



THE SOCIAL SECURITY DEBATE

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When the head of the central bank of the United States told Congress last week to balance the federal budget by making changes to the nation's Social Security program, he set off a storm of debate over the government's responsibility to help older Americans pay for their retirement.

Speaking before a House committee that oversees federal spending, Federal Reserve Chairman Alan Greenspan said he is concerned that the government is in debt more than \$4 trillion and currently operating at a deficit -- spending more than it takes in.

This is a problem, he said, because in a few years, a large number of Americans -- a group known as Baby Boomers because they were born during a boom in U.S. child birth rates from the mid-1940s to the 1960s -- will reach retirement age and begin receiving Social Security checks from the government.

"This dramatic demographic change is certain to place enormous demands on our nation's resources -- demands we most surely will be unable to meet unless action is taken," Greenspan said. "For a variety of reasons that action is better taken as soon as possible."

Greenspan said lawmakers must consider raising the retirement age for all Americans, reducing yearly increases in retirement benefits and making cuts to the nation's health care program for the elderly.

What is Social Security?

The federal Social Security system provides a continuous income for retired workers over the age of 65. It also provides benefits for disabled workers and for family members of deceased workers. President Franklin D. Roosevelt signed the Social Security Act into law in 1935.

As part of the program, working Americans pay "Social Security tax" -- part of their salary -- into the system, a type of savings plan. After retirement, they receive money every month to pay bills and other financial obligations.

In the 1980s, Social Security was costing the government a lot more than it expected. President Ronald Reagan addressed the problem by passing a law that taxed people's Social Security benefits.

Today 45 million people receive Social Security benefits. The government maintains and expands the program through investments. But, while its costs are under control now, the program could be in debt by 2028. And because of the large budget deficit and growing debt, the government would have no money to subsidize the program without major changes, according to Greenspan.

Social Security as a political issue

The issue of Social Security promises to be a major issue in the upcoming presidential election.

President Bush's plan allows younger workers to invest part of their Social Security taxes in individual savings accounts, an approach called privatization.

"As we continue to work together to keep Social Security strong and reliable, we must offer younger workers a chance to invest in retirement accounts that they will control and they will own," he said in his 2003 State of the Union Address.

He argues that money invested in the stock market would grow much faster than if it is cycled through the traditional Social Security program. While many Democrats say the stock market is too risky, and workers could lose their money if stock prices go down, the president says he would create a program to help workers diversify their investments and not "have all of their 'eggs in one basket.'"

Democratic presidential candidate John Kerry is against privatization and blames the president's tax cuts for wealthy Americans for ruining the economy and endangering Social Security.

"I am strongly opposed to privatizing or partially privatizing Social Security because it would leave beneficiaries vulnerable to instability in the financial markets and would cost \$1 trillion to pay for, a cost we cannot afford given our skyrocketing deficits and faltering economy," he told the Online NewsHour.

Both men have criticized Greenspan's suggestion of raising the retirement age, and other proposals, such as not paying benefits to wealthy Americans who do not need the checks to cover living costs.

The presidential candidates also argue that their very different economic plans will reduce the deficit and balance the budget, allowing lawmakers to postpone tough choices over who gets Social Security when.

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