



Written by [Veronique de Rugy](#) on July 7, 2023

## Three Warnings About Election Season

As elections approach, sweeping generalizations have a certain allure that often energizes the frustrated and captivates the hopeful. However, it's essential that we as voters remember that things that seem too good to be true typically are. Here are a few warnings.

First, as far as our finances go, beware of politicians promising that they won't touch Social Security and Medicare. In reality, they'll have no choice. For one thing, if they keep this hollow promise, Social Security benefits will be cut across the board in 2033 by over 20%. According to the Committee for a Responsible Budget, that's a cut of between \$12,000 and \$17,000 annually for a traditional retired couple. Medicare faces the same predicament for a variety of reasons.



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The only workaround from this reality, which has been known for decades, is for Democrats and Republicans to finally come together for serious reform. That will likely result in a reduction of benefits and an increase in taxes. As unpleasant as it will be, we'd better hope that politicians don't take the cowardly path and resort to shoving the problem onto Uncle Sam's proverbial credit card (by paying all benefits that exceed payroll-tax receipts out of general revenues).

As the Manhattan Institute's Brian Riedl noted recently, "Social Security and Medicare are projected by the CBO to spend \$156 trillion in benefits but collect only \$87 trillion in payroll taxes and premiums. This \$69 trillion cash shortfall will have to be financed by budget deficits, which will in turn be responsible for \$47 trillion of interest costs on the national debt." Who will lend the U.S. government \$114 trillion, even at unprecedentedly high interest rates?

That's a question voters should ask politicians who promise never to touch entitlement programs. Those who claim it's an easy fix by taxing the rich should be immediately dismissed as unserious. The numbers don't add up. Any other one-sided ideological answers to an accounting question won't cut it, either.

Politicians are also masters of making complex societal problems appear as if they can be solved easily with a single piece of legislation. For instance, voters should beware of politicians promising to improve social media and online retailing by hammering Big Tech with antitrust lawsuits, as if these companies represent true monopolies. Google, Amazon and today's other large tech firms grew so successfully only because consumers *chose* to buy their services, and they will remain successful and large only as long as consumers continue to do so.

Every allegedly "dominant" tech firm has competitors just waiting for it to get lazy or fail. In such a fast-changing industry, these competitors will swoop in and quickly take market share. Or a firm that makes too many mistakes will be bought out by investors who aim to improve its performance. Think here of



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Elon Musk purchasing Twitter.

To use antitrust against successful firms is to obstruct the operation of very complex patterns of commercial organization that no politician or government lawyer can hope to understand. The kind of antitrust interventions now demanded by populists on the Left and Right would be like angry bulls in a china shop. They'll be able to destroy, but all that they'll create is rubble.

Finally, be careful as politicians skillfully play the populist card, painting a picture of "us" against "them" and tapping into deep-seated fears and frustrations. For instance, beware of the claim that many economic problems stem from foreign competition and can easily be solved by applying a blanket 10% tariff across all imports. These tariffs are supposed to encourage firms to source their inputs domestically and to incentivize consumers to buy American. That won't work, as we should know by now after the Trump/Biden protectionist fiascos.

Because tariffs raise prices, they reduce the purchasing power not only of American consumers, but also of American producers who need inputs. What follows are a series of adjustments making everyone worse off without addressing the problem at hand. For instance, protecting American sugar with tariffs and quotas results in more imports of candy. Protecting aluminum with tariffs results in more imported garbage disposals and other products made with aluminum.

Politicians' messages offer a simplified view of the world — one in which government interventions are all benefits and no costs. But life, as we know, is anything but simple, and Uncle Sam's intervention can be quite destructive. Therefore, it's incumbent upon us to demand from our politicians more than charismatic speeches and lofty promises. We must demand clear, implementable and serious policy proposals along with the acknowledgement of trade-offs.

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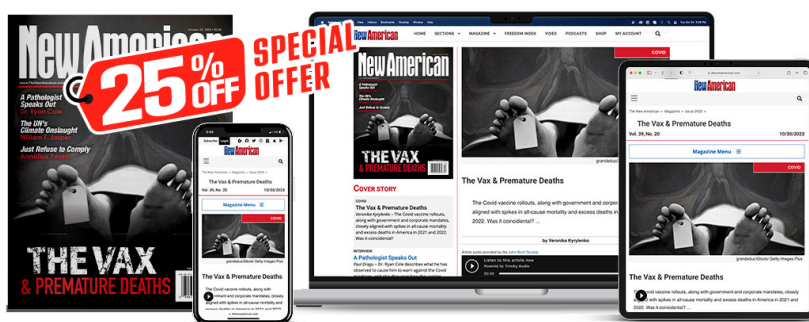


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