



Social Security Choice

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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New Cato Paper Says GROW Accounts Are a Good First Step

It is time to get started on fixing Social Security, according to a new study by the Cato Institute. In "[The Personal Lockbox: A First Step on the Road to Social Security Reform](#)," [Michael Tanner](#), director of Cato's [Project on Social Security Choice](#), explains why new legislative proposals are a first step on the road to reform.

The study explains that although Social Security is currently running a surplus, the situation will reverse by 2017, when the system will begin running annual deficits that will ultimately total more than \$11 trillion. Every day that Congress fails to act, an additional \$200 million is spent rather than being saved for workers' retirement.

Sen. Jim DeMint (R-SC), Rep. Jim McCrery (R-LA), Rep. Paul Ryan (R-WI), Rep. Sam Johnson (R-TX), and others have proposed legislation to rebate Social Security surpluses to workers in the form of contributions to personal accounts. The Senate legislation (S1302) and House proposal (HR 3304, known as GROW for Growing Real Ownership for Workers) are designed to prevent Congress from spending the surplus, which would allow individual workers to save that money toward their own retirement.

Accounts funded from the Social Security surplus can be seen as a reasonable down payment on larger reforms to come. The GROW proposals take the first steps toward reform while avoiding many of the criticisms of more extensive proposals, says Tanner.

While emphasizing that GROW and S1302 are not—and should not be—the final word on Social Security reform, Tanner concludes: "These proposals would give workers significantly more ownership, inheritability, and choice than they have under the current system. They may also force Congress to become more fiscally responsible. All in all, they represent a reasonable first step for reform."

Republicans in Congress Say Social Security Reform Is Still on Track

As relief efforts for Hurricane Katrina find their legs and judicial hearings get underway, several key Republican lawmakers have reaffirmed their commitment to moving a Social Security reform bill this fall.

One of the most dedicated advocates of accounts-based reform, Sen. Jim DeMint, worked tirelessly during the summer to keep his proposal to create personal accounts from the system's current surplus on the agenda. According to the South Carolina *State*, DeMint is optimistic that there will be action on his proposal in the near future. According to the *State*, he said, "I've been here long enough to know that this is about as close as it gets to getting something done."

Rep. Paul Ryan, a strong supporter of the DeMint plan and an advocate of large personal accounts as a second step, noted that reform-minded members of Congress owe DeMint a debt of gratitude for his proposal, noting that "[DeMint is] really the guy who got us off the dime on this. We're planning on moving on this bill. [...] It's a jump-start bill because it's a consensus bill, and the first thing we need to do is stop the raid on Social Security."

Speaker of the House Dennis Hastert (R-IL) also noted that there would be time in the fall to tackle Social Security, as he dismissed the idea that hurricane aftermath would derail the Republicans' legislative agenda. According to *CQ Today*, Hastert noted that many of the agenda items—such as pensions and tax reform—"all fit together."

House Majority Leader Tom DeLay echoed that sentiment, according to *CQ*, noting that Republican leaders have looked over the priorities and concluded that "There is plenty of time to do everything we want to do."

The weekly publication *Tax Notes* also suggested that the political will to tackle Social Security this fall is still strong enough to get the job done. An article in the September 5 edition noted that President Bush gave a speech just before Hurricane Katrina took center stage, in which he said, "My job is to confront problems, not pass them on to future presidents. And I'm going to continue to confront that Social Security problem."

Thomas, Reynolds Spar over Social Security Reform

One Republican of note disagrees with what seems to be the consensus that the 109th Congress should continue to press the issue of Social Security. National Republican Congressional Committee Chairman Thomas M. Reynolds (R-NY) said at a closed-door committee luncheon yesterday that his recommendation to the party leadership would be to shelve the many reform bills under consideration, at least until next year. House aides confirmed Reynolds' intention to make the recommendations, according to [the Washington Post](#).

However, House Ways and Means Committee Chairman Bill Thomas (R-CA), also at the luncheon, announced his intention to move ahead with his comprehensive retirement legislation, which includes accounts-based reform of Social Security.

On Friday, Speaker of the House Dennis Hastert told the Associated Press that Reynolds spoke "only for himself" in his remarks at the luncheon. Hastert added that

“Social Security is very important” and suggested that the House leadership intends to move forward on reform as soon as possible.

Santorum Initiative Designed to Lessen Seniors’ Concerns

This week, Sen. Rick Santorum (R-PA), addressed the concerns of senior citizens and seniors’ organizations, proposing a legal guarantee to participants born before 1950: they will receive their currently promised benefits. According to *Congressional Quarterly*, the Heritage Foundation’s David C. John highlighted the proposal’s timeliness, noting that it was particularly important to explicitly clarify who would be affected by Social Security reform in order to further push its passage. According to John, “Santorum’s legislation is an acknowledgement that efforts by President Bush and Republicans to neutralize seniors’ concerns about changing the program have failed.”

Coupled with DeMint’s plan to create Personal Retirement Accounts out of the current system’s surplus, Santorum’s initiative has the potential to vitalize Congress’s intention to move on Social Security soon. DeMint said of Santorum’s bill, “If you could combine it with something simple, like mine, I think that could work, because you could reassure people we’re not cutting benefits, we’re only saving it.” He continued, “I think we need to do [Santorum’s bill] before we do anything else.”

The bill is considered to be a precursor for the larger Social Security reform debate to come, and it has the potential to lay the groundwork for an even broader overhaul of the system in 2006 or 2007.

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