

# the corner

Friday, May 15, 2009

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Our Rocket Slide to Fiscal Hell [[Jerry Taylor](#)]

My friend Bruce Bartlett [writes](#) in *Forbes* today about two federal reports issued his week regarding the financial state of Social Security and Medicare. It's not good, people. The upshot — we will need to raise federal taxes by 81 percent to cover existing commitments to future recipients of those two programs, assuming that current health trends continue. Of course, we could just cut back on future disbursements by tens of trillions of dollars, but given that, with every election, the number of elderly voters increases, that's not politically likely. Alarmed readers who want a more robust preview of the fiscal hell to come my want to examine [this](#) (on Medicare) and [this](#) (on Social Security) from colleague Jagadeesh Gokhale.

Eight years of George Bush — many of those years with Republican Congresses — afforded an opportunity to do something about this. Alas, rather than address the problem (which would have required political capital), Bush and friends added even more unfunded liabilities to the ledger and made things [far worse](#) than they were when President Clinton left office.

Given how hard it is to keep a good Ponzi scheme going, maybe Bernie Madoff should do community service rather than jail time and take over as secretary of the Treasury.

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Re: Our Rocket Slide to Fiscal Hell [Ramesh Ponnuru]

Um, Jerry, remember 2005? President Bush did use political capital to try to reduce Social Security's unfunded liabilities. That doesn't excuse the way Medicare was expanded, but it ought to go on the credit side of the ledger.

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Re: Our Rocket Slide to Fiscal Hell [[Jerry Taylor](#)]

[Am I being unfair](#) to George Bush? Ramesh [thinks so](#).

Um, Jerry, remember 2005?

Oddly enough, I do.

President Bush did use political capital to try to reduce Social Security's unfunded liabilities. That doesn't excuse the way Medicare was expanded, but it ought to go on the credit side of the ledger.

Yes, give credit where credit is due. George Bush did indeed try to reduce some of the damage (albeit [not very competently](#)). Alas, the GOP Congress would have none of it.

That said, it's unclear exactly how much of this coming train wreck might have been averted had Bush succeeded. His campaign for reform, after all, was strangled in its congressional bed long before a "Bush Bill" could emerge for scoring.

But we do have some numbers to chew on. Back in 2005, the Social Security Board of Trustees Report [calculated](#) that the Ryan/Sununu reform bill (the bill that — if memory serves — seemed to have the most political traction at that time, relatively speaking) would have reduced net cash outflows from the Treasury from \$12.8 trillion (no reform) to \$9.1 trillion. The DeMint bill would have reduced net cash outflows to

\$8 trillion. The Johnson/Flake bill (the bill championed by my colleague Mike Tanner) would have reduced net cash outflows to \$6.5 trillion. The most ambitious bill out there — that sponsored by Kolbe/Boyd — would have reduced net cash outflows to \$2.4 trillion.

Let's hypothesize a successful reform campaign. No matter which bill we hypothesize into law, the costs of the Medicare prescription drug plan that George Bush eagerly signed into law (\$15.5 trillion) is almost certainly greater than the savings that might have accrued from Social Security reform (\$3.7 trillion – \$10.4 trillion).

Hence, one might argue that had President Bush had his way, the coming fiscal train wreck would only have been a *lot* worse rather than a *lot, lot* worse as a consequence of his presidency. One might also argue that, had the president ignored Newt Gingrich's cheerleading for the Medicare prescription drug bill and actually vetoed the thing, failure to reform social security would have kept the Clinton status quo . . . which was substantially better than what we got (that is, unless the prescription drug plan really *does* end up eroding the political foundations of Medicare and leading, in turn, to a massive collapse of socialized medicine . . . the future as foretold by Newt Gingrich back-in-the-day to corral conservative votes for the plan).

We could also look at this another way. The federal reports released this week indicate that the unfunded liabilities associated with Social Security are about the same size as the unfunded liabilities associated with the Medicare prescription drug plan. So for the cost of the drug plan, we could have funded Social Security forever without cutting benefits or raising taxes.

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Re: Our Rocket Slide [Ramesh Ponnuru]

I don't buy the new version of your argument, either, Jerry, since 1) you assume that a large Medicare bill of some sort was avoidable and I don't, and 2) you ignore Bush's endorsement of progressive price indexing. But my original point was that your original claim — that Bush didn't expend any political capital to curb entitlement spending — was false. I take your refusal to support this claim to constitute a tacit

abandonment of it, and our remaining differences aren't all that important.

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Re: Our Rocket Slide to Fiscal Hell [[Jerry Taylor](#)]

[Ramesh](#), the Medicare prescription drug plan only barely made it through the House . . . and then only because the Bush White House and the GOP House leadership pulled out all of the stops to get the bill through (a story often told, but told particularly well by Thomas Mann and Norman Ornstein in the introduction to their book, [The Broken Branch](#)). The only thing that made the passage of a prescription drug plan “inevitable” was the fact that the administration threatened to literally ruin nay-saying Republican political careers if they didn’t get the necessary votes.

[As I said](#), I will grant that Bush is due for some credit for entertaining the idea of Social Security privatization. But even had he won that fight, we would have been far worse off after his presidency on the entitlements front than we were when he came into office — thanks, in no small part, to his brutal arm twisting on the House floor on November 23, 2003.

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