

# 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.

Social Security isn't going bankrupt. In fact, with the baby boomers all retired and everybody living longer, both workers and retirees will have more in real income in 2030 and beyond than they do today.

## The Perils of Bush's Social Security Plan

Contact: [Marilyn Watkins, Ph.D.](#)

George W. Bush has proposed a drastic restructuring of Social Security in order to “save” it. But he’s proposing radical surgery on a patient that has at worst a sniffle. Social Security is the best source of economic security for all America’s working families. Some minor reforms could make this highly successful program even better, but carving it up into private accounts isn’t one of them. Bush’s proposal will only make the rich richer and the rest of us poorer.

Social Security isn't going bankrupt. In fact, with the baby boomers all retired and everybody living longer, both workers and retirees will have more in real income in 2030 and beyond than they do today. The so-called crisis is a phony one, produced by Wall Street interests hoping for huge profits from new private accounts, fed by politicians eager for a few more votes, and promulgated by a media obsessed with sound bites and scandal.

We're often told that Social Security will run short of money by 2037, as if that were a fact. But it's a forecast, based on the assumption that the American economy of the 21st century will grow more slowly than it did during the Great Depression of the 1930s! This worst-case scenario is highly unlikely. In every decade for the past 50 years, our economic growth averaged 3.5% annually. According to the Social Security trustees, if the long term historical average holds for the next century, then Social Security will be able to pay full benefits through 2075 and beyond with no reforms whatsoever. If economic growth and technological innovation do permanently slow down, there are simple and risk-free ways to keep Social Security fully financed indefinitely. One of the easiest would be to eliminate the cap on taxable earnings. Currently, Social Security taxes aren't collected on earnings above about \$76,000, meaning that the wealthiest Americans actually pay the least into the system.

Proposals to replace Social Security's retirement system with private investment accounts would replace guarantees to retired workers with guaranteed government handouts to Wall Street. Schemes to privatize Social Security share five major problems:

- **Stock market fantasies** - Privatizers claim Social Security will run out of money based on gloomy economic forecasts, while trying to convince us we'll all become millionaires playing the stock market. If our economy goes into a permanent stall, returns on investments will plummet. If our economy does stay strong, some will be lucky enough to retire when the market is up, others will lose their shirts when the market takes a nosedive – but then there won't have been any need to “fix” Social Security.

- **Cutting core benefits** – The base Social Security retirement benefit, which is now guaranteed and increased annually for inflation, would have to be cut under Bush's plan, by an amount ranging from 25% to 54%, according to most economists.
- **Ignoring transition costs** – If 2% of workers' pay that now goes to Social Security went instead into private accounts, money for the benefits of today's retirees, widows, orphans, and disabled workers would have to come from somewhere else. Taxpayers would have to fork over an extra \$1 trillion over the next 10 years.
- **Ignoring higher administration costs** – Keeping track of everyone's individual investments, and paying all the brokerage and investment fees would cost far more than administering Social Security. That's money for Wall Street, not workers' retirement.
- **The rich will get richer, the poor will get poorer** – Those who make the least during their working lives would lose the most with privatization. Social Security benefits replace a higher percentage of pre-retirement wages for low income workers than for high income workers. Private investments are the opposite – the more you invest, the greater the return. Under privatization, guaranteed benefits would be cut drastically for everyone, but moderate and low income workers would have built up much smaller personal accounts than the rich. Women, who generally make less and live longer, would be especially likely to face old age in poverty.

Social Security guarantees workers that they and their family members will have a basic income in old age, and in the event of early disability or death. 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 it that way.

**Today Social Security provides an essential guarantee of economic security to working families:**

45.4 million people – 1 in 6 Americans – receive benefits.

Social Security keeps 89% of our senior citizens out of poverty.

One-third of beneficiaries – 14 million people – are disabled workers and their families, or survivors of deceased workers.

98% of kids are protected by disability and survivors insurance – they'll receive Social Security until they're 18 if a parent dies or becomes disabled. Four million children today receive Social Security benefits.

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