

# Economic Opportunity Institute

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Welcome to EOI. We use new tools for building the middle class. The Economic Opportunity Institute, based in Seattle, Washington, defines and details new public policies that address the bread-and-butter issues faced every day by middle- and low-income families. We build a bridge to economic security through research, policy, and media work.

## Dismantle the Commission, Not Social Security

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George W. Bush promised us a commission on Social Security, and now he's given us one. But this is one campaign promise he should have broken. Social Security is highly successful and solidly financed. Carving Social Security into individual private accounts as Bush and his carefully screened commission want would be disastrous for working families and for our nation as a whole.

Social Security has been a resoundingly successful social insurance program for 65 years. Working and retired Americans need not fear that they or their loved ones will spend old age in poverty, or that premature disability or death might plunge their children and spouse into poverty. Social Security provides this peace of mind for all workers, retirees, and family members, whether they are young or old, earn low or high wages, have good job benefits or not.

Bush and everyone on his commission are committed to dismantling Social Security from insurance that benefits us all, into a private investment scheme where the rich will get richer, and the majority of us risk poverty and dependency. They see the world as a competitive game show, where the weakest links are thrown out and a lucky survivor becomes a millionaire. They hate Social Security because it promotes instead a world in which everyone who works can enjoy a share of prosperity.

There is nothing bipartisan about this commission. Most of the members are affiliated either directly with the investment industry or with right wing "think" tanks that for twenty years have waged a relentless misinformation campaign aimed at destroying public confidence in Social Security. The only question about what the Bush II commission will recommend is how big a chunk of Social Security will get turned over to the hungry Wall Street wolves.

Bush and his commission claim that Social Security faces certain insolvency. This simply isn't true. The most recent annual report of the Social Security trustees confirms the program's soundness. The trustees make several projections of future program finances based on different assumptions about the economy and our population. According to these projections, *if* economic growth plummets to well below 2% annually and never goes back up, then current payroll taxes would not quite cover full promised benefits after about 2038.

This pessimistic scenario is unlikely. Since 1960, economic growth has averaged 3.5% a year. Under the cautious but far more likely projection that annual economic growth averages 2.4%, Social Security will pay full benefits beyond 2075, without tax increases or benefit cuts. In fact, with the economy growing at 2.4% annually, by 2075 the Social Security trust fund will hold over five year's worth of benefits and be increasing, even with everyone living longer.

Is Social Security facing a demographic time bomb? No. In 1983 Congress and President Reagan made the reforms necessary to build up the trust fund enough to get through the bulge of the baby boomers' retirement. When Gen-Xers are retired fewer workers will be supporting more retirees, but

because of normal productivity and wage growth both workers and retirees will have more real income than their grandparents do today, even under the most pessimistic of projections!

Transferring Social Security funds into private accounts would require large reductions in guaranteed benefits. Earnings on private accounts won't make up the difference for the majority of workers.

We've all seen what wild swings the stock market can make. And three times in the past century, stock market returns averaged zero over a 20 year period – between 1901 and 1921, 1928 and 1948, and 1962 and 1982. Even during favorable market periods, women who reduce time in the workforce to raise families and workers earning moderate or low wages would be unlikely to accumulate enough in private accounts for a comfortable retirement.

Could Social Security use some modest reforms to make it work better? Absolutely.

- We should boost benefits for the lowest income seniors so that no Social Security recipient lives in poverty.
- We should adjust the benefits for elderly widows and widowers to 75% of the couples' previous combined benefit, to prevent a serious loss of income when one spouse dies. This also would make the system fairer for two income families.
- We should roll back full retirement age to 65.
- These changes could be financed by charging Social Security taxes on all wages and salaries, instead of just earnings under \$80,400.

Social Security is strong and healthy, and builds the kind of America most of us want. We're all better off knowing that we, our family members, and all our neighbors who work and contribute to our national prosperity can be assured of living in dignity, even when faced with life's adversities. Let's keep the Bush II commission's hands off Social Security. Let's keep Social Security so that it works for all Americans.



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