

Social Security Briefing Materials

October 2010



State Social Security Reports Available

Get a report showing how Social Security benefits your state and each of its congressional districts. Go to:
<http://strengthen socialecurity.org/reports>



The mission of Social Security Works is to protect and improve the economic status of disadvantaged and at-risk populations, and, in so doing, to promote social justice for current and future generations of children as well as young, middle-aged and older adults. Social Security Works is a project of the The Advocacy Fund with generous support from The Atlantic Philanthropies.

www.socialsecurity-works.org

Social Security Briefing Materials

Table of Contents

Section One: Social Security Messaging	5
Social Security: Framing This Winning Issue	7
Recommended Social Security Messages – Short Form	9
Recommended Social Security Messages – Long Form	10
Highlights of Polling Questions on Social Security	12
Social Security Benefits Should Not Be Cut.....	13
Section Two: Republican Proposals for Social Security	15
Republican Plans To Privatize Social Security And Cut Its Benefits	17
What Republicans Are Saying About Social Security: Privatize, Raise The Retirement Age And Continue Tax Cuts For the Wealthy That Could Be Used to Make Social Security Solvent.....	21
Messages To Rebut Republican Claims About Social Security.....	27
Section Three: Social Security Issues	29
Key Facts About Social Security	31
Raising The Retirement Age Is A Substantial Benefit Cut	35
Reducing The Annual Cost Of Living Adjustment (COLA)Is A Large Benefit Cut	36
Price Indexing Is A Substantial Benefit Cut That Dramatically Changes The Fundamental Structure Of Social Security	37
Means-testing Will Fundamentally Undermine Social Security’s Universal – And Deep – Public Support	38
Financing Options To Strengthen Social Security Not Cut It.....	39
Section Four: Selected Media Coverage of Social Security	41
Los Angeles Times, Michael Hiltzik, “The myth of the Social Security system’s financial shortfall”	43
Newsweek, Ezra Klein, “We Should Leave Social Security Alone”	47
New York Times, Paul Krugman, “Attacking Social Security”	51
Washington Post, Michelle Singletary, “The Color of Money: It’s unfair to call Social Security a Ponzi scheme” ..	53
The Nation, Katrina vanden Heuvel, “Talking Social Security”	55

Section One: Social Security Messaging

Social Security: Framing This Winning Issue

Supporting Social Security is one of the strongest positions for an elected official to take. Voters react most favorably to elected officials who make commitments to protecting Social Security by asserting that Social Security belongs to the people who contribute to it.

We must put a STOP to the...

- Intense scare tactics of politicians who present Social Security as a “problem,” and a system that is “going broke.” It is unfair and dishonest to preach that it is “going broke.” Americans deserve a sense of peace and security that their Social Security benefits will be there.
- Efforts of politicians to make Americans believe that this signature program holds “worthless” IOUs, rather than Treasury bonds backed by the full faith and credit of the United States. Such claims are irresponsible and undermine confidence in government and in the financial obligations of the United States Government. America will keep its promise to repay the Chinese; it should do no less to the American people.

We must take charge of framing the issue by...

- Having no fear. Support for Social Security is a core American value that runs very deep across all demographic groups – including a willingness to pay higher taxes to strengthen it. Politicians who propose cutting its benefits do so at their peril.
- Assuring working Americans that they will collect their promised benefits.
- Speaking enthusiastically about Social Security, emphasizing its protection of the economic security of all Americans, through its life, disability and old-age insurance.
- Expressing outrage at the lies about Social Security told by politicians.
- Connecting with voters who are most in need, and all who are concerned about their own economic security and their children’s and grandchildren’s.

We must emphasize that Social Security is...

- The most fiscally responsible and prudently managed part of the government.
- Crucial to America’s economic security.
- Fully affordable.
- More important than ever to all Americans, particularly with reductions in savings, retirement income accounts and housing values.
- Insurance against lost wages, not simply a government spending program supported by a payroll tax.
- Projected to have a \$4.2 trillion surplus by 2025.
- Able to pay all promised benefits through 2036, and three-quarters of promised benefits through 2084.
- Projecting a very manageable cash shortfall in 2037 and thereafter, which can be eliminated through new revenues, such as raising the amount of wages subject to the payroll tax.

We must emphasize that Social Security IS NOT...

- Responsible for any part of the current Federal deficit; it is a self-sustaining program.
- Going bankrupt or in crisis. Americans should feel reassured that Social Security's finances are closely monitored, and it will always pay benefits on time just as it always has.

We must emphasize that Social Security Works...

- 53 million Americans receive benefits – over 4 million children each month, over 8 million people with severe disabilities, over 36 million retired workers and their spouses, and over 4.5 million widow(er)s.
- Administrative costs are less than a penny of every dollar spent. These are much lower administrative costs than private sector retirement arrangements.
- It shows how well government can work for the American people.

As a candidate, promise to...

- Oppose all efforts to privatize Social Security, including the introduction of new personal retirement accounts.
- Oppose all efforts to cut Social Security benefits, including raising the retirement age or changing the benefit formula.
- Stand with working Americans to strengthen Social Security. Congress should be considering increasing its modest, but vital, benefits, not cutting them.

Recommended Social Security Messages – Short Form

- Social Security belongs to the people who have worked hard all their lives and contributed to the program. It does not belong to the government.
- Social Security is based on a promise that if you pay in then you earn the right to guaranteed benefits. This is one promise to the American people that can't be broken.
- Social Security did not cause the federal deficit. Social Security has a \$2.6 trillion surplus today. Social Security's benefits should not be cut to reduce the deficit – or for any other reason.
- We need to strengthen Social Security, not cut it. The average benefit is only \$13,000 a year. That's not even the minimum wage. I oppose any cuts to Social Security benefits, such as raising the retirement age. I oppose any effort to privatize Social Security. Taking your guaranteed benefits and gambling with them on Wall Street is not a risk worth taking.
- Social Security is a commitment made to all Americans that has withstood the test of time. It represents the best of American values – rewarding hard work, honoring our parents and caring for our neighbors.
- Social Security is not in crisis. It can pay all promised benefits in full for the next 25 years. We have plenty of time to close this funding gap so that all promised benefits can be paid.
- There is a choice: Congress can guarantee everyone their full Social Security benefits for the next 75 years. Or Congress can renew the Bush tax cuts for the wealthiest 2% of Americans. The cost of each is the same.

Recommended Social Security Messages – Long Form

- **Social Security belongs to the people who have worked hard all their lives and contributed to the program.** It does not belong to the government. Social Security is based on a promise that if you pay in then you earn the right to guaranteed benefits. It is there for you, your spouse and your dependent children when you retire, experience a severe disability, or die.
- **Social Security did not cause the federal deficit.** It has not contributed one dime to the deficit. Social Security has a \$2.6 trillion surplus today that workers and employers paid for. Social Security benefits should not be cut to reduce the deficit – or for any other reason.
- **Social Security is a promise made to all generations** to provide a secure and stable income when you retire, become widowed or disabled, or leave loved ones behind. Americans need to know the promise of Social Security will continue to be there. Social Security is the one promise we cannot allow to be broken.
- **Social Security is a commitment made to all Americans that has withstood the test of time.** It represents the best of American values – rewarding hard work, honoring our parents and caring for our neighbors.
- **We need to strengthen Social Security, not cut it.** The average benefit is only \$13,000 a year. That's not even the minimum wage. I oppose any cuts to Social Security benefits, such as raising the retirement age. I oppose any effort to privatize Social Security. Taking your guaranteed benefits and gambling with them on Wall Street is not a risk worth taking.
- **Social Security is not in crisis.** It can pay all promised benefits in full for the next 25 years. Even if Congress takes no action to close the program's long-range funding gap, Social Security will still be able to pay 75% of promised benefits. We have plenty of time to close this funding gap so that all promised benefits can be paid.
- **Instead of considering cuts to Social Security that hurt beneficiaries, we should look for ways to increase revenues.** There is a choice: Congress can guarantee everyone their full Social Security benefits for the next 75 years. Or Congress can renew the Bush tax cuts for the wealthiest 2% of Americans. The cost of each is the same. We need to make sure we continue to support Social Security, not make cuts that will harm current and future generations.

- **The American public is with us on these issues. Numerous recent polls show that:**
 - The public **opposes** cutting Social Security benefits by 70% to 80%.
 - Two-thirds of likely voters **oppose** raising the retirement age.
 - Up to two-thirds **support** raising the payroll tax to cover income above \$107,000 a year. Right now, a person making a million dollars a year pays the same amount in payroll taxes as someone making \$107,000. That's not right.
 - Similarly, 2 out of 3 likely voters support other measures taxing wealthier Americans to close Social Security's funding gap.
- **While banks have been bailed out, taxes for the rich have been cut and two wars have been paid for with a credit card, Social Security has been building a \$2.6 trillion surplus.** Now, a secret Fiscal Commission is meeting in Washington to develop a plan to cut Social Security. While fiscal discipline is needed in Washington, it should not come at the cost of cutting Social Security. We need to stop this Fiscal Commission from destroying Social Security.
- **Here's what I'm doing.**
 - I'm fighting the Fiscal Commission's efforts to cut Social Security by standing with tens of thousands of retirees, veterans, children and disabled workers in my congressional district who depend on Social Security. For most of them, Social Security is at least half of their income. It is literally a life saver. It needs to be strengthened, not cut, to protect current and future generations.
 - House members: That is why I have joined with more than 135 other members of Congress who have signed a letter to President Obama telling him we oppose any cuts to Social Security. We oppose an increase in the retirement age. We oppose any attempts to privatize Social Security. Your guaranteed benefits should not be gambled on the casino of Wall Street.
 - Senators: That is why I have joined with a dozen other senators who are sponsoring a Senate resolution that opposes raising the retirement age. It opposes other similar cuts to your Social Security benefits. It also opposes the privatization of Social Security. Your guaranteed benefits should not be gambled on the casino of Wall Street.

Many of these messages are based on Lake Research Associates polling done for Social Security Works, May 2010, available [here](#) or at <http://strengthensocialsecurity.org/polling>.

Highlights of Polling Questions on Social Security (As of August 12, 2010)

Opposition to cutting benefits in order to address the deficit

- 81% oppose; 71% strongly oppose (Lake Research)
- 85% oppose; 72% strongly oppose (GfK Roper)
- 68% oppose; 58% strongly oppose (Democracy Corps)

Opposition to raising the retirement age

- 64% of Americans oppose raising the retirement age from 67 to 69 years; 50% strongly oppose. (Lake Research)
- 66% of Americans oppose raising the retirement age to 70; 52% strongly oppose. (Democracy Corps)

Opposition to privatization

- 79% percent of Americans agree Social Security should provide guaranteed benefits; only 19% favor making Social Security more like an investment account. (GfK Roper)

Support for taxing the rich and using the revenue to strengthen Social Security's financing

- Taxing the Rich:
 - 58% of Americans support taxing estates worth more \$3.5 million as a Social Security solvency or debt measure. (Lake Research)
 - 59% of Americans support a financial tax on Wall Street speculation as a Social Security solvency or deficit measure. (Lake Research)
- Raising the Payroll Tax Cap
 - 63% of Americans favor lifting the Social Security payroll tax cap on incomes higher than \$106,800. (Democracy Corps)
 - 65% of Americans favor gradually lifting the Social Security payroll tax cap on incomes higher than \$106,800 as a solvency measure. (Lake Research)
- Bush Tax Cuts: 54% of Americans support letting the Bush tax cuts expire for those making above \$250,000. (Democracy Corps)

Sources:

- Democracy Corps, Campaign for America's Future, "Deficits And Economic Recovery," August 12, 2010. Accessed at <http://www.ourfuture.org/report/2010083211/deficits-and-economic-recovery>
- GfK Roper, AARP, "Social Security 75th Anniversary Survey Report: Public Opinion Trends," August 11, 2010. Accessed at http://assets.aarp.org/rgcenter/econ/social_security_75th.pdf
- Lake Research Partners, Social Security Works, "Findings from a Nationwide Survey of 1,000 Likely Voters and an oversample of Targeted Legislative Districts," June 29, 2010. Accessed at <http://strengthensocialsecurity.org/polling>

Social Security Benefits Should Not Be Cut

Social Security is the federal government's most successful and most appreciated program, providing benefits to over 53 million Americans, including retirees, workers with disabilities, spouses and children. Yet, politicians and pundits claim that Social Security is in crisis, a major cause of the federal deficit and unsustainable as currently structured. They insist that Social Security has to be brought under control – mainly by cutting benefits – and unless that is done, it will go bankrupt or federal debt will continue to skyrocket.

Social Security did not cause the federal deficit

- Social Security has not contributed one dime to the federal deficit. In fact, Social Security has a \$2.6 trillion surplus today that is projected to be \$4.2 trillion in 2025.
- The primary causes of the nation's recent large deficits have been President Bush's tax cuts in 2001 and 2003, the economic downturn, the costs of the Iraq and Afghanistan wars, the economic stimulus and recovery spending, and the Wall Street bank bailout.
- The government's long-term deficit challenge comes primarily from health care costs. Medicare and Medicaid are projected to grow from about 5.3% to 17.2% of GDP from 2009 to 2081, according to the Congressional Budget Office. Social Security costs are projected by the Social Security actuaries to grow only from about 4.8% to 6.1% by 2035, and then decline to 5.9% of GDP in 2050 and remain there after that.

Social Security is not in crisis

- Claims that Social Security cannot pay its bills in 2010 are false. Social Security outlays will exceed tax revenues for the next two years, an unremarkable event that has occurred 15 times since 1956. Social Security will still run a \$76.7 billion surplus in 2010 due to its investment income.
- Social Security can pay all its bills in full through 2037. Even if Congress takes no action to close the long-range funding gap, Social Security will still be able to pay at least 75% of promised benefits after that.

Social Security's long-range funding gap is solvable if the wealthy pay their fair share

- Social Security actuaries have projected that an increase in revenues equal to just 0.6% of GDP will be sufficient to cover promised benefits over the 75-year planning period. This modest shortfall is the size of extending the Bush tax cuts for the richest 2% of Americans.
- Eliminating the cap on wages subject to the payroll tax (currently \$106,800) would eliminate 95% of the shortfall even if higher benefits were paid due to those higher contributions.
- Restoring the payroll tax cap on employers and employees over 25-to-30 years to cover 90% of wages – the target set by Congress in 1977 – would eliminate 28% of the projected shortfall, and amount to just one additional week of withholding a year – or \$133 in 2010. Today, just 84% of earnings are covered by the payroll tax because salaries of the highest paid grew so much faster than average wages in recent decades.

- Eliminating the cap on employers only and restoring the cap to 90% on employee wages, as described in the preceding bullet, would eliminate 72% of the shortfall.
- Reinstating the estate tax to the 2009 level and dedicating the proceeds to Social Security would eliminate 26% of the projected long-range shortfall.
- Establishing a Wall Street speculation tax of just 0.5% on transfers of credit swaps, derivatives, stocks and other financial instruments and dedicating the proceeds to Social Security would eliminate the shortfall and finance a 5% across-the-board benefit increase.

Recent polls show strong public support for Social Security and progressive revenue options

- The public **opposes** cutting Social Security benefits by 70% to 80%.
- Two-thirds of likely voters **oppose** raising the retirement age.
- Up to two-thirds **support** raising the payroll tax to cover income above \$106,800 a year and support other measures taxing wealthier Americans to close Social Security’s funding gap.

Social Security needs to be strengthened, not weakened

- The average Social Security benefit is around \$13,000 a year (\$14,000 for retirees), which is less than the minimum wage.
- Despite these modest benefits, Social Security lifts 20 million Americans out of poverty.
- Social Security effectively replaces about 39% of the wages of a median-wage earner retiring at age 65. This replacement rate will drop to just 32% over the next two decades. Meanwhile, other retirement sources are either non-existent for most workers, in decline (private pensions) or collapsing (home values).
- Raising the retirement age is a substantial benefit cut. Social Security’s full retirement age is already gradually increasing from age 65 to 67. This equals a 13% cut in benefits, according to the Social Security Administration, when the retirement age is 67 in 2022. Increasing the retirement age from 67 to 70, as some in Congress have proposed, would cut monthly benefits another 20%. These cuts are especially burdensome to African American, Latino and low-income workers; to women; and to older workers with health problems and limited employment opportunities.
- Life expectancy is not increasing for everyone. In the past 25 years, life expectancy among men in the lower half of the income distribution increased by only one year (as the retirement age increased a year). Among lower-income women, life expectancy *declined*.

Social Security is a promise to all Americans that has withstood the test of time. It represents the best of American values – rewarding hard work, honoring our parents and caring for our neighbors. Congress must maintain and improve on this promise.

Sources for data in this fact sheet are available [here](#), or at <http://bit.ly/chrr5X>

Section Two: Republican Proposals for Social Security

Republican Plans To Privatize Social Security And Cut Its Benefits

There is a growing threat to Social Security from Republican leaders in Washington. They are proposing to cut Social Security's guaranteed benefits by privatizing Social Security, raising the retirement age and cutting other benefits. And, they want to continue the Bush tax cuts for the wealthy – which cost the Treasury the same amount of money that is needed to make Social Security solvent for the next 75 years. This is their plan:

1. Privatize Social Security and Cut Benefits

- **Many Republicans claim they do not support the effort to privatize Social Security,** recognizing how unpopular President Bush's proposal was in 2005. Instead, they say Americans should be able to create "personal accounts," in addition to Social Security.
- **Personal accounts = Social Security privatization.** Personal accounts would allow workers to divert a portion of their payroll tax contributions (for example, 2% of the 6.2% a worker contributes in payroll taxes) away from Social Security into the stock market. Because Social Security is primarily current-funded – that is, current contributions are used to pay current benefits – transferring those contributions away from Social Security into personal accounts will make Social Security's projected shortfall larger. To avoid this, those who propose personal accounts would make up for the losses by dramatically reducing benefits – not only for retirees but also for aged widow(ers) and for people experiencing severe work disabilities.
- **"The Roadmap for America," a budget blueprint by Rep. Paul Ryan, illustrates the problems with offering personal accounts under Social Security.**¹
 - Rep. Ryan will become chairman of the Budget Committee if Republicans are the majority party in the House of Representatives in the next Congress. His proposal to create personal accounts would more than \$1 trillion from Social Security, which is used to pay current benefits, to personal accounts.
 - **Privatization is not free.** To make up for this loss of revenue to Social Security, Ryan's plan proposes deep cuts in Social Security benefits. His plan would also result in the transfer of \$1.2 trillion from the rest of the budget to Social Security between 2037 and 2056, according to estimates made by the Social Security actuary.²
 - **Ryan's privatization plan would cut benefits and force Americans to work longer.** Ryan's plan would save considerable sums by raising the full retirement age from age 67 to age 70, and index it to increased longevity thereafter. But the biggest savings come from instituting "progressive price indexing," which significantly lowers the benefit formula for all but the bottom 30% of wage earners. It is estimated that for average new retirees, benefits would be cut by 16% in 2050 and by 28% in 2080.³ Progressive price indexing dramatically alters Social Security into a

program where benefits are increasingly unconnected to prior earnings and contributions, as everyone would eventually get a relatively flat lower benefit. This will make Social Security look more like a welfare program, where benefits are unrelated to someone's contributions.

- **Ryan's plan would turn Social Security's guaranteed benefit on its head.** It would require the U.S. government to *guarantee* personal accounts against any stock market losses. If personal account values have declined upon retirement, the Treasury would have to make up the losses by covering what had been contributed, plus inflation.⁴ Washington bailed out Wall Street once; it shouldn't do it again.
- **Private accounts substitute Social Security's guaranteed benefits with a risky gamble in the stock market.** Social Security is so attractive to retirees in part because it provides a benefit that is guaranteed to maintain its purchasing power no matter how long someone lives. Personal accounts concentrate the risk solely on the individual. Benefits from personal accounts are much less reliable and certain, as they are tied to investment performance, which can fluctuate wildly. For instance, IRAs and 401(k) plans lost \$2.7 trillion – 32% of their value – when the stock market collapsed from 2007 to 2009.⁵ And, unlike Social Security, income from these sources is not protected against inflation.
- **Many Republican leaders in Congress support privatizing Social Security.** Senate Minority Leader Mitch McConnell (R-KY), Minority Whip Jon Kyl (R-AZ), and 31 other current Republican senators voted in 2008 for a measure that would have begun the privatization of Social Security.⁶ Many leaders in the U.S. House, including House Minority Leader John Boehner (R-OH) and Minority Whip Eric Cantor (R-VA), have also expressed support for privatizing Social Security.⁷

2. Raise the Retirement Age to 70 = a Huge Benefit Cut

- **Social Security's full retirement age is slowly rising from age 65 to age 67.**⁸ This increase represents a 13% cut in benefits, according to the Social Security Administration.⁹
- House Republican leader John Boehner, among others, has proposed raising the Social Security retirement age from 67 to 70.¹⁰ That would be another 20% benefit cut,¹¹ on top of the 13% cut already enacted.
- **Non-retirees also would be hit hard.** Widows, widowers, spouses and divorced spouses of retired workers would have their benefits reduced by the same percent.
- **Raising the retirement age discriminates against older workers.** They are more likely to be in physically demanding jobs, have more health problems and cannot find or keep work due to job discrimination, lack of job availability or other reasons. It is most burdensome to African American, Latino and low-income workers.

- **The conventional wisdom is that life expectancy is increasing for everyone, which is not true.** Over the past quarter century, life expectancy among men in the lower half of the income distribution has increased by only one year (as the retirement age increased by one year); they still have not even caught up to the life expectancy that upper-income men experienced in 1982. Among lower-income women, life expectancy has actually declined.¹²

3. Continue Tax Breaks for the Wealthy Rather than Strengthen Social Security

- **Social Security is not in crisis.** It is able to pay full benefits through 2036. Thereafter, even with no Congressional action the program will still be able to pay at least 75% of promised benefits because those working will pay payroll taxes.¹³
- **There are many options for closing this funding gap with new revenues.** Social Security's already modest benefits should not be cut.
- **Ending the Bush tax breaks for the richest 2% of Americans would save the same amount of money that is needed to guarantee full Social Security benefits for the next 75 years.** Those tax breaks are equivalent to 0.7% of GDP – the same as the cost of making Social Security solvent for the next 75 years.¹⁴
- **Republicans in Congress demand that tax breaks for the wealthiest Americans continue.** But to reduce the deficit they propose to cut the Social Security benefits of the middle class!

¹ Rep. Paul Ryan, "A Roadmap for America's Future," available at

<http://www.roadmap.republicans.budget.house.gov/plan/#retirementsecurity>

² Paul N. Van de Water, "The Ryan Budget's Radical Priorities," Center on Budget and Policy Priorities,

<http://www.cbpp.org/files/3-10-10bud-rev7-7-10.pdf>

³ Ibid.

⁴ Op cit., Rep. Paul Ryan Roadmap.

⁵ Economic Policy Institute calculation based on Federal Reserve Flow of Funds data, September 17, 2010, Tables L.118.c, L. 213, L.225.i, prepared October 7, 2010.

⁶ The vote (Roll Call No. 65) was on the DeMint Amendment (S. Amendment 4328) to S. Con. Res. 70 on March 13, 2008. The DeMint Amendment would have used current Social Security surpluses to create private accounts and would have increased the federal debt by more than \$700 billion over ten years. The amendment failed 41-57; 33 Republicans currently in the Senate supported the amendment. See Senate vote number 3 from the Alliance for Retired Americans at http://www.retiredamericans.org/system/storage/24/b3/2/366/voting_record_2008.pdf

⁷ Richmond Times-Dispatch, "Social Security on Cantor's To-Do List, He Supports Personal Accounts and a Look at Broader Changes," January 30, 2005. Available at <http://www.speaker.gov/newsroom/reports?id=0427>; National Review Online, "Ryan Looks Down the Road," October 4, 2010: Available at

<http://www.nationalreview.com/articles/248607/ryan-looks-down-road-robert-costa>

⁸ Social Security's full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at aged 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at

<http://www.ssa.gov/retire2/agereduction.htm>

⁹ Social Security Administration, "Effect of Early or Delayed Retirement on Retirement Benefits," 2010; available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

¹⁰ The Hill, “Top Republican: Raise Social Security's retirement age to 70,” June 29, 2010; available at <http://thehill.com/blogs/blog-briefing-room/news/106135-boehner-raise-social-securitys-retirement-age-to-70>

¹¹ Op. cit. endnote 7.

¹² Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, “Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect,” Economic Policy Institute, August 6, 2010, p. 8; available at http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

¹³ Social Security Trustees, “The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,” 2010, p. 9; available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

¹⁴ Center on Budget and Policy Priorities, “What the 2010 Trustees’ Report Shows About Social Security,” August 13, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3262>. The richest 2% are those individuals making more than \$200,000 and families making more than \$250,000 a year.

What Republicans Are Saying About Social Security: Privatize, Raise The Retirement Age And Continue Tax Cuts For The Wealthy That Could Be Used To Make Social Security Solvent

Republicans on Privatization

Many Senate Republicans support Social Security privatization schemes.

- **33 current Republican Senators** voted for Senator Jim DeMint's (R-SC) proposal in 2008 to use Social Security surpluses to [prefund Social Security in anticipation of creating private accounts](#).¹ The proposal would have increased the federal debt by \$700 billion over ten years. It was voted down 41-57. [Alliance for Retired Americans, Voting Record 110 Congress 2nd Session, 2008]

Many Republican Senate Candidates support Social Security privatization.

- **Alaska Senate Candidate Joe Miller** believes in the [fringe theory](#)² that the Constitution mandates either privatization turning Social Security over to the States. [CBS Face The Nation, 8/29/2010]
- **Colorado Senate Candidate Ken Buck** said, ["I don't know whether it's constitutional or not; it is certainly a horrible policy. The...private sector runs \[Social Security\] programs like that far better."](#)³ Since then, he has added, ["We've got to peg Social Security to individuals so those individuals have the ability perhaps to invest in various funds that are approved by the government."](#)⁴ He called [Paul Ryan's Roadmap for America's Future, which would privatize Social Security, "The best plan that I saw to try to balance this budget."](#)⁵ [Politico, 6/28/10] [Denver Post, 7/23/2010] [Huffington Post, 8/30/2010]
- **Florida Senate Candidate Marco Rubio** said he [supported Paul Ryan's Roadmap for America's Future](#),⁶ which would privatize Social Security, before [changing his position](#)⁷ on privatization in the face of overwhelming public sentiment. [Fox News, 9/13/10]
- **Indiana Senate Candidate Dan Coats** said he supports entitlement reform ["along the lines of what Paul Ryan had proposed."](#) Ryan's plan would privatize Social Security.⁸ [Weekly Standard, 5/12/10]
- **Kentucky Senate Candidate Rand Paul** ["appeared on several episodes of 'Kentucky Tonight,"](#) a state-based public affairs show, and talked...about the need to privatize Social Security, which he called a 'Ponzi scheme'.⁹ [Washington Monthly, 7/15/2010]

- **Louisiana Senator and 2010 Candidate David Vitter** said, “I strongly believe in the idea [of privatizing Social Security] and I campaigned on it. [Privatization would] [“improve the system and improve choices that we give future generations of workers.”](#)¹⁰ [Gannett News, Service, 3/11/05]
- **Missouri Senate Candidate Roy Blunt and Current U.S. Representative** said, [“\[The private Social Security accounts proposal\] is a transition for younger workers. It might have been better if we had done it quicker, like a decade, decades ago, but we didn't.”](#)¹¹ [CNN, 11/10/04]
- **Nevada Senate Candidate Sharron Angle** suggested that America, [“phase Medicare and Social Security out in favor of something privatized.”](#)¹² [Politico, 8/18/2010]
- **Ohio Senate Candidate Rob Portman** said, [“There’s also Social Security ideas there including private accounts...”](#)¹³ which over the long haul results in a higher rate of return for that program. So that’s something that does actually over the long haul deal with the solvency issue.” [Human Events Online, 4/9/08]
- **Pennsylvania Senate Candidate Pat Toomey** said, [“I have been arguing for many years in favor of Social Security personal retirement accounts.”](#)¹⁴ [The Road to Prosperity by Pat Toomey][Think Progress, 08/19/2010]

Republican House Leaders have lined up behind Social Security privatization proposals.

- **The Roadmap for America’s Future written by Representative Paul Ryan, Ranking Member of the House Budget Committee**, would divert more than [\\$1 trillion from Social Security, which is used to pay current benefits, into personal accounts.](#)¹⁵ Paul Ryan has long supported privatization saying, “Once Americans understand the choices they have - that they will own their personal retirement accounts and will be able to pass them on to loved ones, they will flock to personal retirement accounts.”¹⁶ [Center on Budget and Policy Priorities, 7/7/2010] [Washington Times, 3/11/05]
- **House Minority Leader John Boehner** supports Paul Ryan’s focus on Social Security privatization and reform. According to Ryan, [“Boehner never once tried to talk me out of pushing these ideas and reforms.”](#)¹⁷ [National Review Online, 9/4/2010]
- **House Minority Whip Eric Cantor** said, [“It is time for personal accounts, and we’ve got to figure out a way to make that happen.”](#)¹⁸ [Richmond Times Dispatch 1/30/05]

- **Republican Conference Chairman Mike Pence** said, [“We urge you to continue to pursue personal carve-out accounts as the long run solution for Social Security’s actuarial shortcomings.”](#)¹⁹ [Letter from Mike Pence and John Shadegg to President George W. Bush, 4/15/05]
- **Republican Study Committee Chairman Tom Price** said, [“...Americans should be able to put part of their Social Security money in a personal account with their name on it.”](#)²⁰ [Congressional Record, 6/30/05]

Republicans on Raising the Retirement Age

- **House Minority Leader John Boehner** said, [“eventually getting the retirement age to 70”](#) is a step that needs to be taken.²¹ [The Hill, June 29, 2010]
- **The Roadmap for America’s Future written by Representative Paul Ryan, Ranking Member of the House Budget Committee**, would [raise the retirement age to 70 and create an indexing method to determine further increases to the retirement age.](#)²² [Center on Budget and Policy Priorities, 7/7/2010]
- **Colorado Senate Candidate Ken Buck** when asked about Social Security reform said, [“Well, we certainly need to raise the retirement age.”](#)²³ During a debate Buck said, [“we’ve got to raise the age at which individuals get benefits.”](#)²⁴ [Real Clear Politics 8/14/2010] [Denver Post, 7/23/2010]
- **Delaware Senate Candidate Christine O’Donnell** suggested raising the retirement age. Listing ways we can “keep our promises” on Social Security, O’Donnell said, [“We can possibly raise the age of retirement.”](#)²⁵ [Statewide Candidate Debate, Sept. 16, 2010 <http://www.youtube.com/watch?v=JEo7Za0sETE&feature=related>]
- **Kentucky Senate Candidate Rand Paul** supports [“changes in eligibility”](#) for Social Security recipients. Asked if that included raising the retirement age Paul said, “There may have to be for younger people. Yes.”²⁶ [Fox News, 10/2/2010]
- **Florida Senate Candidate Marco Rubio** said he [supported Paul Ryan’s Roadmap for America’s Future](#),²⁷ which would raise the retirement age to 70 and create an indexing method to determine further increases to the retirement age. He previously cited [raising the retirement age as a Social Security reform](#). Rubio’s own website has [issued a non-denial](#) of his position in favor of raising the retirement age saying, “This is a position that numerous responsible Republicans have taken including Rep. Paul Ryan (R-WI).”²⁸ [Associated Press, 5/25/2010] [www.marcorubio.com 4/14/10]

Republicans Support Extending Bush Tax Cuts for the Wealthy

- **Every Senate Republican** has stated that they support extending the Bush tax cuts for the wealthy and [will attempt to vote down middle class tax cuts if tax cuts for the rich are not included](#).²⁹ McConnell said of voting to extend all Bush tax cuts, “That’s the kind of debate that unifies my caucus, from Olympia Snowe to Jim DeMint.”³⁰ [CBS News, 9/13/2010] [New York Times, 8/10/10]
- **House Minority Leader John Boehner** said, “[I support extending all the tax cuts](#).”³¹ [Washington Post, 9/15/2010]
- **Colorado Senate Candidate Ken Buck** [supports extending the Bush tax cuts for the rich](#).³² [Five News First Colorado Springs, 9/17/2010]
- **Delaware Senate Candidate Christine O’Donnell** [supports making the Bush tax cuts for the rich permanent](#).³³ [Newsmax, 9/8/2010]
- **Florida Senate Candidate Marco Rubio** [supports making the Bush tax cuts for the rich permanent](#).³⁴ [Fox News, 6/28/2010]
- **Kentucky Senate Candidate Rand Paul** [supports extending the Bush tax cuts for the rich](#).³⁵ [Lexington Herald-Leader, 9/16/2010]
- **Missouri Senate Candidate and Current U.S. Representative Roy Blunt** [supports making the Bush tax cuts for the rich permanent](#).³⁶ [royblunt.com, 08/19/2010]
- **Pennsylvania Senate Candidate Pat Toomey** [supports extending the Bush tax cuts for the rich](#).³⁷ [Associated Press, 8/2/2010]

¹ Alliance for Retired Americans, “Voting Record 110 Congress 2nd Session,” 2008; Available at http://www.retiredamericans.org/system/storage/24/b3/2/366/voting_record_2008.pdf

² CBS Face The Nation interview, August 29, 2010; Available at <http://thinkprogress.org/2010/08/30/miller-dodges-social-security-constitutional/>

³ Politico, “Primary words haunt Ken Buck,” June 28, 2010; available at <http://www.politico.com/news/stories/0610/39076.html>

⁴ Denver Post, “North, Buck Tackle High Heels Comment During Debate,” July 7, 2010; available at http://www.denverpost.com/news/ci_15582315

⁵ Huffington Post, “Republicans in Top Tier Races Endorse Paul Ryan’s Controversial Budget Plan,” August 30, 2010; available at http://www.huffingtonpost.com/2010/08/30/paul-ryan-budget-young-guns_n_697902.html

⁶ Associated Press, “Florida GOP Candidate Marco Rubio Favors Raising the Retirement Age,” May 4, 2010; Available at <http://www.naplesnews.com/news/2010/may/25/fl-gop-marco-rubio-favors-raising-retirement-age/?print=1>

-
- ⁷ Fox News Interview, September 13, 2010; Available at <http://thinkprogress.org/2010/09/13/rubio-no-privatization-ss/>
- ⁸ Weekly Standard, "Dan Coats: It's Time for Entitlement Reform," May 12, 2010. Available at <http://www.weeklystandard.com/blogs/dan-coats-its-time-entitlement-reform>
- ⁹ Washington Monthly, Political Animal, "Rand Paul Not Exactly 'forthright'," July 15, 2010; Available at http://www.washingtonmonthly.com/archives/individual/2010_07/024734.php
- ¹⁰ Gannett News Service, March 11, 2005. Available at <http://www.dsc.org/socialsecurity>.
- ¹¹ CNN, November 1, 2004. Available at <http://www.dsc.org/socialsecurity>.
- ¹² Politico, "Angle Defends Conservative Position," August 18, 2010; Available at <http://www.politico.com/news/stories/0810/41235.html>
- ¹³ Human Events, "McCain Veepstakes Portman Potential," May 10, 2008; Available at <http://www.humanevents.com/article.php?id=25947>
- ¹⁴ The Road to Prosperity by Pat Toomey; Quoted by Think Progress, "Toomey Says his Plan to Privatize Social Security 'Would Be Very Important Start'," August 19, 2010; Available at <http://wonkroom.thinkprogress.org/2010/08/19/toomey-privatization/>
- ¹⁵ Paul N. Van de Water, "The Ryan Budget's Radical Priorities," Center on Budget and Policy Priorities, <http://www.cbpp.org/files/3-10-10bud-rev7-7-10.pdf>.
- ¹⁶ Washington Times, March 11, 2005.
- ¹⁷ National Review Online, "Ryan Looks Down the Road," October 4, 2010; Available at <http://www.nationalreview.com/articles/248607/ryan-looks-down-road-robert-costa>
- ¹⁸ Richmond Times-Dispatch, "Social Security on Cantor's To-Do List, He Supports Personal Accounts and a Look at Broader Changes," January 30, 2005; Available at <http://www.speaker.gov/newsroom/reports?id=0427>
- ¹⁹ Letter from Mike Pence and John Shadegg to President George W. Bush, April 15, 2005. Available at <http://www.speaker.gov/newsroom/reports?id=0427>
- ²⁰ Congressional Record, June 30, 2005; Available at <http://www.speaker.gov/newsroom/reports?id=0427>
- ²¹ The Hill, "Top Republican: Raise Social Security's retirement age to 70," June 29, 2010; Available at <http://thehill.com/blogs/blog-briefing-room/news/106135-boehner-raise-social-securitys-retirement-age-to-70>
- ²² Paul N. Van de Water, "The Ryan Budget's Radical Priorities," Center on Budget and Policy Priorities, August 13, 2010; Available at <http://www.cbpp.org/files/3-10-10bud-rev7-7-10.pdf>
- ²³ Real Clear Politics, Transcript of "Interview with Ken Buck," August 11, 2010; Available at http://www.realclearpolitics.com/articles/2010/08/11/interview_with_colorado_senate_candidate_ken_buck_106728.html
- ²⁴ Denver Post, "A Conversation with Ken Buck," July 17, 2010; Available at http://www.denverpost.com/opinion/ci_15527703
- ²⁵ Statewide Candidate Debate, September 16, 2010; Relevant section available at <http://www.youtube.com/watch?v=JEo7Za0sETE&feature=relatedhttp://www.youtube.com/watch?v=JEo7Za0sETE&feature=related>
- ²⁶ Fox News Interview, October 2, 2010; Relevant section available at <http://videocafe.crooksandliars.com/david/rand-paul-social-security-retirement-age-may>
- ²⁷ Associated Press, "Florida GOP Candidate Marco Rubio Favors Raising the Retirement Age," May 4, 2010; Available at <http://www.naplesnews.com/news/2010/may/25/fl-gop-marco-rubio-favors-raising-retirement-age/?print=1>
- ²⁸ www.marcorubio.com, May 14, 2010; Available at <http://www.marcorubio.com/charlie-crist-false-social-security-attacks/>
- ²⁹ CBS News, "McConnell Sounds Firm: No Partial Bush Tax Cut Extension," September 13, 2010; Available at http://www.cbsnews.com/8301-503544_162-20016227-503544.html
- ³⁰ New York Times, "Study Looks at Tax Cut Lapse for Rich," August 10, 2010; Available at [http://www.nytimes.com/2010/08/11/us/politics/11tax.html?scp=5&sq=tax%20cuts%20\\$700%20billion&st=Search](http://www.nytimes.com/2010/08/11/us/politics/11tax.html?scp=5&sq=tax%20cuts%20$700%20billion&st=Search)
-

³¹ Washington Post, “Boehner Will Push to Extend Bush Tax Cuts,” September 15, 2010; Available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/15/AR2010091503052.html?sid=ST2010091406907>

³² 5News First, “Bennett, Buck Debate in Colorado Springs,” September 17, 2010; Available at <http://www.newsfirst5.com/news/bennet-and-buck-debate-in-colorado-springs/>

³³ Newsmax, “Christine O’Donnell: Make Bush Cuts Permanent,” September 9, 2010; Available at <http://www.newsmax.com/InsideCover/odonnell-tax-cuts-delaware/2010/09/08/id/369615>

³⁴ Fox News, June 28, 2010; Relevant section available at <http://www.youtube.com/watch?v=4aa4aNFztk>

³⁵ Lexington Herald-Leader, “Rand Paul Supports Tax-Cut Extension Despite Large Increase in Federal Debt,” September 16, 2010; Available at <http://www.kentucky.com/2010/09/16/1436998/rand-paul-supports-tax-cut-extension.html#ixzz0zhqMMBdu>

³⁶ www.royblunt.com, August 19, 2010; Available at <http://www.royblunt.com/blog.php?id=143>

³⁷ Associated Press, “GOP’s Toomey Wants Bush Tax Cuts to Become Permanent,” August 2, 2010; Available at http://www.pittsburghlive.com/x/dailycourier/s_692995.html

Messages To Rebut Republican Claims About Social Security

Claim: Social Security has been raided and is a Ponzi scheme	
Republican Claim	Response
<p>The Social Security trust funds have been raided by politicians in Washington. There is no money in them.</p>	<p>Social Security’s funds are kept in trust. Those trust funds have a \$2.6 trillion surplus today that will grow to more than \$4 trillion by 2024. Those funds are safely invested in interest-bearing U.S. Treasury bonds backed by the full faith and credit of the United States. That is the safest investment on Earth, one that sophisticated investors from around the world purchase. Those funds will only be raided if Washington politicians who don’t value Social Security cut your benefits rather than honor the commitments made to you.</p>
<p>The Social Security trust fund is nothing but a bunch of worthless IOUs that will never be paid back. Today’s seniors will get their benefits – it’s the next generation that will not be able to depend on Social Security.</p>	<p>Social Security’s growing surplus guarantees that all benefits can be paid in full for the next 25 years. After that, there is a modest funding gap that can be eliminated simply by requiring those who can do so, to pay somewhat more. For example, ending the Bush tax cuts for the richest 2 percent of Americans and using the money to fund Social Security can close the funding gap for the next 75 years. Which would you choose: Guaranteed Social Security benefits for the next 75 years or continuing the Bush tax cuts for millionaires?</p> <p>I do not accept that the government has the money to bail out Wall Street banks, give tax breaks to the rich or pay back money owed to China, but it does not have the money to pay back Social Security.</p>
<p>Social Security is nothing but a Ponzi scheme. There won’t be enough workers in the future to support those receiving Social Security.</p>	<p>Social Security is the opposite of a Ponzi scheme. A Ponzi scheme is a fraud, a deceptive promise made by a swindler that your investments will reap huge returns. No one is cheated out of their Social Security. It is completely affordable, and it will be a permanent part of our country as long as the American people support it and continue to elect representatives who believe in it and fight for it.</p> <p>Calling Social Security a Ponzi scheme is simply a way to undercut support for one of our nation’s most successful programs, which provides essential economic security to millions of America’s families.</p>

Claim: To reduce the deficit we must cut Social Security

Republican Claim	Response
<p>It is wrong to shackle future generations with a massive debt burden. The debt today is about \$31,000 for every man, woman, and child in America. Our children and grandchildren don't deserve to inherit a lower standard of living and huge tax increases. We must cut our entitlement spending now to leave them a better future. Everything has to be on the table, including Social Security.</p>	<p>You don't provide our children with a better and more secure future by cutting their Social Security benefits. Just the opposite. Social Security benefits need to be strengthened – not cut.</p> <p>While fiscal discipline is needed in Washington, it should not come at the cost of hurting retired workers, widows and children now or in the future.</p> <p>Social Security is a promise made to all generations to provide a basic and reliable income when they retire, become widowed or disabled, or leave loved ones behind.</p> <p>Social Security belongs to the people who have worked hard all their lives and contributed to the program. It does not belong to the government. Social Security is based on a promise that if you pay in then you earn the right to guaranteed benefits.</p> <p>Americans need to know the promise of Social Security will continue to be kept for them. We need to make sure we continue to support Social Security without making cuts that will harm current and future generations.</p>

Section Three: Social Security Issues

Key Facts About Social Security

Social Security Works for Americans of All Ages and Backgrounds

- 156 million working Americans contribute to Social Security who will receive promised benefits for themselves and their families, in the event of disability, death or old age.¹
- Social Security benefits totaled more than \$675 billion in 2009,² an amount equivalent to 4.7% of the nation's annual GDP (the total value of all goods and services produces).³
- About 1 out of 4 households – 53.4 million beneficiaries – receive Social Security benefits.⁴
- Social Security is not just for retirees – almost 1 out of 3 beneficiaries receive disability or survivor benefits.⁵
- Social Security is the nation's largest and, despite its modest benefits, most generous disability program, without which more than half of disabled workers would have incomes below the poverty line.⁶
- Social Security is the nation's largest and most generous children's program. About 6.8 million children (9% of all children under age 19) depend on Social Security, including 3.4 million dependent children who directly receive benefits and 3.4 million children who live in households where another family member receives Social Security.⁷
- Women are 56% of adult Social Security beneficiaries.⁸
- More than 4 out of 10 veterans (43%) rely on Social Security, or 9.2 million of the nation's 24 million veterans.⁹

Social Security Benefits Are too Modest and too Vital to Cut

- The average Social Security benefit is around \$13,000 a year and \$14,000 for retirees.¹⁰
- Almost two out of three seniors rely on Social Security for half or more of their income.¹¹
- Social Security lifts 20 million Americans out of poverty.¹²
- Without Social Security, the rate of poverty among the elderly would increase from 1 out of 10 (9.6%) to more than 4 out of 10 (45%).¹³
- Social Security effectively replaces about 39% of the wages of a median-wage earner retiring at age 65. This replacement rate is slated to drop to just 32% over the next two decades.¹⁴
- Social Security has increased from 30% of the average American seniors' income in 1962 to 37% in 2008—a nearly 25% jump.¹⁵

Social Security is Especially Important to Minorities

- Social Security provides nearly three-quarters (72%) of the income of African American households with beneficiaries aged 65 and older, on average. Social Security is 100% of the total income for 4 out of 10 (39.5%) of these African American elderly households.¹⁶
- 3 out of 10 (31%) of all African American beneficiaries receive Social Security disability benefits; for white beneficiaries it is about half of that percentage (15%).¹⁷

- Social Security provides three-quarters (75%) of the total income of Latino households with beneficiaries aged 65 and older, on average. Social Security is 100 percent of the income for more than 4 out of 10 (44%) of these Latino elderly households.¹⁸
- Without Social Security, the elderly Latino poverty rate would increase from 1 out of 5 (19%) to one-half (50 %).¹⁹

Social Security Did Not Cause the Federal Deficit

- Social Security has not contributed a dime to the deficit. In fact, it has generated a \$2.6 trillion surplus in 2010, which is projected to grow to \$4.2 trillion by 2025.²⁰
- Social Security cannot borrow or go into debt. Its benefits must be paid only from its dedicated revenue, which is primarily from contributions paid by employers and workers.²¹
- The real causes of the nation’s recent huge deficits have been President Bush’s tax cuts in 2001 and 2003, the economic downturn, the costs of the Iraq and Afghanistan wars, the economic stimulus and recovery spending and the Wall Street bank bailout.²²
- Long-range the major deficit challenge is rapidly rising health care costs:
 - Medicare and Medicaid costs are projected to grow from about 5.3% to 17.2% of GDP from 2009 to 2080, according to the Congressional Budget Office.²³
 - Social Security costs are projected to grow only from 4.8% to 6.1% of GDP by 2035, and then decline to roughly 5.9% of GDP in 2050 and remain there through 2084.²⁴
- Claims that Social Security cannot pay its bills in 2010 are false. It is true that Social Security outlays will exceed tax revenues for the next two years – something that has occurred 15 times since 1956.²⁵ However, Social Security is projected to have a \$76.7 billion surplus in 2010 due to income from the taxation of benefits and interest earnings from the investment of its accumulated surplus.²⁶
- Social Security’s administrative expenses are less than one cent (0.9%) of every dollar in benefits paid.²⁷

Raising the Retirement Age is a Substantial and Unwarranted Benefit Cut

- Social Security’s full retirement age has been gradually increasing from age 65 to age 67.²⁸ This two-year increase is a 13% cut in benefits, no matter what age a worker retires, according to the Social Security Administration.²⁹
- An increase in the retirement age would disproportionately harm workers in the lower half of the earnings distribution who have experienced much smaller gains in life expectancy, if any at all. Lower-income men have seen a gain of only 1.1 years since 1982 (as the retirement age increased by one year), and lower-income women have seen life expectancy decline in the same period.³⁰
- Working longer is not a choice for many of the 8.5 million Americans in physically demanding jobs. Nearly half (45%) of workers aged 58 and older are in physically demanding jobs or difficult working conditions.³¹

Solving Social Security's Long-Term Funding Shortfall Without Benefit Cuts

- Social Security's long-term funding shortfall is modest. The cost of continuing the Bush tax cuts for the richest 2% of Americans is equivalent to the amount of money needed to make Social Security solvent for the next 75 years so that all benefits can be paid in full.³²
- Reinstating the estate tax at its 2009 level of 3.5% and dedicating the revenues to Social Security would eliminate over one-quarter (26%) of the projected shortfall. This is roughly the same financial impact of raising the retirement age to 70, which would eliminate 31% of the projected shortfall.³³
- If the cap were lifted on the amount of wages subject to the payroll tax – currently set at \$106,800 – 95% of the projected shortfall would be eliminated, even as beneficiaries get paid more in benefits.³⁴

¹ Social Security Trustees, "The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Table VI.F8," 2010, p. 2. Available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

² Social Security Administration (SSA), "Table 5.J1—Estimated total annual benefits paid, by state or other area and program, 2008 (in millions of dollars)," in *Annual Statistical Supplement to the Social Security Bulletin, 2010*. Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5j.html#table5.j1>

³ Percentage of GDP from SSA, *Fast facts & Figures About Social Security, 2010*. Available at http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2010/fast_facts10.pdf

⁴ SSA, "Monthly Statistical Snapshot Table 2-Social Security Benefits, June 2010." Available at http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/. Estimate of number of households from Economic Policy Institute, "Briefing Paper #287: Building on Social Security's Success," November 20, 2007, p. 3. Available at <http://www.sharedprosperity.org/bp208/bp208.pdf>.

⁵ Social Security Administration, "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program." Available at <http://www.ssa.gov/OACT/FACTS/> As of June 30, 2010, 9,958,000 people received benefits as a disabled worker or family member of a disabled worker; 6,391,000 received benefits as a survivor of a deceased worker; and 37,048,000 people received benefits as a retired worker or a family member of a retired worker.

⁶ Paul Van de Water, "Income of Disabled Worker Beneficiaries," Social Security Administration, 2001, p. 22. Available at http://www.ssa.gov/policy/docs/chartbooks/income_workers/di_chart.pdf

⁷ The estimate of 6.8 million children under age 19 receiving a portion of their income from Social Security is based on data available from several sources. A somewhat smaller earlier estimate can be found in: Generations United, "The Benefits of Social Security for Children," Generations United, 2010. See

http://www.gu.org/documents/AO/Social_Security_Benefits_for_Children_7.2010.pdf) and Joni Lavery and Virginia P. Reno, "Children's Stake in Social Security," National Academy of Social Insurance Issue Brief No.

27, February, 2008. See http://www.nasi.org/sites/default/files/research/SS_Brief_027.pdf) More recent Social Security Administration data were used to update these estimates.

See http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/index.html#table2 and <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/5a.html#table5.a1>. Also, note that benefits for non-disabled children end at age 18, unless they are full-time students in elementary or secondary school, in which case benefits end at the earlier of graduation from secondary school or in some cases two months after reaching age 19.

See http://www.ssa.gov/OP_Home/handbook/handbook.03/handbook-0342.html

⁸ SSA, "Fast Facts & Figures About Social Security, 2010," 2010, p. 18. Available at http://www.ssa.gov/policy/docs/chartbooks/fast_facts/2009/fast_facts09.pdf.

⁹ SSA, "Military Veterans Paper Tables Updated CPS 2009," Washington, 2009, Pre-publication.

-
- ¹⁰ Average monthly benefit amounts calculated by multiplying by twelve from SSA, “Fast Facts & Figures About Social Security, 2010,” p. 15.
- ¹¹ SSA, “Fast Facts and Figures About Social Security, 2010,” Ibid., p. 7.
- ¹² Paul Van de Water and Arloc Sherman, “Social Security Keeps 20 Million Americans Out of Poverty, A State-by-State Analysis,” Center on Budget and Policy Priorities (CBPP), August, 2010. Available at <http://www.cbpp.org/files/8-11-10socsec.pdf>.
- ¹³ Paul Van de Water and Arloc Sherman, Ibid.
- ¹⁴ National Academy of Social Insurance (NASI), *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009, p. 2. Available at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf. Note that “effective replacement rates” are declining over the next two decades because of the transition from 66 to 67 as the age of eligibility for full benefits (a.k.a. the full retirement age) and because Medicare premiums are projected to increase at a rate that is greater than the anticipated rate of growth of wages.
- ¹⁵ SSA, “Fast Facts & Figures About Social Security, 2010,” Ibid., p. 6.
- ¹⁶ SSA, “Table 9.A3 Percentage distribution of beneficiary units, by race, Hispanic origin, and marital status, 2008,” in *Income of the Population 55 or Older, 2008*, (2009). p. 302. Available at http://www.ssa.gov/policy/docs/statcomps/income_pop55/2008/incpop08.pdf
- ¹⁷ SSA, “Table 5.A1—Number and average monthly benefit, by type of benefit and race, December 2008,” in Ibid., 2009.
- ¹⁸ SSA, “Table 9.A3 Percentage distribution of beneficiary units, by race, Hispanic origin, and marital status, 2008,” Ibid.
- ¹⁹ National Council of La Raza, “Facts About Latinos and Social Security,” 2010. Available at http://www.nclr.org/index.php/issues_and_programs/economic_policy/social_security_reform/.
- ²⁰ Social Security Trustees, Ibid., p. 196.
- ²¹ Social Security Trustees, Ibid., Table II.B1, p. 5. In 2009, Social Security has \$807.5 billion in income of which \$667.3 billion (83%) came from tax contributions and \$140.2 billion (17%) was dedicated proceeds from the taxation of benefits and interest earnings from the investment of its accumulated surplus.
- ²² Center on Budget and Policy Priorities, “Critics Still Wrong on What’s Driving Deficits in Coming Years,” June 28, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3036>.
- ²³ Congressional Budget Office (CBO), “The Long-Term Budget Outlook, Table 1-2”, June, 2010, p. 6. Available at <http://www.cbo.gov/ftpdocs/102xx/doc10297/06-25-LTBO.pdf>.
- ²⁴ Social Security Trustees, Ibid., p. 3.
- ²⁵ SSA, “Annual Statistical Supplement: Table IV.A3—Combined OASI and DI, 1957–2008,” Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/4a.pdf> Benefits also exceeded payroll contributions in 2009, according to the Social Security Trustees, Ibid., “Table IV.A3.,” 2010, p. 43.
- ²⁶ Social Security Trustees, Ibid, Table IV.A.3, p. 43.
- ²⁷ Social Security Trustees, Ibid., p. 6 and Table VI.C6, p. 161.
- ²⁸ Social Security’s full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at aged 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at <http://www.ssa.gov/retire2/agereduction.htm>
- ²⁹ SSA, “Effect of Early or Delayed Retirement on Retirement Benefits,” 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.
- ³⁰ Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, “Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect,” Economic Policy Institute, August 6, 2010, p. 8. Available at http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf
- ³¹ Hye Jin Rho, “Hard Work? Patterns in Physically Demanding Labor Among Older Workers,” Center for Economic and Policy Research, 2010. p. 2. Available at <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>
- ³² CBPP, “What the 2010 Trustees’ Report Shows About Social Security,” August 13, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3262>.
- ³³ NASI, Ibid.
- ³⁴ NASI, Ibid.
-

Raising The Retirement Age Is A Substantial Benefit Cut

- Social Security’s full retirement age has been gradually increasing from age 65 to age 67 for people born after 1960.¹ This two-year increase is a 13% cut in benefits, whether a worker retires at age 62, age 70, or any age in between, according to the Social Security Administration.²
- Increasing the retirement age from 67 to 69 or 70, as some have proposed, would cut benefits by another 13% or 20%, respectively. Such increases would further undermine the economic security of middle-aged and younger workers, the youngest of whom would experience a 33% cut in their benefits compared to what they would have received if the full retirement age had remained at 65.³ Widows, widowers, spouses and divorced spouses of retired workers would have their benefits reduced by the same percentage.
- Raising the retirement age discriminates against older workers, who are more likely to be in physically demanding jobs, have more health problems and cannot find or keep work due to job discrimination, lack of job availability or other reasons. It is most burdensome to African American, Latino and low-income workers.
- The conventional wisdom is that life expectancy is increasing for everyone, which is not true. Over the past quarter century, life expectancy among men in the lower half of the income distribution has increased by only one year (as the retirement age increased by one year); they have not even caught up to the life expectancy of upper-income men in 1982. Among lower-income women, life expectancy has actually *declined*.⁴

¹ Social Security’s full retirement age is slowly rising from 65, where it was for those first accepting their retired worker benefits at aged 62 or older before 2000, to age 67 for those who are first eligible to receive retired worker benefits at age 62 in 2022. A chart of retirement benefits by age is at

<http://www.ssa.gov/retire2/agereduction.htm>

² Social Security Administration, “Effect of Early or Delayed Retirement on Retirement Benefits,” 2010. Available at http://www.ssa.gov/OACT/ProgData/ar_drc.html. Each one-year increase represents a cut of 6% to 7%.

³ Social Security Works, “Reductions in Monthly Old Age Benefits Resulting From Increasing Social Security’s ‘Retirement Age,’” July, 2010. Available at

<http://strengthensocialsecurity.org/sites/default/files/Boehner%20Retirement%20Age%20Chart1.pdf>

⁴ Harry C. Ballantyne, Lawrence Mishel and Monique Morrissey, “Briefing Paper #273: Social Security and the Federal Deficit, Not Cause and Effect,” Economic Policy Institute, August 6, 2010, p. 8. Available at

http://epi.3cdn.net/99133adf653fd78719_qym6b95et.pdf

Reducing The Annual Cost Of Living Adjustment (COLA) Is A Large Benefit Cut

- Social Security's annual and automatic COLAs, which have averaged about 3% for the last 25 years, are essential because they assure that inflation does not erode the value of benefits over time.¹ Some have proposed that the COLA formula be changed to *reduce* benefit levels. Instead, it should be *increased* – to reflect the much higher share of income that retirees and people with disabilities spend on health care costs.
- Elderly persons pay 1 in 5 dollars out-of-pocket, on average, for health care that is not covered by Medicare, Medicaid or any other insurance.² This share will rise as health costs continue to escalate, but it is not fully captured by the inflation measure (CPI-W) used to adjust Social Security benefits. From 1982 to 2007 the CPI-W rose by 110% compared to a 126% increase when inflation was measured using the consumer price index for elderly consumers (CPI-E), which gives greater weight to health care costs.³
- Reducing the inflation adjustment so that it is even less adequate than it is currently would be a substantial benefit cut affecting every single beneficiary. The Congressional Budget Office estimates that the COLA formula typically proposed by those who want to cut benefits (C-CPI-U) grows on average 0.3% slower than does Social Security's current COLA formula. Using this lower COLA would cut benefits by \$108 billion over 10 years.⁴
- Over time, this COLA cut has a compounding effect, so it hits hardest those receiving benefits the longest – older women, who already have high levels of poverty, and people disabled at young ages, and who live long lives despite the disability.

¹ Cost of living adjustments available at <http://www.ssa.gov/OACT/COLA/colaseries.html>

² Federal Interagency Forum on Aging-Related Statistics, "Older Americans 2010: Key Indicators of Well-Being. Federal Interagency Forum on Aging-Related Statistics," July, 2010, p. 56. Available at http://www.agingstats.gov/agingstatsdotnet/Main_Site/Data/2010_Documents/Docs/OA_2010.pdf

³ From December, 1982 through December, 2007, the CPI-E increased 126.5% while the CPI-W rose just 110%. Kenneth J. Stewart, "The experimental consumer price index for elderly Americans (CPI-E): 1982-2007," Monthly Labor Review Online, May, 2008. Available at <http://www.bls.gov/opub/mlr/2008/04/art2exc.htm>

⁴ Congressional Budget Office, "Budget Options: Volume 2," August, 2009, p. 147. Available at <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>

Price Indexing Is A Substantial Benefit Cut That Dramatically Changes The Fundamental Structure Of Social Security

- Social Security's benefit formula is indexed to the growth in wages so that future beneficiaries will have the same percentage of wages replaced as those retiring now (except that the current law increase in retirement age will cut benefits for future workers.)
- Some, including President Bush in 2005 and Rep. Paul Ryan today, have proposed to change this benefit formula to so-called "progressive" price indexing. It would index Social Security's formula in part to prices, which generally grow slower than wages. The impact is that all future beneficiaries except those in the bottom 30% of the income scale would have a lower percentage of wages replaced. This stealth-like benefit cut grows over time until eventually everyone would receive around the same low level of benefit, unrelated to wages.
- "Progressive" price indexing is not progressive. It drastically cuts survivor, disability, and retirement benefits of workers earning over \$25,000, and their families, maintaining current-law benefits only for the very lowest wage earners.¹ It cuts the benefits of youngest workers the most because the impact is cumulative.
 - A worker who earned the average wage throughout his or her career and retired in 2045 at age 65 would receive a benefit 16% lower than under the current benefit formula.
 - If the worker retired in 2075, his or her benefit would be 28% lower than the benefit the worker would receive under current law.²
- "Progressive" price indexing radically transforms Social Security into a program where benefits are increasingly unconnected to wages and contributions. This would make it more like welfare than wage-replacement insurance, and would undermine a key value that makes Social Security popular: the more you earn and contribute the larger your benefit.

¹ Gordon B .T. Mermin, "Reforming Social Security Through Price and Progressive Price Indexing," Urban Institute, December, 2005. Available at http://www.urban.org/UploadedPDF/900903_reforming_ss.pdf.

² Jason Furman, "An Analysis of Using 'Progressive Price Indexing' to Set Social Security Benefits, Center for Budget and Policy Priorities, May, 2005. Available at <http://www.cbpp.org/cms/?fa=view&id=48>

Means-testing Will Fundamentally Undermine Social Security's Universal – And Deep – Public Support

- Social Security has strong public support because it is an earned right dependent on the contributions paid in during a worker's career. Means testing Social Security would change that by excluding higher-income individuals from receiving benefits, thus changing the program into a welfare program based on need.
- Means testing will not produce any significant savings unless it affects the benefits of the middle class – households with annual incomes of \$60,000 to \$70,000.¹
- Means testing is administratively expensive. Currently Social Security's administrative expenses are 0.9% of total expenditures.² They are low because to qualify all that a person needs to do is provide a Social Security number and birth date. If the program were means tested, potential beneficiaries would likely have to produce bank accounts, value of assets (such as houses and cars), tax returns, and so on.
- Means-testing would discourage people from saving because if they have too much in income and assets they would risk losing some or all of their Social Security benefits. Government policy should encourage accumulation of a nest egg, not discourage it.
- Means-testing Social Security would contradict the idea that we are “all in this together.” We don't means-test fire and police protection, public library or access to public schools, and we should not means test Social Security.
- Americans understand that Social Security belongs to them because they contributed to it – not to the government. It is a promise that should not be broken. Means-testing would break that promise and undermine the dignity that comes from receiving something you have earned.

¹ See for example, Dean Baker, Co-director, Center for Economic Policy Research, “Family Friendly Cuts to Social Security: The Myth of Affluence Testing,” Truthout, May, 17, 2010. Available at <http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/family-friendly-cuts-to-social-security-the-myth-of-affluence-testing/>. See also National Committee to Preserve Social Security and Medicare, “Means-Testing Social Security: Breaking Faith with American Workers,” 2010. Available at: http://www.ncpssm.org/news/archive/means_testing/; and Eric Kingson and J.H. Schulz, “Should Social Security be means-tested?” in E.R. Kingson and J.H. Schulz, editors, *Social Security in the 21st century*, New York: Oxford University Press, 1997.

² Social Security Trustees, “The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,” 2010, p. 6 and Table VI.C6, p. 161. Available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>.

Financing Options To Strengthen Social Security Not Cut It

Social Security can pay all benefits in full through 2037. After then it can pay 78% of benefits decreasing to 75% in 2084 and beyond.¹ Eliminating this shortfall for the next 75 years would require raising revenues equal to about 0.6% of GDP over the period.² This cost is about the same as extending the Bush-era tax cuts for the top 2% of the wealthiest Americans – those making \$250,000 or more a year.³

There are numerous other options for closing Social Security's long-run financial gap discussed below, *which have not yet been endorsed by the Strengthen Social Security Campaign*. These proposals would put the burden primarily or exclusively on wealthier Americans. Taxing higher-wage workers is fair because they typically live longer than other workers, and their wages have risen much faster than everyone else's.

- **Lift the cap on the amount of wages subject to the payroll tax.** Currently, wages above \$106,800 are not subject to the 12.4% payroll tax, with workers and employers each paying 6.2%. This cap goes up each year based on increases in average wages.
 - If all workers and employers contributed 6.2% of their *total* wages 95% of the projected shortfall would be eliminated (even as they get paid more in benefits).⁴
 - A more moderate approach is to lift the cap on the share paid by employers, as was proposed by President Jimmy Carter in 1977. A still more moderate alternative would gradually raise the payroll tax cap over 25-to-30 years to cover 90% of wages. This was the target set by Congress in 1977,⁵ but today just 84% of earnings are covered because the salaries of the highest paid grew so much faster than average wages over the last few decades.⁶
 - Eliminating the cap on employers and restoring the cap to 90% on employees would eliminate 72% of the shortfall.⁷
 - Simply restoring the cap to 90% on employers and employees would eliminate 28% of the projected long-run deficit.⁸
- **Dedicate the estate tax to Social Security.** The amount of money Social Security would save by raising the retirement age to 70 is nearly equivalent to the amount of money that would be raised by reinstating the estate tax to the 2009 level. Raising Social Security's retirement age to 70, would eliminate 31% of the projected shortfall. Alternatively, setting the estate tax at the 2009 level would eliminate 26% of the projected Social Security shortfall.⁹
- **Schedule a very gradual increase in the payroll tax rate beginning in 2015.** Raising the payroll tax rate on both employer and employee by 1/20th of 1% per year from 2015 to 2034 would eliminate two-thirds of the projected shortfall.¹⁰

- **Impose a 0.5% tax on stock transfers, as Britain does.** Such a tax on credit swaps, derivatives and other exotic financial instruments, as well as on stock transfers, would fall mainly on Wall Street banks and other large commercial institutions. It would raise enough revenue to provide Social Security with a surplus for the next 75 years and beyond and to raise benefits across-the-board by about 5%, while discouraging speculation, stock churning, and other unproductive activities.¹¹
- **Allow Social Security to diversify its portfolio and invest a small portion of its assets in broad-based, indexed stock funds, as private pension plans do.** Gradually investing 15% of its assets in that way would eliminate 14% of the projected shortfall.¹²

¹ Social Security Trustees, "The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," p. 9. Available at <http://www.ssa.gov/OACT/TR/2010/tr2010.pdf>

² Social Security Trustees, *Ibid.*, p. 12.

³ Center on Budget and Policy Priorities, "What the 2010 Trustees' Report Shows About Social Security," August, 13, 2010. Available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3262>

⁴ National Academy of Social Insurance, *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009. Available at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf

⁵ Social Security Financing Amendments of 1977, U.S. House of Representatives, Report of the Ways and Means Committee to Accompany HR 9346, House Report No. 702, Part 1, p. 18.

⁶ Social Security Administration, "2009 Annual Statistical Supplement of the Social Security Bulletin; Table 4B.1." Available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2009/supplement09.pdf>

⁷ NASI, *op cit.*

⁸ NASI, *Ibid.* For example, if the cap had been raised in 2010 2% more than the prior year's base (including the automatic increases) the maximum additional amount any worker would have to pay in 2010 would be \$132 (6.2% of 2% of \$106, 800), and they and their families would receive higher benefits in the event of death, disability, or old age.

⁹ NASI, *Ibid.*

¹⁰ NASI, *Ibid.*

¹¹ Dean Baker, Robert Pollin, Travis MacArthur and Matt Sherman, "The Potential Revenue from Financial Transactions Taxes," December 2009. Available at <http://www.cepr.net/documents/publications/ftt-revenue-2009-12.pdf>. Extrapolation of impact to Social Security's revenues done via informal communication between, Social Security Administration Office of the Actuary and Nancy Altman, Co-director, Social Security Works, May, 2010.

¹² NASI, *op cit.*

Section Four: Selected Media Coverage of Social Security

[The myth of the Social Security system's financial shortfall](#)

The trust fund is in far better shape than critics admit.

By Michael Hiltzik

Los Angeles Times

8/08/2010

The annual report of the Social Security Trustees is the sort of rich compendium of facts and analysis that has something for everybody, like the Bible.

In recent years, during which conservatives have intensified their efforts to destroy one of the few U.S. government programs that actually works as intended, the report's publication has become an occasion for hand-wringing and crocodile tears over the (supposedly) parlous state of the system's finances.

[This year's report](#), which came out Thursday, is no exception. Within minutes of its release, some analysts were claiming that it projected a "shortfall" for Social Security this year of \$41 billion. Before we get to the bogus math behind that statement — which doesn't actually appear in the report — let's look at the encouraging findings by the agency's trustees, who include the secretaries of Labor, the Treasury, and Health and Human Services.

The trustees indicated that the program has made it through the worst economic downturn in its life span essentially unscathed. In fact, by at least one measure it's fiscally stronger than a year ago: Its projected actuarial deficit over the next 75 years (a measurement required by law) is smaller now than a year ago.

The old age and disability trust funds, which hold the system's surplus, grew in 2009 by \$122 billion, to \$2.5 trillion. The program paid out \$675 billion to 53 million beneficiaries — men, women and children — with administrative costs of 0.9% of expenditures. For all you privatization advocates out there, you'd be lucky to find a retirement and insurance plan of this complexity with an administrative fee less than five or 10 times that ratio.

This year and next, the program's costs will exceed its take from the payroll tax and income tax on benefits. That's an artifact of the recession, and it's expected to reverse from 2012 through 2014. The difference is covered by the program's other income source — interest on the Treasury bonds in the Social Security trust fund.

That brings us back to this supposed \$41-billion "shortfall," which exists only if you decide not to count interest due of about \$118 billion.

And that, in turn, leads us to the convoluted subject of the trust fund, which for some two decades has been the prime target of the crowd trying to bamboozle Americans into thinking Social Security is insolvent, bankrupt, broke — pick any term you wish, because they're all wrong. The trust fund is the mechanism by which baby boomers have pre-funded their own (OK, *our* own) retirements. When tax receipts fall short, its bonds are redeemed by the government to cover the gap.

Despite what Social Security's enemies love to claim, the trust fund is not a myth, it's not mere paper. It's real money, and it represents the savings of every worker paying into the system today. So I'm going to train a microscope on it.

What trips up many people about the trust fund is the notion that redeeming the bonds in the fund to produce cash for Social Security is the equivalent of "the government" paying money to "the government." Superficially, this resembles transferring a dollar from your brown pants to your gray pants — you're no more or less flush than you were before changing pants.

But that assumes every one of us contributes equally to "the government," and by equal methods — you, me and the chairman of Goldman Sachs.

The truth is that there are two separate tax programs at work here — the payroll tax and the income tax — and they affect Americans in different ways. The first pays for Social Security and the second for the rest of the federal budget.

Most Americans pay more payroll tax than income tax. Not until you pull in \$200,000 or more, which puts you among roughly the top 5% of income-earners, are you likely to pay more in income tax than payroll tax. One reason is that the income taxed for Social Security is capped — this year, at \$106,800. (My [payroll and income tax figures](#) come from the Brookings Institution, and the [income distribution statistics](#) come from the U.S. Census Bureau.)

Since 1983, the money from all payroll taxpayers has been building up the Social Security surplus, swelling the trust fund. What's happened to the money? It's been borrowed by the federal government and spent on federal programs — housing, stimulus, war and a big income tax cut for the richest Americans, enacted under President George W. Bush in 2001.

In other words, money from the taxpayers at the lower end of the income scale has been spent to help out those at the higher end. That transfer — that loan, to characterize it accurately — is represented by the Treasury bonds held by the trust fund.

The interest on those bonds, and the eventual redemption of the principal, should have to be paid for by income taxpayers, who reaped the direct benefits from borrowing the money.

So all the whining you hear about how redeeming the trust fund will require a tax hike we can't afford is simply the sound of wealthy taxpayers trying to skip out on a bill about to come due. The next time someone tells you the trust fund is full of worthless IOUs, try to guess what tax bracket he's in. It should come as no surprise that one of the leading advocates for cutting Social Security benefits or raising payroll taxes is the Wall Street billionaire Peter G. Peterson, who has pumped millions into an alarmist campaign about the federal deficit.

But ask Peterson, who made his money as a hedge fund manager, about closing the enormous tax loophole enjoyed by hedge fund managers — it costs the Treasury a couple of billion dollars a year — and he warns that it would force hedge funds to move overseas, which would be bad for the U.S. economy. This is the sort of argument my mother used to describe as: "I like me, who do you like?"

The trust fund may not last forever, but reports of its demise are certainly premature. The trustees say it will be drawn down to zero in 2037, at which point the program will only have enough money coming in from taxes to pay 78% of the benefits due under current law. So sometime in the next quarter-century — but by no means right now — does anything have to be fixed, say through a hike in the payroll tax ceiling (or, better, its elimination)?

That 2037 deadline, in truth, is a moving target. It's based on long-term projections, which become more uncertain the further out you look. The estimated date is very sensitive to forecasts of immigration, wage and economic growth, and birth and death rates, all of which are uncertain. Over the last 10 years, it has fluctuated between 2037 and 2042, mostly due to economic factors. It has held steady at 2037 for two years despite the downturn, but that's still better than the projection in 1998, which was for exhaustion in 2032.

In short, if the new trustees report gets examined wisely and responsibly, it should put an end to all the current talk about raising the retirement age or cutting benefits. Social Security doesn't contribute a dime to the federal deficit, and in these days of market stagnation and cutbacks in pensions, it has never been more important to millions of Americans. The Pete Petersons of the world should find themselves a different target.

[We Should Leave Social Security Alone](#)

Unlike some other public programs it is efficient, with not much fat to cut.

By Ezra Klein

Newsweek

9/3/2010

There are a lot of things Congress doesn't know right now. What to do about jobs, for instance. Who'll be running the House come January. How to balance the budget. But there is one thing that both parties increasingly seem to agree on: You should work longer.

Raising the [Social Security](#) retirement age has become as close to a consensus position as exists in American politics. House Minority Leader John A. Boehner (R-Ohio) supports it. House Majority Leader Steny H. Hoyer (D-Md.) has said that "we could and should consider a higher retirement age." And for a while, I agreed with them, too. It seemed obvious: People live longer today, and so they should work later into life. But as I've looked at the issue, I've decided that I was wrong. So let me be the skunk at the party. We should leave the retirement age alone. In fact, we should leave Social Security alone - unless we're making it more, rather than less, generous.

Social Security provides disability insurance and survivor's benefits, but when people talk about it, they tend to be referring to its role as a program that provides income support to retirees. The average monthly benefit of \$1,170 replaces about 39 percent of the person's pre-retirement earnings. Over the next two decades, the "replacement rate" is slated to drop to 31 percent. That is less than in most developed countries - the Organization for Economic Cooperation and Development ranks it 25 out of 30 member nations.

The system, in other words, is not that generous, and it's becoming less so every year. The age at which you can begin collecting full Social Security benefits is moving from 66 to 67, as part of a deal struck in the 1980s to ensure the system's solvency. And all this at a time when employers are getting rid of defined-benefit pensions, which means that most workers will have no guaranteed retirement income except for Social Security.

Which brings us to Social Security's financial "crisis." The issue isn't that Social Security is spending too much or that we're living too long. It's that we're not having enough children (or letting in enough immigrants). As Stephen C. Goss, the system's chief actuary, has written, Social Security projects an imbalance "because birth rates dropped from three to two children per woman." That means there are fewer young people paying for the old people. "Importantly," Goss continues, "this shortfall is basically stable after 2035." In other words, we only have to fix Social Security once.

The size of that fix is significant, but not astonishing. Over the next 75 years, the shortfall will be equal to about 0.7 percent of gross domestic product. How much is 0.7 percent of GDP? To put that in perspective, the Center on Budget and Policy Priorities calculates that it's about as much as Bush's tax cuts for the rich will cost over the same period. Saying we can afford those cuts—which is the consensus Republican position—but not Social Security's outlay is nonsensical.

Coming up with 0.7 percent of GDP isn't a crisis. It's a question of priorities. Which doesn't mean that Social Security shouldn't be on the table when we look at how to balance the budget. Everything should be on the table. And Social Security is our single-largest program—though Medicare is projected to overtake it in the next couple of years. But if you really put everything on the table—the health-care system, the tax code, military spending, farm subsidies, etc.—then raising the retirement age or otherwise cutting Social Security stops looking so good.

Start with the basic rationale for raising the retirement age. Rep. Paul D. Ryan (R-Wisc.) has argued that when Social Security was signed into law, the retirement age was 65 and life expectancy was 63. "The numbers added up pretty well back then," he said on Fox News. But that's misleading. That figure was driven by high infant mortality. If you were a white male who'd made it to age 60 in 1935, you could expect 15 more years going forward. If you're a white male who lives to 60 today, you can expect 20 more years going forward.

Moreover, those averages conceal a lot of inequality. In 1972, a 60-year-old male worker who made less than the median income had a life expectancy of 78 years. By 2001, he had a life expectancy of 80 years. Meanwhile, workers in the top half of the income distribution shot to 85 years from 79. Insofar as the argument for raising the retirement age is that "Social Security beneficiaries live a lot longer today than they did in 1935," it should be restated as: "Social Security beneficiaries tend to live somewhat longer today than they did in 1935, and that's much more true of rich beneficiaries than poor beneficiaries." And so what? Lurking beneath this conversation is an unquestioned assumption: We live longer, and so we should work longer. That's pretty intuitive to members of Congress, who seem to like their jobs and don't seem to like the idea of retiring. It's also pretty intuitive to blogger/columnists, who spend their time in air-conditioned rooms opining about pension programs. But most people don't work in Congress or in the media. They work on their feet. They strain their backs. They're bored silly at the end of the day. By the time they're in their 60s, they want to retire.

You see that reflected in Social Security. Age 66 is when you get full benefits. But most people begin taking Social Security at age 62. They get less, but they can retire earlier. To them, the trade-off is worth it. And remember, the country is also much richer than it was in 1935. Adjusting for inflation, our gross domestic product in 1935 was \$865 billion. In 2009, it was more than \$12 trillion. We have more than enough money to buy ourselves some leisure time at the end of our lives. At least if that's one of our priorities.

Polling suggests that it is. An August survey from Greenberg Quinlan Rosner Research tested reactions to a variety of Social Security fixes. One of the options was raising the retirement age to 70. Two thirds of respondents opposed it. Another option was eliminating the cap on payroll taxes so that well-off workers pay the tax on their full income, just as middle-income workers do now. A solid 61 percent supported it.

That's almost the reverse of the conversation in Washington, where affluent people who like their jobs propose cutting benefits for the poor (which is, after all, what raising the retirement age would do) rather than lowering benefits or increasing the payroll tax on, well, themselves. Which is not to say that we should be raising taxes or cutting benefits on the better off, either.

The universally unpleasant options for reform are a testament to Social Security's efficiency. It's a simple transfer program, with administrative costs that amount to less than 0.9 percent of total spending. There's not much fat to cut.

That can't be said for much else in American public policy. Our health-care system costs twice as much as the German system and doesn't deliver better results. Our defense sector is wasteful and bloated. Our tax code could raise more money and do less to harm growth if we cleaned it out. Our home prices are driven upward by the mortgage-interest tax deduction. Our health insurance premiums are goosed by the exclusion of employer-sponsored insurance from taxable income.

Reforming any of those sectors (or, in the case of health care, reforming it more) would be politically difficult, but would mean better policy. Reforming Social Security will be politically difficult and result in worse policy. That's the good thing about putting everything on the table. It allows you to think more clearly about what should be taken off.

Attacking Social Security

By Paul Krugman
The New York Times
8/15/2010

Social Security turned 75 last week. It should have been a joyous occasion, a time to celebrate a program that has brought dignity and decency to the lives of older Americans.

But the program is under attack, with some Democrats as well as nearly all Republicans joining the assault. Rumor has it that President Obama's deficit commission may call for deep benefit cuts, in particular a sharp rise in the retirement age.

Social Security's attackers claim that they're concerned about the program's financial future. But their math doesn't add up, and their hostility isn't really about dollars and cents. Instead, it's about ideology and posturing. And underneath it all is ignorance of or indifference to the realities of life for many Americans.

About that math: Legally, Social Security has its own, dedicated funding, via the payroll tax ("FICA" on your pay statement). But it's also part of the broader federal budget. This dual accounting means that there are two ways Social Security could face financial problems. First, that dedicated funding could prove inadequate, forcing the program either to cut benefits or to turn to Congress for aid. Second, Social Security costs could prove unsupportable for the federal budget as a whole.

But neither of these potential problems is a clear and present danger. Social Security has been running surpluses for the last quarter-century, banking those surpluses in a special account, the so-called trust fund. The program won't have to turn to Congress for help or cut benefits until or unless the trust fund is exhausted, which the program's actuaries don't expect to happen until 2037 — and there's a significant chance, according to their estimates, that that day will never come.

Meanwhile, an aging population will eventually (over the course of the next 20 years) cause the cost of paying Social Security benefits to rise from its current 4.8 percent of G.D.P. to about 6 percent of G.D.P. To give you some perspective, that's a significantly smaller increase than the rise in defense spending since 2001, which Washington certainly didn't consider a crisis, or even a reason to rethink some of the Bush tax cuts.

So where do claims of crisis come from? To a large extent they rely on bad-faith accounting. In particular, they rely on an exercise in three-card monte in which the surpluses Social Security has been running for a quarter-century don't count — because hey, the program doesn't have any independent existence; it's just part of the general federal budget — while future Social Security deficits are unacceptable — because hey, the program has to stand on its own.

It would be easy to dismiss this bait-and-switch as obvious nonsense, except for one thing: many influential people — including Alan Simpson, co-chairman of the president's deficit commission — are peddling this nonsense.

And having invented a crisis, what do Social Security's attackers want to do? They don't propose cutting benefits to current retirees; invariably the plan is, instead, to cut benefits many years in the future. So think about it this way: In order to avoid the possibility of future benefit cuts, we must cut future benefits. O.K.

What's really going on here? Conservatives hate Social Security for ideological reasons: its success undermines their claim that government is always the problem, never the solution. But they receive crucial support from Washington insiders, for whom a declared willingness to cut Social Security has long served as a badge of fiscal seriousness, never mind the arithmetic.

And neither wing of the anti-Social-Security coalition seems to know or care about the hardship its favorite proposals would cause.

The currently fashionable idea of raising the retirement age even more than it will rise under existing law — it has already gone from 65 to 66, it's scheduled to [rise to 67](#), but now some are proposing that it go to 70 — is usually justified with assertions that life expectancy has risen, so people can easily work later into life. But that's only true for affluent, white-collar workers — the people who need Social Security least.

I'm not just talking about the fact that it's a lot easier to imagine working until you're 70 if you have a comfortable office job than if you're engaged in manual labor. America is becoming an increasingly unequal society — and the growing disparities extend to matters of life and death. Life expectancy at age 65 has risen a lot at the top of the income distribution, but much less for lower-income workers. And remember, the retirement age is already scheduled to rise under current law.

So let's beat back this unnecessary, unfair and — let's not mince words — cruel attack on working Americans. Big cuts in Social Security should not be on the table.

[The Color of Money: It's unfair to call Social Security a Ponzi scheme](#)

By Michelle Singletary
The Washington Post
8/29/2010

Perhaps nothing gets some people madder than if you trash their mama or dare to talk about Social Security.

I frequently get mail from folks who think Social Security is just a government-sanctioned Ponzi scheme, a con game in which money from new investors is used to pay earlier investors. Eventually, the con collapses when not enough new money comes in to settle with existing participants.

Critics of Social Security say the explanation fits because as the U.S. population grows older, the cost of running the entitlement program will outpace revenue coming in. Under current law, dedicated resources are projected to become insufficient to pay full benefits in 2039, the Congressional Budget Office says.

The discussion about what to do with Social Security not only is divisive but at times can get very ugly. Former Sen. Alan Simpson, the co-chairman of President Obama's bipartisan debt commission, got in trouble recently for saying this about Social Security: "We've reached a point now where it's like a milk cow with 310 million tits!"

Although Simpson has apologized for his colorful language, the sentiment he expressed is still felt by many.

President Franklin Roosevelt signed the Social Security Act on Aug. 14, 1935. Since then, it has unquestionably kept millions of people -- most importantly, the elderly and disabled -- from the depths of poverty.

Social Security is not a Ponzi scheme. Nor are people milking the program to live the high life. How many people could live richly off \$1,000 a month, which is the current average monthly benefit for all beneficiaries?

If we decrease Social Security's financial impact, what do we say to the people who have worked hard all their lives but still don't have enough saved to take care of themselves in their old age? What do you say to someone who has become disabled and can't work? What about the children left behind by the death of a parent?

Should we say, "Sorry, bud, you're just trying to milk America"?

Look at some facts from the AARP Public Policy Institute:

- Twenty-three percent of older Americans live in families that depend on Social Security for 90 percent or more of their family income.

- Social Security provides crucial income support to women and minorities. Twenty-nine percent of older African Americans and 26 percent of Hispanics rely on Social Security for 90 percent or more of their family income.
- Fifty-three percent of women 65 and older count on Social Security to provide 50 percent or more of family income.
- As people get older, they rely more on Social Security. For example, among those 65 to 69, almost 16 percent count on Social Security to provide 90 percent or more of their family income. For those 75 to 79, the figure rises to 25 percent.

If you have any doubt how important this program is, read the personal stories the Social Security Administration has been collecting in honor of the program's 75th anniversary. You can find the stories on the agency's Web site, but here are just a few:

- "Back in the 1970s, my father became disabled. I drew a check on him until I turned 18. \$125 per month. But then that was a lot of money and we lived okay. I don't remember feeling poor."
- "When our parents died nine months apart in 1959, they left behind me and my five brothers. Then along came Social Security from both of our parents being workers. What a blessing; we got \$60 a month for each of the three boys . . . This afforded us the extras such as food to eat. We really felt blessed by this plan."
- "My husband of eight years died of heart disease at the age of 42. I was 37 with one young son. Jeff was the one who supported our family, and in the blink of an eye he was gone. I want to thank Social Security for helping me financially get through the months and years after losing Jeff."
- A retired nurse, diagnosed with ovarian cancer, wrote: "If it had not been for my Social Security benefits, I don't know how I would have paid my utilities or bought my food. . . . I will forever be grateful to President Roosevelt. . . . The world needs to know how many people Social Security has saved."

Social Security has some major funding issues, but it's not a con. It is a social *insurance* program that was never intended to be any individual's personal savings or investment account. This remarkable social safety net is the cost we bear as a civilized society.

[Talking Social Security](#)

By Katrina vanden Heuvel

The Nation

10/1/2010

With Congress in recess until after the midterms, many members are heading home to face tough reelection bids. If Democrats really want to rally their base and win over voters who are either on the fence or thinking of sitting this one out, they'd be smart to [start talking Social Security](#).

You won't find any lack of enthusiasm at the grassroots when it comes to protecting this centerpiece of FDR's New Deal reforms. Over the past [75 years](#), it's proven to be our nation's [most effective anti-poverty program](#) while also providing Americans a measure of dignity and hope and lasting security against the vicissitudes of the market and life.

Currently, Social Security provides the majority of income for two-thirds of the elderly population, and one-third receive nearly all of their income from it. According to the Congressional Budget Office, if no changes were made to Social Security it would still be able to provide full benefits to every recipient through 2039, and approximately 80 percent of benefits thereafter. (By simply ending the cap of taxing only up to \$106,000 of earned income, that problem is solved.)

So it's stunningly bad politics and policy that at this moment—with record poverty and economic inequality, and a shrinking middle-class—Republicans and ConservaDems are looking to slash benefits under the guise of deficit reduction. It's quite possible they will vote on a plan—via the White House [National Commission on Fiscal Responsibility and Reform](#)—to do just that in a lame duck session of Congress come December.

But the Strengthen Social Security Campaign (SSSC)—a [coalition](#) of over 125 national and state organizations, representing over 50 million Americans—and their [Congressional allies](#) are pursuing an effective inside-outside strategy to stop that plan in its tracks and protect Social Security for American workers, seniors, children and people with disabilities.

At the grassroots, activists are focused on [petitioning](#) to protect benefits and [pressing](#) congressional members and candidates to [declare](#) their positions on ideas like raising the retirement age, privatization, means-testing and changing the cost of living adjustment (COLA) formula—all of which are (not so) [stealth ways to cut benefits](#).

Inside Congress, 105 Members have signed onto Congressmen Raúl Grijalva, John Conyers and Dan Maffei's [letter](#) to President Obama stating their opposition to these and any other efforts to cut Social Security.

"If any of the Commission's recommendations cut or diminish Social Security in any way, we will stand firmly against them," the letter states clearly.

Senator Bernie Sanders and eleven cosponsors introduced a [resolution](#) that “put the White House commission on notice that raising the retirement age, privatizing the program, or cutting benefits would meet stiff opposition on Capitol Hill,” according to a press release from Senator Sanders’ office.

The Senate resolution notes that Social Security has run surpluses for the last 25 years, currently has a \$2.6 trillion surplus, and “has not contributed a dime to the Federal budget deficit or national debt.

“Benefit cuts should not be proposed as a solution to reducing the Federal deficit,” the resolution reads.

Coalition members—including the AFL-CIO, National Council of Women’s Organizations, MoveOn, Alliance for Retired Americans, AFSCME, Campaign for America’s Future, NAACP, Food Research Action Center, SEIU and others—are already reporting results that belie any so-called “enthusiasm gap.”

“For those of us on the ground, we’re seeing that voters across the political spectrum are extremely vocal in their support for Social Security,” said campaign communications director Alex Lawson. “Coalition members are reporting record responses from activists on this issue.”

That’s not surprising, since [poll](#) after [poll](#) show overwhelming opposition to cuts in Social Security—huge majorities of Democrats, Republicans, Independents, even Tea Party supporters don’t want to see benefit cuts.

Shaunna Thomas, Director of P Street Project, the lobbying arm of the Progressive Change Campaign Committee (PCCC), noted thousands of calls to Members of Congress by MoveOn, PCCC and other coalition members.

In a conference call with reporters today, Sanders—who was joined by Senator Sherrod Brown, Congressmen Grijalva, Conyers and Maffei, and other coalition leaders—said, “It is important for the American people, as they go to vote in this important election, to have a sense philosophically of where the different members and parties stand on this issue.”

SSSC co-director [Eric Kingson](#) echoed that call to make the battle lines over social security clear. “It’s our hope that every candidate, every incumbent, will be asked by voters where they stand on raising the retirement age?” he said. “On Privatization? On cutting the cost of living adjustments? And on a number of other cuts that are proposed. This is a broad, bipartisan concern and we hope Members will go on record saying where they stand.”

You can [help make that happen](#). It’s time to start talking Social Security now.