

NATIONAL REVIEW

The Pro-Worker Reforms that Could Fix Social Security and Health Care

President Trump could correct huge systemic flaws while giving working-class voters a bigger stake in the economy.

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If Donald Trump's stunning upset victory last Tuesday proved anything — aside from Hillary Clinton's remarkably durable lack of popularity — it is that millions of Americans don't feel like they are part of the economy, and that their detachment has led them to support bad trade policy. The economy as a whole may benefit from trade deals, but many workers see only the dislocations that directly impact them, rather than the hidden pluses.

Fortunately, there are some potential policy changes that would give workers a more direct stake in the economy. If President Trump wants workers to have a real chance to share in economic growth, he should consider bold reforms to Social Security and health care that would turn workers into the real owners of the economy.

Although Trump vowed not to tinker with Social Security during the campaign, he is not going to be able to hold to that pledge in the face of the program's \$32 trillion shortfall. If he is at all serious about controlling our national debt, he will have to reduce benefits, at least for younger workers. But doing so will only further disaffect lower and middle-income workers, who have little in the way of private retirement savings.

A better approach would be to combine needed benefit reductions with a plan to allow younger workers to save a portion of their Social Security taxes in personal accounts. Investing their taxes privately — in stocks, bonds, annuities, and so forth — would enable them to earn much higher returns, potentially offsetting any reductions in benefits.

About 40 percent of businesses currently offer workers a 401k. But that means that more than half of workers don't have the opportunity to save and invest the way wealthy elites do. And even when investment opportunities are available, many workers don't make enough to take advantage of them. Creating personal accounts for Social Security would offer the chance to expand capital ownership to millions who are currently locked out of the investment market. And allowing workers to buy stock through their accounts would give them a chance to own part of the businesses that employ them.

When the economy grows, it would benefit everyone, rather than just those at the top. And as an added bonus, newly empowered workers would be more likely to support pro-growth economic policies. It makes less sense to support higher taxes or a trade war, for instance, if doing so will hurt your retirement savings.

Similarly, President Trump could use health-care reform to give workers more ownership and control over other aspects of their compensation. During the campaign, he vowed to repeal and replace Obamacare. Since his election, he has begun to hedge on this promise, suggesting he might keep some parts of the law in place. But why tinker around the edges and risk ending up with a proposal that would be Obamacare Lite when there is a bolder, smarter option available? Senator Jeff Flake and Representative David Brat have proposed a plan to radically expand health-savings accounts (HSAs), and Trump would be wise to support it.

Under the Flake/Brat plan, a family could save up to \$18,000 annually in a tax-free HSA, and use that money to pay for insurance premiums or out-of-pocket health-care costs. What they didn't spend could be saved or invested, offering them yet another opportunity to buy into the economy.

More importantly, the type of HSA envisioned by Flake and Brat would put workers in control of their own health-care dollars. Today, most workers receive their health insurance through their employer. Through reductions in wages or other compensation, they bear the cost of a plan their employer has chosen. This system makes little sense. After all, you know better than your boss what you need. Why should he get to spend your money?

Trump's victory is being hailed by some as a rebirth of populism, but that doesn't mean that America has to turn insular and inward. As president, Trump is going to have to reform Social Security and health care. If he can do so while advancing the economic interests of his disaffected constituents, giving them more control and a greater stake in the world economy, it will be a win for everyone.

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