How To Anger Senior Citizens Before An Election

On October 15 the government will announce that the "official" rate of inflation is too low to justify a 2011 cost-of-living allowance (COLA) in 2011 for 58 million recipients of Social Security benefits. That will most assuredly prompt even more senior citizens to line up at their polling places early on November 2 to "throw the bums out." Andrew Biggs, a former deputy commissioner at the Social Security Administration now with the American Enterprise Institute, told Fox News: "If you're the ruling party, this is not the sort of thing you want to have happening two weeks before an election. It's not the congressional Democrats' fault, but that's the way politics works. A lot of people will feel hostile about it."

The problem goes back to 1996, when the Clinton administration changed the way the Consumer Price Index (CPI) is calculated—because some claimed that it overstated the rate of inflation. The geniuses in the federal government argued, for example, that if consumers were buying more ground beef because the price of steak was going up, there really was no inflation because the total family food budget was not increasing. Americans were simply substituting higher-priced foods with lower-priced foods—and still eating, without spending more. If hamburger went up and consumers instead bought hot dogs, the government pretended there was no inflation.

If the price of an automobile increased because of federally-mandated safety features like air bags, the government argued that the consumer was not experiencing inflation because he was getting more for his money. ("Yes, the car costs more, but it's a better car!" "Yes, the price went up, but that breakfast cereal is 'new and improved!'") As a result of such specious modifications to the CPI calculations, the inflation rate has arguably been understated since at least 1996. The "creative calculation" of course works to the government's advantage because it does not have to increase Social Security benefits as much or as often as might be expected. The average consumer, however, knows better than a federal bureaucrat how much his grocery bill is increasing—and certainly does not want to be told by the government that all would be well if he would simply replace steak with hamburger, or hamburger with beans and rice, or orange juice with tap water.

The CPI itself is based on a "basket" of products and services, including food, housing, education, medical care, clothing, and transportation. The Bureau of Labor Statistics collects about 80,000 prices from across the nation each month and averages them together. From time to time it changes what is in the "basket." It substitutes hamburger for steak, for example. The process can never be perfect, of course. There are simply too many products and services; all Americans do not buy the same products and services; and prices vary from region to region. (A renter in Manhattan pays more for an apartment than a renter in a small town in Iowa. Someone living in Oregon who paid off his mortgage years ago is not directly affected by rising rents in San Francisco. A family with five small children buys more milk than a couple with no children.) But although a "perfect" CPI calculation would be impossible, many argue that the current method is seriously flawed. (Those who are interested in looking into what may be closer to the "real" rate of inflation may want to visit the web site www.shadowstats.com.)

At the same time there is no avoiding the fact that the Social Security Trust Fund is broke. There is nothing in it but IOUs from the federal government, which spends the Social Security (FICA) tax revenue almost as soon as it is received from American workers and their employers. (That shameless theft of senior citizen retirement funds is how Democrats can claim that Clinton balanced the budget at the end of his two terms in office. The government did in fact have deficits in *all eight years* of the Clinton presidency, but the deficits in his final years in office were somewhat lower and were more easily hidden by "borrowing" from the Social Security Trust Fund.) Regardless of whether Social Security is bankrupt, the government should at least be honest about the facts. Rather than lying and saying, "Sorry, there will be no COLA this year because there is no inflation," the government should say, "Sorry, there will be no COLA this year because we don't have the money—unless we borrow more from China." Expect the former statement from the government on October 15.

Even if they do not understand the CPI calculations behind the announcement, senior citizens will nevertheless be angry when they learn they will receive no COLA in 2011. Fair or not, they will blame the current Congress, rather than the Clinton administration. When millions of irate Social Security recipients complain that they are not getting an increase, no Democrat in good conscience can blame former President Bush because he was not yet President in 1996. But blame Bush they will—except for those few who may actually have a good conscience.

Don Fredrick
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