

Entitlement Reform



Third Way

The federal government has been described as a retirement home with a standing army. Nearly all of what the government spends is on five items: Social Security, Medicare, Medicaid, national defense, and interest payments on the debt. Investments in the interstate highway system, education, and scientific research that built the middle class and the strongest economy in the world have dwindled to post World War II lows. And with the retirement of the baby boomers now just starting to occur, America is set to face the most significant and expensive demographic bubble in its history.

Democrats created the safety net and as such—with a demographic bubble unrivaled by anything in previous eras—one would expect Democrats to be the party that steps up to fix them. Instead, Democrats became deniers. With few exceptions, the party did nothing to either raise concerns or propose plans to fix entitlements.

We sought to change that and provide significant leadership on this defining issue. Our view was that entitlements—as important as they are—must be reined in so we can increase public investments, contain long range deficits, and limit future tax increases on the middle class. With few allies, we began a campaign to make the progressive case to fix entitlements. This was a controversial move within the progressive community, but we have already made enormous progress.

We supported and helped pass into law the Simpson-Bowles commission that came close to securing the bipartisan grand bargain budget agreement for which we fought. We proposed our own Social Security fix plan that combined tax increases on upper income earners with benefit cuts on well-to-do seniors and benefit increases to poor seniors. We first proposed then brought Democrats and Republicans together

on a Social Security Commission plan that remains the only bipartisan legislation to fix Social Security. We became the lead center-left organization to promote chain weighted CPI and eventually counted President Obama as one of our supporters.

One of our main reform ideas made it into law, including a far reaching plan to restructure federal pensions which was a key element in one of the early, successful budget compromises. This change in the law was based on our groundbreaking report on the federal retirement system. We found that for every \$1 federal employees contribute to their pension, taxpayers contribute \$14. Because of enactment of our proposal, now, the ratio is closer to \$1 to \$3 for all new federal employees.

In addition to policy, we have also reframed the issue. Our report *Collision Course* opened a brand new front by showing how entitlements crowded out progressive investment priorities to the point that we were robbing kids and the middle class of a chance for higher incomes and economic growth. The President and leaders of Congress began to (and eventually habitually) used our language and data from that report to make the case for fixes.

We have presented before the House Caucus, the Senate moderates, the Blue Dogs, the New Dems, the House Democratic Budget Group, the Simpson-Bowles Commission, and have appeared in every major media outlet on the subject of entitlement reform. Third Way has also become the most important left-of-center venue for elected officials to make arguments on reining in entitlements.

The battle to convince Democrats that they must fix entitlements is by no means won. There are loud progressive voices backed by large and moneyed interest groups that insist on maintaining a system that benefits well-off seniors over kids. The forces of the status quo are always powerful in Washington, but in six years we have made enormous headway. We will continue to lead on this issue until major

entitlement programs are solvent, secure, and leave room for future public.

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