

# Social Security Choice

## ***SOCIAL SECURITY THIS WEEK***

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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### ***Walter Williams: Entitlements Will Foster Intergenerational Conflicts***

In a recent column [appearing on TownHall.com](#), syndicated columnist and professor Walter E. Williams argues that when it comes to tackling the significant problems facing Social Security, politicians are letting the politics of today interfere in preventing the problems of tomorrow. The text of his column follows.

“I cringe with disgust when I hear politicians say, ‘We’re doing it for the children.’ What’s worse is so many Americans mindlessly fall hook, line and sinker for the hype. Judging by our actions, Americans could not care less for future generations, and future generations will curse us for it. Let’s look at it.

“According to several respected authorities, including the Concord Coalition (co-chaired by former Sens. Warren Rudman and Robert Kerrey), the Congressional Budget Office, U.S. Treasury Secretary John Snow, and the Social Security Administration, the estimated present value of the unfunded liability of Social Security and Medicare ranges between \$61 trillion and \$75 trillion dollars.

“Williams,’ you ask, ‘what’s this present value business?’ Simply put, between \$61 trillion and \$75 trillion dollars is the money that would have to be put aside right now, at current interest rates, in order to meet future obligations of Social Security and Medicare. To put an astronomical sum like \$61 trillion or \$75 trillion in a bit of perspective: The value of our entire national output of goods and services (GDP) in 2004 was only \$12 trillion.

“Congress can’t put aside \$75 trillion as reserves against future liabilities of Social Security and Medicare. Therefore, according to the Dallas, Texas-based National Center for Policy Analysis (NCPA), the annual rate of Social Security unfunded liabilities is growing at a \$667 billion clip and Medicare’s at \$4 trillion.

“What does all this mean? It means little in pocketbook terms to today’s Americans who are 65 years or older. They will collect their Social Security checks and their promised Medicare benefits, but not so for future generations. Here’s that future according to House Ways and Means Committee testimony, given by Dr. John Goodman, president of the NCPA (May 2005). ‘In 2020, combined Social Security and Medicare deficits will equal almost 29 percent of federal income taxes. At that point the

federal government will have to stop doing almost a third of what it does today. By 2030, about the midpoint of the baby boomer retirement years, federal guarantees to Social Security and Medicare will require one in every two income tax dollars. By 2050, they will require three in every four.' And by 2070, Social Security and Medicare will consume all federal revenues.

"There are some 'optimists' who seek to minimize the pending disaster that will be caused by these and other federal unfunded liabilities. They argue that the federal government can always meet its obligations through its power to tax. According to some estimates, by 2030, Social Security and Medicare obligations alone will require a 50 percent increase in payroll taxes. If tax increases are off the table, 2030 will see a 30 percent reduction in promised Social Security benefits and stringent rationing of health care services promised by Medicare. There's another 'solution.' Even though Congress can't increase our life-expectancy, they can raise the age of Social Security and Medicare eligibility. Were Congress to make 80 as the age for Social Security and Medicare eligibility, they'd solve the problem because most of us would be dead.

"Let's look at the raw politics of the Social Security/Medicare situation. Few, if any, of our 535 congressmen will be around in 2030 and later when the real crunch comes, but they are subject to today's, not tomorrow's, political pressures. Similarly, few of today's Americans 65 years of age and older will be around. Other than mouthing a concern for future generations, both have little economic incentive to be concerned about what happens in 2030. After all, what do they have at stake?

"In 2030, will young people in the labor force be willing to see themselves taxed at Social Security rates of 20, 30 and 40 percent to take care of some old people? I don't think that will politically fly, and they might begin to get ideas about euthanasia. In addition to economic strife, Social Security and Medicare are laying the groundwork for intergenerational conflict. Unfortunately, the politics of today don't give us room to prevent these twin disasters."

## ***Supreme Court to Hear Social Security Offset Case***

The Supreme Court has agreed to hear a case about whether or not the government has the right to offset a portion of scheduled Social Security benefits in order to recoup delinquent federal student loans. According to an [Associated Press report](#) on the case, "James Lockhart was surviving on \$874 a month in Social Security disability payments plus \$10 in food stamps when student loans from two decades earlier caught up with him. He was told that his Social Security checks would be cut by 15 percent, an offset to pay more than \$80,000 in delinquent student loans."

Although the case deals with several earlier decisions involving the time limits during which the government can act against Social Security beneficiaries with outstanding student loans, the case brings up the much larger issue of who owns and controls Social Security dollars. As Charles E. Rounds pointed out in "[Property Rights: The Hidden Issue of Social Security Reform](#)," (Cato Social Security Paper No. 19, April 19, 2000), "It has long been law that there is no legal right to Social Security. In two important cases, *Helvering v. Davis* and *Flemming v. Nestor*, the U.S. Supreme Court

ruled that Social Security taxes are simply taxes and convey no property or contractual rights to Social Security benefits. As a result, a worker's retirement security is entirely dependent on the political decisions of the president and Congress. Benefits may be reduced or even eliminated at any time."

### ***Republicans Divided in 3 Camps on Social Security Reform***

According to two separate pieces in *CQ Weekly* this week, Republican lawmakers seem to have spilt into three camps on the issue of Social Security reform, camps that *CQ* identifies as the "faders," "fighters," and "fixers."

The faders, as the name suggests, are the Republicans who would simply prefer the issue to quickly and quietly fall off the radar screen so as to avoid contentious debate on the matter in the run-up to next year's midterm elections. *CQ* identifies President Bush as the symbolic head of this camp for allowing the issue to get swept aside at the end of the summer. Although it seems unlikely that the president is willing to let the issue simply disappear, it has not been difficult to see in recent weeks that Speaker Denny Hastert, Majority Leader Roy Blunt, National Republican Congressional Committee Chairman Thomas M. Reynolds, and possible presidential aspirants including Sens. George Allen and John McCain have had no interest in engaging on the issue. The faders "have concluded that any more attention to the issue could make life even more difficult politically for many of the vulnerable incumbents in their caucus."

The fighters, by contrast, are the group dedicated to passing a personal accounts reform bill during this session. Though the bills they currently support—accounts funded from the annual Social Security surplus—would not fix Social Security's longterm problems, the measure is seen by members of this group either as a stepping stone to more comprehensive legislation in the future or as a potentially useful campaign tool in 2006. The group includes the most prominent Congressional leaders on the issue of Social Security reform, including Sens. Rick Santorum, Jim DeMint, and John E. Sununu and Reps. Bill Thomas, Jim McCrery, Clay Shaw, Jr., and Paul D. Ryan of Wisconsin. According to *CQ*, "they reject the overwhelming conventional wisdom and assert that a Social Security overhaul by the 109th Congress is still possible. And until that happens, they will delight in trying to define the Democrats as obstructionists for blocking the way."

Finally, there are the "fixers," a group of moderate lawmakers who would like to move away from the issue of personal accounts and find bi-partisan solutions to shoring up Social Security's finances. Democratic Rep. Allen Boyd, Rep. Jim Kolbe, and Sens. Charles E. Grassley, Chuck Hagel, and Lindsey Graham make up the fixers. Although this group's commitment to bi-partisan reform is laudable, dealing with solvency without personal retirement accounts would ignore the urgent issues of ownership, inheritability, and choice.

### ***Saving and Palmer Re-Nominated as Social Security Trustees***

A [news release](#) from the National Center for Policy Analysis announces that both Thomas R. Saving and John Palmer have been nominated by President Bush to each serve a second four-year term as Public Trustees of the Social Security and Medicare Trust Funds. Saving, a senior fellow at NCPA, and Palmer, dean of the Maxwell School at Syracuse University are the first two Public Trustees to be appointed to second terms.

“It’s hard to think of any economists better suited for this position than Saving and Palmer,” said NCPA President John C. Goodman. “Their continued service will be critical to the efforts to reform these programs.”

Both Palmer and Saving were instrumental in implementing the new practice of including the unfunded liabilities of the Social Security system into the annual Trustees Report, and both are considered friendly towards the idea of reforms that include personal retirement accounts.

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