

## Bite the Bullet

**C**ONVENTIONAL WISDOM says it's the third rail of American politics, automatic political suicide, pure poison: The retiring baby boomers are going to bankrupt Social Security as we know it, and the only way to fix it is to cut benefits, raise payroll taxes, raise the retirement age, or some combination of the above. All the other stuff about private accounts (see Commentary, Page 8) and offering other options may or may not be good ideas. But they just dance around the real problem, which is going to require hard choices to fix.

So just how radioactive is this issue in reality? Are the American people really incapable of making hard choices when confronted with limited options? Do they want their political leaders to keep the bad news from them until it's too late? Or do they want to be treated like grown-ups?

I, of course, can't answer for all. But since we seem to live and die by polls, I decided to conduct an informal, unscientific one among the Academy staff. (I called it an "entrance" poll, since we all know what exit polls are worth.) The current staff consists of 40 people, one of whom was unavailable for the poll. They range in age from 20-ish to 50-ish, 25 of whom are female, with incomes ranging from entry-level five figures, well into the six figures. It's a fairly racially and ethnically mixed group, though I have no way of knowing how it compares with a professionally selected sample of the American population.

It's also a group that tends to be fairly familiar with the subject. Though not everybody reads the Issue Briefs and monographs and *Contingencies* articles that come out of the Academy, Social Security tends to be unavoidable, like office pollution.

The poll is based on a Social Security reform proposal from Peter Orzag of the Brookings Institution and Peter Diamond, an MIT economist. Their plan is designed to keep Social Security solvent over the next 75 years and beyond. It consists of a benefit reduction of 4.5 percent for workers under age 55, a gradual hike in the payroll tax of just under 2 percent over

the next 50 years, and a 3 percent payroll tax on all income above the current cap of \$87,900.

Obviously there are other proposals out there, but this one seems to incorporate just about all the elements that are supposedly anathema to the American voter—everything but raising the retirement age, which doesn't seem to be part of this particular proposal.

As I explained it to the staff, this plan requires that all three things have to happen—the benefit reduction and the two payroll tax increases—in order to accomplish the goal of keeping Social Security solvent. I posed the yes-or-no questions simply:

1. Would you be willing to accept a final benefit reduction of 4.5 percent? (I asked everybody, not just those under age 55, though I explained that's who would be affected.)  
**YES—27 NO—12**
2. Would you be willing to take a 2 percent raise in the payroll tax? (In the interest of simplicity, I left out the part about it actually being less than 2 percent and over the next 50 years.)  
**YES—31 NO—8**
3. Would you be willing to accept a 3 percent tax increase on income over \$87,900? (Again, I asked everybody, since I really don't know who makes what around here.)  
**YES—33 NO—6**

Interpret the results how you will. Is the sample representative? It's certainly small. There are no blue-collar workers represented here. No union folks. And I'm not sure how kosher it is to split the vote, since it's purportedly all or nothing. But it seems to me that it's at least as good as any exit poll.

Does this mean the juice in the third rail has finally been turned off? Not necessarily. But it does show a distinct majority of a small group of intelligent people who seem to be willing to take their heads out of the sand and at least look around at choices that may be necessary, if not entirely to their liking. ●



# Contingencies

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