks like a classic case of being penny wise and just plain foolish. Raising the age to 67 would reduce government expenditures on Medicare by 5%, the CBO says. But the agency acknowledges that it would do nothing to stem overall healthcare costs; indeed, its own analysis and those of other experts suggest those costs would rise overall. Those who lose Medicare access (those ages 65 and 66) "would pay higher premiums for health insurance, pay more out of pocket, or both." And some would have no insurance.

As the CBO observes, those effects would be moderated by the 2010 healthcare reform act, which many of those advocating cutbacks in Medicare also say they want to repeal. The Kaiser Family Foundation has concluded that pushing disenfranchised Medicare enrollees into private insurance, either through the reform act's insurance exchanges or by forcing them to stay on their employers' plans as workers or retirees, would push up the costs of those plans by increasing the numbers of elderly and less-healthy members in the private market. Medicare premiums would also rise, because deferring the enrollment of relatively younger beneficiaries makes the Medicare pool older and sicker on average.

If the change were implemented all at once in 2014, the Kaiser study found, the government would enjoy a net savings of $5.7 billion that year — but at a total cost of $11.4 billion divided among 65- and 66-year-olds ($3.7 billion), employers ($4.5 billion), other Medicare and private insurance members ($2.5 billion) and states paying their Medicaid share ($700 million).

In other words, here as in so many other categories the savings from making a dramatic change in an established program are illusory. Some bargain. Lenin would be pleased.