



Policy Memorandum

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A FAST-TRACK ENTITLEMENTS COMMISSION IS THE WRONG APPROACH TO SHORING UP SOCIAL SECURITY

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EPI urges President Obama to resist calls for a budget commission whose recommendations would be put to an up-or-down vote, bypassing Congressional deliberations.

Senator Judd Gregg—who with Senator Kent Conrad is co-sponsoring legislation to create such a commission—calls it a way to “require people to join hands and jump off the political cliff together.” But unpopular choices are not necessarily wise ones. I believe that the main focus of such a commission would be to force cutbacks in Social Security and other social insurance programs rather than shoring up revenues.

This is both unnecessary and out of touch with what Americans want. With a greater than two-to-one margin, respondents to a recent survey by the National Academy of Social Insurance (NASI) said it was more important to strengthen Social Security than to cut taxes and government spending. This and other polls have consistently shown that Americans strongly oppose benefit cuts, and they are willing to make the sacrifices necessary to preserve Social Security for future generations.

Faced with great economic uncertainty, Americans value social insurance programs more than ever. They are also willing to pay for them. More than three-quarters of respondents in the NASI poll favored increasing working Americans’ contributions to Social Security, and an even greater share supported lifting the cap on taxable earnings so that the highest-income workers face the same payroll tax rate as lower-income workers. Both approaches could be used to close the relatively modest Social Security deficit without cutting benefits, at a time when fewer and fewer workers have secure pensions and when trillions of dollars of savings have vanished with the bursting of the stock and housing bubbles.

The president is serious about tackling structural deficits, and we share his goal. But we urge him to do so through the regular political process, rather than an undemocratic one that gives disproportionate weight to minority views. It is only through open deliberation that we can begin to counter the fear-mongering of those who, like Senator Gregg, claim we face a “fiscal tsunami.”

We agree with Christina D. Romer, the chairman of the president’s Council of Economic Advisers, that health care reform is the most significant act we can take to tackle the deficit. Assuming Congress is able to pass legislation controlling these costs, the long-term fiscal challenge will not be out-of-control government spending but rather shrinking tax revenues, as Bush-era tax cuts to the wealthiest taxpayers (if made permanent) would dwarf the modest Social Security shortfall.

The entitlements that receive the least scrutiny are the giant, permanent tax expenditures—such as the mortgage interest deduction and the deductions for retirement savings—that accrue disproportionately to higher income taxpayers who generally need the government’s help the least. We urge the president and the Senate Finance Committee to reexamine these tax expenditures and seek ways to make them fairer or reduce their size. Sunsetting these giant tax loopholes and forcing Congress to vote on their continuation would be a major improvement in our political process.

A commission along the lines proposed by Senators Conrad and Gregg is usually offered as a way to get past pork barrel politics in situations when only those with narrow interests are paying attention. But it is not the way to approach critical programs in which all Americans have an important stake.