

What's So Wrong With Social Security?

January 25, 2005

What's So Wrong With Social Security?

By Congressman Steven Rothman (D-NJ)

On December 16, 2004, President Bush made a rather disturbing remark about Social Security. He said the program is in "crisis...now". Curiously, he chose to create the impression that our nation's proven retirement income insurance program, Social Security, is in some imminent danger. However, nothing could be further from the truth.

CBO Says 100% of Benefits Will be Paid Through 2052

For example, according to the nonpartisan, U.S. Government's Congressional Budget Office (CBO), if no changes whatsoever are made to the existing Social Security program, 100% of all benefits will be paid to all Social Security retirees through the year 2052. Further, the CBO states that, starting in 2053, 80% of benefits will still be paid, dropping off to 71% by 2100. Again, that is if NO changes are made to the Social Security program ever! The Social Security Administration's Trustees, who were all appointed by President Bush, predict that the "crisis" in Social Security will begin no earlier than 2042.

Notwithstanding these CBO and SSA predictions, some have nonetheless claimed that Social Security will be "bankrupt" in 2018. That allegation is also clearly false. That's like saying a person who has worked all his life, and will soon retire with no more wages coming in, is "bankrupt"--even though he has millions of dollars of U.S. Treasury notes in his name.

In 2027 Social Security Reserves Will Total \$6.6 Trillion

Similarly, in 2018, Social Security is projected to have approximately \$5.3 trillion in reserves available to supplement payroll tax revenue, according to the Social Security Administration Trustees' own report. Those reserves will continue to grow, reaching a peak of \$6.6 trillion in 2027. In fact, Social Security will not be "bankrupt" even in 2042 or 2052. This is because payroll taxes will still be coming in to the Trust Fund to finance benefits.

Still, critics of Social Security continue to point out that Social Security's promises of retirement benefits are just that, promises. However, as a recent New York Times editorial so aptly expressed: "...since 1983, payroll taxes have exceeded benefits, with the excess tax revenue invested in interest-bearing [U.S.] Treasury securities.... That accumulating interest and the securities themselves make up the Social Security trust fund. If the trust fund's Treasury securities are worthless, someone better tell investors throughout the world, who currently hold \$4.3 trillion in Treasury debt that carries the exact same government obligation to pay as the trust fund securities. The president is irresponsible to even imply that the United States might not honor its debt obligations."

A Retirement Insurance Policy With Disability,

Survivor Benefits & COLAs

When it was started in 1935, America's Social Security Program had two purposes: first, to rescue the more than half of America's seniors who were living in poverty; and second, to provide an insurance policy for America's workers to make sure that they and their families would have retirement benefits that would keep them out of poverty when they retired. The first goal was met and the second goal continues to be met. In addition, since 1935, Congress has added additional benefits to the program, such as the equivalent of hundreds of thousands of dollars of disability insurance per worker, as much as a \$400,000 life insurance policy for surviving minors and spouse, as well as annual cost-of-living increases.

For 70 Years Social Security Has Met 100% of its Obligations

Since the very start of the program, the U.S. Government has met 100% of its Social Security obligations, without fail---through wars, recessions, national tragedies and stock market downturns. On this basis alone, Social Security is certainly one of America's most successful, proven and reliable programs.

In addition, with all this talk about Social Security, it is important to remember not only the tangible, dollar benefits that our existing program provides all Americans. In fact, one can reasonably argue that the existence of our Social Security system gives investors of all kinds the peace of mind in knowing that---despite the risks they're willing to take with the rest of their income---their Social Security retirement benefits are guaranteed by the full faith and credit of the United States of America.

Let's Examine the President's Plan When Presented

And Provide Alternatives If Needed

Of course, confronting future problems sooner rather than later is always a good idea. But words such as "crisis" should be reserved for impending catastrophes. And the word "now," should refer to problems that face us today or in the very near future.

When President Bush finally provides us with the full details of his plans to "save" Social Security, we can better judge it. At that time we will all be able to evaluate his ideas and, if we disagree, provide alternative solutions. Challenges do face us, but there is nothing that would justify weakening Social Security and cutting all future retirees' benefits. We should, instead, strengthen the existing Social Security system: the most successful and reliable anti-poverty program in the history of our nation.