



The Bell Policy Center

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Bush crying wolf on Social Security

By Rich Jones

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As part of his national social security tour, President Bush stops in Colorado tomorrow to convince us the sky is falling. It is not - and his framing of the debate and proposed solution distract from the very serious issues at stake.

Social Security is one of the most effective government initiatives of all time. Each month, 47 million Americans receive retirement, disability or survivor benefit checks. Adopted in the depths of the Great Depression, Social Security was designed to raise incomes of the elderly, most of whom at the time were poor.

Program benefits help low-wage workers most by providing them with a larger share of their past earnings. Because many low-wage workers have limited personal savings - and few have private pensions - they depend on social security for most of their retirement income. This is a rock-solid promise to America's seniors that we have kept for over 70 years, and we should approach any changes to the system carefully and skeptically.

Social Security was envisioned as part of a three pronged approach to retirement that also included private pensions and personal savings. Frankly, it's the only one of the three prongs that has worked dependably. While personal savings rates lag and some private pensions have disappeared over night, Social Security has dependably reduced poverty among older Americans. Today, 7% of Colorado seniors are poor - without social security, 43% would fall below the poverty line. Social Security lifts 151,000 Coloradans out of poverty.

Enter President Bush, who tells us we need to act quickly to save the system from bankruptcy by allowing workers to divert a portion of their social security taxes into private investments in the stock market. But is the system in such dire straits that we must act so radically to prevent it from going bankrupt?

In a word-no! Here's why:

Each year the Social Security Trustees report on the long-term solvency of the system. These 75 year projections are based on a number of variables - such as life expectancies, birth rates, immigration levels and economic growth - that are hard to predict in the near term, let alone three quarters of a century into the future. Small adjustments in any variable can vastly change the long-term projections.

Still, the trustees' projections often are cited as certainties. In 2004 they showed social security benefits can be paid out of current tax collections until 2018, after which the system will have to tap its trust fund. These assets are projected to last until 2042, after which the system will not be able to pay full benefits. The President cites these projections when he says the system will be bankrupt by 2042.

But, according to these same projections, even with no changes the system will still be able to pay 70 percent of benefits through 2078 (the year I turn 125). That's a higher level of benefit than those projected under several plans being considered to "fix" the problem.



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Actually, the trustees make three projections based on different assumptions. Under their more optimistic projection, the current system would be able to pay full benefits over the entire 75 years. According to some actuaries, in recent years the trustees' more optimistic projections have been the most accurate.

Projections by other reputable groups are even more optimistic about the system's long term solvency. The nonpartisan Congressional Budget Office (CBO), using the trustees' data but different forecasting methods, projects that benefits will exceed tax collections in 2020 (two years later than the trustees) and trust fund securities will be exhausted by 2052 (ten years later than the trustees). Beginning in 2053 the CBO forecasts the system will be able to pay 78 percent of current benefits.

Finally, the trustees' projections have grown more optimistic over time. In 1997 they projected benefits exceeding tax collections in 2012 and trust fund assets being exhausted by 2029. Each report since 1997 has pushed those dates further into the future.

Because Social Security is such a vital program we should use conservative estimates to determine its long term funding needs. But absent an immediate problem - and given its stunning success lifting seniors out of poverty - we should also be conservative about making changes.

So why is the President pushing such a radical overhaul of a system that isn't broken? Most experts - including many who support private accounts - acknowledge that, by themselves, private accounts won't help with the system's solvency. Because implementing them requires diverting funds that would otherwise go to retired workers, they come with steep transition costs of as much as \$2 trillion.

All this attention on Social Security is distracting us from the program for seniors that really IS in crisis -- Medicare. Today the combined spending on both programs totals 7% of our national income and is projected to grow to 13% by 2030. Two thirds of the increase occurs in Medicare. The trustees project spending on Medicare will surpass Social Security expenditures in 2024 and will be twice the amount of Social Security by 2078. Sales of securities in the Medicare Hospital Insurance trust fund are needed to cover expenditures beginning in 2010, and the fund could be exhausted by 2019 (just in time for my retirement!). This does not include expenditures for the part of Medicare that covers doctor's bills and the new prescription drug benefit, which is funded from general revenues and premiums paid by beneficiaries.

Ensuring the safety and soundness of retirement is a goal all Americans support. It's a shame the President's current campaign misses the mark by so much.

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