



The Daily Dish

Trustees' Reports

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Eakinomics: Trustees' Reports

The annual reports by the Trustees of the Social Security and Medicare programs will likely be released in the next couple of weeks. In thinking about the reports, a couple of interesting issues arise.

First, unlike in years past, economic growth is accelerating and wage growth is picking up. How will the Trustees react to the passage of the Tax Cuts and Jobs Act, the Trump Administration's deregulation, or the economic outlook in general? There will be a lot of attention paid to any changes in the assumptions for the economic outlook. In a similar vein, but in the opposite direction, what will the Trustees assume about future immigration? The administration has focused heavily on reducing legal and illegal immigration. How will that affect the outlook? Finally, there was a sharp reported reduction in U.S. birth rates. How much of that will be perceived as permanent and baked into the outlook for these crucial programs?

Second, how large will these programs' financial shortfalls be? There is no way to "grow our way out" or "immigrate our way out" of the problems. Once one accepts the truth that actual reforms will be needed, the focus must turn to the size of the tax increase or slowing of the growth in benefits that will avert problems. Previous Eakinomics on [Social Security](#) and [Medicare](#) suggest that the answer is "large." Recall that the threat of reduced benefits at an unknown time in an unknown magnitude is simply a risk to beneficiaries and they would be willing to pay a "premium" (give up some income for sure) to buy insurance (eliminate the income risk). How large has the risk become? Recall the irony that these programs were invented to reduce financial risk. Now they have become the source of such risk.

Finally, what is the source of any changes in the future shortfalls? Is it because of rising health care costs? Increased incidence of disability? Regardless of whether the financing and spending line up, the latter ultimately is the measure of the burden placed on taxpayers and the economy. What is the future growth of that burden?

Social Security and Medicare are central pillars of a social safety net that is fraying financially. They are key elements in federal spending that has a growing appetite for taxpayer dollars. And they are key elements in projected future debt that is dangerous for the United States. These reports will be read with interest, to be sure.