

Stop the Debt Commission's Attacks on Retirees

Brent Kramer, Nov. 23, 2010

The co-chairs of President Obama's National Commission on Fiscal Responsibility and Reform (the "debt commission") have made several proposals in advance of the commission's December deadline for a report. Their recommendations to increase the retirement age for Social Security benefits, and to reduce those benefits, are creating a justifiable firestorm. Here are a few comments about these suggestions.

- **Changes to Social Security will not reduce the national debt.** Whether we "need to" reduce deficits and the debt is a debatable issue, but *even assuming that we do*, Social Security is *not* part of the deficit. The Social Security Trust Fund has always had a surplus, and actually *lends* money to the Treasury for ongoing needs. Under the Social Security Trustees' recent projections, a conservative estimate is that *after 2039*, the fund may need supplements from taxes to pay promised benefits. But it makes no sense to make these adjustments *now*, when they will not affect the deficit for twenty years. Even *without* those supplements from other taxes, after 2039 the fund will pay 75% of promised benefits, which—because of increases in productivity—will provide a better standard of living than current retirees get.

- **Increasing the retirement age is not a "neutral" adjustment.** The argument that people are living longer, and that we can therefore raise retirement age without shortening years of retirement, ignores vast differences in life expectancy among different groups. There are still large differences between men and women, blacks and whites, in expected length of life. Taking a year of retirement from someone who's not expected to live to eighty is more severe than taking one from someone who may live to ninety. Think about the effect of adding a flat amount to everyone's tax burden: paying an additional \$1,000 is more painful to a low-income person than to a high-income person. Now translate that to a year of retirement.

- **Reducing payouts is cruel and unnecessary.** Because of Social Security, elderly poverty in the U.S. decreased dramatically during the twentieth century. Between 1960 and 1995, the official poverty rate of those aged 65 and above fell from 35 percent to 10 percent. Social Security is the only income for 11.5% of senior couples and 30% of single seniors. With the disappearance of defined-benefit pensions from employers, and the repeated collapse of 401(k) plans during economic downturns, more and more retirees will rely entirely on these benefits. One "fix" proposed by the debt commission is to reduce the annual cost-of-living adjustment to benefits. Compounded over time, this reduction will take more and more out of what is already only a subsistence payment.

- **Social Security is not Medicare.** The two programs are separate in their tax collections and their payouts. Medicare is clearly in trouble because of escalating health-care costs, and *does* need a political fix; there are serious doubts as to whether the new health insurance law will help with this problem. But tying the two programs together—saying that "Social Security and Medicare" need repair—is a nasty rhetorical trick.

For more information:

One of the best and most accessible summaries is put out by the Economic Opportunity Institute in Washington State, available at

http://www.eoionline.org/retirement_security/reports/SocialSecurityWorks-Aug10.pdf .

There is also a terrific section in a recent *Labor Notes* issue, available at

<http://labornotes.org/files/ln378socialsecurity.pdf>.

To stay informed, “tune in” to <http://strengthensocialsecurity.org/social-security-works-0>.

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