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Critics Call Proposed Payments To US Seniors Political Pandering

By Henry J. Pulizzi
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WASHINGTON (Dow Jones)--Critics on Thursday panned President Barack Obama's proposal to spend \$13 billion on payments to seniors, saying the plan is inappropriate and unjustifiable at a time when the U.S. faces soaring deficits.

"It makes no sense, it's political pandering," said Brian M. Riedl, budget analyst at the conservative Heritage Foundation. "This is how budget deficits grow - a few billion here, a few billion there."

Jeffrey A. Miron, senior fellow at the libertarian Cato Institute, called the payments "outrageous."

"Sending checks to seniors is a blatant attempt to buy their support for Obamacare, which promises to cut Medicare spending substantially," Miron wrote in a blog.

With consumer inflation falling over the past year, Social Security beneficiaries won't get a cost-of-living adjustment in 2010, the first time that's happened since 1975. To partially offset the loss of an increase, Obama wants Congress to give 57 million seniors, veterans and people with disabilities \$250 payments next year, extending a piece of the economic stimulus package that the White House says has been a success.

The administration says the payments will help people still struggling with the recession, and provide a boost to the broader economy. Democrats on Capitol Hill agree. They hope to move ahead with legislation soon.

"Any senior living in the real world knows that the cost of living has gone up over the last year," said Sen. Charles Schumer, D-N.Y.

Yet analysts say it is appropriate for seniors and other beneficiaries to go without increased benefits next year, given a 4% decline in consumer prices. Last year's adjustment was 5.8%, largely due to then-surging energy prices.

"Even holding Social Security benefits steady means they will have increased in value," wrote Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "There is no economic or moral justification for increasing them further."

Heritage's Riedl was more blunt: "Lots of people in America aren't getting a raise this year."

The proposed \$250 payment would be equivalent to a 2% increase for the average retiree receiving Social Security benefits.

"There is no substantive policy case for making a \$250 ad hoc COLA payment this year," wrote Andrew Biggs, resident scholar at the conservative American Enterprise Institute. Still, Biggs, a former deputy commissioner of the Social Security Administration, said one-time payments are the "least-bad alternative" because they would be targeted toward low-income retirees and wouldn't permanently increase Social Security benefits.

The president's request for an additional payment for seniors appears to stand a good chance of passage, either as a free-standing bill or coupled with other economic measures. Critics, worried the proposal would add to the

deficit, urged the funds be drawn from already approved stimulus money.

Administration officials said they won't insist that the cost of the plan be offset, but gave assurances that it wouldn't damage the solvency of Social Security.

The program would amount to a fraction of the deficit next year, which the White House expects to reach \$1.5 trillion. Heritage's Reidl speculated that lawmakers would rather add \$13 billion to the deficit than incur the wrath of elderly voters during an election year.

Cato's Miron said Obama should address economic stimulus more directly.

"If the president thinks the economy needs more stimulus, he should say that explicitly and have an honest debate," Miron wrote.

-By Henry J. Pulizzi, Dow Jones Newswires; 202-862-9256; henry.pulizzi@dowjones.com