



# Social Security Choice

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

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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### ***Bush: Social Security Reform "A Priority"***

In his first postelection [news conference](#), President Bush told reporters that Social Security reform would be "a priority of [his] administration" in a second term.

Predicting a tough and costly battle, Bush promised to work with members of both parties who support his proposals to allow younger workers to privately invest a portion of their Social Security taxes through individual accounts. "We will start on Social Security now. We will start bringing together those in Congress who agree with my assessment that we need to work together."

The president said that he understood the problems involved in financing the transition, but noted that "the cost of doing nothing... is much greater than the cost of reforming the system today."

Bush said that he talked to members of his staff following his election victory, and they were planning a strategy on how to move his agenda forward:

"We must show our leadership by strengthening Social Security for our children and our grandchildren. This is more than a problem to be solved; it is an opportunity to help millions of our fellow citizens find security and independence that comes from owning something...from ownership."

"...We've got a good blueprint, a good go-by. I had asked [Senator Moynihan] prior to his...to his passing, to chair a committee of notable Americans to come up with some ideas on Social Security. And they did so. And it's a good place for members of Congress to start.

"The president must have the will to take on the issue...not only in the campaign, but now that I'm elected. And this will...reforming Social Security will be a priority of my administration. Obviously, if it were easy it would have already been done. And this is going to be hard work to bring people together and to make...to convince the Congress to move forward. And there are going to be costs. But the cost of doing nothing is insignificant to...is much greater than the cost of reforming the system today. That was

the case I made on the campaign trail, and I was earnest about getting something done. And as a matter of fact, I talked to members of my staff today, as we're beginning to plan to...the strategy to move agendas forward about how to do this and do it effectively.

"It's going to be...it's not easy. These...I readily concede I've laid out some very difficult issues for people to deal with. Reforming the Social Security system for generations to come is a difficult issue; otherwise, it would have already been done. But it is necessary to confront it. And I would hope to be able to work with Democrats to get this done. I'm not sure we can get it done without Democrat participation, because it is a big issue, and I will explain to them and I will show them Senator Moynihan's thinking as a way to begin the process. And I will remind everybody here that we have a duty to leave behind a better America, and when we see a problem, to deal with it. And I think the...I think Democrats agree with that."

### ***Bush Victory Sets Stage for Social Security Battle***

President Bush is expected to push aggressively for Social Security reform in his second term, setting the stage for a major battle early next year.

Of course, the election hardly turned on Social Security. Terrorism, the war in Iraq, jobs, and health care were clearly bigger issues. Still, there were clear differences between President Bush and Senator Kerry over Social Security, and neither candidate hid his position. President Bush's standard stump speech contained a call to allow younger workers to privately invest a portion of their Social Security taxes through individual accounts. In television ads and on the campaign trail, Kerry attacked the president for planning a "January surprise" that would "privatize" Social Security. While Bush portrayed individual accounts as part of an "ownership society" that would allow workers to build "a nest egg" for retirement, Kerry called them a giveaway to Wall Street.

Clearly, Kerry's arguments did not carry the day. The president grasped the third rail of American politics and lived. In fact, not only did Social Security not hurt the president (he carried voters over 65), it may have played to his favor. Polls show that he ran particularly strong with the investor class, who consider Social Security an important issue.

In his victory speech on Wednesday, the president made it clear that he intends to "strengthen Social Security for the next generation." Armed with a mandate and stronger majorities in both houses of Congress, the president is likely to see Social Security reform as an opportunity to secure his domestic policy legacy.

## ***Senate Races Show Third Rail Is Dead***

The presidential race was not the only election this year in which supporters of Social Security reform were victorious. Several Senate races also demonstrated that the third rail of politics has lost its juice.

**South Carolina:** Few congressmen have been as outspoken in their support for individual accounts as South Carolina's Jim DeMint. His opponent in the race for that state's vacant Senate seat, Inez Tannenbaum, tried to make DeMint's sponsorship of a Social Security reform bill an issue in their race. Tannenbaum's television ads denounced DeMint's "dangerous" and "disturbing" plans for "putting Social Security in the stock market." Yet, despite a series of campaign gaffes, DeMint won by a comfortable 10 percent margin.

**South Dakota:** In South Dakota, John Thune shied away from Social Security during his unsuccessful Senate race two years ago. This year he came out strongly in favor of individual accounts in his race against Senate Minority Leader Tom Daschle. Daschle tried to play the Social Security fear-mongering card, claiming Thune is "going to destroy the Social Security system as we know it today." Daschle even ran television ads featuring seniors warning that Thune would "privatize" Social Security, "a big mistake" according to the ad. Yet, Daschle became the first Senate leader to be defeated since 1952.

**Florida:** Likewise in Florida, the epicenter of the senior vote, former secretary of housing and urban development, Mel Martinez, courageously supported individual accounts. His opponent, Betty Castor, attacked him for putting the Social Security benefits of 3 million Florida recipients "at risk." Martinez still eked out a narrow win. If Social Security no longer works as an election scare tactic in Florida, it will no longer work anywhere.

These election results should not come as a big surprise. The third rail has been losing its juice for several years. President Bush came out in favor of individual accounts during his race in 2000. And, in the 2002 congressional elections, in every race where Social Security was a major issue, candidates favoring reform won.

## ***NCPA: More on Election Results***

The [\*U.S. Newswire\*](#) reports that the NCPA is optimistic about Social Security reform amid Bush's re-election and victories in key congressional races. Kerry adamantly objected to private retirement accounts, but failed to win the states where Social Security was an issue. The news release emphasizes that the result of this election foreshadows a productive year for reform efforts. The full text of the commentary follows.

"As the dust settles on the 2004 election, it is becoming increasingly clear that the prospect for fundamental reform of Social Security achieved a significant victory last night, according to experts with the National Center for Policy Analysis (NCPA). In

addition to the presidential campaign, Social Security reform was an important issue in several congressional campaigns.

“This campaign proves that Social Security is fast losing its position as the ‘third rail of American politics,’ said NCPA policy analyst Matt Moore. ‘With Bush’s re-election and several key victories in Congress, saving Social Security for future generations appears to be on the front burner.’

“The NCPA notes that while Senator Kerry ran ads in several key states with high populations of senior voters accusing President Bush of having a secret plan to cut Social Security benefits, the president didn’t hide from the issue. For example, his stump speech throughout the final months and weeks of the campaign noted:

“Baby boomers like me are in good shape. But we need to worry about children and our grandchildren when it comes to Social Security. Social Security will not be there when they need it if we don’t think differently. That is why I believe younger workers ought to be able to take some of their payroll taxes and set up a personal savings account, a personal savings account that will earn a better rate of return than the current Social Security trust, an account they call their own, an account the government cannot take away.’

“In states where Social Security was an issue in the presidential campaign, including Arizona, Florida, Iowa, Ohio, New Mexico, and Pennsylvania, President Bush won in all but the Keystone state.

“Social Security reform also experienced significant victories in races for Congress. Six Social Security reform plans were proposed in the House of Representatives during the 108th Congress, with 34 House Members either sponsoring or cosponsoring the different plans. Of the 34 Members:

“--Two were elected to the Senate: Senator-elect Jim DeMint (R-S.C.) won 54 percent of the vote in a race that focused on his record on Social Security and tax reform; and Johnny Isakson (R-Ga.) won 59 percent of the vote.

“--27 others were reelected.

“--Three retired: Longtime Social Security reform leader Rep. Nick Smith (R-Mich.), as well as Reps. Jennifer Dunn (R-Calif.) and Amo Houghton (R-N.Y.).

“--Two were voted out: Reps. Charles Stenholm (D-Texas) and Patrick Toomey (R-Pa.), who lost the Republican primary for Pennsylvania’s Senate seat.”

### ***Bush’s Social Security Plan Could Boost Financial Industry***

Robert Schroeder of [CBS’s MarketWatch](#) writes that Bush’s Social Security plan would benefit financial markets by redirecting money from the government into the private sector. Private retirement accounts would be a bonus to Wall Street as well as “anyone that touches the markets,” he reports. Excerpts from the article follow.

“President George W. Bush’s apparent election victory would be a boon to some brokers and banks, financial industry analysts said early Wednesday.”

“Social Security was another hot financial subject in this year’s election. The cost of the program, on which retired Americans rely for supplemental income, has grown to almost \$500 billion per year. But with Baby Boomers set to begin retiring, program payments are expected to begin outstripping revenues by 2019. Barring any changes, Social Security benefits could be dramatically cut beginning in 2042.

“The financial industry could benefit enormously from Bush’s plan to allow younger workers to divert some of their payroll taxes into personal investment accounts. Social Security is currently 100 percent government-run; privatizing some of the program could potentially pour money into the stock market.

“Partially privatizing the program ‘should help anyone that touches the markets,’ Arfstrom said, referring particularly to large banks with capital markets businesses.

“Gardner also said partial privatization of Social Security is ‘good for the brokers, good for the asset managers.’

“‘The fact that Republicans have gained seats in the House and Senate makes it easier for the president to pursue reform,’ he added.”

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