



# Social Security Choice

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

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

WEEK OF DECEMBER 16, 2005

### ***President Bush Plans to Revisit Social Security Next Year***

Allan Hubbard, President Bush's chief economic adviser and director of the National Economic Council, announced this week that the president will continue his push for Social Security reform next year, according to the [Washington Times](#). "The president is not going to give up on Social Security," Hubbard said.

He added, "The president was frustrated by the fact that the Democrats were unwilling to address Social Security and I can guarantee as long as he is in office, Social Security will be a big concern of his, along with the [other] huge entitlements."

Although some people have speculated that it might be politically dangerous to press the Social Security issue during an election year, others are more optimistic. The *Washington Times* noted that Rep. Jeff Flake (R-AZ) has suggested that a better sales pitch from the White House could line up more congressional support than we saw this year. In addition, as Rep. Bill Thomas (R-CA), chairman of the House Ways and Means Committee, told reporters several weeks ago: "Election years are the most opportune time to get things done. That's why we got the Medicare [prescription drug bill] done."

### ***New America Foundation Announces Nonpartisan Reform Plan***

The New America Foundation announced the release of a nonpartisan plan for reforming Social Security, aimed at showing lawmakers that, contrary to popular opinion, compromise is possible. The plan's authors include Maya MacGuineas, director of the fiscal policy program at the foundation; Jeffrey Liebman, professor of public policy at Harvard's Kennedy School of Government and special assistant to President Clinton for economic policy; and Andrew Samwick, professor of economics at Dartmouth College and a member of President Bush's Council of Economics Advisers.

The plan includes a personal account component and also includes a reduction in future benefits, an increase in the payroll tax cap, and a raise in the retirement age. The announcement emphasized that the plan "puts great emphasis on fiscal responsibility."

The entire plan can be seen on the New America Foundation website, [www.newamerica.net](http://www.newamerica.net).

Although the plan is a first step toward compromise, several aspects of the plan might prove politically difficult. First and foremost, the accounts are quite small; they would be funded from only 1.5 percent of current payroll, and workers would be required to add an additional 1.5 percent of their wages. That would essentially be a 1.5 percent tax increase. Under this proposal, which is a blend of “carve-out” and “add-on” approaches, accounts are not optional, an element that will likely be unpopular. In addition, the entire account balance must be annuitized, making inheritability—one of the chief motivators for many supporters of reform—impossible. All told, however, the proposal is a solid attempt to show that Democrats and Republicans can bridge their differences to improve the system.

### ***NLPC: Federal Subsidies to AARP Pay for Anti-Reform Lobbying***

In a recent report issued by the National Legal and Policy Center, John Carlisle, policy director at NLPC, documents AARP’s various abuses of its nonprofit status, especially with regard to its lobbying efforts against Social Security reform. Carlisle notes that in spite of being organized, operated, and funded like a Fortune 500 company, AARP is tax-exempt and receives an additional \$83 million in federal subsidies each year, often for member services that it doesn’t even provide particularly well.

As Carlisle concludes: “For many years, congressional reformers and research foundations have been working to stop the flow of billions of dollars in federal money to private organizations engaged in political advocacy. There have been some notable successes such as the 1995 Lobbying Disclosure Act which prohibits 501(c)4 organizations that engage in legislative lobbying from getting federal money. However, the results are still mixed given the ability of AARP and other groups to simply establish 501(c)3 foundations to administer the grants.

“AARP receives more than \$80 million in federal funding each year. Cumulatively, it probably received more than \$1 billion over the last 16 years. It is grossly unfair to force taxpayers to subsidize a nonprofit group that routinely generates nearly \$900 million annually. And it is outrageous that taxpayers are being used to advance its liberal agenda to expand government and thwart Social Security reform. Ending federal subsidies to AARP would put an end to the unjust practice of publicly funding a highly partisan and controversial interest group.”

To view the whole report in PDF, [click here](#).

### ***Population Changes Affect Social Security’s Financial Health***

The National Center for Health Statistics released a report last week indicating that life expectancy in the United States has hit an all-time high of 77.6 years. The report also notes that deaths from heart disease, cancer, and stroke are on the decline. Those declines have been linked to healthier lifestyles and significant advances in medicine, [according to an Associated Press report](#).

While it's certainly good news that Americans are living longer and healthier lives, there's no question that the financial implications for taxpayers are worrisome, especially when it comes to entitlements. Longer lives mean more spending per person on Medicaid, Medicare, and Social Security, three programs that are already projected to begin consuming ever-increasing proportions of the federal budget over the next several decades.

Keeping the government in charge of retirement planning for all Americans is a recipe for disaster. The rigid and inflexible plans of the past aren't designed to withstand the major demographic shifts the United States—and other countries—are about to experience. The longer we wait to make changes, the more painful they will have to be for workers and retirees alike.

### ***Farewell but Not Goodbye***

This is the last issue of *Social Security This Week*, but not the last time you will hear from us. The changing nature of the debate over Social Security reform means we will be unlikely to have enough news to justify a weekly newsletter next year. However, whenever there are developments to report, we will pass them along to you as special bulletins.

As for the debate itself, the campaign for reform goes on. We will not attempt to hide the fact that this year was a setback. Partisan opposition and special-interest demagoguery succeeded in preventing any action this year. And we do not expect Congress to act next year, an election year. However, the need for reform is not gone away. Indeed, Congress's inaction this year made the problem \$660 billion worse. Worst of all, Americans still do not have ownership of or control over their retirement money.

The president remains committed to reform and so do we. Those of us who believe in giving workers greater ownership, inheritability, and choice will continue to make our case. And we are confident that we will ultimately prevail... and sooner rather than later.

To all of you who have helped us fight the good fight, we at the Cato Institute want to say thank you. We could not have accomplished all we have without you. Keep fighting. We will.

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