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A Look at Clinton's Social Security and Medicare 'Reform' Proposals

The 'Era of Big Government': *It's Ba-aack!*

In his 1996 State of the Union address, Bill Clinton declared the "era of big government" to be over. But last night, with characteristic shamelessness, he forgot his earlier pronouncement and outlined a host of new programs that will easily approach ***half a trillion dollars*** in new spending. With this renewed era of bigger government, Bill Clinton threatens to close his term as "the last headache of the 20th century," not as some nonexistent bridge to the 21st.

Here's a quick look at some of the Clinton proposals in the areas of Social Security and Medicare that are either **Big Spending, Big Government,** or **Co-opted from the GOP**:

Hey, Big Spender!

- According to the White House's calculations, the projected federal surplus amounts to $4.35 trillion over 15 years. Of that, he proposes spending 62 percent — or $2.7 trillion — on Social Security, and 15 percent — or $653 billion — on Medicare. Another half a trillion is for other new spending. Yet, none of the surplus was proposed to be returned to the people who earned it in the form of a significant tax cut.

- While Clinton racked up an exhaustive list of high-dollar promises, notable elements were missing. For one, he offered no Social Security reform plan — a year after his promise to save Social Security. Despite this being the largest federal government program, despite the impending funding crisis it is universally acknowledged to face, and despite the fact that he promised in last year's State of the Union speech to save Social Security, Clinton basically backed the status quo.

- Clinton offered us his "USA" retirement accounts — almost $500 billion in resources, yet with no direct link to Social Security reform. Instead of proposing a new multi-hundred-billion-dollar program, why not reform the existing one?

- Medicare's trust fund has been threatened by bankruptcy throughout Clinton's term, yet Clinton offered no Medicare plan — despite continued warnings from trustees. In fact, Clinton is the first president to ever receive such warnings in every year of his administration from the trust fund's trustees.

- What the President did offer was a *de facto* 20-percent Medicare payroll tax hike to be paid by the general taxpayer.

- And what he did propose was increased benefits — expanded coverage of prescription drugs. This is his contribution to reform? — increasing the benefits?

Big Brother, Big-Bad Government

- Instead of saving Social Security, the President offered an enormous expansion in government: Government would become an investor, bankrolled by more than $600 billion in government-controlled funds into the private sector. That's dangerous leverage over the private economy (see RPC paper on this issue of 1/19/99). Meanwhile, government would still maintain control of all Social Security assets.

- Another dangerous precedent in government expansion was the President's plan to insert general taxpayer funding into Medicare. As noted, that $653 billion subsidy amounts to a de-facto 20-percent payroll tax hike, but a tax that is only paid by the general taxpayer. This is the first time that the general fund would be used to pay for Part A Medicare spending. Bottom line: this proposal essentially begins the conversion of Medicare into a welfare program.

- The President's Medicare buy-in for non-eligibles (explicitly near-seniors) establishes yet another dangerous precedent, one that runs explicitly counter to Medicare's intended mandate to care for seniors.

Thanks for Stealing Our Idea

- Elimination of the Earnings Test so that senior citizens don't have to give government up to half or more of their post-retirement job earnings has long been a Republican proposal. In fact, Republicans have offered it as one of their top bills in the Senate for years. Last night, the President seemed to come around to our way of thinking on this critical fairness issue for seniors.

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