

## **Social Security ...**

### **What's Wrong, What's Right, What's the Way Forward?**

- **What's at stake in the battle over Social Security benefit cuts? ....Far more than meets the eye.**
- **How do the sides line up in this battle?**
- **What can we do to protect and strengthen Social Security?**

President Obama's 2013 State of the Union Message contained these stirring declarations:

**We do not believe that in this country, freedom is reserved for the lucky, or happiness for the few. We recognize that no matter how responsibly we live our lives, any one of us, at any time, may face a job loss, or a sudden illness, or a home swept away in a terrible storm. The commitments we make to each other – through Medicare, and Medicaid, and Social Security – these things do not sap our initiative; they strengthen us. They do not make us a nation of takers; they free us to take the risks that make this country great.**

But soon thereafter, shifting focus to deficit reduction, the President sent Congress a budget with a proposal to cut Social Security benefits. Given that Social Security does not and, by law, is not permitted to draw on general tax revenues, its spending does not contribute to the deficit. So why did he propose a cut in benefits? A generous premise: perhaps President Obama thought that offering a "small victory" to the enemies of Social Security would entice them to support some revenue increases. Perhaps he thought he could achieve this by proposing a reduction in the annual cost of living adjustments (COLAs) received by the disabled and older people who are mostly the program's beneficiaries.

His initiative evoked swift rejection from the Right. Speaker Boehner refused to consider tax increases and told the President that if he thought

this decrease in benefits was right, he should have legislation introduced to make it a reality. Senator Graham said it was a step in the right direction but not enough.

Because the "Chained CPI" formula reduction in benefits would also affect other government programs providing assistance to others such as veterans, more opponents came forward. At a hearing called by Senator Sanders, spokespersons for veterans' organizations condemned the proposal unanimously.

We have now seen comments by Republicans likening the Chained CPI to cuts in Medicare that they (falsely) claimed had been advocated by President Obama in his campaign and incorporated in his budget proposal. The President's effort to compromise has come full circle: not only has it been rejected by his critics on the Right, these critics are now blaming him for initiating cuts in entitlement programs that they themselves had insisted be made...and made much more severely. According to the New York Times, more than a half dozen Republican critics began attacking it as "too draconian" and as "a shocking attack on seniors." (1)

Progressives have united in opposing the Chained CPI proposal. Richard Trumka, head of the AFL-CIO spoke for many:

**We continued to reject Chained CPI and means testing for Medicare as more "Washington speak" that disguises awful ideas that harm working families The President should drop these misguided cuts in benefits and focus instead on building support in Congress for investing in jobs. [April 5, 2013]**

Most Americans oppose cutting Social Security benefits. A recent study by the National Academy of Social Insurance found that 84% of respondents believed current Social Security benefits did not provide enough income for retirees, and 75% believed we should consider raising future Social Security benefits to provide a more secure retirement for working Americans. (2)

In rejecting the views of the majority of Americans who see Social Security as the foundation for a secure retirement, the advocates of the Chained CPI (cuts) are reflecting the views of the richest Americans, revealed in a recent study by Page, Bartels and Seawright. (3) They found that the majority of their (wealthy) respondents wanted to cut back Social Security, Health Care and Food Stamps. These "one-percenters" viewed government deficits as

the major policy problem and see cuts in Social security and Medicare as key means of reducing the deficit. We believe that for many in this group of wealthy individuals and their legislative retainers, the cuts in Social Security to be made possible by the Chained CPI will be seen as insufficient., serving only as an entering wedge to the effort to fully privatize its holdings and reduce its benefits.

They are doing their best to foster a crisis atmosphere, claiming that the Social Security Trust Fund is going broke. They seem oblivious to the insight that the steady stream of income provided by Social Security to the millions of its beneficiaries is a major stabilizing force in our economy particularly during hard times.

While they are entitled to their views, they are not entitled to their facts. By current projections, Social Security would be able to continue paying full benefits until 2035. Thereafter, if no increase in revenue is added, it will still be able to provide 75% of promised benefits. Its present surplus exceeds two trillion dollars and will grow further until 2020. If unemployment continues to decrease, the 2035 date will be pushed back further. Expanding the tax-paying labor force through immigration reform would increase the income of the Social Security Trust Fund. If wage stagnation ends, the effect will be quite positive. There is no crisis now other than the one being manufactured by those who are fanning fears about the deficit in order to gut social programs.

With the Chained CPI proposal now criticized by both the Left and the Right, a strategy that emphasizes **TAKE IT OFF THE TABLE** is winning impressive support. In its lead editorial on May 13, 2013, the New York Times said that the proposal "should be pulled from the table immediately" and that the President should "abandon his hopes of reaching a grand bargain." (1) Democratic congressional leaders will have significant motivation to move in that direction as the realization sinks in not only that their hopes of recapturing the House are fading but also that they are at great risk of losing control of the Senate if they are perceived as the ones cutting Social Security, leading voters to feel betrayed and to sit out the election. As Richard Eskow has noted recently, the electoral risk in being identified with Obama's stance on Social Security cuts is now being taken to heart even by some red-state senators. Eskow recalls that, "The president's 2009 and 2010 flirtations with [such] cuts contributed to a 25-point plunge in support for

Democrats on the question of who has the better ability to handle Social Security.” (4)

Early in the deficit debate, President Obama took the Simpson-Bowles “raising the age of retirement” proposal off the table, an apt precedent for what needs to be done with Chained CPI.

Not quite as urgent but nevertheless serious is the problem of ensuring the long term fiscal adequacy of Social Security. Overlooked in the whole debate thus far has been the realization that the Chained CPI, if adopted, would account for only 30% of the anticipated shortfall. Legitimate doubts have been raised not only about the harm that would be caused by this cut in benefits but also about the accuracy of the present method of calculating increases in the cost of living for the elderly and disabled. What is needed now is not only rejection of the Chained CPI but also a thorough study of the realities in protecting these populations in our fast moving and changing economy. An alternate formula has been developed that provides a more generous and more realistic cost of living adjustment, the CPI-E.

The National Academy study provides ample evidence of the vulnerability of many of the people for whom Social Security is the foundation of retirement security and for whom a cut in the cost of living adjustment would be a serious blow.

While monthly benefits are modest — an average of \$1,261 as of December 2012 — they are the main source of income for most seniors. A third of elderly beneficiaries rely on Social Security for almost all (90% or more) of their income; two-thirds count on it for more than half of their income. The program also provides life insurance and disability income protection to workers and their families. Social Security keeps more than 21 million Americans out of poverty — including 1 million children, 6 million adults under age 65, and 14 million seniors. (2)

It is time to say to the President and Congress: **tell the American people the truth about the cost of living for seniors and the disabled and veterans** and let’s get the facts out where everybody can see and understand them. Congressional hearings should include ample testimony

from seniors, disabled people and veterans about the realities of their cost of living.

Reform of the Social Security program is a slogan that has been captured by the Right as a smoke screen for slashing its benefits. In fact, all social insurance programs require change to deal with the emergence of new economic, technical and demographic realities. Even though right now the Social Security Trust Fund is projected to become unable to pay full benefits as of 2035, all of us concerned about the program's viability need to insist on examining alternatives for assuring a vibrant continuity. It is difficult now for many people to survive on Social Security benefits. Consider how much more stress such people would face in the future if the program could not pay full benefits.

Research indicates that most Americans would agree to increase the revenue of the Social Security Trust Fund in a variety of ways including modest increases in FICA taxes. Lifting the cap on salary subject to FICA contributions to a ceiling of \$250,000 would take care of 50% of the problem. Having FICA cover all earned income would eliminate the projected shortfall altogether.

Asking workers and employers to pay a little more in FICA contributions would seem a fair and responsible way to share the burden. While adding a small burden to workers and employers, this would reinforce the keen sense of ownership that workers manifest in their regard for the Social Security system, a vital factor in defending it against present and future attacks. A small financial transactions tax that would kick in at a much later point when and if these other remedies became insufficient would ensure the program's survivability far into the future.

**Keep Social Security fully funded so it can keep on providing its essential benefits** ought to be the consensus goal rather than the monopoly of the Right. After the Chained CPI arrives at the same scrap heap of failed ideas where the Bush administration's campaign to privatize Social Security is buried, the American people need to take the time in a non-crisis atmosphere to consider the best ways to continue to provide the protections of social insurance divorced from the ballyhooed deficit discussions and their political gamesmanship. Since more people will be confronting the possibility of outliving their savings and be unable to work, our country needs to find

constructive ways to harness its wealth of resources to preserve the social contract at the heart of social insurance.

Creating the conditions where this kind of consideration can take place will not be easy. The current debate on gun control demonstrates the obstacles that need to be overcome. A strong minority in the US senate, including members of both parties, ignored the wishes of the great majority of the American people and prevented enactment of legislation to establish universal background checks. The good news is that many who ignored the people's wishes and kowtowed instead to the N.R.A. have seen their approval ratings dive below the level of electability.

In their study of the policy views of wealthy respondents, Page et al. remarked that "the striking contrast concerning core social welfare programs between our wealthy respondents and the general public may reveal something important about the current state of American politics. If wealthy Americans wield an extra measure of influence over policymaking, and if they strongly favor deficit reductions through spending cuts—including cuts in Social Security and Medicare—this may help explain why a number of public officials have advocated deep cuts in the very social welfare programs favored by a majority of Americans." We must help find ways to overcome this pernicious interest if Social Security is to be preserved.

**The challenge is clear. Enough pressure needs to be brought on those in office now to have the Chained CPI proposal taken off the table and to prevent other erosion of social insurance from taking place. In the succeeding elections, ensuring the long term viability of Social Security by adding to its income must become a key campaign issue. How we build the coalitions that can educate the public and can elect the officials who will respect the views of the majority of Americans is the motif that gives direction to our work.**

#### References

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