Talking to Congress about Social Security
What to Say WHEN THEY SAY...

THEY SAY: Social Security's in crisis. It will be bankrupt in 2018 when the system starts paying out more in benefits than it takes in through taxes.

YOU SAY: Social Security needs strengthening for the long term but definitely is not in crisis. Social Security will have sufficient assets to pay full benefits until 2042. Even if Congress and the president do nothing—which they won't—the system still would have enough money coming in to cover about 70 percent of benefits after 2042.

Social Security would be unable to pay full benefits starting in 2018 only if the government reneges on the U.S. Treasury bonds in the trust funds. Those bonds are backed by the full faith and credit of the United States. Defaulting on them would cheat the tens of millions of workers who paid higher payroll taxes for decades to build up the trust funds. The government has never defaulted on such a promise before, and you have to be pretty cynical to think it would do so in the case of Social Security when it would hurt so many people.

THEY SAY: Social Security is unsustainable.

YOU SAY: That's not true. It faces some long-term financing challenges we should address. But let's put things in perspective: The president wants permanent tax cuts that cost three to five times as much as the Social Security shortfall, and tax cuts for the top 1 percent of earners that are about as big. The question isn't whether we can sustain Social Security: We can. The question is what are our priorities—should we lock in tax breaks for the richest Americans or address a problem in a program that is available to and serves all Americans.

THEY SAY: The Social Security trust funds are not real. The money's been spent.

YOU SAY: That's not true. The Social Security trust funds own U.S. Treasury bonds, which the government has promised to repay. Is the president saying the government won't keep this promise? That certainly doesn't square with how the financial markets view U.S. bonds. Big investors, like pension funds, are heavily invested in U.S. Treasury bonds. All those who invest in our bonds believe the promise of the United States government to pay is more reliable than the promise of any corporation, any state or local government or any other country.

THEY SAY: Social Security's a bad deal for African Americans because African American men, in particular, die younger than other Americans.

YOU SAY: That's not true. Just looking at the retirement program, African American men do just as well, and probably better, than other groups. That's because African American men tend to earn lower wages on average and Social Security's progressive benefits provide higher returns for lower-income workers. And when you add in benefits for workers with disabilities and young survivors, African Americans clearly do better, on average. African Americans make up 13 percent of the working-age population, but they are 17 percent of Social Security's workers with disabilities. They make up 15 percent of the population younger than 18 but 22 percent of Social Security's surviving children beneficiaries.

THEY SAY: Private accounts are necessary to address Social Security's funding problems.

YOU SAY: Privatization does *nothing* to fix Social Security's funding problems; it only makes matters worse. At the same time money is siphoned out of Social Security into private accounts, Social Security will have to continue paying promised benefits but will have fewer resources to do so. The result is that Social Security will have to borrow heavily—$4.9 trillion over 20 years—to meet its benefit obligations while funding private accounts.

THEY SAY: It's okay to borrow money in the short term to pay for the transition to private accounts.

YOU SAY: Borrowing for 30, 40, 50 years or more is not the short term!

THEY SAY: Private accounts will help workers build real wealth they can leave to their families.

YOU SAY: If the new system requires retirees to buy retirement policies that pay out monthly benefits (annuities), retirees will have little or nothing left to leave to their families. The president is saying he would require retirees to buy a monthly benefit that, together with what is left of Social Security's guaranteed benefit, would put them just above the poverty line. Even in that case, the typical retiree would not have much left over from the account. And to have something left, the retiree would have to live in near poverty.

THEY SAY: Private accounts give workers real choice and control over their retirement.

YOU SAY: Based on the plan the Bush administration has described, workers will have very little say in how their private accounts are run. The government will decide which Wall Street companies get to manage your money and what kinds of investments can be offered. And the government would require that typical retirees spend at least half—and in many instances, even more—of the funds in their accounts to buy a monthly benefit (an "annuity") when they retire.

THEY SAY: Stocks return 10 percent (7 percent after inflation) per year on average. That's much better than workers can do in Social Security.

YOU SAY: Once you take into account the trillions in transition costs, the significant administrative costs and management fees for running the accounts—and the additional risks workers will have to take on by investing in stocks—workers will *not* do better with private accounts.

THEY SAY: It's "personal accounts," not privatization.

YOU SAY: The president has called the accounts "private" accounts and supporters have long called it "privatization." The Cato Institute in Washington, D.C., used to call its campaign to replace Social Security with private accounts the Cato Project on Social Security Privatization. Changing the words now just because they don't poll well doesn't change the fact of what private accounts are and do to workers.

THEY SAY: Privatization will give people more money.

YOU SAY: No. Studies by the Social Security Administration and the nonpartisan Congressional Budget Office show privatization plans like those being considered by President Bush would cut benefits for today's average workers compared with what Social Security would provide if we strengthen it. Even after adding in money from private accounts and using the president's rosy assumptions about what stocks will earn in the future, a typical worker would face a 20 percent cut in benefits in the long run, on average.

THEY SAY: The president's plan protects everyone in retirement or near retirement (55 or older).

YOU SAY: Privatization means taking trillions of dollars out of Social Security to pay for private accounts. To be able to continue paying full benefits to current retirees, the government will have to borrow trillions of dollars. If future Congresses and presidents find they can't finance that borrowing or don't want to do it, they will have no choice but to cut benefits or cost-of-living adjustments for current retirees. Remember, President Bush—who is promising not to hurt current and near retirees—will be out of office by the time the privatization plan goes into effect.

People 55 or older also care about what happens to their children and grandchildren. Privatization plans, like the president is considering, mean big cuts in the Social Security benefits their children will receive and big new debts they will have to pay off.

THEY SAY: We can take care of Social Security's problems by slowing the rate of growth in future Social Security benefits by changing from "wage indexing" to "price indexing."

YOU SAY: That is just a polite way of saying we're going to cut benefits. Because wages rise more rapidly than prices, tying the benefit formula to changes in prices, rather than wages, will result in a $3.8 trillion cut in future benefits. You can argue this change will not cut the value of benefits compared with retiree benefits today, but the bottom line is there would be a growing gap between what workers earned just before retiring and what Social Security benefits provided. This would mean a big decline in the standard of living Social Security would support over time. Over the long term, this change would cut what Social Security's guaranteed benefits provide by more than 40 percent.

THEY SAY: Why do you want to deny workers the choice to have private accounts?

YOU SAY: We believe changes are necessary to help workers save for retirement. Half of workers don't have any retirement plan on the job, and only half of families have any kind of retirement savings. We should make it easier for workers to participate in existing retirement plans such as 401(k)s.

But we strongly disagree with those who want to take the radical step of diverting money out of Social Security to fund private accounts and replacing Social Security's guaranteed benefits with private accounts. Retirement savings accounts should supplement, not supplant, Social Security and pensions.

THEY SAY: All workers should have access to the same kind of private retirement accounts as members of Congress and federal employees have through their 401(k)-type plan, the Thrift Savings Plan (TSP).

YOU SAY: The TSP is a perfect example of what we are talking about. For federal workers, the TSP is a supplement to their pension and Social Security benefit. Privatization proposals replace Social Security with private accounts; they don't supplement it. Workers *do* need more pensions and more retirement savings on top of Social Security. But weakening Social Security through privatization will hurt, not help, them.

THEY SAY: The president has said he will preserve Social Security's programs for workers with disabilities and young survivors.

YOU SAY: The president never has clearly and directly said what would happen to disability and survivor benefits. His "principles" indicate these components will be "preserved," but that doesn't mean benefits won't be cut. His own Social Security Commission counted the cost savings from big cuts in these benefits. Because disability and survivor benefits are thoroughly integrated with the rest of the Social Security system, those who want to change the system have an obligation to explain how they will protect disability and survivor benefits and where they will come up with the hundreds of billions of dollars in extra money to protect them.

THEY SAY: Social Security is in trouble because people are living longer. They should work longer to collect full benefits. After all, most people today can work until later ages.

YOU SAY: That's unfair to workers who put in full careers in physically demanding jobs that wear out their bodies. That's not just somebody working on a construction site, but also many people working in service jobs, including nursing home aides and waitresses. Unlike those with college, graduate and professional degrees, many of these workers have been on the jobs since graduating from high school (or earlier in some cases).

THEY SAY: It's irresponsible to do nothing. The longer we wait, the worse the problem becomes.

YOU SAY: It's not a choice between private accounts and doing nothing. It's a matter of making the right choices to strengthen Social Security instead of weakening it. We have the time to get it right.

THEY SAY: Where's your plan?

YOU SAY: President Bush says this is his top domestic priority, yet he has not put out a plan. Neither have the Republican leaders who control both houses of Congress. What are they waiting for?

We support progressive solutions that strengthen Social Security. Congress should reject proposals to make the president's tax cuts for the top 1 percent of earners permanent and instead consider using some of that tax revenue for Social Security.

THEY SAY: I'm keeping an open mind on all options and want to see the president's plan before passing judgment on it.

YOU SAY: That's no reason not to sign our pledge. We know—and the president's advisors have admitted—privatization does nothing for Social Security solvency. We know the president's approach will require trillions of dollars in new federal debt. We know raising the retirement age for receiving full benefits will hurt many workers.