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Jan. 24, 1983

A bipartisan commission hammers out compromise measures

For the bipartisan National Commission on Social Security Reform, the race to meet its Jan. 15 deadline for agreement on proposals to save the ailing Social Security system was a photo finish.

"You may be collecting your Social Security before we finish this commission, but I assure you it will be there when the time comes," quipped Democratic Senator Daniel Patrick Moynihan of New York as he entered Blair House, the capital's official guest residence for visiting statesmen, where the eleventh-hour negotiations took place. Administration officials, led by White House Chief of Staff James Baker, conferred on and off with various combinations of commission members throughout the panel's last official day of existence. The group finally reached a compromise agreement that satisfied a majority of the commission's 15 members and had the blessings of the President and Thomas P. O'Neill, Speaker of the Democratic-controlled House, several hours short of midnight. Said a tired but pleased Alan Greenspan, a Republican economist and chairman of the commission: "All of us swallowed hard."

The negotiations had become deadlocked over the proper mix of tax increases (generally favored by Democrats) and benefit cuts (generally favored by Republicans). The final days of deliberation had all the hallmarks of shuttle diplomacy. A coterie of four prominent commission members, Republican Senator Robert Dole of Kansas,

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Other compromise recommendations include a provision to bring all new federal employees into the system starting in 1984; nonprofit organizations, which now may elect not to participate in Social Security, will also be covered. The new contributors are expected to generate \$20 billion in revenue. Also starting in 1984, half of Social Security benefits will be treated as taxable income for all individuals whose annual incomes exceed \$20,000 or couples above \$25,000, a move expected to raise \$30 billion. Self-employed people, who now pay into Social Security at a rate of 9.35%, only three-fourths the total assessed for employer and employee combined, will pay the full rate. This will net \$18 billion. The self-employed, however, will get an income tax credit. On the benefits side, the commission agreed to delay until Jan. 1, 1984, the cost of living increase scheduled for July 1, 1983, a change that will save the system about \$40 billion.


Over the next 75 years, according to commission estimates, Social Security faces a deficit of \$1.6 trillion, a byproduct of the "baby boom" generation's reaching its retirement years. One long-term recommendation included in the compromise package would slowly increase the bonus for delaying retirement over a 20-year period, starting in 1990.

The commission's recommendations are expected to be incorporated into the President's fiscal 1984 budget and his State of the Union address, both scheduled for late January. Legislative debate, which begins Feb. 1 in the House Ways and Means Committee, promises to be fierce. The report, says an aide to House Speaker O'Neill, "is not the end of the game by any means. Any scheme will be hotly debated and tested." Federal employee unions have already launched a campaign against the inclusion of Government workers in the Social Security system, which is less generous than their own retirement system. Business and labor lobbies are expected to try to overturn the advanced increases in payroll taxes, contending that employers and workers are already overburdened with taxes. Senior citizens groups may protest the slowdown of benefit increases. Whatever the pressures on Congress, something must be done to salvage the system before July 1, when it is scheduled to go bankrupt in the absence of remedial legislation.

—By Susan Tifft.

Reported by Hays Corey/Washington

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