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For those of you in the audience who do not know Barbara Kennelly, I want to point out that in all my travels, I have not met one American who cares as passionately as Barbara Kennelly does about the long term economic security of seniors. The National Committee has come a long way under her leadership. Barbara, keep speaking out!

I'd like to start out by reminding everyone in the audience about the importance of our Social Security system. Without that monthly Social Security payment, half of all seniors in America would be living in poverty. Social Security provides the foundation of support for tens of millions of Americans -- with benefit protections available over a lifetime. Our social insurance system is critically important not only for older Americans, but also for the disabled, for widows and for families. In addition, individuals are increasingly relying on individual savings for retirement security, given the shift of our private pension system away from defined benefits. This shift makes Social Security's monthly inflation-protected benefit all the more important over time.

I've spoken out for many years now on the need to come together to keep Social Security strong for current and future generations. I have been deeply involved in genuine bipartisan and nonpartisan discussions and forums on the dimensions of the Social Security financing problem and options for change. We now seem to be far away from clarity on this issue-- and getting further away by the day. That's due in part to the misleading "crisis" message emanating from this Administration. Let me make it clear that the Social Security financing shortfall is relatively modest and certainly manageable without drastic changes. The white hot rhetoric emanating from the White House on Social Security does a disservice to Social Security and to the American people.

Is there a financing crisis in Social Security? The simple answer is no. I will elaborate by focusing my remarks on three key points:

- An examination of Social Security's current financing situation and the dimensions of the long term challenge.
- A closer look at the importance of the Social Security Trust Fund.
- A closer look at the financing gap in the context of other recent legislative actions.

First, how big a challenge do we face? I won't overwhelm you with a blizzard of statistics on this point. There are excellent detailed papers on the web sites of the National Committee as well as the Center on Budget Policy Priorities if you need specifics.

Does Social Security face a long term deficit? Of course. A doubling of the senior population will place strains on our financing system for Social Security. But let's put that deficit in proper context. The system is now generating very large surpluses – about \$150 billion this year. It's been running surpluses for the past two decades and will likely stay in surplus for the next quarter century. The legislative changes enacted in 1983 provided stability for the system for more than half a century.

But our growing aging population will create further pressures over the long term. According to projections by the Social Security Trustees and the Congressional Budget Office, the Social Security trust fund will be exhausted in another forty to fifty years. And contrary to Administration rhetoric, the system will not be "bankrupt" at the time. After that time, Social Security revenues will be sufficient to pay between 70% and 80% of today's benefit commitments.

This deficit over the next 75 years translates into about a half of one percent of GDP—somewhat higher according to the Trustees and somewhat lower according to CBO. And if one uses the Administration's preferred timeframe to measure the shortfall (into *eternity* -- a ludicrous concept strongly criticized by the actuarial profession) the shortfall is still only a little over 1% of GDP.

Does this represent a long term challenge? Of course. Does this represent a crisis? Of course not.

My second point relates to the Social Security trust fund and it's relevance to today's discussion. Some argue that the "crisis" starts in about 13 years, when payroll tax revenues start to fall below benefit payments and the trust funds are tapped for benefit payments. They argue that all the extra money coming in over the past 20 years -- about \$5 trillion, and scheduled to grow to nearly \$7 trillion over the next quarter century -- are "worthless IOU's" and represent a crisis starting in 2018.

I don't see how modest trust fund payments represent a crisis. And I certainly hope that the holders of US Treasury securities in the US and around the world don't think of our Treasury bonds as worthless. If so, we

have a much, much larger problem than simply strengthening Social Security's financing system.

If we had been paying down the debt with those Social Security surpluses, we would be in a much stronger position today to deal with the aging challenge. But even now, that added \$5 trillion in the trust fund helps us in the long term. Thank heavens that we raised that extra money over the past two decades. Without those funds the nation would be facing even larger economic challenges over the long term. The trust funds have been an essential component of Social Security financing for about 70 years, providing a check on both benefit expansions and revenue reductions. The biggest long term problem we face is not Social Security's growing or declining trust funds, it's the fiscal policies that lead to the large budget deficits.

My third point compares the Social Security financing gap in relation to other recent legislative actions. It's certainly hard for the average American to come to grips with these technical trust fund estimates, with projections in the trillions of dollars made over nearly a century. And this is further complicated because Social Security's financing is tied to the federal budget. But it's easier to understand the financing gap in relation to other big actions taken in Washington recently. The fact is that the tax cuts enacted over the past four years are about three times the size of the Social Security shortfall, and the cost of the new prescription drug benefit is about twice the size of the shortfall.

If Social Security represents a crisis, then what is the erosion of our tax base -- Armageddon? Simply repealing the tax cut for the richest one percent of Americans would be the equivalent of resolving a large part of the Social Security shortfall—certainly a big step for the very rich but certainly not a crisis by my standards.

I've said for years that Social Security clearly faces a long term and manageable challenge, and it's a challenge that we should face up to sooner rather than later. But the continued drum beat that we are hearing about an imminent crisis and bankruptcy and Social Security hitting an iceberg all seems aimed at *eroding* support for our social insurance system and *building* support for radical restructuring of the program. It's not only that a radical restructuring is unnecessary, it's also counterproductive and not in the best interests of young and old alike. Privatization likely leads to drastic cuts in promised benefits for younger workers, as well as an erosion in Social Security's financing, which could also put the benefits of current retirees at risk over time.

Let's solve a manageable problem, and not create a bigger one by privatizing Social Security.

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