



How to Talk to a Conservative about Social Security

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The White House and their deep-pocketed allies have launched a \$35 million public relations effort to spread misinformation about President Bush's Social Security privatization scheme. This fact sheet will arm you with all the facts you'll need to take them on.

Fiscal Outlook

Claim: "By the year 2042, the entire system would be exhausted and bankrupt." [President Bush, 2/2/05]

Fact: In 2042, enough new money will be coming in to pay between 73-80 percent of promised benefits. Even with this reduction, new retirees will still receive more money, in inflation-adjusted dollars, than today's beneficiaries. [The Washington Post, 2/5/05]

Claim: "In the year 2018, for the first time ever, Social Security will pay out more in benefits than the government collects in payroll taxes." [President Bush, 12/11/04]

Fact: "In 14 of the past 47 years, including 1975 to 1983, Social Security paid out more in benefits than the government collected in payroll." [MSNBC, 1/14/05]

Fact: Under Bush's plan, expenditures will begin to exceed revenues even earlier, in 2012. [The New York Times, 2/4/05]

Claim: "Under the current system, today's 30-year old worker will face a 27 percent benefit cut when he or she reaches normal retirement age." [GOP Guide to Social Security Reform, 1/27/05]

Fact: According to the Congressional Budget Office, younger workers would receive better benefits from Social Security as it exists now, even if nothing changes, than from President Bush's private accounts plan. [Economic Policy Institute, 2/05]

The President's Plan / Private Accounts

Claim: "As we fix Social Security, we also have the responsibility to make the system a better deal for younger workers. And the best way to reach that goal is through voluntary personal retirement accounts." [President Bush, 2/2/05]

Fact: Analysis of the plan so far does not prove the accounts would be a better deal for anyone not working on Wall Street. Workers who opt for the private accounts would recover forfeited benefits through their accounts only "if their investments realized a return equal to or greater than the 3 percent earned by Treasury bonds currently held by the Social Security system." But CBO factors out stock market risks to assume a 3.3 percent rate of return. With 0.3 percent subtracted for expected administrative costs on the account, "the full amount in a worker's account would be reduced dollar for dollar from his Social Security checks, for a net gain of zero." [The Washington Post, 2/4/05]

Claim: "You'll be able to pass along the money that accumulates in your personal account, if you wish, to your children or grandchildren." [President Bush, 2/2/05]

Fact: Most lower-income workers will be required to purchase government lifetime annuities, financial instruments that provide a guaranteed monthly payment for life but that expire at death. Money in these annuities cannot be passed on to heirs. [The New York Times, 2/3/05]

Claim: "We must pass reforms that solve the financial problems of Social Security once and for all." [President Bush, 2/2/05]

Fact: "A Bush aide, briefing reporters on the condition of anonymity [said] that the individual accounts would do nothing to solve the system's long-term financial problems." The long-term gap in revenue would "have to be closed through benefit cuts that have yet to be detailed." [LAT, 2/3/05; The Washington Post, 2/5/05]

Claim: "A personal account would be your account, you would own it, and the government could never take it away." [President Bush, 2/8/05]

Fact: Bush's Social Security plan is a far cry from the private ownership he's touting, however. For example, instead of private plans that let Americans control their own investments, there are tight restrictions on which conservative stocks and bonds the public will be allowed to buy. And, as The New York Times reports, "the more restrictions there are, the harder it would be for people to achieve the outsized returns the administration has generally promoted to sell the public on private accounts." [The New York Times, 2/6/05]

Claim: "Best of all, the [private] accounts would be replacing the empty promises of government with the real assets of ownership." [President Bush, 2/8/05]

Fact: Social Security trust funds "hold nothing but U.S. Treasury securities," recognized as "the safest, most reliable investment worldwide." [Century Foundation, 1/26/05]

Claim: "The problem that we now face is not one that we can tax our way out of, for a very simple reason: The costs and the current program are growing faster than the underlying tax base. So if we were to raise taxes today to deal with it, and the costs of the program continued to grow faster than the tax base, then in the future, future generations would simply have to come back and raise taxes again." [Senior White House official, press conference, 2/3/05]

Fact: An alternative proposal by Peter Diamond and Peter Orszag would resolve Social Security's funding problems directly and permanently through modest tax increases. The Congressional Budget Office states that, "under Diamond-Orszag, the trust fund balance would always be positive and scheduled benefits would be fully financed." [CBO, 12/22/04]

History

Claim: "Social Security was a great moral success of the 20th century, and we must honor its great purposes in this new century." [President Bush, 2/2/05]

Fact: Conservatives have been trying to gut Social Security since its inception. Both Barry Goldwater and Ronald Reagan endorsed privatization in 1964. In 1983, the Cato Institute laid out a privatization plan similar to President Bush's, stating, "We will meet the next financial crisis in Social Security with a private alternative ready in the wings." [Miami Herald, 2/7/05]

Rhetoric

Claim: "I think it's important for people to be open about the truth when it comes to Social Security." [President Bush, 2/4/05]

Fact: The Bush administration has lobbied hard for privatization while being notably closemouthed about the details. [The Washington Post, 2/6/05]

Fact: The Wall Street Journal reports the White House is quietly assembling a coalition of deep-pocketed allies "that will privately raise \$35 million for an advertising and lobbying effort to push the politically risky measure through Congress." [Wall Street Journal, 2/4/05]

Claim: "The role of a president is to confront problems - not to pass them on to a future president, future Congress, or a future generation." [President Bush, 2/4/05]

Fact: Dick Cheney admits trillions of dollars in future borrowing will be necessary to cover the cost of establishing private accounts. This deficit would have to be repaid by today's younger workers. [The New York Times, 2/6/05]