

The National Council of Social Security Management Associations, Inc.

**THE WASHINGTON REPORT
LEGISLATIVE REPORT 39-2003**

October 8, 2003

• **Congressional Action Related to the Social Security Program for the Period of September 25 – October 3, 2003**

Below is a compilation of recent congressional action related to the Social Security Program. Please do not hesitate to contact us if you have any questions or would like us to provide additional information regarding any of the measures.

Rep. Nick Smith (R-MI) spoke on the House floor about Social Security solvency (from the *Congressional Record*, p. H8959, September 30, 2003)

“Mr. Speaker, I am going to talk for 5 minutes on the challenge that faces this Congress and America in terms of the growing debt and the growing unfunded liabilities. “Unfunded liabilities” means the promises that government has made, but it needs money to come from someplace to keep the promises we have made, and Social Security is one of those promises.

We started Social Security in 1934, and Congress in effect said that instead of people going over the hill to the poorhouse, like they did after the Great Depression money should be saved for retirement, Franklin Delano Roosevelt said let us have a program where we have forced savings during your working years, and that will give you more security, “social security,” in your retirement years.

So we started the program in 1935, and it was based on current workers paying in their taxes to pay for benefits for current retirees, sort of a pay-as-you-go program. I like the cartoon where Uncle Sam was explaining this to a young worker how Social Security worked, and said, “Well, now, here is a list of names. You put your name on the bottom of the list. You pay everybody on the top of the list, and eventually your name will be on the top of the list and everybody below you will be sending you a check in your retirement.”

It is a pay-as-you-go program, sort of like a chain letter. But the problem is, there are fewer and fewer names under that top name on the list as we are looking at a declining birth rate and a longer lifespan. The number of people working, for example, in 1940 was 47 people working, paying in their Social Security tax, for every one retiree. Today we are down to three people working paying in their Social Security tax for every one retiree.

So what we have done of course, is over the years every time we hit a problem of not having enough money, we do one of two things, or sometimes both. We either reduce benefits or increase taxes or a combination. That is what we did in 1983. We reduced benefits and increased taxes, so temporarily we have a little surplus coming in for Social Security.

This chart shows what I think should be everybody's goal as we look at saving Social Security. Number one, continue to provide retirement security for the elderly; number two, give young people an opportunity to improve their retirement prospects; number three, benefit the economy instead of burdening it. That is what my bill does.

It seems like every Member of Congress, the House, the Senate and White House, should be willing to agree to this kind of a change, because what we are heading for is insolvency of Social Security. In fact, in 4 years that part of Social Security, the trust fund that pays disability benefits, if you get hurt on the job, is going to be broke. There is not enough money coming in. Just 4 years. In 12 years, we are going to not have insufficient money coming in from the payroll tax to pay promised retirement benefits.

Now, people give complicated explanations of what we might do to save the program, but really there is, again, one of two choices, or a combination. You either increase the money coming in, or you decrease the money going out, or a combination.

That is what I am doing in my Social Security bill that I just introduced. It reduces the money going out, number one, by changing wage inflation for calculating future retiree benefits to a CPI, normal inflation. It slows down the increase in benefits for high-income retirees. For income, instead of the average 2.7 percent return that the average retiree is going to get on Social Security, we increased that to a minimum of 3.7 percent.

I think probably the challenge that we have ahead of us is somehow convincing Americans that there is a real problem. It is a problem that is demagogued over the years. We have got to deal with it. We have to stand up to the issue. I am disappointed that there are only 26 Members of the House and Senate that have ever signed on to a Social Security bill that keeps Social Security solvent. It is an important program.

We have almost 80 percent of our retirees today that depend on Social Security for a majority of their retirement income. It is something that we cannot afford to let go broke. Look, we are digging some deep holes for ourselves in terms of overspending every year. We are overspending this year \$540 billion. It is going to be over \$700 deficit spending next year. You add that on to approximately \$11 trillion of unfunded liability for Social Security and the other promises that we have made to veterans, the other promises we have made to civil servants and people working for government, and you must agree it is time Congress stood up to the issue. It is time, Mr. Speaker, that everybody looking at a congressional candidate this next election asks them how they are going to save Social Security.”

Rep. Jim DeMint (R-SC) introduced H.R. 3177 on September 25, 2003, which would create an “Individual Social Security Account Program.”

H.R.3177

Title: To amend the Social Security Act and the Internal Revenue Code of 1986 to preserve and strengthen the Social Security Program through the creation of individual Social Security accounts ensuring full benefits for all workers and their families, giving Americans ownership of their retirement, restoring long-term Social Security solvency, and for other purposes.

Sponsor: Rep DeMint, Jim [SC-4] (introduced 9/25/2003) **Cosponsors:** (none)

Latest Major Action: 9/25/2003 Referred to House committee. Status: Referred to the House Committee on Ways and Means.

The Washington Report
418 C Street, NE
Washington, DC 20002
202-547-8530/FAX 202-547-8532
Contact: Sara Garland or Rachel Emmons
e-mail: sarag@greystone-group.com or rachele@greystone-group.com