



Social Security Choice

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

WEEK OF OCTOBER 7, 2005

Bush Remains Committed to Reform Despite Reports to the Contrary

President Bush is still deeply committed to Social Security reform, but you'd never know it if you got your news from several of the major papers.

[An article by LA Times reporters](#) Edwin Chen and Joel Havemann, which ran in several papers across the country this week, claimed that President Bush acknowledged at Tuesday's press conference that his efforts to restructure Social Security were "moribund."

However, a look at a report from [Dow Jones Newswires](#) gives quite a different impression of the president's opinion, owing in large part to the fact that the newswire article managed to report more than cherry-picked phrases or words from the president's responses to questions. An excerpt of the Dow Jones report follows.

"President George W. Bush acknowledged that the appetite for Social Security reform has 'diminished' on Capitol Hill, but said he is still committed to overhauling the system.

"Social Security, for me, is never off,' he told reporters during his first press conference since May. 'It's a long-term problem that's going to need to be addressed.'

"Bush's plan to reform the system includes the controversial creation of individual savings accounts funded from payroll taxes. But momentum for reform has stalled as lawmakers and the White House focus on the aftermath of Hurricane Katrina and Bush's approval rating falters.

"There seems to be a diminished appetite in the short term, but I'm going to remind people that there is a long-term issue that we must solve, not only for the sake of the budget but, more importantly, for the sake of younger workers, who are going to either have to pay a ton of money in order to justify current benefits or to take a look at the underlying causes of the growth of benefits and do something about it, show some political courage."

Sam Johnson: Pushes GROW Accounts

Rep. Sam Johnson (R-TX) echoed DeMint's sentiments by comparing Social Security reform with disaster preparedness in a commentary also published this week in *The Hill*. With the baby boomers set to begin retiring in 2008, Johnson argues, preparing for the looming fiscal disaster can't be put off any longer. Selected excerpts of his commentary, which is available [here](#) in its entirety, follow.

"You know, it amazed me to watch people prepare for Hurricane Rita. Television newscasts showed miles of cars evacuating Galveston and Houston to escape the hurricane's path. Families packed cars with loved ones, water, food, clothing and special belongings. Police officers cleared the towns. Millions of people took appropriate precautions to evade what promised to be one of the biggest, most brutal storms in history.

"There are unforeseen emergencies, like hurricanes, that are forced upon us, and there are those we can plainly see coming. Social Security is one we can see coming in 2008.

"Let's start using common-sense approaches now and prepare for the Social Security problem we know will be here in just over two years. As with most problems in life, the longer we wait, the worse the problem will become. For every year that we wait, Social Security reform will cost an additional \$600 billion . . . "

"This fall promises many tough legislative decisions. Helping the Gulf Coast states recover from nature's furies, debating the merits of candidates for the Supreme Court of the United States and putting the finishing touches on final spending bills will all demand serious attention. But I believe more must be done.

"We must keep Social Security a front-burner issue. The current pay-as-you-go system won't always work. Clearly we can find solutions without raising taxes. We can't wait much longer. 2008 will be here before we know it.

"If we know this storm is coming, why aren't we preparing for it?"

Tim Penny: Don't Defer Social Security Reform

In a commentary appearing in the Twin Cities *Pioneer Press*, former Rep. Tim Penny (D-MN) urges Congress not to ignore pressing domestic issues in a time of crisis, noting that Congress is both obligated and able to address Social Security's financial problems while dealing with hurricane relief measures. Moreover, Penny, a member of the President's Commission to Strengthen Social Security, notes that a bipartisan consensus on the issue is both possible and necessary to move forward. The full text of his commentary follows.

"In the days and weeks after Sept. 11, 2001, Congress turned its attention to questions of national security, authorizing the use of force to respond to the terrorist attacks and passing the Patriot Act to protect our homeland. However, even with the shock of the attacks, the grief of a stunned nation, and all the preparations necessary for war, our leaders did not neglect critical domestic priorities. In fact, in the months immediately after Sept. 11, Congress completed work on a bipartisan education reform

measure.

“Why does this matter today? The nation just experienced a disaster of Sept. 11-proportions in the form of Hurricane Katrina. While the loss of life was thankfully lower than in the terrorist attacks, damage to property could reach the hundreds of billions of dollars. As we look to rebuild and recover, the focus of Congress is rightly on providing assistance and hope to the victims of this terrible tragedy in New Orleans and the Mississippi Delta.

“However, the example of Sept. 11 shows that in a time of national crisis, Congress can get its bearings, address urgent national issues and still summon the will to tackle other important domestic concerns. So while it addresses the current crisis along the Gulf Coast today, Congress also has an obligation—and an opportunity—over the coming weeks to face a challenge that will confront the country in the immediate future: Social Security and the retirement of the baby-boom generation.

“The facts of the Social Security challenge are beyond dispute: We have fewer and fewer workers paying into the Social Security system, yet in less than three years we face the onset of the greatest wave of retirees ever.

“The American workforce simply cannot afford to pay ever-increasing Social Security benefits to the baby boomers . . . absent massive tax increases that will eventually total nearly one-fifth of workers’ wages.

“As a member of the President’s Commission to Strengthen Social Security, I worked with Republicans and Democrats to develop solutions to fix this system for the long term, including voluntary personal retirement accounts.

“For many workers, these accounts would be their first opportunity to have an investment with their name on it, an account that will grow over time through the power of compound interest earned on a conservative mix of diversified bonds and stock mutual funds.

“In the past, both Republicans and Democrats have agreed that Social Security would be strengthened by voluntary personal accounts and changes to ensure its solvency. In today’s politically charged environment, however, some congressional leaders have ignored this agreement out of a fear of making difficult decisions or in the hope of advancing their party’s interest at the ballot box. Neither political timidity nor political opportunism should be allowed to trump the interests of future generations of Americans.

“The cost of inaction on Social Security is too great to ignore: Right now, future generations face \$11 trillion in Social Security debt, and every year, the burden on our children and grandchildren grows by \$600 billion. To put that staggering figure in perspective, our annual increase in Social Security debt is nearly five times the amount of damage estimated along the Gulf Coast region.

“While the recovery of New Orleans and the gulf region is—and should be—the top legislative priority over the coming months, Congress also shouldn’t miss a unique opportunity to address a public policy crisis before it is upon us.

“President Bush has shown extraordinary leadership in putting Social Security on the domestic agenda and he remains committed to strengthening this critical retirement

program for the long haul.

“Most Americans understand that Social Security faces troubles that urgently need attention, and the facts about the program’s problems and potential solutions are well known by both sides of the aisle on Capitol Hill.

“Make no mistake: This effort will require difficult choices. But armed with a clear understanding of the challenge, the knowledge that the failure to act will leave future generations in dire straits, and the will of a committed president, Congress can find a real solution that is good for future retirees and fair to our children and our grandchildren.”

DeMint: We Must Avert the Social Security Disaster We See Coming

In a recent commentary for *The Hill*, Sen. Jim DeMint (R-S.C.) briefly outlined the key components of The Stop the Raid on Social Security Act, a piece of legislation he and eleven colleagues recently introduced in the Senate. DeMint believes that the Hurricane Katrina response has revealed the virtues of anticipating future disasters, as well as the perils of hesitating to act when faced with an impending crisis. His commentary follows.

“Over the past few weeks, Americans have seen the Gulf Coast battered by two massive hurricanes. These storms serve as a powerful reminder of the overwhelming need to anticipate and prepare for future emergencies.

“Among the hard-won lessons we can draw from these disasters is the paramount importance of planning. Sadly, few in Congress will learn the simple lesson that Americans have picked up on so quickly: If you plan for a disaster, you can diminish its impact and recover rapidly.

“It is the responsibility of Congress to start identifying other potential disasters and address them before it is too late. Yet today, as our nation rebuilds, another far more preventable crisis looms: a Category 5 Social Security failure.

“The bipartisan Social Security Advisory Board has raised the alarm on the impending Social Security crisis, but unlike hurricanes that provide just days or hours of warning, we know the exact date when the Social Security program will crumble. Congress must act now to avoid the devastation ahead.

“In just three years, the massive baby-boom generation will begin to retire, placing tremendous financial pressure on the Social Security system. By 2017, the system will begin running large cash deficits, and by 2025 Congress will need to find an additional \$160 billion to pay full benefits in that year alone. Every year after, the funding shortfall will grow larger and larger.

“To add insult to injury, Congress has not only blatantly ignored this fiscal crisis, it has been robbing the Social Security trust fund for decades to finance runaway spending. Congress has turned the trust fund into its personal slush fund, deceitfully

spending every dollar of the \$1.7 billion Social Security surplus on other government programs.

“While Congress secretly spent this money, most Americans believed their contributions were being saved to pay their retirement benefits. The truth is that not a single penny of Social Security taxes has been saved for future retirees. As my colleague Harry Reid (D-Nev.), the Senate minority leader, said on the floor of the Senate in 1990, ‘The discussion is: Are we as a country violating a trust by spending Social Security trust fund monies for some purpose other than which they were intended? The obvious answer is yes.’

“It is time to end this outrageous practice. Surely we can all agree that Social Security money should be reserved exclusively to pay Social Security benefits. For this reason I, along with 11 of my Senate colleagues, introduced S. 1302, the Stop the Raid on Social Security Act. This legislation would simply take Social Security surpluses that will be created between now and 2017 and lock the money in personal accounts, which will be used to pay future Social Security benefits. It will give workers true ownership of their Social Security benefits for the first time in history.

“By locking away the surpluses that workers pay in over the next decade, we can make a substantial down payment on Social Security’s long-term sustainability. While this would not be a permanent fix, it is an important first step toward the ultimate goal of saving Social Security—a step everyone should support.

“Specifically, the Stop the Raid Act would rebate the Social Security surpluses back to American workers each year. These rebates would be placed in personal Social Security savings accounts, which could not be raided by Congress. Initially, workers’ savings would be placed in government bonds, but other options would be incorporated after two years. This element of choice would allow workers to have a voice in how their retirement funds are managed.

“At retirement, workers would still receive at least 100 percent of their scheduled benefits, but part of their benefits would be paid by the savings account and the rest would come from the traditional Social Security system.

“While the needs of the hurricane victims are immediate and pressing, Congress is capable of handling multiple issues at the same time. It is irresponsible for Congress to pass the problems facing Social Security to future generations. Yet we cannot move forward with comprehensive reform until we restore trust with the American people on how Congress manages their money. Stopping the raid on Social Security would end Washington’s secret slush fund and force politicians to be honest with American workers. True reform will never occur as long as Congress can secretly steal from Social Security.

“Fifteen years ago, Sen. Reid said, ‘It is time for Congress, I think, to take its hands . . . off the Social Security surpluses. Stop hiding the horrible truth of the fiscal irresponsibility that we have talked about here the past two weeks. It is time to return those dollars to the hands of those who earned them—the Social Security beneficiaries and future beneficiaries.’

“I completely agree! We must seize this opportunity and give every American a legal right to their retirement. In the process, we can change the biggest tax that most Americans will ever pay, into the largest savings account that most Americans will ever own.

“Let’s stop the raid on Social Security and start planning for the future.”

Social Security and the Cultural Zeitgeist

For years, advocates of Social Security reform have made the point that the program’s lack of inheritability leaves African-Americans at a disadvantage. (For example, see “[Disparate Impact: African Americans and Social Security](#),” Cato Institute Briefing Paper no. 61). Perhaps the point is finally getting through. On one recent episode of Fox’s medical drama *House*, a black doctor gave this advice to a sick patient: “If you really want to stick it to whitey, be one of the few blacks who lives long enough to actually collect some Social Security.”

Edited by Brooke Oberwetter, boberwetter@cato.org. To subscribe or unsubscribe to *Social Security This Week*, please contact Christy Rhoton at (202) 789-5259 or crhoton@cato.org.