


[Print](#) [Close](#)

Hey Washington, Let's Talk Entitlement Programs

By Gerri Willis

Published July 08, 2011 | FOXBusiness

As President Obama finally joins the debt ceiling debate, he shocked members of his base by announcing "entitlement reforms" are on the table.

Democrats have long vowed to never balance the budget on the backs of American seniors - but now even the president admits that in order to make real changes, everything - including Social Security - needs to be addressed.

While he's not suddenly siding with Paul Ryan's plan to privatize such programs as Medicare - he apparently seems willing to consider a new formula for increasing benefits over time: called a "chain-weighted CPI."

The Consumer Price Index measures the average change in prices for goods and services, but as the Wall Street Journal points out - it doesn't take into account shopping and consumer habits. However, the "chain-weighted CPI" supposedly will.

For example, if the price of beef goes up at your local grocery store, you may buy chicken that week. Because of that, this index often rises more slowly and would likely mean smaller increases in social security benefits and possibly benefits from other government programs as well.

But let's do the math. Say a person retired in 2002 at the age of 62. Their monthly benefits were - let's use round numbers here - a thousand dollars!

Fast forward to 2011—under the current rate of inflation used to determine benefits - that person would be getting one thousand \$256 dollars a month. But under the "chain-weighted CPI," it would actually be \$1022.

That's a difference of \$34 dollars a month and more than \$400 a year. So that's why the left is upset, but what about the right?

They're not loving it either. The Cato Institute calls it a "stealth tax increase." The paper points out that by slowing down the increases in benefits, you are also lowering the standard deduction and may put seniors in a higher tax bracket. More taxable income equals higher tax rates.

The total impact— reducing the Federal deficit by more than a quarter trillion dollars over the next decade.

Entitlement programs need to be a focus of these conversations in Washington. Taxing businesses more would only make a small dent in the short-term financial situation - while laying the groundwork for more layoffs and recessions down the road.

Social Security is going broke and we can't afford to spend money on it. If we want to give out anything to retirees in the future, something's gotta change... now.

Be sure to catch the Willis Report on the FOX Business Network every weekday from 5-6pm ET.

[Print](#) [Close](#)

URL

<http://www.foxbusiness.com/personal-finance/2011/07/08/hey-washington-lets-talk-entitlement-programs/>

[Home](#) | [Video](#) | [Markets](#) | [Industries](#) | [Technology](#) | [Personal Finance](#) | [Home Office](#) | [Travel](#) | [On Air](#) | [Small Business](#) | [RSS Feeds](#) | [Mobile](#) | [Contact Us](#) | [About Us](#)
| [FAQs](#)

[Fox News](#) | [Advertise with us](#) | [Jobs at FOX Business Network](#) | [Internships at FBN](#)

Terms of use. Privacy Statement. For FOXBusiness.com technical issues write to foxbusinessonline@foxbusiness.com; for all other feedback, write to feedback@foxbusiness.com.

Quotes delayed at least 15 minutes. Market Data provided by Interactive Data (Terms & Conditions). Powered and implemented by Interactive Data Managed Solutions. Company fundamental data provided by Morningstar. Earnings estimates data provided by Zacks. Mutual fund data provided by Lipper. Economic data provided by Econoday. Dow Jones & Company Terms & Conditions.

15 MBA concentrations.
Find the one designed to grow
the business of you.

Keller
Graduate School
of Management

» Learn More

ADVERTISEMENT

This material may not be published, broadcast, rewritten, or redistributed. © 2011 FOX News Network, LLC. All rights reserved. All market data delayed 20 minutes.