

## National Dialogue on Social Security

April 19 - June 4, 1999

### Final Report

October 25, 1999

# National Dialogue on Social Security

April 19 - June 4, 1999

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National Dialogue on Social Security

## Executive Summary

*"Overall, this method of encouraging public debate on policy issues offers great promise for the future. For a relatively small investment of expert time and effort, a large number of citizens can become a real part of the policy debate. It is an educational experience for them and for the experts who get a chance to see how the public is viewing problems and interpreting facts and arguments."*

**Robert Reischauer**, Brookings Institute

*"The National Dialogue offered the public a rare and unique opportunity to interact directly with policy makers and nationally-recognized experts. ... This kind of interaction is critical to enhancing knowledge (among both expert and public participants) and to promoting more civilized discourse on public policy."*

**Carolyn Weaver**, American Enterprise Institute

Information Renaissance, in collaboration with Americans Discuss Social Security, hosted a non-partisan electronic discussion and debate on Social Security reform from April 19 through June 4, 1999. Using the power of the Internet, thousands of Americans participated in a national discussion with policy makers, experts and each other. Sponsored by the Prudential Foundation, the National Dialogue was free of charge. All online discussions and all materials relating to the Dialogue are archived online at the project Web site:

<http://www.network-democracy.org/social-security>

The National Dialogue on Social Security provides a model for the public discussion of new legislation unlike other forums that have previously been used for this purpose. Several aspects of the National Dialogue help define its distinctive nature:

- The format of a moderated discussion allows panelists to develop their ideas and surround their points with greater context. This addresses James Fallows' concern that our nation's discussion of public ideas is caught in a "flattening and mind-shrinking" journalistic focus on who's up and who's down.
- The Dialogue allows for an in-depth discussion which gets beyond traditional sound bites and explores the issues in detail. Such a discussion allows for a public discourse which goes beyond what George Will has called its "tawdry ferocity."
- The Dialogue's Roundtable format allows Members of Congress to explain the content of their proposals and develop their ideas in the context of a public discussion. This type of interaction seldom takes place outside of the trade press, where there is only a limited audience to participate.
- The project Web site contains a record of in-depth discussion which goes beyond any other available public resource. This record includes detailed explanations of current proposals by Members of Congress and their staff and extensive explications of policy alternatives by experts in the field.
- Congressional staffers can efficiently use the Internet to generate detailed analyses and explanations. In the present Dialogue their interchanges on such issues as carve-outs

and clawbacks and changes in the Consumer Price Index helped elucidate these matters for members of the general public.

- Interactions can occur between panelists representing different constituencies. An example of this can be seen in the questions that members of the Women and Minorities panel asked of our Congressional panelists.
- Different National Dialogue Roundtables, as described below, develop different dynamics to help explicate the issues. In one panel a moderator may structure a series of cogent questions. In another, panelists may engage in an extensive interchange. In a third, Members of Congress may provide a detailed explanation of how current legislation has evolved. And in other panels there may be interactions across different constituencies. The Roundtable summaries and highlights, which are given on subsequent pages, provide specific examples of these productive mechanisms for public explication.

The National Dialogue on Social Security had the structure described below.

- **Roundtables.** A series of discussions which allowed the public to interact directly with members of Congress and subject experts. Participants could complete brief surveys, which focused on main points addressed in each Roundtable. The Roundtable topics were as follows:

*Discussion on Values.* An introductory forum that focused upon the fundamental values that underlie the Social Security system.

*Why Reform Now?* Four members of the House Committee on Ways and Means discussed the need for reform of the Social Security system and the optimal timing for such reforms to take place.

*Options for Reform.* Members of advocacy groups and professional organizations offered a number of options for the reform of Social Security.

*Investing in Stocks.* Panelists debated the merits of how funds in the system could be invested - and by whom.

*Women and Minorities.* Experts from national advocacy groups discussed the impact of Social Security on women and minorities.

*Current Legislative Proposals.* Members of Congress discussed the merits of their reform legislation in the 106th Congress.

- **Briefing Book.** Background material drawn from Americans Discuss Social Security (ADSS), the Social Security Administration, papers in the open literature and bills before Congress. Material was updated within hours of its release to the general public. In many cases the only available electronic copies were archived on the National Dialogue Web site.
- **Fast Facts.** Frequently asked questions on Social Security reform were compiled from ADSS forums. These questions are presented through an intelligent robot that takes participants' interests into account to rank the hundreds of possible questions and present most frequently those of the greatest general interest.

**Roundtable Summaries.** Summaries of the six Roundtable discussions are given in pages 7-30 of this report. These summaries capture the lively, often complex and thought provoking exchanges which took place in these online forums. The full text of the Roundtables can be

found on the project Web site where a search engine and indices can facilitate navigation through the discussion.

**Recruiting and Participation.** Lead-time for the online event was short. Announcements were distributed widely over the Internet and through 175 national organizations. Three press releases announcing the Dialogue were sent out, and one advertisement was placed in PCUpdate, an electronic newsletter focusing on public policy issues. The Prudential Foundation separately funded an announcement in the Capitol Hill publication *Roll Call*. A total of 1500 people formally registered to speak in the Roundtables and Forums. Many people registered as a group and met privately to discuss the progress of the online discussion. People interested in following the discussion on the Web site did not have to register. An estimated 10,000 people participated in this manner, with the average visitor reading 25 different pages of information over the seven weeks of the Dialogue.

**Demographics** of participants reflected those of current Internet users as indicated by recent online studies. However, National Dialogue users were somewhat older, better educated and had slightly lower incomes. Registered participants were from 18 through 80 years old and represented 47 states and Puerto Rico. The majority of participants indicated that a main goal of participation was to understand better the reform options, discuss the issues with others, form opinions and express their views to Congress.

**Response** to the event was strong and positive. Both the moderators and the panelists expressed a strong interest in participating in events of this type in the future. The following quotes encapsulate the views of many of the panelists and participants.

*After spending some hours reading all the comments, I'd just like to say I'm quite impressed by the level of commitment that the panelists have been displaying. I've been particularly impressed by Judd Gregg, Charlie Stenholm, Rick Santorum and Jim Kolbe. I don't agree with their take on the issues at a number of points, but the seriousness with which they've thrown themselves into this is quite noticeable. Hats off to everyone.*

**Steven H. Johnson**, Roundtable on Current Legislative Proposals, May 31, 1999

*It is through forums like these that we are able to exchange these ideas, have healthy debates about the issues, and hopefully learn a little more about Social Security and how to go about saving and strengthening the system.*

*Let me thank my colleagues who served as panelists and all of their hard work in dedicating themselves to solving what is perhaps the most difficult of all public policy issues. I realize that there are areas where we all will agree to disagree. There is no harm in that. Such is the cornerstone of a robust democracy such as ours. I look forward to similar exchanges as we work toward putting Social Security on sound financial footing for the long-term.*

*Ron Gebhardt and the other moderators and ADSS and Info Ren also deserve special thanks for bringing this effort to fruition. I have enjoyed participating in this worthwhile effort and hope we have an opportunity again soon to do something similar.*

**Senator Rick Santorum**, panelist, Roundtable on Current Legislative Proposals, June 4, 1999

*I want to extend my special thanks to Sens. Gregg and Santorum, Reps. Kolbe and Stenholm and panelist Carolyn Weaver because I thought they gave us an absolutely honest discussion of the problems of Pay-As-You-Go..... This was a MOST INFORMATIVE dialogue. It made it much clearer where approaches differ.*

**Carolyn Cox**, National Director Economic Security 2000, Roundtable on Current Legislative Proposals, June 4, 1999

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National Dialogue on Social Security

## Demographics of Participants

*Total registrants: 1500*  
*States: 47 states and Puerto Rico*

### Gender

Female	34%
Male	66%
Response rate	90%

### Age

Under 18	1%
18 - 29	10%
30 - 39	14%
40 - 49	16%
50 - 59	28%
60 - 69	21%
70 - 79	9%
80 and older	1%
Response rate	90%

### Ethnicity

African American	5%
Asian	1%
Caucasian	85%
Hispanic	2%
Other	7%
Response rate	86%

### Education

No HS diploma	1%
High school	7%
Some college	25%
College degree	32%
Graduate degree	35%
Response rate	89%

### Income

Under \$10,000	7%
\$10,000-\$25,000	17%
\$25,000-\$40,000	23%
\$40,000-\$60,000	23%
\$60,000-\$80,000	15%
\$80,000-\$100,000	7%
Up to \$140,000	4%
Over \$140,000	4%
Response rate	75%

### Employment

Manufacturing	2%
Service	30%
Academic	14%
Research	9%
Response rate	81%

### How heard about the National Dialogue

Online announcement	57%
Professional organization	8%
Newspaper/Radio/TV	5%
Teacher/Friend/Colleague	13%
Other	17%
Response rate	97%

### Rating of knowledge of Social Security reform issues:

Uninformed	11%
Somewhat familiar	22%
Moderately informed	34%
Well informed	27%
Expert	6%
Response rate	97%

### Goals for participation in the National Dialogue:

Learn if reform is needed	3%
Understand reform options	22%
Hear from experts	9%
Discuss with others	17%
Formulate my opinion	15%
Express opinions to Congress	27%
Other	7%
Response rate	96%

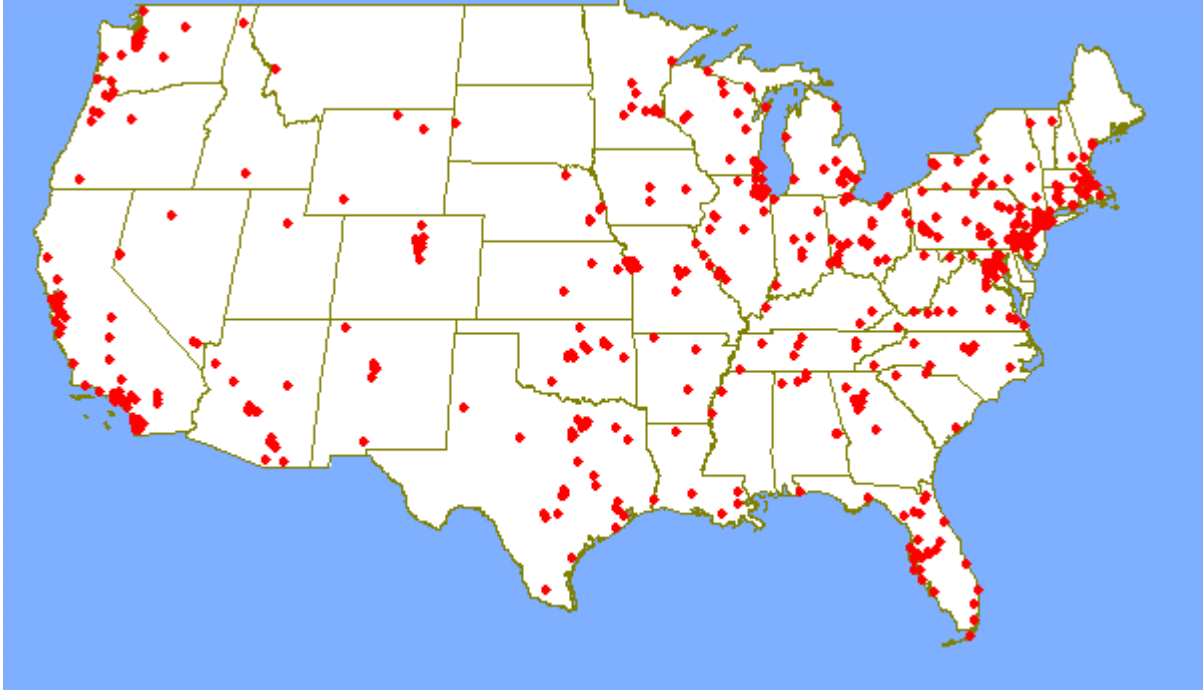
### Number of times registrants have contacted an elected official

Never	21%
1-2 times	23%
3-5 times	22%
5-10 times	13%
More than 10 times	21%
Response rate	96%

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National Dialogue on Social Security

## Map of Participants



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National Dialogue on Social Security

## Summary: Values Forum

April 19 - June 4, 1999

<http://www.network-democracy.org/social-security/nd/archive/ndss/date1.html>

*I think this is an EXTREMELY valuable experiment.*

**Andre Dermant**, May 25, 1999

*On the one hand, it is great to see so many people of different opinions sharing ideas quite civilly and provoking us all to think through our positions, challenge our preconceptions and underlying values. Yet, it is truly disheartening to hear that this forum and others like it may be merely a bone thrown to us by well-intentioned organizations such as ADSS if, as today's NY Times reports, the only politically viable "solution" to SS's problems is for both parties and the President to negotiate "behind closed doors." In a discussion of values, I believe that kind of bait and switch is what reinforces disillusionment with the political process. If on the one hand, our elected officials (like the venerable Congressional members joining us next week) endorse forums like these, yet, do the real work without public scrutiny, it seems rather disingenuous to me. I am not naive about the political process; I only wish it could be more honest.*

**Lisa Furia**, April 24, 1999

### Moderators:

*Carolyn Lukensmeyer*, Executive Director, Americans Discuss Social Security  
*Robert Carlitz*, Executive Director, Information Renaissance

### Discussion:

The National Dialogue began with an introductory discussion on Values where people could become familiar with the tools of the online forum and discuss the fundamental purposes of the Social Security system. It quickly became clear that our participants held strong and differing opinions about the goals of the system and its reform. Over seven weeks this discussion served as a wide-ranging forum about Social Security's goals, its mechanics and often its financial solvency. On a very general level, the participants discussed four basic roles for Social Security, which are all encompassed under the current program:

- An anti-poverty plan to provide a minimum standard of living;
- A retirement income (or savings) plan to provide income (similar to a pension) above the minimum standard of living;
- An insurance plan to cover the risk of disability;
- A survivor benefit plan after the death of the family provider.

Carolyn Lukensmeyer launched the discussion by asking the participants to address two questions. First, what is the most important value that you and your family hold about Social Security? Secondly, what are the values that you most want your elected officials to protect as they consider making changes in the Social Security program?



As the participants posted their responses, it soon became evident that most of their views could be broadly classified into three separate perspectives, although the thoughts of many were so nuanced that they could not be neatly shoehorned into a single category. The views ranged from advocates for the status quo to reformers who advocated full privatization. The middle ground was occupied by those concerned with the financial sustainability of the present system and the intergenerational inequities that they perceived in the current program. As the discussion developed, supporters of each perspective critiqued the alternative outlooks.

### **Viewpoint # 1. Supporters of the Current Structure:**

This group of participants emphasized the importance of keeping the present system intact, although many did acknowledge that some adjustments should be made to insure long-term solvency. These registrants emphasized that Social Security is essential in keeping older Americans independent and in maintaining an income floor for low-income workers during retirement. Supporters of this position viewed Social Security as one of the federal government's key responsibilities, especially since many private pensions are shaky and many individuals have not saved enough for retirement. In order to cover the projected shortfall in the trust funds, proponents of this view advocated investing a portion of payroll tax revenues in the stock market while others advocated measures to accelerate economic growth.

#### **Critique:**

Many participants found this perspective to be unduly optimistic; they did not think that rapid economic growth would provide enough tax revenue to sustain benefits at their current levels. In addition, they thought that unless the program was restructured, unacceptably large tax hikes would have to be imposed on younger generations. Many questioned the wisdom of the President's proposal to invest a portion of the trust funds in the stock market because they did not think that the federal government could become an institutional investor without political concerns influencing the investment choices to be made. Some privatizers offered a more fundamental values-based critique in which they argued that the present system undermined individual reliance and the concept that families should take care of their own.

### **Viewpoint #2. The Means Testers:**

Many registrants advocated steps to address the financial shortfall that will arise when the baby boom generation retires and to ameliorate the intergenerational inequities that they perceived in the present system. Members of this group did not have a common laundry list of reforms, but most suggested applying a means test to the benefits of more affluent seniors. Some also advocated raising the retirement age and a small subset suggested doing away with the program's early retirement option. Unless such steps were taken, these registrants viewed the present system as unsustainable, because Generation X could not finance the retirement of the baby boomers. Many in this group focused on the regressive nature of the payroll tax and how unfair it was that younger low-income workers were currently financing the retirements of affluent seniors.

#### **Critique:**

Some participants strongly objected to means testing as unfairly penalizing those who had worked hard and been financially prudent; many of these commenters viewed their benefits as a vested right which they had paid for over the course of their lifetimes. Others objected to

raising the retirement age because working past 65 could be a physical hardship to many and also because of age discrimination in the job market. Others thought that these types of reforms were inadequate to meet the long-term fiscal and budgetary challenges facing the system.

### **Viewpoint # 3: Privatizing the System:**

Many strongly advocated privatization with most of these adherents endorsing mandatory savings accounts that would be individually invested and controlled. However a small minority went further and argued that the system should be purely voluntary. The privatizers argued that their approach reinforces traditional American values of personal and family responsibility and such a reform properly limits the role of government. They saw other advantages to this approach as well. Younger workers would not be paying into a system that they had little confidence in and retirees would have real predictability in their benefits. Finally they saw greater economic benefits accruing because such an approach would increase the national savings rate.

### **Critique:**

Many opponents saw no guarantee that private savings could cover retirement costs especially where individuals made foolish or risky investment choices. The transition costs to such a system worried many who did not think that present benefits could be financed at the same time as future benefits would be pre-funded. Others argued that low-income retirees would suffer because the current redistributive benefit formulas would no longer boost their retirement incomes. Some suggested that welfare or Medicare would have to be expanded to fill in the gaps. More fundamentally, others thought that it is the government's responsibility to provide public support for the elderly and the disabled. Finally, many questioned their competence to invest well enough to ensure their retirement.

During the second week Robert Carlitz asked the registrants to focus on nine principles underlying the present system as formulated by Robert M. Ball, a former Commissioner of Social Security, and to submit their thoughts on his outline. This provoked a debate on benefits for families and lively discussions on the Social Security trust fund and the wisdom of including Medicare reform in Social Security reform. The discussion was summarized in *Daily Summary* April 26-28, 1999.

During the subsequent weeks the participants interacted with each other discussing a wide range of issues ranging from how to characterize the Trust Fund's unfunded liabilities to the need for contemporaneous Medicare reform. An energetic debate arose around which generation has had it the easiest in saving for retirement and what implications this had for reform. The participants also strongly contested the burdens that the present system assigned to each generation; some seniors strongly debated this issue with some Generation X members. Over time much of the discussion became a debate about the trust fund's financial solvency and credit worthiness with some registrants taking the position that the system is a "Ponzi scheme."

During our final week Carlitz asked all the registrants via email to respond to two questions. First, he asked the participants to address both the importance of a safety net to the system and how such protection should be crafted. Secondly, he asked the participants a multi-part question inquiring if they favored the current system's redistributive benefits formula and if

they thought that, if the system was privatized, charitable organizations could fill the gap in serving the needs of the poorest sectors of the population.

The email questions prompted many more registrants to participate and this broadened the discussion considerably. The responses were numerous and served as a mechanism to broaden the discussion by including more voices into the mix.

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## Roundtable Summary: Why Reform Now?

April 26-May 7, 1999

[http://www.network-democracy.org/social-security/nd/rt/why\\_now.html](http://www.network-democracy.org/social-security/nd/rt/why_now.html)



*Representative Bill Archer*  
*Chairman, The Committee on Ways and Means*  
*R-Texas*



*Representative Xavier Becerra*  
*Member, The Committee on Ways and Means*  
*D-California*



*Carolyn Lukensmeyer*  
*Moderator*



*Representative Kenny Hulshof*  
*Member, The Committee on Ways and Means*  
*D-Missouri*



*Representative Karen L. Thurman*  
*Member, The Committee on Ways and Means*  
*D-Florida*

*... it has been an honor to participate in this forum over the last two weeks. I wish Americans Discuss Social Security and Information Renaissance the best of luck with these online discussions in the future. Citizens play the most important role in keeping the focus on the need for Social Security reform... These realities are best conveyed at the grassroots level... In summary, the American people must remain engaged and involved in the process. Only then will meaningful reform be enacted.*

**Representative Kenny Hulshof**, panelist, May 7, 1999

**Highlight:** Panelists and participants agreed that action should be taken now.

**Panel Discussion:**

*Carolyn Lukensmeyer, Executive Director, Americans Discuss Social Security moderated the Roundtable. Ms. Lukensmeyer initiated the Roundtable by asking the members to discuss why reform should happen now. She also asked them how they would launch a bipartisan reform effort this year in light of Senate Majority Leader Trent Lott's statement that Social Security Reform would not happen this legislative session.*

All four members thought that our present economic circumstances made now a most advantageous time to reform the present system and that this should be a bipartisan effort. However, the four members disagreed along partisan lines about how to begin the process.

Chairman Archer pointed out that he had started the reform process by announcing the Archer/Shaw Social Security Guarantee Plan as a solution and that he planned to contact the President shortly to meet and discuss reform. The two Democratic members, Reps. Hulshof and Thurman, responded that, if Chairman Archer was serious about undertaking reform, he should introduce his proposal as legislation and schedule hearings on the various reform proposals. These two Democrats thought that the hearings should also focus on the President's plan to pay down the national debt, which he announced during his 1999 State of the Union address. The Republican panelists expressed their fears that the Democrats would seize on any opportunity to "demagogue" the Social Security issue and thus they wanted to negotiate directly with the President to minimize this threat. [Archer: April 27, 1999 post]

*Ms. Lukensmeyer next asked the four members if they could reach a bipartisan consensus by looking at the specifics of President Clinton's and Chairman Archer's plans. While each member did see areas of commonality, they did not reach any kind of working consensus that melded the provisions of each plan.*

*Ms. Lukensmeyer followed up by asking whether open and bipartisan hearings should be the next step and what could be done to set partisanship aside to reach consensus in this Congress.*

Chairman Archer responded that he had held 11 hearings on the future of Social Security during the last Congress and that "the ball was now in the President's court." Representatives Thurman and Becerra thought that a bipartisan solution could be found by holding public hearings on the Archer/Shaw proposal whereas Representative Hulshof concurred with the Committee Chairman that a dialogue with the President would best advance a reform agenda.

*Next, Ms. Lukensmeyer asked the panelists to respond to a question posed by one of the registrants, who asked why members couldn't work among themselves to resolve outstanding differences instead of waiting for the President to make the next move.*

Chairman Archer and Representative Hulshof responded that if reform was to succeed, the President had to be involved in every step of the process in order to gain the necessary Democratic votes. The Democrats responded that hearings were needed to explore the commonalities between the two plans and to build a consensus on reform.

*Lastly, Ms. Lukensmeyer asked what reassurance do citizens have that the facts will not be distorted during the next election and what advice they had for citizens to ensure that this issue remains in the spotlight during the next campaign.*

The Republican panelists emphasized the need to debate the structural issues behind certain reform proposals in an atmosphere where the Democrats did not play on seniors' fears. [Archer: May 5, 1999 post]. Representative Becerra had a different take on the Moderator's question; he thought that a successful public dialogue should focus on the true nature of the solvency challenge facing Social Security.

### **Public Comment:**

The registrants in this Dialogue reached a strong consensus on this topic - a preference for addressing the issue of reform sooner rather than later. Many arguments were made in favor of this point:

- There is a need to develop a consensus and create a workable solution;
- The financial problem will develop eventually;
- Postponement of a solution will place a larger burden on the shoulders of a smaller group;
- Current prosperity makes it easier to consider solutions now; and
- Today's political leaders could build a legacy by acting now.

A number of participants cautioned against being stampeded into premature action; many of these registrants saw the present reform effort as driven by Wall Street interests seeking to profit from full or partial privatization.

After Chairman Archer announced his reform plan, a small number of registrants who strongly support privatization objected to his proposal as a half-hearted reform effort. This "privatization or bust" school wanted the Committee on Ways and Means to markup Representative Porter's bill. However, the majority of participants who support private investment account reforms did not share this "privatization or bust" viewpoint.

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## Roundtable Summary: Options for Reform

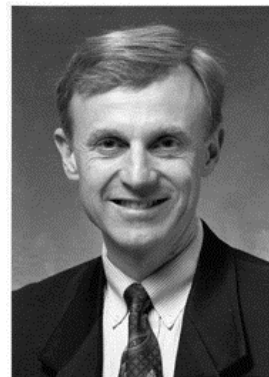
May 3-14, 1999

[http://www.network-democracy.org/social-security/nd/rt/reform\\_options.html](http://www.network-democracy.org/social-security/nd/rt/reform_options.html)



*Sam Beard*  
Economic Security 2000

Picture Not Available



*Ron Gebhardtsbauer*  
American Academy  
of Actuaries



*John Rother*  
AARP



*Robert Rosenblatt*  
Los Angeles Times  
Moderator



*Gerald Shea*  
AFL-CIO

*What a stimulating forum! Thanks to Ron Gebhardtsbauer, the panelists, and all the participants. This electronic version of a "democracy wall" has much to recommend it.*

**Steve Johnson**, Common Sense on Social Security, June 4, 1999

*It's easier to fix the roof when the sun is out. [Comment on the general support to use at least a portion of the federal budget surpluses for Social Security.]*

**Ron Gebhardtsbauer**, panelist, May 9, 1999

*I have learned a great deal and have a renewed appreciation for how at least some members of the public feel about this issue. We need to keep this kind of dialogue going. Thank you Americans Discuss Social Security and Prudential for making this happen.*

**Ann Combs**, panelist, May 15, 1999

**Highlight:** The Roundtable Moderator, Bob Rosenblatt of the Los Angeles Times, led panelists through a cogent summary of the issues.

**Discussion:**

**1. First steps:** *What steps should Congress take this year or in 2000 before adjourning to fight the election campaign?*

All of the panelists said that quick action was necessary to achieve results before the upcoming elections make compromise impossible. Most also said that reform now will keep the program intact and require less drastic steps later.

**2. Raising the taxable wage base:** *Should the taxable wage base be increased above the current \$72,600 cap?*

Most panelists supported raising the wage cap, noting that it has not followed the rate of inflation. Several noted that raising the wage cap for taxes also raises the question of whether to also adjust benefits to reflect the higher contributions. Raising benefits, they said, could strain the system further. Ann Combs opposed raising the wage cap for two reasons: equity and the potential loss of support for the program among middle and upper income workers.

The public comments were almost evenly divided on this issue. One commenter suggested that, in exchange for raising the wage base, the provisions for investing in IRAs and 401Ks should be liberalized.

**3. Raising the retirement age:** *Bob Rosenblatt noted that the retirement age for full benefits will climb gradually from 65 to 67. He asked whether the age should be boosted to 69 or 70, effective in the years 2040 and beyond; and whether the increase should be combined with an improved disability program for those with demanding physical jobs.*

The panelists were cautious on this issue, making the following points:

- Life expectancy has increased drastically since the Social Security program was established; if indexed to increases in life expectancy, the retirement age would be over 70.
- Most people retire early and will continue to do so, so an increase in the retirement age will result in an effective across-the-board benefit cut.
- Age discrimination and lack of job opportunities make it difficult to work longer.
- African-American men would be proportionately hurt due to below-average life expectancies.
- Women would be disproportionately affected due to their greater reliance on spousal benefits.
- People in poor health and in physically demanding jobs would have difficulty working to the higher age.



The public was also skeptical, stating that workers with lower to middle incomes and people without health care insurance would be hurt most. One commenter reflected the group's sentiments that employers will be reluctant to hire older workers. "Corporate America just loves to fill their open positions with those in the 60 to 65 (or older) age group." Another suggested allowing early access to personal retirement accounts (in advance of full retirement age) to provide flexibility for early retirees. Others felt that Social Security will become a lottery in which benefits are received by the few who survive to the high retirement age.

**4. Using budget surpluses:** *The moderator noted that the proposals of the President and Representatives Archer and Shaw use future surpluses to help fund the Social Security program and asked what happens if the surpluses don't materialize. He asked whether it is fair to promise the revenues to a program for retirees when there are also other competing social problems that could use the funds, such as poverty and health problems among children and the lack of health insurance coverage.*

The panelists generally supported the use of surpluses to help fund the Social Security program. One panelist recommended that only the portion of the surplus attributable to Social Security taxes be used for the Social Security program and that Social Security should compete with other programs for the portion of the surplus arising from other general revenues.

The public reacted sharply to this question, asking how much of the surplus is, in fact, attributable to Social Security taxes and suggesting that most of the surplus came from that source. They questioned whether such a proposal would actually improve the funding of the system.

**5. Taxing benefits:** *Should a greater portion of Social Security benefits be taxed?*

The panelists split on this issue. Ann Combs said taxing benefits like other pension income makes sense although the amounts subject to taxation (employer contributions vs. employee contributions) must be addressed. She also said the greatest impact would be on middle income workers, since low income beneficiaries have exemptions and high income beneficiaries would actually owe less because their contributions (which would not be subject to the tax) represent a large percentage of their ultimate benefit. Those opposed cited the likely impact on people with modest retirement incomes.

**6. New retirement accounts:** *Rosenblatt asked whether President Clinton's proposed Universal Savings Accounts, to be funded from the budget surpluses, are a good idea. He asked whether they can be a basis for a bi-partisan compromise even if nothing more happens on the Social Security issue, whether they would help national savings, and whether they would make it easier later to trim Social Security benefits because people will have more retirement assets.*

The panelists answered this question by referring generally to the "three legged stool" of retirement income security policy - consisting of Social Security, private pensions and individual savings. They noted that individual retirement accounts attempt to bolster the "legs" of private pensions and individual savings. The panelists generally favored the idea but noted that separate action is required to address the long-term solvency of Social Security. Some suggested that stronger private programs may make it easier to cut Social Security benefits (to keep it solvent) in the future.

**7. Using general tax revenues to fund Social Security:** *The moderator noted that the President's plan and the Archer-Shaw plan, for the first time, commit general tax revenues to Social Security. Both depend on future budget surpluses to help Social Security. Both plans put promissory notes (Treasury securities) into the Social Security trust fund, and the securities are backed by general tax revenues. If the government earns a surplus in the future, the payments may be made without affecting other programs. If the surpluses don't happen, then taxes must be raised or other spending reduced. Rosenblatt asked whether this is a good idea, or whether it puts too much future resources into programs for the elderly, Social Security and Medicare (which also would get some of the surplus under the President's program).*

Two panelists supported the use of general tax revenues in view of the current surpluses and the difficulty of enacting other, painful reforms. A third panelist said she supports the use of general tax revenues only as a temporary way to move to a system that relies more on individual accounts; otherwise, the greater use under the President's plan of Treasury bonds, which have to be paid off in the future, pushes the problem to children and grandchildren.

The public was very skeptical, questioning:

- Whether future surpluses will actually appear;
- Whether the Social Security program will be helped if the surpluses are solely the result of Social Security taxes;
- Whether we unfairly determine obligations and tax policies for future generations; and
- Whether the transfer of government debt from the public to Social Security will actually reduce government debt.

**8. Rating the prospects for reform this year:** *Bob Rosenblatt asked the panelists to rate the chances of Social Security legislation this year on a scale of 1 to 10 - with 1 representing no action and 10 representing a 75 year solvency plan. Finally, he asked which single reform option they would favor, if only one would pass.*

Most of the panelists rated the chances of reform fairly low - from 1.5 to 3. Only Sam Beard was optimistic, rating the chances as a seven. Gerry Shea's single most favored option is the use of a share of the surplus to help fund Social Security and Medicare. Sam Beard favored "progressive savings accounts." Ann Combs picked the use of two percent of payroll tax revenues for individual accounts. John Rother recommended a "package" of reforms.

The public again was skeptical, rating the chances for true reform at one or two but rating the chances for superficial action much more likely. They selected a variety of reforms as most important - ranging from increased retirement age to individual accounts financed in a variety of ways.

## Roundtable Summary: Investing in Stocks

May 17-28, 1999

<http://www.network-democracy.org/social-security/nd/rt/investing.html>



*Robert Reischauer*  
Brookings Institution



*Carolyn Weaver*  
American Enterprise Institute

*Do not put your grocery money in the stock market!!!*

**William Grazier**, May 18, 1999

*We will have immediate ownership of the funds [with personal retirement accounts], they will not be subject to bureaucratic whims, the returns (even with the administrative costs) will far exceed anything that Social Security will pay out.*

**Al Abbott**, May 18, 1999

*This forum should continue much longer than just the end of next week.*

**Don Hutchison**, May 21, 1999

**Highlight:** The two panelists, Robert Reischauer and Carolyn Weaver, engaged in a lively personal debate while effectively bringing members of the general audience into their structured discussion.

### **Discussion:**

The panelists developed their own agenda of discussion points. The Roundtable discussion was truly interactive, with panelists and the public identifying the underlying theory, advantages and disadvantages of centralized investments of Social Security trust funds and individual investments of personal retirement accounts. The discussion also addressed the issues of Lock Box legislation and the use of budget surpluses to fund Social Security reform.

Reischauer and Weaver distinguished between two distinct sets of funds which could be invested: funds held by the Social Security trustees and funds that could be controlled in personal retirement accounts. The investment of the Social Security trust funds involves funds in which no individual has an ownership right and for which the returns or losses affect the Social Security system as a whole. The investment of funds in personal retirement accounts involves funds in which individuals do have ownership rights and for which the returns or losses affect the individual in whose behalf the investment decisions were made.

Since personal retirement accounts are often proposed as a way to reform the Social Security system, and centralized investment of trust funds is often proposed as a reform to increase revenues in the Social Security system, the discussion focused not only on whether and how to invest funds in stocks (questions regarding risks, political interference in financial markets, management expenses, etc.) but also on the broader questions of how best to reform Social Security. The reform choice here is whether to increase the returns to the entire Social Security system by investing the trust funds in private securities, or whether to reduce the benefits funded by the system and provide the opportunity for individuals to increase their returns in individually managed private accounts.

Both panelists agreed that investing in private securities (stocks and bonds) instead of the current practice of investing in government bonds was appropriate. Their major point of disagreement was whether the funds should be invested on behalf of the system or the individual - although the choices are not mutually exclusive. Robert Reischauer favors a program of centralized investment. Carolyn Weaver favors the creation of personal retirement accounts. The public opinions expressed in the Dialogue appeared to favor the personal accounts.

### **Centralized Investment**

*Purpose:* To improve funding of the entire system. This option is based upon the belief that Social Security is a program providing for retirement security, not a government-sponsored savings program. As an anti-poverty/retirement security program, it is appropriately funded with taxes. Personal retirement accounts are not needed. Personal saving accounts are encouraged by IRAs and 401K accounts. Investment decisions are made by a government-appointed board or subcontracted fund managers.

#### *Advantages:*

- There is less risk than with personal retirement accounts.
- Risk is managed by elected representatives, who will share impact of necessary adjustments over a broad class of taxpayers and beneficiaries.
- Retirees would gain far more protection in a down market with a collective fund, compared to the direct impact of a down market on a retiree's benefits.
- Politicized and socially-motivated investment practices of state and local government pension plans are the exception not the rule.

#### *Disadvantages:*

- Risks include insolvency, reduced benefits and higher taxes.
- Benefits may not recoup contributions.
- There is potential for politicized investing.
- Large-scale government ownership of private securities could effect stock prices and corporate policies.

- Government, not individuals, decides the question of acceptable risk.
- Economic downturns cause reduced revenues and need for adjustments to pay defined benefits.

## **Personal Retirement Accounts**

*Purpose:* To establish a savings program for individuals. Proponents differ on whether the personal retirement accounts should be the sole source of government retirement income or whether the accounts should be supplemented with a benefit producing a minimum standard of living. Government might restrict permissible investments and times for withdrawals.

### *Advantages:*

- Private ownership, secure from governmental fiscal irresponsibility and benefit reductions.
- Individual freedom to invest funds in accordance with individual preferences (risk and otherwise).
- Easy-to-understand record of contributions and relationship to benefits.
- "Safety net" programs other than normal Social Security benefits include the Supplemental Security Income program for the elderly (and disabled) poor, the Food Stamp program, Unemployment Compensation, and Medicaid and Medicare, among other major direct spending programs, as well as the Pension Benefit Guaranty Corporation and various other federal "insurance" agencies, and a comprehensive regulatory framework governing securities, pensions, banking, and insurance.
- Claim of lower administrative costs, especially if funds are invested passively in index funds.
- Risks can be mitigated by personal choice:
  - diversification
  - investing over long-periods of time
  - dollar-cost averaging
  - supplemental minimum standard of living benefit funded by payroll taxes
- Risks mitigated by higher net returns.

### *Disadvantages:*

- Risk of low or negative returns.
- Unfairness between age groups: uneven returns based upon level of market at date of retirement.
- Differences in returns among individuals based upon investment skills and risk tolerance.
- Economic downturns cause depressed stock prices and potentially lower returns to similar cohorts who retire just months apart.
- Personal accounts lack benefits for unpaid work, such as spouses staying home to raise children, care for a sick relative, or contributing to the community through volunteer work; for divorcees who would have to get along on the pension provided by their own personal accounts (unless the accounts of the husband and wife were combined and then divided in half at divorce); and for dependents of retired 65 year olds with small children from a late first or second marriage.
- Need for government-sponsored education to protect individuals from losses.
- Higher administrative costs, especially to the extent that funds are actively managed.

## **Other Issues**

### *Lock Box mechanisms and impacts on the federal budget deficit:*

Robert Reischauer said the motivation for the Lock Box legislation is commendable but that it will have little practical effect. He said it will help focus attention on the balance in the non-Social Security portion of the budget, which has been in a deficit despite the surplus that exists in the unified budget (which includes both non-Social Security and Social Security funds). Reischauer described the unified budget process, the growing surpluses in the Social Security accounts, and the role of the Social Security surpluses in creating a surplus in the unified budget accounts. He also described the Congressional concerns that the Social Security (and unified budget) surpluses will be spent and how that led to the Lock Box proposal.

He said the Lock Box proposal allows members to raise a point of order against any proposed legislation that would cause the non-Social Security accounts to go into deficit. The proposal's strength is mitigated by the ease of overriding the points of order.

Carolyn Weaver stated that the Lock Box proposal could make it harder for Congress to spend the surpluses. She also said it could focus attention, much more clearly than now, on efforts to raid the surpluses. She proposed personal retirement accounts owned by workers as a more secure way to save the surpluses.

### *Use of budget surpluses to fix Social Security:*

Reischauer said that using budget surpluses to fix Social Security is appropriate if: (1) the surpluses come from the non-Social Security portion of the budget, (2) the fix does not promise higher benefits for future Social Security beneficiaries than are promised under current law, (3) the use is for a temporary, transition period, and (4) the use does not impose excessive fiscal restraint on other national priorities, such as Medicare, defense, education, and food stamps.

Weaver said that general revenues should be used for purposes of easing the transition to personal accounts. This use is fair to spread the burden of unfunded benefit promises of the past, but not for the long-term.

# information renaissance

National Dialogue on Social Security

## Roundtable Summary: Current Legislative Proposals

May 24-June 4, 1999

<http://www.network-democracy.org/social-security/nd/rt/cl.html>



*Sen. Jim Bunning*  
R-Kentucky



*Sen. Judd Gregg*  
R-New Hampshire



*Rep. Jim Kolbe*  
R-Arizona



*Rep. Jerrold Nadler*  
D-New York



*Rep. Earl Pomeroy*  
D-North Dakota



*Rep. Mark Sanford*  
R-South Carolina



*Sen. Rick Santorum*  
R-Pennsylvania



*Rep. Clay Shaw*  
R-Florida



*Rep. Charlie Stenholm*  
D-Texas

*Many of the participants asked tough and challenging questions, but remained focused on finding a constructive solution to the challenge of meeting Social Security's difficulties.*

**Senator Judd Gregg**, panelist, June 4, 1999

*Thank you for inviting me to participate in this forum on Social Security. I would like to join my colleagues in thanking our moderator, Ron Gebhardtsbauer, Information Renaissance and Americans Discuss Social Security for bringing us all together for a serious discussion about the future of Social Security. I also want to thank all of the other participants who sent in thoughtful and provocative questions and comments.*

**Representative Jerrold Nadler**, panelist, June 4, 1999

*I have greatly enjoyed participating in this forum. I would like to compliment all of my fellow panelists and everyone who participated in this forum for engaging in a very serious discussion... I have been very impressed by the tone of the discussions on the board and the interest that all of the participants have shown in this important issue. My thanks to our moderator, Ron Gebhardtsbauer, Information Renaissance and Americans Discuss Social Security for providing this very useful forum.*

**Representative Charlie Stenholm**, panelist, June 4, 1999

*Thanks goes out to you and your staff [Rep. Kolbe] for directing the SSA to provide more information to the people and to outside technical experts. This is something everyone can support. You might want to have some of the experts from some of the think tanks (e.g. Brookings, American Enterprise, Cato, etc.) give you some input on your legislation to make sure they get what is needed in terms of the assumptions, specifications, etc., in the computer models the SSA uses for its analysis... Thanks again! I will write my Rep and ask him to support your legislation when it is introduced. Excellent!*

**R. Ridgeway**, June 3, 1999

**Highlight:** Congressional panelists delved into the reasons why this year's two bipartisan proposals (Kolbe-Stenholm and Gregg-Breaux) differ from last year's proposals and why the two bodies of Congress went in such different directions as they did in this year's efforts.

**Discussion:**

Panelists included Members of Congress who had submitted legislative proposals to reform Social Security and those who were planning on introducing bills in the near future.

The Roundtable was moderated by Ron Gebhardtsbauer, Senior Pension Fellow, American Academy of Actuaries. As background for the discussion, Mr. Gebhardtsbauer summarized and contrasted the elements of the various reform proposals in a table entitled "Proposals for Social Security Reform" which follows this section. The Briefing Book contains the legislative text of the bills that had been introduced in Congress by the close of the National Dialogue. We would also note that, although they were invited, the Clinton Administration and Senators Kerry and Moynihan chose not to participate in the Roundtable discussion.

Moderator Gebhardtsbauer began the Roundtable by asking the supporters of each reform plan to explain the advantages of their plan and why they chose a particular approach.



He then asked for comments on each legislative package from the other Congressional representatives. In addition the panelists answered numerous questions from our registrants about the details of each plan. The proposals discussed were the two major bipartisan bills, Kolbe-Stenholm and Gregg-Breaux, the Archer-Shaw plan, the Nadler bill, the Sanford bill, the Santorum proposal and the President's plan.

Both the Roundtable panelists and the participants in the National Dialogue carried on a complex discussion analyzing the nuances of the various proposals. Because these interchanges were often very sophisticated, it is difficult to encapsulate these discussions neatly. A review of the electronic discussion by date will provide more information. In addition, we have prepared a more detailed subject matter index that sets out more fully the topics that the Congressional panel members discussed in reviewing each separate legislative proposal.

In particular, we would like to draw attention to three noteworthy aspects of this Dialogue. The Roundtable panelists produced an extensive commentary on the similarities and differences between Kolbe-Stenholm and Gregg-Breaux. Last year both bills were very similar in concept, but this year, as Senator Gregg explains in several posts, the Senators took a different tack on several issues such as how to calculate the minimum benefit. During the Roundtable, Senator Gregg and Representatives Kolbe and Stenholm took a great deal of time to explicate fully their revised proposals and in the process the three members provided detailed rationales supporting the revisions that they made. This is a most informative "roadmap" because it clearly delineates the complex and multiple choices that each bipartisan group of drafters faced in crafting their preferred reforms.

Secondly, several of the Congressional panelists interacted with the policy experts participating in our Roundtable Discussion on Women and Minorities, which was running concurrently with this discussion. In particular, Representative Kolbe and Heidi Hartmann, the Executive Director of the Institute for Women's Policy Research, had an informative exchange about several provisions in the Kolbe-Stenholm bill.

Thirdly, the six policy experts participating in the Women and Minorities Roundtable developed a detailed list of questions fleshing out their concerns about the differing legislative reform proposals. Senator Gregg offered a most detailed response to these thoughtful and sophisticated questions. See the discussion in Women and Minorities Roundtable.

To best appreciate the thoughtful discussion that occurred among the Congressional panelists, we strongly suggest that one should visit the project Web Site:

[www.network-democracy.org/social-security](http://www.network-democracy.org/social-security)

Most particularly, the subject matter index (see next page) will allow a visitor to evaluate thoroughly the substantive merits of the panelists' dialogue. In addition, we believe the interchanges reveal the power of the Internet both to inform the public about complicated matters of public policy and to empower more sophisticated exchanges between the public and its elected representatives.

# Subject Index

## Current Legislative Proposals

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#### Comments by other members of Congress

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### 2. Gregg-Breaux

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### 5. Archer-Shaw

Opening discussion by Representative Shaw  
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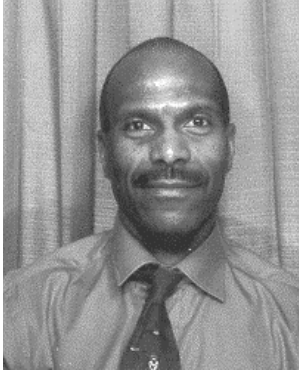
### 6. Sanford Plan

Sponsor's discussion

# Roundtable Summary: Women and Minorities

May 24-June 4, 1999

<http://www.network-democracy.org/social-security/nd/rt/wm.html>



*John Banks-Brooks*  
Tax Management, Inc.



*Heidi I. Hartmann*  
Institute for Women's Policy  
Research



*Kilolo Kijakazi*  
Center on Budget and Policy  
Priorities



*Maureen West, Moderator*  
Arizona Republic



*Darcy Olsen*  
Cato Institute



*Anna Rappaport*  
William M. Mercer, Inc.

Picture Not Available

*William E. Spriggs*  
National Urban League

*Thank you all for doing this Roundtable. I think it is a good idea and though I've just been reading and not contributing I've found it all very informative. My question is, how do you*

*provide a better benefit package for a woman who's worked in a low wage job and hasn't had access to a pension plan?*

**Stephanie Stevenson**, May 30, 1999

*I too would like to thank everyone for participating. I learned a lot both from my fellow and sister panelists and the public participants.*

**Heidi Hartmann**, panelist, June 5, 1999

**Highlight:** Members of the Women and Minorities panel analyzed the Kolbe-Stenholm proposal in some detail and exchanged viewpoints with the Congressional panelists in their contemporaneous panel.

**Discussion:**

The Women and Minorities Roundtable examined how the various options for Social Security reform affect women and minorities. During this Roundtable the panelists discussed the Moderator's questions, posed questions to each other and responded to questions from the registrants. In addition, the group compiled a list of questions for the Congressional Representatives that were participating in the concurrent Roundtable on Current Legislative Proposals which enabled both sets of panelists to discuss the details of these newer legislative reform plans.

**1. *Nature of the Social Security program:*** Ms. West first asked the Roundtable to focus on whether Social Security is primarily a forced savings plan for retirement or a safety net and whether the focus should be on the individual or the needs of society.

The majority of the panelists endorsed the structure of the present program and supported its operation as both an insurance and retirement program. Most of these participants endorsed the safety net features of the present system, which enabled the elderly and the disabled to rise out of poverty. Ms. Kijakazi and Mr. Spriggs pointed out that the disability insurance and survivor benefit program had greatly aided minority communities. Two of the six panelists, Mr. Banks-Brooks and Ms. Olsen, advocated privatization as a preferable alternative for women and minorities.

**2. *Widow's share:*** The Moderator next asked whether we should view retirement benefits as "bought and paid for" and, if we do so, shouldn't a widow's benefits be reduced less when her spouse dies.

In responding, Ms. Rappaport and Ms. Hartmann focused on the steep decline in income many women experience after their spouse dies and suggested that the widow's benefit be raised to 75% of the couple's combined benefit. Ms. Kijakazi pointed out that Social Security benefits are not transferable assets because the program is a social insurance scheme.

**3. *Views on the Kolbe-Stenholm proposal:*** Ms. West next asked the Roundtable participants what they thought of the Kolbe-Stenholm reform plan, which was under discussion in the concurrent Roundtable on Current Legislative Proposals.

Most of the panelists responded negatively on varying grounds, although Mr. Banks-Brooks endorsed the combination of individual accounts with a tax credit for low-income workers. Ms. Hartmann and Ms. Kijakazi objected to the benefit cuts that the bill imposed, such

as reducing the cost of living allowance and increasing the years of work from 35 to 40 years. But Ms. Hartmann did endorse the higher minimum benefit, the government match of savings for poor people and the use of Earned Income Tax Credits in the savings accounts. Ms. Olsen, the panelist from the Cato Institute, disapproved of this plan because it was not full privatization.

Representative Kolbe responded to Ms. Hartmann's critique of his bill by suggesting that the program could not afford the benefit add-ons she desires and that his private account plan was necessary to maintain the younger generation's support for the program. Ms. Hartmann responded that raising the cap on taxable earnings and investing the trust funds in the market would allow for more generous benefits; she also suggested that additional benefits could be enacted contingent upon future economic productivity and wage growth.

**4. Views on disability and survivor benefits under privatization:** *Ms. West based her next query on a registrant's posting that argued that an individual was better off purchasing private disability and life insurance than paying payroll taxes that supported these benefits. Ms. West asked the panelists if they would endorse privatization in this sphere and what impact such a reform would have on women and minorities.*

Ms. Kijakazi pointed out that carve-out proposals like Kolbe-Stenholm would nearly double the shortfall in the trust funds because such bills do not adequately fund disability and survivor benefits. She also thinks that these plans do not provide adequate retirement benefits for disabled workers. Ms. Kijakazi also noted that the private insurance market does not work well for low-income workers because disability insurance premiums are based in part on the occupation and health of the applicant. Because low-income workers often hold down riskier jobs they often face higher premiums.

Mr. Banks-Brooks also did not want to dismantle the disability and survivor benefit programs because too few minorities and women have the financial freedom to take on such an insurance obligation voluntarily and because many low-income workers would be unable to secure affordable coverage. Ms. Rappaport also felt that the marketplace could not serve as an adequate substitute for the chronically ill, who would be unable to afford such insurance. In a later post she states her concern that individual accounts would not work well for people with very low earnings, whose minimum benefits are raised in the present system.

**5. Civic equality in retirement:** *Ms. West next explored whether Social Security benefits should be structured to ameliorate the workplace unfairness that women and minorities experienced in terms of lower pay and fewer job opportunities. She asked if all recipients who have been citizens a minimum number of years should not receive the same cash benefit each month.*

Ms. Hartmann responded that many other countries have a social insurance system that provides a minimum benefit to everyone—often quite a bit more generous than ours—and that at some point in life just "being" should be enough to achieve a decent standard of living. Mr. Spriggs disagreed because he thinks that such an approach would undermine the political support for the existing program and because he would prefer to tackle the problem of racial discrimination directly. Ms. Rappaport also would preserve the existing system but believes that a higher minimum benefit is necessary to elevate more women out of poverty. Ms. Olsen disagreed with the question's "victimization" premise and argued that that redistribution would not be necessary under a privatized system.

**6. Earnings sharing:**

Three of the panelists discussed a feature of some Cato Institute privatization proposals: earnings sharing. Under such a proposal the earnings of the higher earner would be shared with the earnings of the lower earner in their private accounts. Ms. Rappaport, who finds the idea interesting, pointed out that such a scheme would give married women credit for their caregiving roles when they are not working and it would provide some benefit to divorced women who were married for less than 10 years. On the downside she did not think the scheme would work well for determining disability or survivor benefits and it could also prove to be a disincentive to marriage. Ms. Hartmann pointed out that Cato no longer endorsed this approach because of administrative difficulties. Ms. Olsen responded that Cato does not have a single privatization proposal and that she continues to support earnings sharing. Ms. Hartmann acknowledged the multiplicity of approaches at Cato but pointed out that its latest report did criticize earnings sharing as too costly and complicated to administer.

**7. *Spousal benefits for unmarried and same-sex partners:*** Ms. West asked in closing whether Social Security benefits should be extended to unmarried partners and same-sex partners.

Ms. Rappaport answered yes, but she did not know how to make the present system respond to these issues and suggests further study. Ms. Olsen pointed out that under a privatization plan that incorporates earnings sharing that each partnership can decide this matter for themselves and that this makes for an appropriate societal policy. Mr. Banks-Brooks had no objection to providing benefits to non-traditional families but thought that the system may be abused if such benefits are recognized. Ms. Hartmann also endorsed this benefit extension but with some type of registration requirement.

**8. *Discussion between the panelists and the registrants:***

From the beginning of the Roundtable, the panelists responded to numerous questions from the public. Walter Hart and Kilolo Kijakazi discussed the financial health of the trust funds supporting disability and survivor benefits. [May 25-28, 1999] Heidi Hartmann responded to questions from several participants querying her about how to improve the lot of widows and minorities under the present system. [June 2, 1999]

**9. *The Panelists Questions for the Current Legislative Proposals Roundtable:***

The panelists in this Roundtable compiled a list of questions for the Senators and Representatives participating in the concurrent Roundtable on Current Legislative Proposals. The Moderator, Maureen West, posted these questions on June 2, 1999. Senator Gregg posted a comprehensive response on the same day. These questions provide a summary of the issues and concerns raised by the Roundtable and are grouped below according to topic:

*Marriage, Divorce and Widows' Benefits Issues:*

- What are your broad approaches to benefits and their levels for women (and men) in diverse family situations?
- Is equity provided between single and dual earning couples?
- Does your legislation do anything to provide credit for years of caregiving, and how does it treat an individual who combined years of work and years of caregiving?
- What is the approach to benefits on divorce? How does it work for a person divorced after a short time (seven years), a middle term (15 years), and a long term (25 years)?

- What is the benefit to a survivor when one person in a retired married couple dies? Does it permit the survivor to maintain the same living standard as the couple?

*Disability and Survivor Benefits:*

- What is your legislation's approach to the management of disability and pre-retirement survivor benefits?
- What about homemakers who become disabled? There is nothing in our system for them or their families unless they have sufficient wage earning history.
- Would the worker, should she die before retirement, be able to leave her retirement savings to her spouse or children?

*Safety Net and Minimum Benefits:*

- Does your legislation provide adequate support for the most vulnerable, the low earners, those with intermittent work history, and single women (who lack access to the benefits of a higher-earning male)?
- How will your legislation affect poverty rates?
- How do you provide a better benefit package for a woman who's worked in a low wage job and hasn't had access to a pension plan?

*Systemic Questions:*

- Do you wish enactment of a proposal that would be adequate in itself to meet the retirement needs of current workers? Or do you favor an initiative that is to supplement pensions, savings and other means, private and governmental, of financial support?
- How should we address the fact that within 30 years, we will have only two workers for every retiree?
- Do you wish to provide incentives for individuals to save or do you wish to concentrate on strengthening the safety net? If it is the former, at what price to the safety net?
- Would the reform give workers more freedom over their retirement options? In other words, would a worker be able to choose her own retirement age, would she be able to choose how she would like to receive retirement benefits (lump sum, annuity, etc.), would she be able to choose to share her retirement savings with her children or a local charity?
- Would the proposal result in a better rate of return on payroll taxes? In other words, would the proposal give workers a better deal for the dollar?
- Is the reform fair and affordable? In other words, would the proposal be a self-funded system or would it place financial expectations and payment burdens on future generations? Is the cost of the reform paid equally across generations or is one generation expected to pay more than others?

# information renaissance

## Proposals for Social Security Reform

Provision	Sens. Moynihan & Kerrey S.21	Kolbe/ Stenholm HR 1793 Gregg/ Breaux*	Reps. Archer & Shaw	Rep. Nadler HR 1043	Clinton	All
0. Reduce CPI everywhere except SSI	✓	✓ CPI-.33%*				2
1. Cover all new State & Local govt. employees	✓	Gone				1
2.a. Tax OASDI benefits like contributory DB plans	✓ 5 yr phase in					1
2.b. Redirect taxes on benefits from HI to OASDI		✓				1
3. Increase benefit computation period from 35 to:	✓ 38 yrs by 2003	✓ 40 by 2010** Spouse Denom=35				2
4.a. Increase Normal Retirement Age (NRA) to: (This doesn't hurt disability benefits)	✓ age 68 by 2017 using formula	✓ age 67 by 2011	stays at 67 by 2022	stays at 67 by 2022	stays at 67 by 2022	2
4.b. Index thereafter by formula (and NRA)	✓ 14% cut by 2066	✓ 1 month/ 2 yrs* & 15% cut by 2044				2
4.c. Increase Earliest Retirement Age to:		✓ NRA - 5				1
5. Reduce benefits above 1 <sup>st</sup> bendpoint (hurts disabled)		✓ 38% by 2030*				1
6. Reduce spouse benefit from 50% to 33% by 2017		Gone				0
7. Provide 75% of couple's benefit to survivor		✓ Possible Recommendation			✓ Or something similar	2



8. Fail safe mechanism - Congressional fast track	✓	✓				2
9. Increase \$72,600 wage base to \$99,900 by 2004	✓	*		✓ \$99,600 in year 2000 \$112,000 in year 2001		2
10. Eliminate the earnings test	✓ above NRA	✓	✓		✓ above NRA	4
11. Individual Accounts (IA)	✓ Optional 2% from carve out \$70B/yr	✓ Mandatory 2% from carve out if age < 55	✓ 2% of pay from FIT \$70B/yr		✓ USA funded by FIT \$38B/yr	4
12. Equity Investments: IA's or Trust Funds (TF)	✓ IAs	✓ IAs	✓ IAs	✓ 30% of TF	✓ Both	5
13. Uses General Revenues	✓ Kid Save \$1000@ birth \$500@ ages 1-5 lower Tax Brackets	✓ ~.5% of payroll for Trust Funds from lower SSI & more bracket creep	✓ 2% of pay for IA, returned at retirement	✓ For Trust Funds	✓ For Trust Funds	5
14. Progressivity	✓ SSA benefit remains progressive	✓ Phase In by 2010 flat min ben* = poverty level*** and progressive match on vol cont	✓ Progressive SSA benefit not changed	✓ SSA Benefits remain progressive.	✓ SSA Benefits remain progressive. USA match is progressive	5

\* Gregg-Breaux also includes KidSave accounts, lowers CPI by 5% (unless age  $\geq$  62), drops item 5 but offsets benefits by value of ISA contributions, keeps wage base covering 86% of compensation, revises poverty minimum through increasing first bendpoint, and allows benefits still at 62.

\*\* Allows more than 40 years of earnings in numerator. The Early Retirement Reduction increases to 8-1/3% (6% if years early > 3) by 2006. The Delayed Retirement Credit increases to 10%

\*\*\* 60% of poverty level after 20 years of covered earnings up to 100% after 40 years. Indexed by wages after 2008

# Statement and Greeting from Commissioner Apfel

Why We Should Act Now to Preserve and Strengthen Social Security

*Kenneth S. Apfel, Commissioner of Social Security*

As we stand on the edge of a new century, I believe it is clear that the current Social Security debate is really about vision—and about our responsibility to the future.

For the past six decades, Social Security has provided workers with a sense of "future" expectation. They have known that after a lifetime of work, they could count on this program to provide a reliable source of income when they retire. And, today, Social Security retirement benefits are the majority of income for almost 2/3 of all older Americans. For a third of older Americans, Social Security is virtually their only income.

As invaluable as Social Security has been in the 20th century, however, it will be even more so in the next century.

The reason is our changing demographics. America is an aging nation. More Americans are old than ever before—and 76 million baby boomers are now in middle-age and will begin to retire around 2010. Our older population will more than double in the next 30 years, and we must find a way to provide for their retirement without unduly burdening succeeding generations.

If no action is taken, the Social Security trust funds, which are today building large reserves, will be exhausted in 2034. At that time, tax revenues would be able to pay only a little less than three-fourths of benefit obligations.

Today, thanks to the economic discipline of the last few years, we have a remarkable window of opportunity to address the long-term, generational challenges we face. It is a window of opportunity that could not have been imagined just a few short years ago. Since the early years of this decade, we have moved from large federal budget deficits to budget surpluses. And the surpluses are projected for a generation into the future.

In his State of the Union address, President Clinton reminded Americans that we are in a time when "the promise of our future is limitless," but he also cautioned that "how we fare as a nation far into the 21st century depends on what we do as a nation today."

The American people understand the problem that the Social Security program faces, and the need to act now. During a year-long national dialogue held in cities and towns across the country, they have made clear that Social Security is their top domestic issue. They understand that we should act prudently, that we should set aside current resources to meet future obligations—and that we should make this our first priority.

The reason is our responsibility to the future.

JFK once said that "We all cherish our children's future." We shouldn't waste the opportunity that we have created to ensure that their future includes the economic security that the program has provided to past generations.

And we shouldn't pass the responsibility for resolving the issue down to them, when the problems would be greater, and the solutions more difficult.

Anyone who has studied the history of the Social Security program knows that it was created partly out of a recognition of collective responsibility and mutual obligation that Americans owed to each other. Today, if we are to strengthen and preserve the program, we also need to recognize the mutual obligation that extends between generations of Americans -- grandparents, parents, and grandchildren.

After his State of the Union Address, President Clinton encouraged people to get involved in this vital issue. He said he welcomed the thoughts and ideas of all Americans. This web conference is one way in which you can participate in a discussion about the future of Social Security. Share your concerns and opinions about Social Security reform, and the need to act now, in good economic times, to ensure that we can all count on this program in the coming century.

## **National Dialogue on Social Security**

From April 19 through June 4, 1999, Information Renaissance, in collaboration with Americans Discuss Social Security, hosted a non-partisan electronic discussion and debate on Social Security reform. Using the power of the Internet, thousands of Americans participated in a national discussion with policy makers, experts and each other. The National Dialogue was made possible by a grant from the Prudential Foundation.

**Information Renaissance** is a nonprofit corporation that promotes the use of networking infrastructure to support education, community development, economic revitalization and democratic expression.

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