

Understanding the President's SOTU Social Security Language

Charles Blahous | January 26, 2011

President Obama's language on Social Security, as delivered with the State of the Union address, is bound to perplex many observers. After a year of work by his own commission on every aspect of fiscal reform -- including the release of a comprehensive Social Security reform plan -- the President tucked Social Security far down into his speech.

The fate of America's largest and most important federal program was mentioned only after energy research, education, immigration, transportation infrastructure, expanded wireless coverage, tax reform, trade agreements, regulatory review, health care, appropriations spending, and several other subjects. Even then, specific Social Security fixes were discussed exclusively in terms of what the President would *not* do, not in terms of the reforms he *would* support.

Clearly this is not how one paves the way for a bipartisan Social Security accord. Listing only the outcomes to be avoided naturally leads the listener back to embrace the status quo. It leaves unanswered the question, "Why do anything at all?" To achieve progress, elected leaders must join in explaining the necessity of changes rather than what should stay the same.

The President's list of "thou shalt nots" invoked outcomes that no serious policy advocate now embraces: no current Social Security plans would actually "put at risk current retirees" or "the most vulnerable." The President's words fostered the unhelpful misimpression that these are potential adverse consequences of existing proposals, rather than the affirmation of settled values on which the

various stakeholders already agree.

Why was the SOTU Social Security language as it was? To understand this, one must understand the positioning of participants in the Social Security debate. At the risk of considerable simplification, Social Security advocates can be divided roughly into five camps:

The idea that Social Security is being "targeted" in a deficit-cutting exercise is a myth. No reform proposals on the table would generate any Social Security savings beyond that necessary only to balance the program's own books.

Fiscal conservatives: This group is motivated primarily by concern about rising tax burdens facing younger generations. Accordingly, this group is usually open to some combination of either pre-funding future benefits (through personal accounts) and/or reducing the growth of costs outright. They are focused mostly on the *result* of containing the growth of cost burdens, and are more flexible on the *means*.

Free-lunch conservatives: Free-lunch conservatives also don't want to raise taxes, but unlike fiscal conservatives they are unwilling to embrace the benefit changes required to hold down cost growth. They tend to focus on personal accounts exclusive of other solvency measures. (Personal accounts change the method of funding benefits but not necessarily the total amount of taxpayer dollars committed.) Some in this camp have even argued for making current benefit promises *more* generous.



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Centrists: This group is motivated primarily by closing the gap between scheduled benefits and projected revenues, and is open to changes on both sides.

The realistic left: This group is unwilling to constrain cost growth enough to avoid a significant tax increase. Basically, they acknowledge the fiscal problem but would prefer to raise taxes to fix most (and in some cases nearly all) of it.

The anti-empirical left: This group implicitly advocates that Social Security continue to promise trillions more in future benefits than it can finance, often even to the point of denying that the program's financing shortfall even exists. Some in this group have (wrongly) alleged that projections of a shortfall were predicated on overly conservative assumptions. More recently some have said (equally wrongly) that Social Security was being "targeted" to solve a deficit problem to which it does not contribute.

If and when a Social Security accord is negotiated, the solution will likely reflect input by each of: fiscal conservatives, centrists, and the realistic left. Each of these groups basically recognizes the same fiscal problem even as they disagree on how to solve it. And none of these groups holds so much political power that they can afford to ignore the views of the others.

The ultimate solution is far less likely to be crafted by the anti-empirical left or by free-lunch conservatives. The anti-empirical left won't participate simply because they deny the existence of the problem. Free-lunch conservatives acknowledge a problem but they define it differently from some of the other groups (many centrists, for example, favor a solvency solution without personal accounts, whereas free-lunch conservatives favor personal accounts without other solvency measures; this contrast in approaches doesn't allow for easy combination).

Importantly, there are some things on which all five camps agree. Plans from all the camps leave benefits for current retirees alone. Plans from all the camps would either maintain or increase the rate of benefit growth for the lowest-income workers. If the President had chosen to, he could have noted the wide bipartisan agreement on these matters, rather than implying the existence of dangers against which his personal stand was needed.

The President's remarks can only be fully understood in terms of an ongoing debate between the realistic left and the anti-empirical left over whether to repair Social Security's finances at all. When addressing those in the center or on the right, there is no need to admonish that current seniors' benefits mustn't be cut, because these camps already agree on that point. The point only resonates to the extent that the anti-empirical left imagines this as a present danger.

Further evidence of this context is offered by a White House staff quote at a briefing for reporters, in which they said that they want "bipartisan Social Security reform, but not as a deficit-cutting exercise." As I noted in a previous piece, the idea that Social Security is being "targeted" in a broader deficit-cutting exercise is a groundless myth. No reform proposals on the table would generate any Social Security savings beyond that necessary *only to balance the program's own books*, irrespective of the unified budget balance. The fact that key staff feel compelled to lend legitimacy to this baseless charge is indicative of the extent to which the White House is still responding to the fringe, and has not yet pivoted to engage those who might participate in a bipartisan negotiation.

The most intriguing bit of ambiguity in the President's remarks is his stand against "slashing benefits for future generations." Fairly described,



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no current Social Security proposal – whether Republican Congressman Paul Ryan's, Democratic Congresswoman Jan Schakowsky's, or that of the fiscal commission co-chairs – would “slash benefits.” Each would provide for gradually increasing purchasing power in Social Security benefits over time.

Given this, what could the President mean by this terminology? If he defines “slashing benefits” as cuts from current levels, this leaves the full panoply of existing plans on the table. If on the other hand he defines “slashing benefits” as delivering anything less than the full amount of projected cost growth under the currently unaffordable formula, then he is positioning himself at a far extreme of the fiscal discussion, effectively requiring that the answer consist solely of enormous tax increases. The White House should provide clarity on this point, for it is central to whether a bipartisan accord is even possible.

In any event, the President chose in his State of the Union remarks to take a stand only against adverse consequences that arise primarily in the imaginations of the anti-empirical left. If and when the White House gets serious about Social Security, it will need to speak realistically to those in the center as well as those to the right of it, and to elucidate the positive consequences of reform.

That would mean offering remarks more like the following (hypothetical) text:

To put us on solid ground, we should also find a bipartisan solution to strengthen Social Security for future generations. Existing plans, whether from Republicans, from Democrats, or from my own bipartisan commission show that we can do this without changing benefits for current retirees or reducing benefits for

the most vulnerable. Some have wrongly asserted that Social Security reform would mean slashing benefits, but in reality plans from both sides of the aisle would permit the purchasing power of future seniors' benefits to continue to grow. We can only realize the full promise of reform, however, if we act soon. Now, I know that these plans differ in their details, and finding a specific compromise will not be easy. But the common ground between them is extensive. It is high time that we stopped the fear-mongering and came together to strengthen Social Security. For truly, those on Social Security have nothing to fear other than our inaction and further delay.

When we hear comments like those above, then we will know that the White House is at last getting serious about Social Security reform.

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