

A Secure Future Means a Strong Social Security

BY AL GORE

SOCIAL SECURITY HAS BEEN an unshakable covenant between generations for 65 years. Today, however, it faces new challenges that threaten its long-term ability to guarantee a decent and secure standard of living for America's seniors, as well as those persons with disabilities and the unemployed. To understand the problem, consider the following: The number of Americans reaching the age of retirement is projected to double from 35 million in 2000 to more than 70 million in 2035. In 1999, there were 3.4 workers for every Social Security beneficiary; by 2035, there will be only 2.0 workers per beneficiary. To save Social Security, I believe that we must use today's historic prosperity and projected budget surplus to strengthen the Social Security Trust Fund and to help pay off the nation's public debt by 2013.

I propose to strengthen Social Security through a fiscally disciplined, common-sense, balanced budget plan that devotes all of the Social Security surplus (estimated at \$2.2 trillion over 10 years) to debt reduction and Social Security. I also propose to use a small portion of the Social Security surplus to modernize Social Security—adding guarantees of fairness for widows, widowers, and mothers.

My proposal would devote the entire Social Security surplus to reduce the national debt, producing significant interest savings. In 2011, the interest savings will be about \$120 billion, all of which will be transferred to extend the solvency of Social Security. These interest savings will grow to about \$250 billion annually after 2015. By applying these interest savings to Social Security, we can extend the life of the Trust Fund through at least 2050. And I am committed to making the hard choices to extend it to 2075.

My opponent, George W. Bush, has proposed a very different approach to fiscal policy and addressing the needs of Social Security. I believe that his plan undermines the long-term viability of Social Security—and threatens our economic prosperity—by giving a huge \$2.1 trillion tax cut. At the same time, he proposes to create a semi-privatized Social Security system that could lead to greater reward for some, but far greater costs and risks for everybody. Consider the implications of his plan.

In 2002, collections on the 12.4 percent payroll tax are projected to be \$541 billion. Under current law, these will be used to pay benefits (\$456 billion) and the remainder will be accumulated in the Social Security Trust Fund. The accumulated assets of this trust fund must be available to pay benefits in the future, as Social Security's liabilities start to exceed its revenues. Governor Bush, however, proposes to divert a portion of these payroll tax collections to create individual accounts. While he has not specified exactly how great this por-



AL GORE IS VICE PRESIDENT OF THE UNITED STATES AND THE DEMOCRATIC CANDIDATE FOR PRESIDENT IN THE NOVEMBER 2000 ELECTION. THIS ARTICLE WAS WRITTEN EXCLUSIVELY FOR PUBLICATION IN *CONTINGENCIES*.

Building the Personal Promise of Social Security

BY GEORGE W. BUSH

SOCIAL SECURITY IS THE SINGLE MOST successful government program in American history. Without it, more than half of all seniors would live in poverty. For millions—for parents and grandparents with little or no savings—it is the difference between destitution and dignity.

Social Security is a defining American promise, and we will not turn back.

This issue is a test of government's capacity to give its word and keep it, to act in good faith and to pursue the common good.

And Social Security is also a test of presidential candidates—a measure of seriousness and resolve. Too many times, Social Security has been demagogued to frighten the elderly for political advantage. Too many candidates have traded on the problems of the system instead of correcting them, shoving them off for others to handle—to some future generation, some other president and some other Congress.

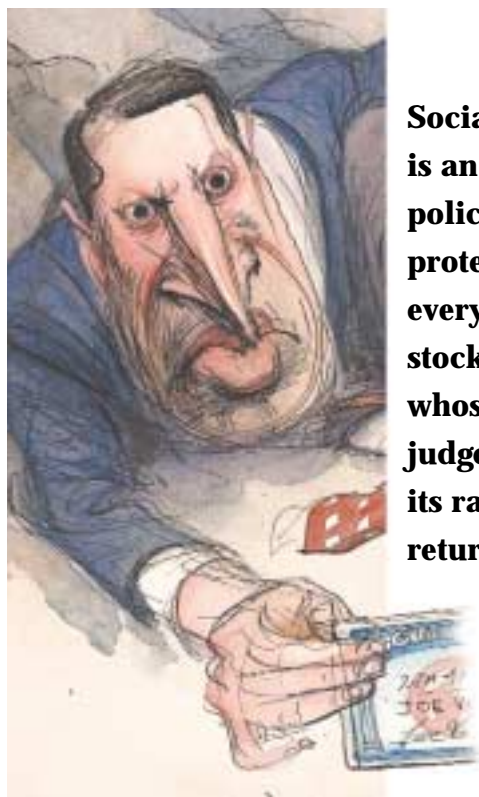
We are nearing Social Security's greatest test. Eight years from now, the massive baby-boomer generation will begin drawing benefits. Their lives will be long and healthy. And within two decades, there simply won't be enough younger workers to pay the benefits earned by the old. If we do nothing to reform the system, the year 2037 will be the moment of financial collapse. The system will be insolvent, with deficits in the trillions of dollars, requiring either a massive cut in benefits or a massive increase in taxes.

At a time for leadership—for long-term thinking—my opponent proposes a band-aid approach. He says: "If it ain't broke, don't fix it." But in our lifetime, it will be broke, and we must fix it. With every day of delay, this becomes more difficult. For 8 years, the Clinton/Gore administration has failed to act. And now Al Gore wants to pass the burden on to future generations. The Gore plan will eventually require either a 25 percent increase in income taxes—the largest in our history—or a substantial reduction in benefits.

But there is good news. There is a new attitude in Washington that shows that re-

GEORGE W. BUSH IS GOVERNOR OF TEXAS AND THE REPUBLICAN PRESIDENTIAL CANDIDATE IN THE 2000 ELECTION. THE ARTICLE ABOVE WAS EDITED FROM A SPEECH THE CANDIDATE GAVE ON MAY 15, 2000. THE COMPLETE TEXT IS AVAILABLE AT WWW.GEORGEWBUSH.COM.





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tion would be, many similar proposals call for diverting 2 percentage points out of the 12.4 percent payroll tax. I will assume that as the baseline for this discussion.

Under the hypothetical Bush plan, \$87 billion in 2002 would be diverted into individual accounts. This money would not go into the Social Security Trust Fund and could not be used to build up solvency. By 2003, payroll taxes would not be sufficient to cover the base Social Security benefits—leaving current benefits to be covered out of other income (interest on the accumulated Trust Fund). From 2001–2010, the total cost of diverting payroll taxes would be \$999 billion. This diversion would reduce the Social Security Trust Fund's interest income by \$297 billion. As a result, the Social Security Trust Fund would have \$1.249 trillion less at the end of 2010 than it otherwise would if nothing were done. If no benefit cuts are made, or no new non-Social Security surpluses are added to the system, then the Trust Fund would become insolvent in 2023—a full 14 years earlier than if no action at all were taken.

Something has to give. By reducing the funding for Social Security, either benefits must be reduced or solvency shortened. Gov. Bush says he will hold near retirees and the disabled harmless—that he won't lower their benefits. If true, this pledge only means that there will be larger cuts for Social Security's future beneficiaries.

Gov. Bush contends that he can make up the difference with

Building the Personal Promise of Social Security

BY GEORGE W. BUSH (continued)



forming Social Security can and must be bipartisan. Recently I met with Senator Bob Kerrey—a Democrat who is a leader for Social Security reform. Senator Kerrey and Senator Moynihan, both Democrats, and Senator McCain, a Republican, recently had a press conference to discuss common principles of reform. They proposed an innovative framework for members of Congress to work together on this issue—a framework that includes a bipartisan commission.

I support a bipartisan commission, because it will help pave the way to a consensus on reform. We can already see the emerging outlines of a consensus—led by people like Senators Breaux, Gregg, Grassley, and Gramm; Congressmen Kasich, Archer, Shaw, Kolbe, and Stenholm. As president, I will build on that momentum, with some clear principles.

First, we must not change Social Security for those now retired, or nearing retirement. Let me put this plainly. For those on Social Security—or close to receiving it—nothing will change. Government has made a commitment, and you have made your plans. These promises will be honored. Yet, without reform, younger workers face a great risk—a lifetime of paying taxes for benefits they may never receive. The reforms I have in mind will actually increase their retirement income.

Second, all Social Security funds in the federal surplus must stay where they belong—dedicated to Social Security. In my economic plan, more than \$2 trillion of the federal surplus is locked away for Social Security. For years, politicians in both parties have dipped into the Trust Fund to pay for more spending. And I will stop it.

Third, the payroll tax must not be raised. We cannot tax our way to reform.

Fourth, reform should include personal retirement accounts for young people—an element of all the major bipartisan plans. The idea works very simply. A young worker can take some portion of his or her payroll tax and put it in a fund that invests in stocks and bonds. We will establish basic standards of safety and soundness, so that investments are only in steady, reliable funds. There will be no fly-by-night speculators or day trading. And money in this account could be used only for retirement, or passed along as an inheritance.

Right now, the real return people get from what they put into Social Security is a dismal 2 percent a year. Over the long term, sound investments yield about a 6 percent return. Investing that 4 percent difference, over a lifetime, can show dramatic results. A worker who invests even a limited portion of



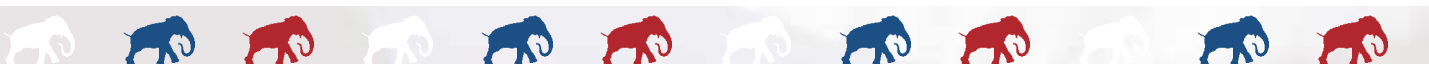
gains from the investment of private accounts. But what happens if the market takes a downturn just when you want to retire? He doesn't say, but it's safe to assume that there are only two choices—either your guarantee of a decent benefit disappears, or we risk a massive, S&L-style government bailout, leaving deficits as far as the eye can see. Under Gov. Bush's plan, lost with the solvency of the system is also the secure retirement, regardless of the fluctuations of the economy or the stock market that Social Security has always guaranteed.

I think that's the wrong approach. Social Security has always been intended to be a social safety net, a baseline guarantee to ensure that America's senior citizens will live in dignity. Social Security money is placed in safe investments that not only provide for all seniors but also support the disabled, unemployed, and others in need. In essence, Social Security is an insurance policy that protects everyone, not a stock portfolio whose efficacy is judged solely by its rate of return.

We must maintain Social Security as a bedrock guarantee of retirement security. On top of that foundation, people can and should build more—savings, investments, IRAs. For example, I am proposing a new Social Security-Plus account to help Americans with low and middle incomes save and invest for their retirement and other qualified expenses. But the American people should not have to roll the dice with their basic retirement security, and they should not have to pay for others who do.

In addition to undermining the security of Social Security, Gov. Bush's plan leaves out any details on one of the most important factors—the transition cost. According to a new report published by the Center for Budget and Policy Priorities, Bush's privatization plan would cost \$900 billion over the first 10 years. These costs would occur because the Social Security system must simultaneously pay out current benefits, while privatization drains over 16 percent of the amount of money coming into the system (assuming a 2 percentage point diversion out of the 12.4 percent payroll tax). Combine this with the cost of Bush's \$2.1 trillion tax cut, and the Bush plan will leave multi-trillion dollar debts as far as the eye can see, jeopardizing the great economic prosperity America has enjoyed for the past 7 years.

Rather than squander the surplus on a massive tax scheme or a risky, secret plan for Social Security, I will use today's prosperity to meet tomorrow's responsibilities. Because of this administration's commitment to fiscal discipline, the nation's debt will be \$2.4 trillion less at the end of this year than it was projected to be. In fact, when the Clinton administration took office, it was projected that by the year 2012, 25 cents on every dollar would go to pay interest on the national debt. Currently, about 13 cents on every federal dollar is spent on net interest payments. These payments, which were once projected to be nearly double that, would be eliminated under my comprehensive debt elimination plan.



his or her paycheck could, over a career, end up with hundreds of thousands of dollars for retirement.

The American securities markets, over time, have been among the most reliable investments in the world. Through the Great Depression, a world war, and 11 recessions, the overall stock market has never lost money over any 20-year period. It is the best, safest way to build personal wealth. That's why teacher pension plans and private business retirement plans all across America invest in such funds.

Some in Washington call this idea risky. But here are some simple questions you should ask them: Do they own stock themselves? Is that part of their own retirement plan? Does it make them feel more secure, or less, to own investments? Clearly, they don't think this is risky for themselves. People in Washington see it as an opportunity. Yet it is an opportunity they would deny to others.

Every federal worker is offered a personal account to help improve his or her retirement—1.3 million have these accounts. Al Gore, who calls these bipartisan proposals risky, has a substantial amount of his money invested in the stock market. If he is building his own retirement security in the market, why does he object to young Americans doing the same?

The payroll tax must not be raised. We cannot tax our way to reform.



AL GORE (continued)

With lower government debt have come lower interest rates for everyone. Because of the deficit and debt reduction that we have already done, it's estimated that a typical family with a home mortgage might expect to save roughly \$2,000 per year in mortgage payments. And with government no longer draining resources from capital markets, businesses have more funds for productive investment. Using the surplus to save Social Security and pay off the debt will continue to help further fuel investment and productivity growth.

Gov. Bush's irresponsible and short-sighted proposition has raised bipartisan alarm for its inability to guarantee the future of Social Security and the very real possibility the plan presents of an increase in the eligibility age, an increase in FICA taxes, or a decrease in benefits if enacted. Sen. John McCain (R-AZ) reacted to Gov. Bush's intentions of not dedicating one penny to saving Social Security by stating, "By not shoring up the Social Security system now with surplus funds we are, by fiat, agreeing to raise payroll taxes in the future. I have called this kind of economics fiscally irresponsible." I agree.

In addition to my plan for Social Security, I propose that we set aside enough of the surplus to strengthen Medicare—and

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then do for Medicare what we have done for Social Security, by putting the Medicare trust fund in an iron-clad lock-box. Doing so will prevent any Congress from raiding Medicare or taking it away and will keep Medicare strong for decades to come. And I propose that we update Medicare to provide a prescription drug benefit for all our seniors.

America needs a fiscally responsible plan to save Social Security. We need a plan to secure Medicare for future generations. And we need to do both in ways that maintain a disciplined fiscal policy. If we put the right policies in place now to do that, then low interest rates and capital costs will do more to promote growth and create jobs than deficit spending could ever achieve—while maintaining and strengthening these two vital pillars of our social safety net. ●

GEORGE W. BUSH (continued)

Personal accounts build on the promise of Social Security—they strengthen it.

Consider this simple fact: Even if a worker chose only the safest investment in the world—an inflation-adjusted U.S. government bond—he or she would receive twice the rate of return of Social Security.

There is a fundamental difference between my opponent and me. He trusts only government to manage our retirement. I trust individual Americans. I trust Americans to make their own decisions and manage their own money. Let me be clear. Personal accounts are not a substitute for Social Security. They involve only a limited percentage of the payroll tax so the safety net remains strong.

Let me say this again: For those who are retired or near retirement, there will be no changes at all to your Social Security. But we can and must give younger workers the option of new opportunities.

Personal accounts build on the promise of Social Security—they strengthen it, making it more valuable for young

workers. Senator Moynihan, Democrat, says that personal accounts take the system to its "logical completion." They give people the security of ownership. They allow even low-income workers to build wealth, which they will use for their own retirement and pass on to their children. Some plans would match the contributions of low-income workers to their personal accounts. That is also an idea we should consider.

Senator Kerrey, also a Democrat, recently said: "It's very important, especially for those of us who have already accumulated wealth, to write laws to enable other people to accumulate it, and arrive where we are." Ownership in our society should not be an exclusive club. Independence should not be a gated community. Everyone should be a part-owner in the American Dream.

Within the framework of these principles, we can keep Social Security strong and stable. We can keep our commitments. We can avoid tax increases. And millions of Americans will have an asset to call their own. This is the best thing about personal accounts. They are not just a program; they are your property. And no politician can take them away.

As our society grays, we must keep our commitments. But we must also set new goals. Our nation has a vital interest—a moral interest—in making retirement a time of security and health and contribution. ●