

ON THE GROUNDS

Apfel to address evolution, shortfalls of Social Security

by Danielle Trusso
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Social Security has grown and changed since its establishment by President Roosevelt in 1935, and in the 21st century the policy faces new challenges.

In his testimony to Congress in January 2005, Kenneth Apfel, former commissioner of the Social Security Administration, addressed the importance of Social Security to Americans today and possible fates for the policy in the future.

At 3:30 p.m. today at the Hall of Philosophy, Apfel will discuss the evolution of Social Security throughout the last 70 years, current challenges for the policy and his concerns about privatization proposals.

His review of the Social Security policy throughout history is important to understand the context of the situation today and why he is uncomfortable with the talk about reform, he said.

Currently, there is a moderate shortfall in Social Security financing, he said.

Social Security works as an inter-generational system of financing, Apfel said. Any added funds are placed in a short-term trust fund to deal with the short-term fluctuations in the system.

Right now, the projections are that the system is in a long-term deficit. In the next quar-

ter century, the system will have a shortfall. Steps need to be taken to make changes in benefits or taxes to ensure long-term stability, he said.

His suggestions for reform center around taxes and benefits, steps he said will help to ensure financial security for future generations.

It seems clear that payroll taxes will have to be increased, he said. The current payroll wage cap allows people to be taxed on their first \$80,000 - \$90,000 in income, but that needs to be raised, he said.

In addition, something needs to be put in place to slow the increase in benefits, he said. It will take a combination of tax increases and benefit constraints to strengthen the system.

These changes would be similar to those made in 1983 and would be adequate and appropriate now, he said.

In 1983, the system was facing a substantial long-term shortfall, he said.

Measures were taken to shore up rising taxes, slow benefit growth and raise the retirement age for full benefits. It was a combination of changes that made the difference.

Nobody liked the individual parts of those changes, he said. But for the greater good, it was viewed as a mutual shared sacrifice.

"That's the type of approach that we need again now," he said.

By doing so, Americans would be putting Social

Security on solid financial footing for many decades, he said.

Though problems with Social Security need to be considered, the problems do not amount to a crisis and do not warrant a complete restructuring of the program, he said.

"The crisis discussion from the White House is aimed at generating support for a dramatically restructured system," Apfel said.

Without the crisis rhetoric about Social Security heading toward bankruptcy, the White House thinks an attempt at restructuring the system is unlikely, he said.

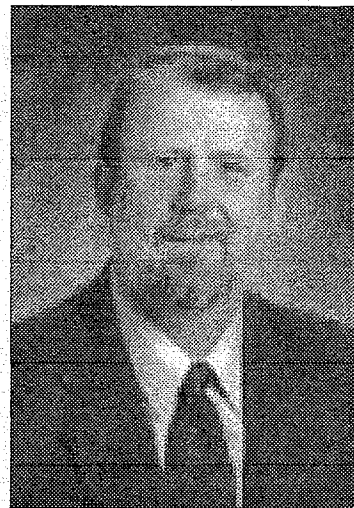
Apfel expressed in his testimony before Congress that privatization, part of the Bush administration's reform plan, could be detrimental to the Social Security system and American society.

During his lecture, he again will explain why privatization could be a negative change.

"Social Security privatization represents a radical departure from the values that are inherent in the Social Security system," he said.

"One of the real cornerstones of Social Security is the understanding that we're all in this together and that we all have mutual responsibilities for one another," Apfel said.

The Social Security system is one of the foundations of American life, he said. Moving away from the collective responsibility that Social Security represents



Kenneth Apfel

would not only be dangerous to retirement security, it would be a departure from America's values.

"(It) says a lot about what we would become as a people in the long term," he said.

Briefly he will discuss price indexing, another aspect of the administration's restructuring plan.

"The president has been saying that moving to a system of price indexing is positive," Apfel said.

The current Social Security system has worked with wage indexing for decades, he said. It is an indexing system in which benefits for subsequent generations increase with increases in wages. The benefits increase with each generation.

Apfel has researched and taught social policy and public leadership management with an emphasis on health care and retirement issues. In January 2001, he began teaching at the LBJ School of Public Affairs at the University of Texas at Austin.

He served as commissioner of the Social Security Administration from 1997 until the end of his term in 2001.