

## **Senate Democratic Policy Committee Hearing**

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

#### **Statement of Senator Tim Johnson**

January 28, 2005

First, I want to thank the Democratic leadership for holding this important oversight hearing today. The future of Social Security is such an important issue, and this hearing will provide a great opportunity for members to learn a great deal. I also want to thank our two distinguished panels for being here.

In recent weeks we’ve heard a lot about the President’s intent to establish private accounts under the program. While no details have been shared with members of Congress regarding his proposal, the limited information we have does indicate that the Administration will only push and support a long-term solvency fix if it is married with a plan to divert payroll taxes to individual private accounts.

Beyond the private account issue, it is unclear what the other details of the Bush plan will include. I am willing to work with the President and members of Congress to improve the long term outlook of this program, but the American people need to be clear in their understanding of the facts. The fact is, Social Security is not in crisis and private accounts will do nothing to help with the program’s solvency. Yes, we do need to think about the future of this program. I am willing to hear the President’s thoughts and work with him on this issue, but I will not support any efforts to dismantle a program that has protected millions in this country from poverty, and provided a guaranteed benefit for our most vulnerable citizens in their time of need.

#### **A Guaranteed, Secure Safety Net**

Social Security is the most important social insurance program ever created by this great nation, and it has provided seniors with the assurances they need in old age. In South Dakota, one in five people count on this program to put food on their table, buy their prescription drugs, and keep the heat running during the long cold winters. The program protects millions from poverty, and without it, the number of seniors living in poverty would rise from 10 percent to 50 percent. This is the mark of a strong safety net program and we must fight to ensure its longevity.

While in the long-term we do need to find a sound solution to protect the solvency of the Social Security program, one thing must be protected now — the guarantee to retirees that they do not have to worry about living in poverty in old age, no matter what they made during their working years or how long they live. Seniors must be given the security to know to the dime what they will receive under this program, rather than having to worry about the climate on Wall Street.

#### **A Manufactured Crisis**

Since President Bush began his campaign for private accounts under Social Security, he has tried

to convince the American people that the program is in crisis. This manufactured crisis is merely fiction and when you begin to look at the real numbers, you learn very quickly that his numbers just do not add up.

The Administration has been trying to tell an alarming story in which the program is broke in 2019. Reality tells us that in 2019 we will just begin to dip into the \$3.7 trillion dollar trust fund to pay the Social Security bills and we will be able to draw on that fund for a long time — until 2052 according to the Congressional Budget Office. At that point in time, seniors will still receive 80 percent of projected benefits, and still more in dollars adjusted for inflation than what beneficiaries get today.

The real fiscal crisis facing our government today is not in the Social Security program, but rather in the federal budget, which according to the Administration will reach a deficit of \$427 billion dollars in 2005. This is the result of the irresponsible decisions of the administration, that has pushed tax cuts for the wealthy during time of war, and continued to fight to make those tax cuts permanent. I was alarmed to learn that in fact the entire Social Security shortfall over the next 75 years is about one-fifth the cost of the Bush tax cuts if made permanent. Beyond these problems, the rising costs of our health care programs will continue to threaten our budget stability. This is the real crisis we are facing right now, and I am wondering if the President is just trying to turn our attention to Social Security in an effort to make us forget about the federal budget deficit he has helped to create.

At the end of the day, when you look at the numbers and the financial outlook for Social Security we are in good shape for at least the next 50 years if not longer. When I look at the budget deficit today and a potential crisis 50 years from now, I am more concerned about ensuring that our government can continue to pay its bills now and restore fiscal sanity to the federal government so we can honor our commitments in the near term--for soldiers in Iraq, for insurance coverage for the poor and for prescription drugs for seniors.

### **Private Accounts above and beyond the Social Security Guarantee**

Not only has the President manufactured a crisis, but he is also trying to sell a fictitious solution. In the short term, his plan to establish private accounts will actually increase our budget deficit and cost the federal government approximately \$2 trillion dollars over the next 10 years. He has not indicated how he would pay for that, and so that number just gets added onto the federal debt, not even accounting for whatever privatization will cost us in the following years. Estimates indicate that this increased borrowing could potentially double our publicly-held debt by 2041, further increasing our dependence on foreign creditors.

Yes, any long-term savings the Administration plan might create will be at the expense of providing seniors and all Americans a guaranteed benefit. If the Bush plan goes ahead, remaining Social Security benefits will be reduced for all seniors, even those who choose not to participate in the private account option. This chips away at that safety net, forcing seniors to rely on the unpredictability of the stock market. Imagine if Bush's private accounts were in place the day after 9-11. How much of a guarantee could beneficiaries have relied on then?

### **Need for Creative Solutions**

I do believe that we should at least start a discussion about the long term solvency of Social Security and we should explore all options for addressing this issue. I support encouraging Americans to establish private accounts only that are above and beyond what we do in Social Security right now. All of our citizens deserve a shot at a comfortable life in their old age.

To get there we need to create a sturdy stool — A retirement security stool that provides a solid leg through a secure, guaranteed Social Security benefit. Another leg helps protect the health and long-term health care needs of all people. And a third encourages individuals to save money for their retirement years, through private accounts, pensions and other programs. These are the things we should be thinking about as we look to the future.

I am open and stand ready to work with all of my colleagues on a solution to the solvency issue, but when we are talking about major reform to the most important social program in our country's history, change must be approached on a bipartisan basis, through consensus, and I hope that the President and the Republican leadership in Congress will work with Democrats to find a solution that we can all support.