



October 25, 2012

Richard L. Trumka
President
AFL-CIO
815 16th St., N.W.
Washington, D.C. 20006

Dear Mr. Trumka:

As fellow progressives, we were disappointed to read that you will be leading an effort to maintain the status quo in the next Congress on the question of whether fixes are needed for Social Security and Medicare. For nearly a century, progressives have fought to construct a secure and comprehensive safety net. With the passage of the Affordable Care Act in 2010, that mission is essentially complete. Now our challenge is to maintain the safety net as we approach the most consequential demographic aging in the nation's history. We believe that any responsible approach to fixing the safety net must necessarily include a balance of measures that make the programs healthy and solvent—new revenue, modest reductions in benefits to some recipients, and a commitment to working class people that we will not raise payroll taxes on them in the future. We also believe the time to make these changes is now, for the following reasons:

First, we have to realize that over the past five decades, the top two progressive economic priorities have been on a collision course: public investments in people and jobs vs. the safety net. In the 1960s, federal investments in roads, bridges, education, research, and the like outstripped spending on the major entitlement programs three to one. By 2012, the ratio was reversed—we now spend three dollars on the major entitlement programs for every dollar we spend creating economic growth through public investments. By 2022, the ratio will be six to one. We cannot create the economic growth and middle class opportunity we desire with spending priorities so one-sided. This trend line must change.

Second, while tax increases must be part of any balanced budget plan, there is no realistic way to address our coming entitlement shortfall through tax hikes on the wealthy alone. Even if we raised the top rate to 50%—a level not seriously considered by anybody—our deficit projects to \$3.4 trillion in 2040 in inflation-adjusted dollars if we do not address entitlement spending. That means that the only way to keep our entitlements on auto-pilot and maintain responsible deficit levels is to enact withering tax increases on America's future middle class. In other words, leaving entitlements alone punishes America's future middle class—there is no way around it.

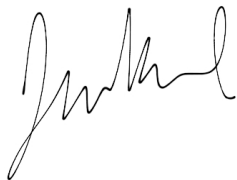
Third, it is clear that something will need to be done at some point to fix entitlements and keep our spending levels within some reasonable limit. The only question is when. So we ask: do we want to repair these programs under a president who cares deeply about the elderly,

the sick, and the vulnerable and at a time when modest changes can achieve solvency? Or, do we wait for some future moment and risk it with a different president who may believe markets are sacrosanct, where solutions are necessarily draconian, and with a Congress that sees the best solution as privatization and vouchers? The best choice for progressives, the elderly, and the vulnerable is to fix it now.

Mr. Trumka, you have one of the most respected voices in the progressive movement, and the AFL-CIO has been at the forefront of efforts to make the safety net secure dating back generations. But absent a serious fix, Social Security will become social insecurity, and Medicare will become pinched. When these programs were created no one anticipated that over the course of 30 years, the number of people over the age of 65 would double while those between 25 and 64 would increase by less than 20 percent. And because of increasing life expectancy and how our safety net benefits for the elderly are derived, the average lifetime benefit for each senior comes close to doubling in inflation-adjusted dollars over the same period. Letting this fester will not solve the crisis ahead.

We hope you will join us in seeking a responsible and balanced long-term fix to our entitlements. It will be good for progressives, good for the middle class, and good for future retirees.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jim Kessler', with a stylized, cursive script.

Jim Kessler
Senior Vice President for Policy
Third Way