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Elaine L. Chao: A real cure for Social Security

Program is on an unsustainable path; Bush has the solution in a 3-part plan

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Over the last 60 days, I have joined the president and other Cabinet members in traveling across the country to talk with citizens and community leaders about strengthening Social Security. We have heard very personal concerns expressed about the challenges of America's aging population and a keen awareness of how important Social Security is to our seniors. As this phase of our national dialogue comes to a close, the president has laid out his vision for moving forward with bipartisan Social Security reform.



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The demographic trend of there being fewer workers in proportion to retirees is, in the coming decades, going to make the current Social Security system unsustainable. Social Security is a "pay-as-you-go" system (i.e., today's workers are taxed to support today's retirees). Some people think there is a Social Security trust fund in which the government is holding their money in an account with their name on it. But as the president has explained, it just doesn't work that way. Social Security taxes that aren't being spent on today's retirees are being spent on other government programs.

In 1950, there were 16 workers paying taxes for every retiree. Today, there are three workers paying taxes for every retiree. In 2040, there will be only two workers paying taxes to support each Social Security recipient. Because people are living longer in retirement, the declining ratio of workers-to-recipients will become a crushing financial burden.

America is far from alone in facing these challenges. At a recent summit of labor ministers of the world's most developed nations, it was evident that aging populations and retirement security are among the top challenges facing developed nations.

Declining birthrates have left most developed countries without enough younger workers to pay into the system that supports the retirement of older workers. As a result, retirees in France, Germany, Italy, Japan and Russia are facing the prospect of substantial benefit cuts. Workers in these countries are facing the prospect of retiring later and making substantially larger pension contributions. Their dilemma is a cautionary tale of what will happen to us if we don't face up to the solvency problems of Social Security now – before there is a crisis and while modest adjustments can still solve the problem.

The president outlined three goals at his recent prime-time news conference to help guide Congress as it begins work on legislation to solve this problem: ensure that future generations receive benefits equal to or greater than today's seniors; protect those who depend on Social Security the most; and replace the empty promises being made to younger workers with real money.

As the president noted, most of the future under-funding problem can be solved by holding the growth in benefits for wealthier seniors at the rate of inflation, while allowing benefits to grow faster than inflation for low-income workers. That way, everyone would be assured of getting at least what today's retirees are receiving, and lower-income seniors in the future would receive even more than under the current system.

In order to make the system a better deal for younger workers, the president has proposed "Voluntary Personal Retirement Accounts." They would empower young people by allowing them to invest a small portion of their Social Security taxes in a conservative mix of bonds and stocks or a risk-free Treasury Bond account. Workers would own these accounts and could leave them to their children.

It's worth repeating that for seniors at or near retirement, there would be absolutely no change in Social Security.

America honors and respects its senior citizens in many ways. None is more meaningful than strengthening Social Security. This administration is committed to ensuring that it will be there not only for today's retirees, but for their children and their grandchildren – providing the safety and dignity in retirement that they deserve and have earned.

U.S. Secretary of Labor Elaine L. Chao is a member of the president's economic team, which recently finished a two-month tour traveling around the country to talk about the president's plan to strengthen Social Security. She met with The Dallas Morning News' editorial board. Her e-mail address is executivesecretariat@dol.gov.

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