



# Social Security Choice

## ***SOCIAL SECURITY THIS WEEK***

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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### ***Renewed Calls for Bi-Partisan Reform Emerge***

Five years ago this week, at a conference of Democratic legislators hosted by the Democratic Leadership Council in Hyde Park, New York, key Democratic lawmakers from across the country signed [the Hyde Park Declaration](#), a “statement of principles and a policy agenda for the 21st century.”

The declaration addressed the problems with Social Security, not only in terms of the looming insolvency, but also in the program’s basic structure. In a section labeled “Where We Stand,” the document reads, “We believe in shifting the focus of America’s anti-poverty and social insurance programs from transferring wealth to creating wealth.” This, of course, is one of the rallying cries of proponents of personal accounts. The declaration also speaks of balancing the needs of younger and older generations:

An ever-growing share of the federal budget today consists of automatic transfers from working Americans to retirees. Moreover, the costs of the big entitlements for the elderly—Social Security and Medicare—are growing at rates that will eventually bankrupt them and that could leave little to pay for everything else government does. We can’t just spend our way out of the problem; we must find a way to contain future costs. The federal government already spends seven times as much on the elderly as it does on children. To allow that ratio to grow even more imbalanced would be grossly unfair to today’s workers and future generations. In addition, Social Security and Medicare need to be modernized to reflect conditions not envisioned when they were created in the 1930s and the 1960s.

The document lays out three goals for addressing Social Security and Medicare by 2010:

- Honor our commitment to seniors by ensuring the future solvency of Social Security and Medicare.
- Make structural reforms in Social Security and Medicare that slow their future cost growth, modernize benefits (including a prescription drug benefit for Medicare), and give beneficiaries more choice and control over their retirement and health security.

- Create Retirement Savings Accounts to enable low-income Americans to save for their own retirement.

Many proponents of reform seized on the anniversary of the Hyde Park Declaration to make the case for bi-partisan reform.

[Writing in the \*Christian Science Monitor\*](#), former Democratic congressman Tim Penny wrote, “Given the similarities between the Democratic Leadership Council’s document and what Bush is proposing, one would expect that an agreement to strengthen Social Security for future generations would be easily reached. So far, that hasn’t been the case. Instead, Democratic legislators have not only attacked every serious proposal to fix Social Security, they have even attempted to deny the seriousness of the problem itself.”

Members of Students for Saving Social Security (S4) [wrote on TownHall.com](#), “Five years later, we have not forgotten the message of the Hyde Park Declaration. Senators John Kerry and Joseph Lieberman signed this statement of principles that was to guide the Democratic Party for the next 10 years. Halfway through this first decade of the 21st century, they have an opportunity to fulfill their promise.

“America’s youngest workers recognize the difficulty of changing the status quo. Personal retirement accounts seem revolutionary because they change the deeply-rooted philosophy behind the welfare state and move the system from pay-as-you-go to save-as-you-go—no small task. The integration of asset ownership into Social Security is long overdue; an ownership society is the wave of the future. It is the next step in the march toward an economic policy grounded in the American principles of access, opportunity, and choice.”

In a commentary on *National Review Online*, Michael Franc of the Heritage Foundation wrote, “[The Hyde Park] agenda is wholly compatible with what many congressional Republicans are pushing today. Consider the most recent proposal out of the GOP: Sen. Jim DeMint’s ‘GROW’ Act. It would enable workers to deposit their share of surplus Social Security taxes into personal retirement accounts, creating real assets that workers could use for their retirement or pass on to their heirs.

“The DeMint approach also would block Congress from spending every spare penny in the Social Security trust fund on any and all non-retirement ‘investments’ that suit their fancy. No more would worker’s excess retirement taxes be squandered on everything from mohair subsidies to the Tongass Coast Aquarium in Ketchikan, Alaska. Instead, they would flow into millions of personal Social Security “lock boxes” that workers would own.

“Like the initiatives being offered by President Bush, the DeMint proposal comports with Hyde Park principles and policies. So where are the New Democrats in the debate?”

The Hyde Park Declaration was signed by 73 elected Democrats, including, 5 current U.S. Senators; Evan Bayh (IN), John Kerry (MA), Mary Landrieu (LA), Joseph Lieberman (CT), And Blanche Lincoln (AR); 4 current U.S. Representatives: Jim Davis

(FL), James Moran, Jr. (VA), Allyson Schwartz (PA), Ellen Tauscher (CA); and 3 current governors; Janet Napolitano (AZ), Kathleen Sebelius (KS), And Tom Vilsack (IA). Many of these lawmakers have made statements this year in opposition to the idea of personal retirement accounts. Several have also downplayed the financial problems facing Social Security.

### ***Bush Remains Adamant on Personal Retirement Accounts***

At a press conference in Iowa this week, President Bush reiterated his unwavering commitment to passing Social Security reform that includes personal retirement accounts. Bush told reporters during a group interview session that personal accounts “need to be part of the bill.” [According to the \*Des Moines Register\*](#), the president plans to stick by his campaign pledge to create the accounts on behalf of younger workers. The president has made several such statements in recent weeks, in a concerted effort to keep the campaign for account-based reform moving forward.

The president also applauded the efforts of Iowa Senator Chuck Grassley, chairman of the Senate Finance Committee, on his efforts to negotiate a bill with members of his committee.

### ***Insurers Hope to Have a Voice in Social Security Reform Debate***

Seizing a window of opportunity before Congress revisits Social Security reform in the fall, insurance companies have expressed an interest in engaging in the debate on reform options. The insurance industry is said to be exploring mechanisms to contribute to the effort to raise national savings.

The *New York Times* [quotes](#) Jim Morrill, the chief Washington lobbyist for the Lincoln Financial Group, as saying “the whole subject of retirement security is ripe for reform.” The focus of recent industry attention has been tax credits for life annuities. The issue last arose in 2003 when Congress took exception to proposed new tax advantages. It has been suggested that the model of annuities, traditionally thought of as investment vehicles, could profitably be reworked as the basis of a new retirement investment. Current market trends already suggest a move in that direction as wealthy families take out life insurance policies to cover the death tax.

Provisions could be included in a bill that would require retirees to convert a portion of their Social Security personal retirement account into an annuity. Ways and Means Committee chairman Bill Thomas (R-CA), feels that annuities could be the way to go in structuring the account withdrawal mechanism. At a recent hearing, Thomas indicated that overall retirement savings is lacking, not just Social Security. “Clearly,” he said, “an annuity is a concept that’s effective.”

The industry move ties in with a shift in thinking in which Social Security is increasingly seen in the context of retirement security generally. Advocates of personal accounts have argued that fixing the solvency crisis is only one objective. As solvency could in principle be achieved either through benefits cuts or tax hikes, the debate

centers more on issues of ownership, inheritability, and choice, values similarly stressed by the insurance industry in the last few days.

## ***Events***

Rep. Paul Ryan (R-WI) will debate economist Dean Baker on the need for Social Security reform on Sunday, August 14 in Janesville, WI. For more information, click [here](#).

Michael Tanner, director of Cato's Project on Social Security Choice will debate economist and columnist Paul Krugman on the future of Social Security at an event commemorating the 70th anniversary of the implementation of the program. The debate, hosted by the Franklin and Eleanor Roosevelt Institute as part of a day-long event, will take place in Hyde Park, NY on Saturday, August 13. For more information, click [here](#).

## ***Publications***

The Social Security Administration has released the latest issue of its newsletter, "[International Update](#)." The publication for July looks at the most recent international developments concerning pension reform. This month's issue discusses movements toward reform in Cyprus, New Zealand, Argentina, Brazil, and Columbia.

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