

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on the Bush Administration’s Plans to Privatize Social Security”

Statement of Senator Dianne Feinstein

January 28, 2005

Thank you very much, Mr. Chairman. And thank you for holding this hearing.

And my thanks to the witnesses for being here today. I feel very strongly on this issue. I feel if there’s ever an issue that should unite our party, it is keeping Social Security alive, well and making the changes that we need to do it. And I don’t believe that a substitution of the benefits structure into privatization or privatized accounts is the way to go.

I have never felt more strongly about an issue than I do. I represent the largest state in the union. I’ve got 4.3 million people on Social Security. I’ve got 860,000 of them that have no other source. And we’re the highest cost state in the union.

When we produce new jobs today, more than likely they are part-time. More than likely, they are minimum wage. And many companies are reducing pension and retirement benefits.

Therefore, in my view, Social Security and keeping it intact has become more important than ever before. Let me submit to you that I think the key is to make the system actuarially flexible. And my thoughts are why not have the Social Security board of trustees be authorized to retain outside actuaries, review the system every five years and with the goal of maintaining the benefits, provide those necessary revenue or benefit changes in a recommendation to the Congress and allow the Congress to vote it up or down.

In that way, we maintain the system. If someone wants to come up with a privatization over and above that so that people that wanted to go outside of the system and make these investments early on, particularly young people, I find that agreeable. But I believe very strongly that we’ve got to keep the system intact.

Now if I understand the president’s model two plans, the costs would exceed non-interest income in 2006. If this plan were enacted, the government would need to use interest the trust fund earns on its bonds to pay Social Security benefits. It would have to start redeeming these bonds in 2014 rather than in the 2028 as under current law.

So these plans would advance the date at which the trust fund must start using a portion of its interest income to pay Social Security benefits. And they would also add to the debt held by the public, unless they were fully and contemporaneously financed by offsetting tax increases or reductions in other government programs.

I'm just not willing to do this. And I would hope — and this is my wish — that we stand together as Democrats and that we find the best mechanism to allow the system to actuarially adjust as it goes on for the next 75 year period. I thank you very much.