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Social Security Is Not In Crisis

Dean Baker**November 30, 2004**

After the inauguration, Bush is scheduled to push for tort reform first, then attack Social Security. His entitlements offensive relies on the White House's ability to make Americans think Social Security is in crisis. Dean Baker says it's not. But don't just take his word for it. The Social Security Trustees say the same thing.

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In the wake of his election victory, President Bush said that cutting Social Security will be at the top of his second-term agenda. He supports a proposal from his Social Security commission that hits workers with large cuts in their Social Security benefits. The proposed cuts are phased in over time, but an average wage earner who is 20 today will see their total Social Security benefits cut by close to \$160,000 over their retirement. They will have the option of trying to retrieve a small portion of these cuts by seeking higher returns in the stock market, with the additional risk this implies.

Virtually everyone agrees that Social Security is a great system. It provides tens of millions of workers with a guaranteed, core retirement income. It also provides disability insurance to people during their working years. In addition, it provides survivors' insurance to the children of workers who die at an early age.

It is also extremely efficient. The administrative costs of Social Security are just 0.6 cents of every dollar that gets paid out in benefits. By contrast, the administrative costs of systems of private accounts, like the one in England, eat up 15 cents of every dollar in benefits. Social Security also has a minimal amount of fraud and abuse, as numerous government audits have repeatedly documented.

Why would anyone want to change a system that works so well? The main reason is that President Bush and the financial industry have managed to convince people that Social Security is on the edge of bankruptcy. Millions of younger workers, and even many older workers, now believe that they will never see their Social Security checks.

Of course, President Bush has never felt constrained by the truth. Some may recall the fact that the administration concealed its estimates of the cost of its Medicare prescription drug plan as Congress narrowly approved the measure. Immediately afterwards, the administration told the public that the actual cost of the benefit would be more than \$100 billion higher than the projections in front of Congress at the time of the vote. The administration's conduct of foreign policy also provides some basis for questioning the truthfulness of its public statements.

For these reasons, it would be better to rely on the actual numbers than accept President Bush's claims about Social Security. The official numbers tell a very different story. The [Social Security trustees' report](#) shows that the program can pay all scheduled benefits through the year 2042, with no changes whatsoever. Even after 2042, the program would always be able to pay a higher benefit (in today's dollars) than what retirees currently receive, although less than the full scheduled benefit.

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The non-partisan Congressional Budget Office did an independent investigation of Social Security's finances and came up with an even brighter picture. They found that it could pay all benefits through the year 2052 with no changes whatsoever. Furthermore, according to both sets of projections, the changes required to keep the program solvent through its entire 75-year planning period are smaller than the changes made in any of the decades from the 1950s to the 1980s.

If people knew the truth about Social Security's finances, there would be no support for President Bush's benefit cuts and privatization plan—and that is why proponents of privatization have worked hard to spread fear about Social Security's financial health. But remember, there is no more reason to trust these folks on Social Security than their talk about Iraq. Look at the numbers and reach your own conclusion.