

JULY 20, 2001

AARP CRITICIZES BUSH SOCIAL SECURITY PRIVATIZATION PLAN

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL) today hailed AARP for publicly criticizing plans by the Bush Administration to privatize Social Security. Schakowsky inserted the statement below in the Congressional Record, along with a statement by AARP Executive Director William D. Novellithe.

Mr. Speaker, Next week, the President's handpicked Social Security Commission will issue an interim report, a version of which is already circulating among Commission members, the media and Social Security experts.

It is disappointing, but far from unexpected, that the interim report is attempting to "spin" the American public by claiming that there is a "crisis" in Social Security. The Commission and the Bush Administration are laying the groundwork for next fall's final report, which will call for privatization and individual retirement accounts.

Privatizers are trying to claim that the sky is falling - the only way that they can justify the drastic changes that they are proposing. But the facts are different. Even without any changes, Social Security will be able to pay full benefits through 2038 and, after that, it will be able to pay 73 percent of benefits. Moderate changes are needed but not a privatization plan that will take \$1 trillion out of the Trust Fund and reduce future benefits by up to 54 percent. It's also reasonable to ask President why, if he thinks the situation is so dire, he decided to give a \$1.7 trillion tax breaks, the majority of which goes to the wealthiest Americans, before taking steps to protect Social Security.

I want to draw my colleagues' attention to a statement by AARP on the interim plan, which I think says it best: the Commission is out of the "mainstream" and the interim report is just a "public relations" ploy to undermine the basic guarantee of Social Security that will lead to "a dramatic overhaul of Social Security that would lead to cuts in guaranteed benefits and shift financial risk to individuals."

Statement by AARP Executive Director William D. Novelli on the Draft Interim Social Security Commission Report

WASHINGTON, July 19 -- The following is a statement by AARP Executive Director William D. Novelli on the Draft Interim Social Security Commission Report:

The President's Social Security Commission continues to work toward a predetermined outcome -- a dramatic overhaul of Social Security that would lead to cuts in guaranteed benefits and shift financial risk to individuals.

Today's draft interim report puts forward a fundamentally flawed and biased view of the nature and purpose of Social Security. It implies that the program is riskier than private investment. It recycles old alarmist arguments that portray the financial shape of Social Security in the worst possible light. The rhetoric in the report demonstrates how far outside the mainstream the Commission appears to be headed, referring to Social Security as a "novelty" and calling the system "broken."

The draft report lays the public relations groundwork for a campaign to change the fundamental nature of Social Security. It argues for turning Social Security into a system of wealth-building. But Social Security was designed to provide income protection and a floor of financial security. For many, especially women and minorities, Social Security is the only income-protection they will have, providing them with a lifetime, guaranteed benefit that is adjusted annually for inflation. The report ignores the fact that other vehicles currently exist for wealth-building through personal savings and employer provided pensions.

Individual accounts do not address Social Security's long-term financing issues. Add-on accounts -- which have merit -- can add value on top of Social Security, but taking money from workers' Social Security contributions to fund new private accounts only worsens Social Security's ability to pay today's retirees and advances the date of insolvency.

Social Security is the bedrock of our nation's income security system. To preserve this benefit for future generations, the Commission should focus on all potential options and tradeoffs, rather than a narrow and fundamental restructuring of the program. The sooner the nation begins to address the program's long-term financing needs, the more moderate the changes that are needed and the more time provided for those affected to adjust their plans.