

## Senate Democratic Policy Committee Hearing

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

#### Statement of Senator Paul S. Sarbanes

January 28, 2005

Senator Dorgan, I want to commend you for calling this very timely oversight hearing on the plans of the Bush Administration to privatize Social Security and for assembling an impressive group of experienced, knowledgeable, and thoughtful witnesses. I look forward to hearing from all of them this morning.

I am especially grateful to James Roosevelt, Jr., for taking the time to be with us. In a sense he is here representing his grandfather, in whose Administration the Social Security system was established — in the face of much criticism, skepticism, and outright hostility, it should be noted. He is also here as a former Associate Commissioner in the Office of Retirement Policy in the Social Security Administration and knows first-hand how the system works, the challenges it faces, and the opportunities it creates.

The Social Security Act was signed into law in 1935 and began paying benefits in 1940. It has a long and impressive history. Its objective was, and has always remained, to assure that when Americans reach the end of their working lives they will be able to live in security and dignity, shielded against the ravages of poverty.

Over 65 years it has done just that. Social Security has provided each succeeding generation of retirees with a **guaranteed benefit** that lasts their entire lives. It has proved to be an extraordinarily prudent and effective policy against destitution. Today, Americans over 65 have the lowest poverty rate of any age cohort in our country.

Retirees are far from being the only Americans for whom Social Security is a lifeline to a decent life. It is often overlooked that through the disability program Social Security helps to ensure disabled workers and their families against economic hardship, and through the survivors’ program it protects spouses and children who have lost a spouse or a parent. According to the Social Security Administration, 30 percent of Social Security benefits go to the disabled and their families or to the children and spouses who have lost their father or mother, husband or wife. In recent weeks the President’s talk about the need to change fundamentally the nature of the program has prompted numerous letters to the editors, and I want to quote just briefly from one of them: ‘I have a great life and a great job, and I owe them in large part to those (Social Security survivors’) benefits. My father died when I was two years old, and my mother became disabled when I was 14 and died when I was 17. Those Social Security checks provided food and shelter, and we would have been in big trouble without them... What is the logic of a so-called reform that could sacrifice the futures of so many children.’

I would like to make one final point. We are confronting a situation in which the Administration, in my view, is once again manufacturing a crisis. There is no crisis in the Social Security system. The system is not on the verge of bankruptcy. The facts are that Social Security ran a surplus of \$151 billion in 2004 and is projected to run a surplus of \$169 billion in 2005. Indeed surpluses are predicted throughout the entire 10-year budget outlook that Congressional Budget Office provides, and are projected until 2018 by the Social Security Trustees. The Trust Fund will build up over that period and only then will we have to start drawing from that Trust Fund.

Now President Bush asserted just the other day that, "The system will be in the red in 13 years, and in 2042, the system will be broke." The fact is that even if nothing were done between 2042 and 2052, depending on whose estimate you use, and as to when the monies in the Trust Fund would be exhausted, and the Social Security Trust Fund were to spend down to its last penny, Social Security would still be able to pay 75% of its scheduled benefits on the basis of the money still coming into the Trust Fund.

It is not accurate to say, as the President did, "If you have a child who's 25 years old, when that person gets — you know, gets near retirement, the system will be bankrupt." I mean the message people take from this statement is there will be nothing there — it will be empty, nothing. In fact, under the current system, with no changes at all, that 25 year-old worker would receive greater benefits even if the current system were paying only three-quarters of the scheduled benefits than he or she would under the plan which the President seems to be proposing. This point is regularly overlooked, and I think it is something we need to focus on.