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## **Social Security and the Fiscal-Political Clash** By LAWRENCE HAAS

For those who hope a post-election Washington will get serious about our long-term fiscal problems before a deficit-induced crisis forces our hand, the news of recent days has been disappointing indeed. President Obama used his Saturday radio address to pledge his allegiance to Social Security, raising the age-old specter of a Republican plot to destroy this hugely successful, 75-year-old program.

Almost every recent election cycle has brought forth a struggle between the political and economic advisers to candidates at all levels and the political parties writ large. With budget deficits dominating the federal fiscal landscape for most of the past 30 years, political advisers have sought to portray their clients as eschewing the very policies – e.g. tax increases, Social Security or Medicare cuts – that the economic advisers have recommended for post-campaign governing. The more that candidates make Sherman-esque statements against these and other tough policies, the harder it is for Washington to pursue those policies after the campaign.

Consider what happened in 1988, as then-House Ways and Means Committee Chairman Dan Rostenkowski later recounted for me while I was researching a book about fiscal policy. After Vice President George Bush enunciated his “read my lips, no new taxes” pledge at the 1988 Republican National Convention, an angry Rostenkowski (who died Aug. 11) phoned Bush’s campaign chairman, James Baker.

“What are you doing?” Rostenkowski asked about the pledge, which both Rostenkowski and Baker knew would not hold in the face of soaring deficits.

“We’re electing a president,” Baker replied. “We’ll worry about that after the election.”

Or, consider what happened just weeks before the 1994 mid-term elections, an incident that I saw up close as an official with the Office of Management and Budget. An unnamed Clinton administration official leaked a memo that then-OMB Director Alice Rivlin had written to other senior economic advisers about cuts that the administration could pursue in Social Security, Medicare, and other key programs.

In the ensuing hours, Clinton’s political and economic advisers struggled with this same dynamic – the former urging the administration to disavow such budget options, the latter seeking to keep them alive for the future. Not surprisingly, the administration sided more with the political than economic advisers, downplaying the significance of Rivlin’s memo as any significant roadmap for its future plans.

In the current cycle, the political advisers clearly have the upper hand over their economic counterparts. And that’s a bad omen for those who hope for fiscal progress in the months that follow November.

Take the President's comments about Social Security, which Democratic congressional candidates have been echoing in recent events across the country.

Yes, Obama acknowledged the need "to make sure Social Security is healthy enough to cover the higher costs that are kicking in now that baby boomers are retiring," and he "committed" to "working with anyone, Democrat or Republican, who wants to strengthen Social Security." But he gave no hint of the obvious – that a healthier Social Security means higher taxes for workers, lower benefits for retirees, or both.

Instead, he raised the possibility of GOP plans to "privatize" the program – reminding his listeners of President George W. Bush's failed effort to let workers invest some of their payroll taxes in private accounts. Republicans, however, have largely abandoned such efforts, and Obama's attempt to suggest otherwise won't make Republicans likelier to cooperate with him on a post-election effort to strengthen Social Security.

That's a big problem, for two reasons: First, despite what *New York Times* columnist Paul Krugman suggests, no serious budget expert doubts that Social Security needs strengthening, as the recent report of its trustees confirms.

By 2037, the trustees reported, the program will have the resources to pay only 75 percent of the benefits it owes. The sooner policymakers adopt changes to strengthen the program – higher taxes for workers, lower benefits for retirees, or some combination thereof – the smaller those changes will have to be.

Second, many budget experts consider Social Security a relatively small piece of our long-term budget problems, a challenge that policymakers can surmount as a way to build the confidence to address more vexing problems. If, however, pre-election wrangling makes Social Security reform impossible, that will leave us far less equipped to address our larger fiscal problems. Thus, while Obama's pre-election positioning on Social Security is political understandable, it surely carries serious fiscal risks.

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