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INSIDE THIS ISSUE

- The president's National Commission on Fiscal Responsibility and Reform and the Debt Reduction Task Force are the most prominent deficit-reduction committees.
- Both agree that Social Security, Medicare, and Medicaid reforms are necessary.
- The committees have advocated policy options such as tax reforms that otherwise would have been politically infeasible.

Committees Tackle the Deficit

John L. Palmer and Rudolph G. Penner

The United States faces a dire budget problem (CBO 2010a, Committee on the Fiscal Future 2010). It could cause a financial crisis similar to those afflicting Greece and Ireland. The fiscal problem is largely the result of the aging of the population and soaring health costs. Social Security and health spending on major programs constitute half of total spending in a normal year. Both are projected to grow faster than tax revenues, but health costs present by far the greater problem.

Numerous committees have formed to suggest ways of restoring fiscal stability. Some come from the political right or left, but the most interesting include members who span the ideological spectrum. The most important is the president's National Commission on Fiscal Responsibility and Reform (NCFRR 2010). The president appointed six members drawn from both political parties, and Democratic and Republican congressional leaders each appointed six elected members—three from the House and three from the Senate. The commission's rules stated that Congress had to consider its recommendations if at least 14 commission members supported them. That ensured that at least two elected members from each party had to be on board before the Congress would be forced to act.

Few budget watchers thought the commission had any chance of success, especially after congressional leaders appointed some members from the extremes of their parties. But commission members and their staffs worked diligently in a collegial fashion. They finally recommended radical revenue-raising tax reform, a 15-cent increase in the gas tax, comprehensive Social Security reform, options to restrain growth in federal spending on health care, and severe caps on defense and nondefense discretionary spending.

Only 11 members ultimately voted for the commission report, but the fact that it got more than majority support was a notable achievement. Moreover, support spanned the ideological spectrum from Senator Tom Coburn (R, OK), one of the most conservative members of the Senate, to Senator Richard Durbin (D, IL), a solid liberal. Although the Republican Party has adamantly opposed tax increases, three Republican senators voted for a plan that contained significant new revenues. The commission claimed that by 2020, roughly 70 percent of its deficit reduction would come from slowing noninterest spending growth and 30 percent from revenue increases.[1] In the

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long run, the commission held spending to 21 percent of gross domestic product (GDP), a severe limit given the costs of an aging population and ever more expensive health care.

A private bipartisan committee called the Debt Reduction Task Force (DRTF) and headed by former Senator Pete Domenici (R, NM) and Alice Rivlin, President Clinton's director of the Office of Management and Budget, also recommends radical tax reform, enforceable limits on Medicare and Medicaid cost growth, Social Security reform, and a stringent approach to discretionary spending (DRTF 2010). However, their deficit reductions relied more heavily on tax increases than did the president's commission. The task force recommended a new value-added tax (VAT) to supplement the existing tax system.[2]

So far none of the committees has received enthusiastic support from elected officials. The president has been tepid in his support of his own commission, looking favorably only on their tax reform suggestions. Speaker Pelosi dubbed an earlier version of the commission report "unacceptable," and as this is written, Speaker Boehner praised the commission for drawing attention to the budget problem but said nothing about their proposed solutions.[3] Nevertheless, the output of the president's commission and various committees is extremely valuable. They offer a rich variety of policy options, and that will be useful when we finally act on our budget problems. The fact that radical tax reform appears in more than one report makes an option that appeared earlier to be implausible worthy of discussion. Perhaps most important, the experience of the president's commission and the DRTF shows there are policy packages that can get bipartisan support even in an intensely partisan era.

Health Policy

The presidential commission report identifies federal spending on health care as "our single largest fiscal challenge over the long run" and offers recommendations for both the near and long term to reduce the growth of such spending and "slow the growth of health care costs more broadly" (NCFRR 2100, 36). The principal concerns for the near term are to offset the deficit costs of fixing Medicare's flawed sustainable growth-rate payment formula for physicians and to reform or repeal the financially unsound Community Living Assistance Services and Support (CLASS) Act, recently enacted in the health reform Affordable Care Act (ACA).[4] To this end, the report recommends numerous specific health-spending changes estimated to yield nearly $400 billion in savings from 2012 to 2020. The ACA contained many provisions aimed at reducing Medicare and Medicaid costs, so much of the low hanging (deficit savings) fruit from these programs is now off the table. Still, four commission recommendations affecting these programs account for the lion's share of total near-term savings: expanding cost sharing in Medicare (along with instituting a cap), increasing pharmaceutical companies' rebates for prescription drugs for Medicare beneficiaries, reducing Medicare's subsidies to teaching hospitals for graduate medical education, and restricting states' ability to artificially inflate reported spending on Medicaid to increase their federal match. Variants of the first two recommendations are also included in the DRTF report.

For the long term (post-2020), the president's commission report recommends "a process for reviewing total federal health care spending [including the exchange subsidies under the ACA and the cost of the tax exclusion for health insurance[5]] … with the target of holding growth to GDP plus 1 percent and requiring action by the president and Congress if the growth exceeds [it]" (36). This is an incredibly ambitious goal, but a necessary one to eventually constrain total federal spending to the report's recommended 21 percent of GDP. The report acknowledges that more substantial structural reforms to the health care system than those in the ACA will be required to hit this target, unless the latter prove far more successful in slowing federal health care spending than the Congressional Budget Office (CBO) and the Medicare actuary project. But rather than recommend any particular reforms, the report tersely identifies—without content or comment—a grab bag of wide-ranging policy options suggested by commission members.

Many experts believe establishing some sort of fixed budget for at least the major components of federal spending on health care may eventually be necessary to keep it anywhere near the presidential commission target. The DRTF plan moves in this direction by recommending, as the main pillars of a coherent long-term strategy, the adoption of three presidential commission members' bolder suggestions for restraining long-term growth of federal health care costs. First, its recommended phaseout of the tax exclusion for health insurance would totally eliminate this huge tax expenditure as well as foster more cost-conscious choices by those purchasing private health insurance. Second, it would convert Medicare into a "premium support" system, essentially providing beneficiaries with a voucher whose value grows over time at the rate of per capita GDP growth plus 1 percent to use toward either the costs of traditional fee-for-service Medicare or a competing private plan offered on a newly created Medicare exchange. This change would not only constrain the growth of federal spending on Medicare to a level well below current projections, but also dampen underlying health care cost increases by making beneficiaries who remain in traditional Medicare more cost conscious. (They will be forced to pay additional premiums if Medicare costs per beneficiary rise faster than the value of the voucher.) The proposal would also foster competition among plans on the exchange, leading them to manage quality care delivery in a more cost-efficient manner. Finally, the DRTF plan calls for changing the incentives inherent in current complex financial arrangements between the federal and state governments, so as to substantially slow the growth of Medicaid costs and limit the federal government's open-ended liability.

Many aspects of the DRTF plan's long-term strategy are worrisome, chief among which is the extent its elements—on top of the reforms already set in motion by the ACA—actually would slow the underlying growth of systemwide per capita health care costs. Unless systemwide growth slows commensurately with that of per capita costs for Medicare and Medicaid, it would be difficult, if not impossible, to achieve the desired savings without unduly undermining beneficiaries' access to quality health care. But the DRTF plan at least advances a coherent, concrete, and plausible approach to the "single largest fiscal challenge over the long run."

Social Security

The presidential commission's plan for Social Security is designed to eliminate the program's 75-year deficit and put it on a sustainable path thereafter by both increasing revenues and reducing costs over time relative to those currently scheduled. Absent any such changes, the pending large increase in the number of beneficiaries relative to workers will soon result in rapidly growing cash flow deficits for the Social Security trust fund and the drawdown of its reserves until depleted in 2037—at which time an across-the-board benefit cut for current and future beneficiaries of at least 22 percent would be required.

Five commission recommendations would improve Social Security's financial outlook.

1. **Modify the benefit formula to slow the growth of future benefits.** The wage-adjusted benefit levels of new retirees, except those with very low covered earnings histories, would decline in a progressive manner relative to those of comparable recipients today. But the modifications would be phased in slowly from 2017 to 2050 and would ensure that all future beneficiaries continue to receive higher inflation-adjusted benefits than earlier generations.
2. **Index the normal retirement age (NRA) and the early eligibility age (EEA) to life expectancy.** This provision is intended to maintain a constant ratio of years in retirement to years in adulthood as longevity increases. It would raise the NRA (now scheduled to be 67 in 2027 and thereafter) to 68 in about 2050 and 69 in about 2075, with the EEA (currently 62) moving in tandem to 63 and 64.
3. **Increase the wages subject to the Social Security payroll tax.** In the early 1980s, taxable wages under the cap—currently $106,800 and indexed to the average growth of covered wages—were 90 percent of all wages. Since then, wages below the cap have grown more slowly than those above it, such that barely 82 percent of all wages will be subject to the payroll tax by 2020. This provision would gradually increase the cap to the 90 percent mark by 2050.
4. **Substitute the chained consumer price index (CPI), a more accurate measure of inflation, for the current version of the CPI used to calculate annual cost-of-living adjustments to Social Security benefits.**[6]
5. **Phase in coverage of the one-quarter of the state and local workforce currently outside Social Security.**

Four other recommendations would modify Social Security, at modest or no cost, to better support the most vulnerable recipients and to introduce new flexibilities and protections in conjunction with an indexed retirement age.

1. **A new special minimum benefit** would provide full-career workers (with 30 or more years of covered earnings) with a benefit no less than 125 percent of the federal poverty level starting in 2017 (and indexed to wages thereafter), with a proportionately lower guaranteed benefit for workers with 10 to 29 years of covered earnings.
2. **A benefit enhancement for the long-lived and the long-time disabled,** who are at risk of outliving their own retirement resources, would bump up their benefit levels 20 years after initial eligibility by 5 percent of the average benefit level.
3. **A new option for retirement claiming,** permitting collection of up to half of benefits as early as 62 with the applicable actuarial reduction and the other half at a later age, would provide a smoother transition for those interested in phased retirement or for households in which one member has retired and the other continues to work.
4. **An early retirement hardship exemption** for those who may not qualify for disability benefits but are physically unable to work beyond the current EEA. The proposal would allow them to continue to claim benefits at age 62, as the EEA and NRA increase, without any additional actuarial reductions.

The presidential commission plan relies more heavily—and more so over time—on benefit-cost reductions than on revenue increases to ensure Social Security's long-run solvency (table 1). More than three-fifths of the improvement in the program's finances over the next 75 years is due to provisions directly affecting benefit levels; by the 75th year this ratio rises above four-fifths (Goss 2010). As a result, most new retirees would experience benefit reductions (relative to currently scheduled benefits for comparable workers) of increasing amounts over time, ranging by mid-century from an average of 9 percent for the middle earnings quintile to 19 percent for the top quintile (NCFRR 2010, figure 13).[7] Those with lower lifetime covered earnings would be well protected by other plan provisions, with the lowest earners actually receiving a benefit more than one-third higher because of the new special minimum. So concern about the plan's benefit reductions would likely focus on future beneficiaries in the broad middle of the lifetime earnings distribution, as well as on those with more limited

Table 1. Existing Shortfall Closed by Commission's Social Security Reform Provisions (%)

	Over 75 years	In 75th year
Reduce future benefits in a progressive manner through a change in the benefit formula	45	51
Index the NRA and the EEA to longevity and include a hardship exemption	18	30
Increase the taxable maximum to cover 90% of earnings	35	22
Apply an improved CPI to cost-of-living adjustments in benefits	26	17
Cover all newly hired state and local workers	8	0
Create new special minimum benefit	-8	-6
Enhance benefits for the long-lived and the long-time disabled	-8	-6
Add new option for early, partial benefit claiming	n.a.	n.a.
TOTAL	112	102
Shortfall as a percent of taxable payroll	1.92	4.12

Sources: Board of Trustees (2010); NCFRR (2010).
n.a. = not applicable CPI = consumer price index EEA = early eligibility age NRA = normal retirement age

lifetime earnings due to long absences from the labor force. Both groups are likely to remain highly dependent upon Social Security to maintain their preretirement standard of living, while also facing out-of-pocket health care costs (including Medicare premiums) growing faster than their inflation-adjusted benefits. Nonetheless, they would likely be much better off in the long run than if program solvency were not restored and budget deficits spiraled out of control.

The DRTF's plan for Social Security provides an interesting contrast, since it entails provisions similar to those of the president's commission, plus several others. But its progressive benefit-formula reduction affects only high lifetime earners and yields far less savings, while its supplementary provisions provide additional revenue of a bit more than 1 percent of taxable payroll—principally by phasing out the income and payroll tax exclusions for employer-sponsored health insurance. As a consequence, the DRTF plan relies more equally on reduced costs and increased revenues over time and results in more moderate benefit reductions.[8] However, the presidential commission's plan is designed to ensure Social Security's solvency as a stand-alone proposal; the report indicates that any additional trust-fund revenue resulting from tax reform "will provide flexibility to moderate the changes in benefits or taxation recommended by the commission" (NCFRR 2010, 54). Thus, were the tax exclusion for health insurance phased out, the consequent fiscal flexibility could soften the impact of benefit reductions on future beneficiaries of most concern.

Another interesting point of contrast between the two plans is the different means by which they adjust the future retiree benefits to increases in life expectancy. Under the DRTF plan, both the EEA and the NRA would remain the same as under current law, while the formula for calculating initial benefits would be indexed to achieve the same result, as would indexing the NRA. This could be a more politically palatable approach to indexing to longevity, since it still allows retirees to claim benefits at age 62—albeit with a larger actuarial reduction than under current law. It also eliminates the need for the commission's hardship exemption from the higher EEA, which would be difficult to implement in practice. However, the signal that younger generations need to work longer in order to adequately provide for retirement would be lost.[9]

Finally, we note that neither plan includes any form of individual account, a cornerstone of President Bush's proposed reform of Social Security. The economy tanking and the recent stock market collapse have reduced the appeal of individual accounts, but they still appear in some form in William Galston and Maya MacGuineas's budget reform plans (2010), House Budget Committee Chairman Paul Ryan's road map (2010), and the plan put forward by the conservative Americans for Tax Reform (2010).

Discretionary Spending

The presidential commission's Social Security reforms are phased in slowly and its major health program savings are not achieved until after 2020. As a result, the commission has to hit discretionary programs hard to significantly reduce the deficit in the medium term without large tax increases. They propose caps on discretionary spending that would cut 2015 spending levels by $38 billion in nominal terms compared to spending in 2009 and by about 10 percent in real terms.[10] By 2020, real discretionary spending would be almost 18 percent below 2009 levels. After 2020, discretionary spending would be allowed to grow with the CPI. Although 2009 spending was somewhat inflated by the stimulus program, the recom-

mended cuts are severe given that the demand for public services will grow with the population. Discretionary spending cuts account for over 45 percent of the deficit reduction proposed for 2015 relative to the commission's baseline, while revenue increases account for about 25 percent and associated interest savings for 9 percent. The remaining small amount comes from the early effects of Social Security and health reform and from reforms to other mandatory spending programs. The commission's caps are enforced by points of order and by automatic spending cuts if the points of order are not upheld.[11]

In suggesting approaches to getting under the cap, the commission does not identify specific program cuts or eliminations in the body of their report. Instead, the commission takes the indirect approach of advocating a three-year civil service pay freeze, a reduction in the civil service, a reduction of travel and vehicle expenses, and symbolic cuts in congressional and White House budgets. Such savings amount to over $35 billion for 2015.[12] That compares to the $172 billion in savings necessary to get under the 2015 cap. On its web site, the commission provides options for saving $100 billion in defense and the same amount in nondefense programs. Most of the defense options are quite specific and many would cut weapons systems, such as the V-22 Osprey aircraft. The nondefense list contains a number of program cuts, such as eliminating the Overseas Private Investment Corporation, but also lists options whose effects are harder to discern, such as creating a cut-and-invest committee that would have a goal of saving $11 billion. Both the president's commission and the DRTF suggest more public investment. However, increases in investment spending would have to be offset by reductions in current spending to stay under the discretionary spending caps.

The commission's severe spending caps obviously become more politically feasible if they avoid naming explicit program cuts and arousing the programs' constituencies. But the commission's indirect cuts are hard to evaluate. Clearly, some civil servants are overpaid (and some underpaid), but it is important to ask what a pay freeze will do to the quantity and quality of civil servants who are recruited. Similarly, the commission's reductions of the civil service and their travel expenses are probably warranted in some agencies, but they may be more dubious for those charged with evaluating disability claims or enforcing tax laws. Moreover, reducing staff by attrition, as the commission recommends, may not be the most efficient approach.

The DRTF follows a similar strategy for controlling discretionary spending, but the implied cuts from baseline levels are much less severe. They advocate a four-year nominal freeze of nondefense discretion spending for 2012 to 2015. After that, the programs are allowed to grow with the economy. That compares to the real, absolute cuts advocated by the president's commission. For defense, the DRTF advocates a five-year freeze and growth with the economy thereafter. Like the president's commission, the task force seems reluctant to recommend specific program cuts, but lists numerous illustrative examples. There is much overlap between their list and the commission's.

Other Mandatory Programs

The president's commission suggests reforms in mandatory programs other than health and Social Security, such as civil service retirement programs and agricultural subsidies. Additional deficit reductions are suggested for the student loan program and the Pension Benefit Guaranty Corporation. The report includes proposals for increasing various fees and charges for goods and services sold by government agencies. Many of these same recommendations can be found in the DRTF report.

Tax Policy

It is almost impossible to imagine a compromise solution to the long-run budget problem that does not involve revenue increases, and it is almost certain that a compromise will be necessary. No party is sufficiently dominant to impose a solution on its own. All experts agree that one of the least desirable ways of raising revenues is to raise the tax rates in our current highly inefficient and inequitable individual and corporate income tax systems. That leaves two options. Our income tax systems can be radically reformed to raise revenues more equitably and efficiently with lower marginal tax rates, or revenues can be raised using some other tax. The president's commission and the DRTF suggest both options in different proportions. The National Academies committee suggested radical tax reform as one revenue-raising option, and other committees recommend less dramatic tax reforms.

Radical tax reform involves eliminating or greatly reducing the value of the many deductions, credits, special rates, and income exclusions that riddle our individual and corporate income tax system. These are known as tax expenditures and the president's commission estimates their current annual value at $1.1 trillion. The proceeds from reducing the value of tax expenditures can be divided into two portions. One can be used for increasing revenues while the other is applied to reducing marginal tax rates. The tax system then becomes fairer, because those in a position to easily use tax expenditures see their advantage reduced or eliminated. The system becomes more efficient because incentives are improved as the reform reduces the amount taxed from each extra dollar earned from work or received from savings. Moreover, choices are less often distorted by tax provisions that favor one form of economic activity over others.

The president's commission recommends applying $80 billion of the proceeds from tax reform to deficit reduction in 2015 and $180 billion in 2020. Its analysis is particularly useful, because it clearly illustrates the trade-offs between eliminating or reducing particular tax expenditures and the marginal tax rates

required to raise the targeted amount of revenues. For example, if every single tax expenditure is eliminated, the top marginal individual rate can be lowered to 23 percent[13] and the top corporate rate from 35 to 26 percent. If the earned income tax credit and the child credit are retained because they are of particular value to the poor, the top individual rate has to be raised to 24 percent. The commission provides an illustrative tax plan that retains politically sensitive tax expenditures, such as the charitable and mortgage interest deductions, but limits their value. Under this variant, the top rate falls only to 28 percent. In the commission plan, capital gains are taxed at the same rate as ordinary income and 15 cents per gallon is added to the gas tax.

The tax reform proposed by the DRTF is more complicated but follows the same philosophy. Most tax expenditures are eliminated, but a few politically sensitive deductions are retained. As in the president's commission plan, tax expenditures are modified to reduce the revenue loss. The tax treatment of lower-income groups is simplified as are the many provisions related to retirement and other savings. Capital gains are taxed the same as ordinary income. The top tax rate is lowered to 27 percent.

The most important difference between the presidential commission's and the DRTF plan is that the latter imposes a 6.5 percent VAT, dubbed a deficit reduction sales tax, that raises over $3 trillion cumulatively through 2020. As a result, the DRTF plan relies considerably more on revenue increases to solve the deficit problem than does the president's commission. Both plans use the chained CPI to index tax brackets instead of the currently used CPI. The chained index is considered to be more accurate and is expected to grow more slowly in the future, increasing revenue growth.

Tax reform is extremely difficult politically, because many will perceive themselves to be losers—those who now rely heavily on tax expenditures to reduce their tax burdens—even though they may ultimately benefit from a deficit reduction that reduces the probability of a fiscal meltdown. Revenue-neutral tax reform is hard enough. Revenue-raising tax reform is even more difficult, because the number of perceived losers increases. The plans of the president's commission and the DRTF have taken proposals that superficially seem implausible politically and made them seem considerably less implausible. That is because they have clearly described the most important benefit of reform—more revenues can be raised with lower tax rates. This is particularly important to the conservatives who now adamantly oppose revenue increases. They certainly will not accept rate increases in the current system. Radical reform that allows more revenue to be raised with lower rates is probably necessary to get them to accept revenue raising. While it is necessary, it may not be sufficient. Using a new tax as in the DRTF proposal will also be a hard sell.

Conclusion

Concern over the nation's deteriorating budget outlook is rightly growing. There is no better evidence than the proliferation of committees offering diagnoses and solutions from all segments of the ideological spectrum. The two most prominent are the presidential commission and the DRTF. Both consist of highly respected individuals from both parties representing different ideological perspectives. The two groups completely agree on the nature of our budget problem but disagree significantly on the cure, with the DRTF relying far more on tax increases and less on spending cuts than the president's commission. Nevertheless, both agree on the need for radical tax reform, and their options for slowing spending overlap considerably.

Both committees have made an enormous contribution to the national debate by, first, clearly describing the sources of the budget problem, and second, showing that very large policy changes will be necessary to solve it. Among the changes they describe are Social Security and health policy reforms and a radical makeover of our personal and corporate income tax systems. Such policy reforms are highly sensitive politically—so much so that they are often regarded as being implausible. The presidential commission and the DRTF have brought the discussion of radical reforms into the mainstream and waged an all-out attack on a variety of sacred cows. In doing so, they have built upon and reinforced the work of previous committees, such as that sponsored by the National Academies. With so many groups raising the same issues and discussing similar policy options, the urgency of our budget problem and the need for bold and controversial policy changes to address it can no longer be denied.

Although there is much discussion of the need for sacrifices to fix the budget problem, it is important to remember that fixing the problem also will bring huge benefits. If the problem is left to fester and the United States is engulfed by a fiscal crisis, the entire population will feel intense pain (Burman et al. 2010; CBO 2010b). Even if a crisis is a long way off, large deficits will be draining away national saving in the interim and slowly eroding improvements in the standard of living. The population will suffer much less from reforms that slow the growth of social benefits and raise tax revenues.

Unfortunately, the proposals of various committees have not been greeted with much enthusiasm by the president or members of Congress. But it is certain that the budget problem will have to be fixed eventually. When that day comes, policymakers will have thoughtful policy responses available as the result of the hard work of these committees. Let us hope that the policy debate is eventually provoked by a deliberative process rather than being forced upon us by a fiscal crisis. ▪

Notes

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1. Dividing deficit reduction between spending reductions and revenue increases is somewhat arbitrary because it depends on what an analyst assumes the deficit to be for a starting point. The commission created its own baseline. It is very similar to the Congressional Budget Office's alternative policy baseline. If they had chosen a baseline with higher spending, the estimated proportion of deficit reduction from spending constraints would have been higher.

2. An earlier committee convened by the National Academies of Science and Public Administration (Committee on the Fiscal Future of the United States 2010) put forward radical tax reform as one of its revenue-raising options and also discussed a VAT, but only in combination with an unreformed tax system

3. "Boehner Statement on President Obama's Fiscal Commission," press release, Office of the Speaker of the House, December 3, 2010. http://johnboehner.house.gov/News/DocumentSingle.aspx?DocumentID=216777.

4. For a discussion of why reducing federal spending on health care is the nation's greatest fiscal challenge and of the problems with the Medicare sustainable growth-rate physician payment formula, see chapter 5 of Committee on the Fiscal Future of the United States (2010). For a discussion of the fiscal impact of the ACA and the CLASS Act, see Palmer and Penner (2010).

5. The commission includes, under the report's recommended approach to tax reform, an adjustment for any changes made to the exclusion.

6. The chain index would also be used for other indexed spending programs and to index individual income tax brackets. For a discussion of its use to index Social Security benefits, see Penner (2010).

7. These are broad averages. A 65-year-old new retiree at the median of lifetime covered earnings would experience a benefit reduction of 13 percent in 2050 and 19 percent in 2080, and benefit reductions for many high lifetime earners would be far larger than 19 percent by mid-century (Goss 2010, table 2).

8. The DRTF plan's benefit reductions are also more moderate because it eliminates only 88 percent of the 75th-year shortfall, whereas the commission's plan totally eliminates this shortfall.

9. Additional income tax revenues generated by their working longer would also be lost.

10. Author's calculation based on CBO's most recent forecast of the GDP deflator. The CBO August forecast is slightly different than the forecast underlying the commission's baseline.

11. Sixty votes are required to waive a point of order in the Senate. In the House only a simple majority is necessary, but it must be done using a separate, nonamendable vote.

12. There are other savings as well, such as eliminating earmarks ($16 billion).

13. When the commission reported, the top rate was scheduled to rise to 39.6 percent in 2011. The increase has since been postponed to 2013. The commission's revenue estimates are based on a top rate of 39.6 percent and a penultimate rate of 36 percent rather than the 35 and 33 percent that will prevail through 2012.

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