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### SETTING THE RECORD STRAIGHT

## THE BIPARTISAN CASE FOR ENTITLEMENT REFORM

### *Non-Partisan Fiscal Experts and Leading Democrats Call for Action on Social Security and Medicare*

13 October 2010

Political observers often refer to Social Security and Medicare as the “third rails” of politics: touch them and you die. This year is no exception. Once again, the political rhetoric has been dialed up to attack those advocating reforms to save these programs.

Despite these politically motivated attacks, there is a broad consensus on the need for reform among non-partisan experts responsible for analyzing the financial condition of these programs.

Consider the following:

- The non-partisan Social Security Office of the Chief Actuary currently projects that those close to retirement, now aged 55 to 62, will see their benefits slashed by 22% when they are in their 80s – when they are most reliant on Social Security. This will hit those that depend primarily on Social Security for their retirement security – lower-income Americans – the hardest. For those now 40 and younger, they will see their benefits cut by 22% for each year of retirement, despite the fact that they had paid taxes their entire working lives.
- The non-partisan Congressional Budget Office projects that the Federal debt is growing at such an alarming rate that we will face a fiscal crisis within the next two decades. In fact, the debt grows so quickly that they cannot model a functioning economy after 2037.
- The Medicare Chief Actuary projects that Medicare will go bankrupt in the next decade, while the program continues to crowd out the Federal budget and the national economy. Due to reductions in Medicare provider payments and other provisions from the recent health care overhaul, Medicare’s Chief Actuary projects that 40% of Medicare providers – such as doctors and hospitals – will be driven out of the industry, disrupting care and restricting access for seniors.

## NON-PARTISAN EXPERTS CALL FOR ACTION

- The [Social Security Trustees](#) state: *“The projected trust fund shortfalls should be addressed in a timely way so that necessary changes can be phased in gradually and workers can be given time to plan for them. ... Social Security plays a critical role in the lives of 54 million beneficiaries and 155 million covered workers and their families in 2010. With informed discussion, creative thinking, and timely legislative action, present and future Congresses and Presidents can ensure that Social Security continues to protect future generations.”*
- The [Congressional Budget Office](#) states: *“As the population of the United States continues to grow older, the number of Social Security beneficiaries will continue to rise, and the program's outlays will increase faster than its revenues. ... benefits that are scheduled under current law will consistently exceed revenues.”*
- The [Congressional Budget Office](#) states: *“Spending for the federal government’s three largest mandatory programs—Social Security, Medicare, and Medicaid—continues to grow faster than the economy as a whole.”*
- [Federal Reserve Chairman Ben Bernanke](#) recently argued:
  - *“Our public finances are ... on an unsustainable path in the longer term, reflecting in large part our aging population and the continual rise in health-care costs. We should not underestimate these fiscal challenges; failing to respond to them would endanger our economic future.”*
  - *“Failing to address our unsustainable fiscal situation exposes our country to serious economic costs and risks.*
  - *“The threat to our economy is real and growing, which should be sufficient reason for fiscal policymakers to put in place a credible plan for bringing deficits down to sustainable levels over the medium term. The sooner a plan is established, the longer affected individuals will have to prepare for the necessary changes.”*
  - *“Fiscal adjustments sufficient to stabilize the federal budget will certainly occur at some point. The only real question is whether these adjustments will take place through a careful and deliberative process that weighs priorities and gives people plenty of time to adjust to changes in government programs or tax policies, or whether the needed fiscal adjustments will be a rapid and painful response to a looming or actual fiscal crisis.”*
  - *“Steps taken today to improve the country's longer-term fiscal position would not only help secure longer-term economic and financial stability, they could also improve the near-term economic outlook.”*

## LEADING DEMOCRATS CALL FOR ACTION

Over the years, many Democrats – from current President Barack Obama to former President Bill Clinton – have recognized the necessity of reforming our entitlement programs to ensure that current beneficiaries are protected and future generations are not left with a mountain of debt.

### **President Barack Obama**

- *“In the coming years, we will be forced to make more tough choices and do much more to address our long-term challenges, from the rising cost of health care—the most pressing fiscal challenge we face – to the long-term solvency of Social Security.”* [Remarks by the President before the Fiscal Responsibility Summit – February 23, 2009](#)
- *“And so the question is, at what point can we have a serious conversation about Medicare and its long-term liability, or a serious question about – a serious conversation about Social Security, or a serious conversation about budget and debt in which we're not simply trying to position ourselves politically. That's what I'm committed to doing. We won't agree all the time in getting it done, but I'm committed to doing it.”*  
[Remarks by the President at the House GOP Issues Conference – January 29, 2010](#)

### **President Bill Clinton**

- *“We have a huge baby boom challenge coming when all the baby boomers retire. Social Security, as presently constituted, cannot sustain that retirement. We have to reform Social Security if we want to have it for our parents – that's me, when the baby boomers retire – without undermining the standard of living of our children and grandchildren.”* [Remarks by the President on Income and Poverty Report – September 24, 1998](#)
- *“I think we have to reform Social Security in a way that makes it viable and available for the baby boom generation when all of us get into retirement age, and it doesn't bankrupt our children or our children's ability to raise our grandchildren.”* [Remarks by the President via Satellite to the Regional Social Security Forums – July 27, 1998](#)
- *“This fiscal crisis in Social Security affects every generation. We now know that the Social Security trust fund is fine for another few decades. But if it gets in trouble and we don't deal with it, then it not only affects the generation of the baby boomers and whether they'll have enough to live on when they retire, it raises the question of whether they will have enough to live on by unfairly burdening their children and, therefore, unfairly burdening their children's ability to raise their grandchildren.”*  
[Remarks by the President on Social Security – February 9, 1998](#)

- *“I do not know a single person my age or younger – because I’m the oldest of the baby boomers – I hate that but it’s true – I don’t know a single person who doesn’t think about the problems we could create for our children if we don’t make the changes now in the Social Security system we need to. No one wants to burden our children and their ability to raise our grandchildren.”*

[Remarks to the National Mortgage Bankers Association – March 2, 1998](#)

- *“Today the system is sound, but the demographic crisis looming is clear. The baby boomers – 76 million of us – are now looking ahead to their retirement.... All these trends will impose heavy strains on the system. Let’s look at the next chart here. You can see that in 1960, which wasn’t so long ago, there were over five people working for every person drawing Social Security. In 1997, last year, there were over three people – 3.3 people – working for every person drawing. But by 2030, because of the increasing average age, if present birthrates and immigration rates and retirement rates continue, there will be only two people working for every person drawing Social Security.”*

[Address to a National Forum on Social Security – April 7, 1998](#)

**Senator Kent Conrad**  
**Chairman Senate Budget Committee**

- *“If [critics of entitlement reform are] saying the answer is ‘do nothing’, they’re the ones that threaten Social Security and Medicare.”*

[NPR Morning Edition – January 13, 2010](#)

**Representative Steny Hoyer**  
**House Majority Leader**

- *“If we don’t get a handle on entitlements, my friends, we will be spending nothing more in another 50 years than money on entitlements and payment on the national debt, and our children will not be happy. They will not congratulate us. ... At some point in time, my friends, we have to buck up our courage and our judgment and say, if we take care of everybody, we won’t be able to take care of those who need us most. That’s my concern. ... If we take care of everybody, irrespective of their ability to pay for themselves, the Ross Perots of America, frankly, the Steny Hoyers of America, then we will not be able to take care of those most in need in America.”*

[Statement on the floor of the House of Representatives – September 24, 2009](#)

- *“Debt is a dominant part of the political landscape now. Debt will not be ignored, because if there’s one thing we understand in Washington, its political incentives. The real question is how we respond to those incentives. There’s the easy way—glib slogans about spending, solutions that are more about winning political power than confronting the scope of the problem, and answers borrowed from decades-old dogma instead of from a hard look at reality. And then there’s the correct way. The correct way starts by recognizing that our problem is structural –*

*the product of a generation's worth of easy decisions."*  
[Speech at Third Way event at Union Station – June 22, 2010](#)

- *"Unfortunately, we can blame our long-term deficit on policies that are almost universally popular. We're lying to ourselves and our children if we say we can maintain our current levels of entitlement spending, defense spending, and taxation without bankrupting our country. It would be easy for a cynic to say that we will never touch those policies until a crisis forces our hand. Some would say, of course, that the crisis is at hand. In any event, we must prove that cynicism wrong."*  
[Speech at Third Way event at Union Station – June 22, 2010](#)
  
- *"On the spending side, we could and should consider a higher retirement age, or one pegged to lifespan; more progressive Social Security and Medicare benefits; and a stronger safety net for the Americans who need it most."*  
[Speech at Third Way event at Union Station – June 22, 2010](#)
  
- *"The consequences of failure are dramatic enough to concentrate the mind of even the most dedicated cynic. It is enough to see that by the time my grandchildren and great-granddaughter are in college, our debt will exceed our GDP: we will owe more money than the value of our entire economy. It is enough to realize that, by then, our government will exist to do only two things: pay for entitlements, and pay interest on our debts—with essentially nothing left over for our nation's defense, for our children's education, for innovative scientific research, or for any of the other critical investments that keep America a home for freedom and opportunity. It is enough to look across the Atlantic at Greece's extreme economic crisis and understand: it can happen here. If we don't change course, it will happen here."*  
[Speech at Brookings Institute – March 1, 2010](#)
  
- *"Saving America from debt would belong next to those accomplishments – because, in every era, these very fiscal issues are among the greatest tests a nation can face. We are not the first great power to meet this challenge from within. We would not be the first to fail. Spain under the Habsburgs, France under Louis XVI, the Ottoman Empire in the 19th century, the British Empire in the 20th—all of them were crippled by borrowing, by interest payments, by debt. We are not exempt. In every era, these fiscal issues are questions of national security and national success. And in a democracy, they are questions of national character. They are not technical puzzles for a few of us, in seminars, think tanks, and backrooms. They are a defining challenge for all of us, in field hearings of the commission, on the radio and online and in family rooms. Our willingness to face reality is a measure of our character. Our willingness to reject easy answers from our leaders is a measure of our character. Our willingness to put the welfare of our children ahead of our own – to plant seeds for them whose fruit we may never taste – is a powerful test of our character. More than wealth and more than might, those are the virtues that have made America flourish. Those are the virtues we need to pass this test."*  
[Speech at Brookings Institute – March 1, 2010](#)

**Peter Orszag**  
**Former CBO and OMB Director**

- *“...Under current policies, our projected deficits amount to about 5 percent of GDP in the second half of this decade, much higher than would be prudent or sustainable. Exacerbating the problem are the long-term trends that we face as the combination of rising health care costs and an aging population will, if historical trends continue, drive up the costs of the federal government's three main entitlement programs: Medicare, Medicaid and Social Security...”*  
[Fiscal Commission Meeting – April 27, 2010](#)
- *“Deficits of this size are serious, and ultimately unsustainable.”*  
[Speech at New York University – November 3, 2009](#)
- *“Our political system arguably is not particularly effective at addressing gradual long-term problems such as rising health care costs and aging.”*  
[Statement before the Senate Finance Committee – June 17, 2008](#)
- *“Future growth in spending per beneficiary for Medicare and Medicaid—the federal government's major health care programs – will be the most important determinant of long-term trends in federal spending. Changing those programs in ways that reduce the growth of costs – which will be difficult, in part because of the complexity of health policy choices – is ultimately the nation's central long-term challenge in setting federal fiscal policy.”* [Statement before the Senate Finance Committee – June 17, 2008](#)
- *“Over the past four decades, Medicare's and Medicaid's costs per beneficiary have increased about 2.5 percentage points faster per year than has per capita gross domestic product (GDP). If those costs continued growing at the same rate over the next four decades, federal spending on those two programs alone would rise from 4.5 percent of GDP today to about 20 percent by 2050; that amount would represent roughly the same share of the economy as the entire federal budget does today.”* [Statement before the Senate Budget Committee – June 21, 2007](#)

**Jeffrey Liebman**  
**Executive Associate Director, Office of Management and Budget**

- *“[T]he current Social Security system already involves substantial risks, including the political risk that benefit rules will change, the demographic risk that forecasts of mortality and fertility will be wrong, and the economic risk that productivity growth will be higher or lower than currently projected.”*  
[Fiscal Policy and Social Security Policy During the 1990s](#)



**Andy Stern**

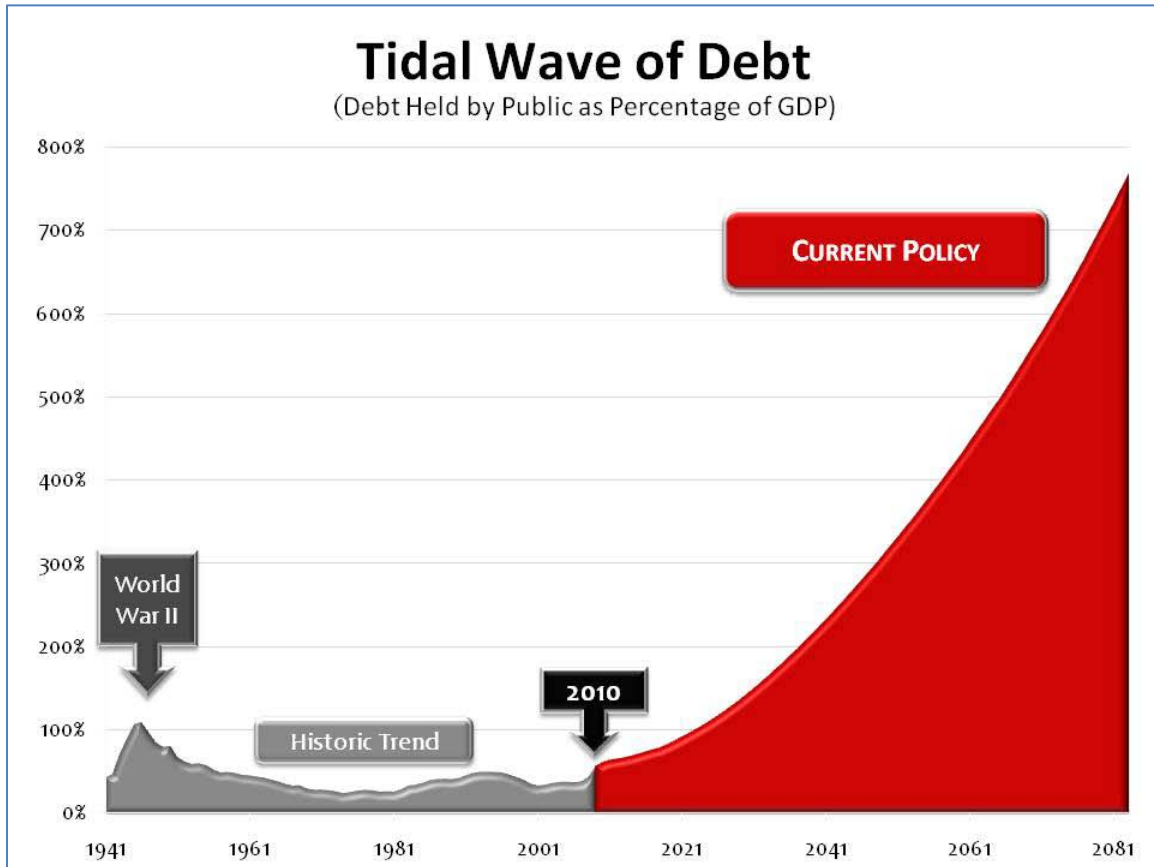
**Former President of the SEIU, Member of the President's Fiscal Commission**

- “There is no one in Congress that really wants to see the American dream die on their watch and that’s what’s at stake right now. We can build a much better country. We can reproduce growth. We can see wage growth. We can see jobs. But it takes a plan and this is an American moment.”  
[Concord Coalition’s Fiscal Future Forum – October 12, 2010](#)
  
- “We also should appreciate, if we look at places like California when we don’t have a plan and the crisis hits, the people that tend to get hit are the people that have the least power. The college tuition goes through the roof. The people on the lower end on welfare or health care or Medicaid or in nursing homes get cut the most.”  
[Concord Coalition’s Fiscal Future Forum – October 12, 2010](#)

**Former Senator Daniel Patrick Moynihan**

- “[O]ne of the first facts of our situation is that we do have a problem, and that is to say that by the year 2016, as our distinguished actuary will attest to us and the trustees have previously – have recently confirmed, by 2016 our present system, for the first time ever in any consequential way, begins to run short of cash flow, and that has to be attended to.”  
[President’s Commission on Strengthening Social Security – June 11, 2001](#)
  
- “Sir, can I just say, when you say the trust fund would be drawn down, there is no stored value as such in the trust fund. These are government undertakings defined revenue, so it would have to come from taxes or borrowing of another kind. There is no ‘starting in 2016 we are out of money.’”  
[President’s Commission on Strengthening Social Security – June 11, 2001](#)
  
- “Well, if I just may say, it somewhat misleads the public to talk about an insolvency date that simply means a date on which there are no longer these bonds in the Treasury, which the Treasury has to go out and find revenue for in any event. The insolvency date, sir, is surely 2016.”  
[President’s Commission on Strengthening Social Security – June 11, 2001](#)
  
- “[C]ouldn’t I ... suggest that we have a further charge, which is not just to preserve this existing system and existing benefits, but as Bob has suggested and Mario has suggested, to go in a pattern that Franklin Roosevelt would have loved, to say workers can end up their working lives with a measure of wealth.”  
[President’s Commission on Strengthening Social Security – July 24, 2001](#)
  
- “There’s no property right in Social Security. There would be a property right in individual accounts.”  
[President’s Commission on Strengthening Social Security – July 24, 2001](#)

**It is critical that policymakers heed the urgent and bipartisan warnings for action to avert the looming explosion of debt and the shredding of the social safety net.**



**This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.**