

Republican Perspective
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Congressional Indifference

“I should not get Social Security. I think it's a travesty for a man of my success and of my means to get anything from the federal government.” Ken Langone, co-founder Home Depot

Federal Trustees recently reported that Medicare and Social Security are running out of money more quickly than expected. They again warned that both programs face serious financing shortfalls. Per the Trustees, the Social Security Trust Fund will be depleted in 2034 without Congressional action. Medicare will be depleted in 2026.

The Social Security Trust Fund is a misnomer. While working, Social Security taxes are used to pay benefits for other taxpayers. Current workers taxes are paying the benefits enjoyed by the “Boomers.” The Social Security Administration invests its surpluses from FICA taxes into government bonds. These bonds are redeemed when Social Security runs a deficit.

Alarm bells have been ringing for several years. The Brookings Institute reports: “due to the aging of the American population, federal spending on the elderly is forecast to grow from the current (2017) level of 20.5% of gross domestic product (GDP), up to 29.4% in 2046.” This is 29.4% of the total economic output of the United States.

Brookings offers that both Social Security and Medicare depend on tax revenues from the number of workers and their real wages. “The ratio of recipients to workers is a key parameter in determining the sustainability of a pay-as-you-go entitlement system.” The Congressional Budget Office (CBO) 2017 data shows there are 3.7 workers to one retiree. By 2047, CBO projects that the worker to retiree ratio will decline to 2.6. What will be the impact of the growth of robotics and artificial intelligence on the worker to retiree ratio?

Some might say, why worry? Just raise Social Security taxes as well as the income threshold and go about our merry way. For 2018, workers are taxed at 6.2% on earnings up to \$128,700. Add another 1.45% tax for Medicare. How much a smaller workforce is willing to be taxed is open for debate.

The federal budget continues to grow no matter which party controls. Much of this spending is driven by programs that are mandatory by current law. Unless Congress acts, mandatory spending marches on. These programs include:

- Social Security

- Medicare, Medicaid and the Children's Health Insurance Program
- Earned Income Tax Credits; Supplemental Nutritional Assistance Program; Unemployment Compensation; family support - foster care; child nutrition
- Federal retirement program
- Veterans' programs
- Agriculture subsidies; student loan subsidies; FDIC; subsidies for Fannie Mae and Freddie Mac

Mandatory programs plus interest costs will take a larger share of the budget. Per the Office of Management & Budget, mandatory spending has increased from 31% in 1970 to 69% of the budget in 2018. Social Security is the single largest federal budget item. The FY 2019 budget estimates it will cost \$1.046 trillion. Medicare and Medicaid cost \$1.037 trillion.

When will Congress address reform to Social Security, Medicare and Medicaid is anyone's guess. Given the current policy of Democrat "resistance," look for little to be done. The mandatory spending programs leaves less taxpayer money to address defense, transportation, energy and the environment.

Bernie Sanders and Democrat Socialists are calling for single-payer health care, free college tuition and expanding Social Security. Just like the phone exchange between Tom Cruise and Cuba Gooding in the film Jerry MaGuire: "SHOW ME THE MONEY!"