Is There Really a Crisis?

Why President Bush is taking on America’s most successful social program

By KAREN TUMULTY and ERIC ROSTON

TRANSFORMING SOCIAL SECURITY IS GEORGE W. Bush’s biggest domestic political gamble—audacious even for a President who prides himself on audaciousness—and one that could reshape far more than a single government program. Those who believe in it most deeply say it could redefine politics itself, putting Republican principles in a position to dominate for the next half-century. The central idea is to take a portion of the tax every worker pays into the Social Security system and put it into a savings account that each individual can decide how to invest. By turning a government safety net into a system that rewards judicious risk and individual initiative, Republicans believe they can change how Americans see every question from free trade to tax cuts.

“First step,” Bush told TIME, “is to make sure everybody understands we have a problem.” The President warned that the Social Security system will be “flat bust, bankrupt” by the time workers in their 20s retire. As early as 2018, Bush said, “you’re either going to have to raise the taxes of people or reduce the benefits.”

That sounds pretty scary—except that it’s not true. What will actually happen in 2018, according to the Social Security trustees who oversee the program, is that the money paid out in benefits will begin to exceed the amount collected in taxes. And since Social Security will run a surplus until then, it has billions available that it can tap to fill the gap. Even under conservative estimates, the system as it stands will have enough money to pay all its promised benefits until 2042 and most of its obligations for decades after.

What’s more, even if you take the President at his word—that a crisis and bankruptcy are fast approaching—the introduction of private accounts does nothing to slow that process. On the contrary, it makes things worse, by diverting payroll taxes from current retiree benefits and bringing the end of surpluses that much closer. There’s also an
inconvenient fact that Bush rarely mentions: if workers start investing payroll taxes in individual accounts, the government will need another source to cover benefits for retirees—as much as $2 trillion by some estimates. The options are grim: borrowing heavily, cutting benefits or both.

Social Security does face a challenge—one that will be less painful to handle the sooner we tackle it. Today, more than three-quarters of payroll taxes go to pay benefits. With baby boomers getting ready to retire over the next few decades, the ratio of workers paying taxes to retirees collecting checks will drop dramatically.

That Americans should feel so protective of Social Security reflects the central role it has come to play in their lives, their expectations and their peace of mind. At the end of 2004, about 48 million Americans—not just retired workers but also the disabled and the spouses and children of deceased workers—drew $41.5 billion a month in benefits. Even with 401(k)s and pensions figured, nearly two-thirds of those who receive benefits count on it for more than half their income; a third rely on it for 90%.

All of which explains why rank-and-file Republicans on Capitol Hill aren’t exactly storming the microphones to pledge their unconditional support for anything that would change the basic outlines of this arrangement. Anxiety is especially high in the House, where all 435 lawmakers have to run for re-election next year.

Bush’s approach has met near universal opposition among Democrats, labor and liberal groups. The formidable American Association for Retired Persons (AARP) has already started newspaper ads warning that private accounts are simply too risky. The liberal lion Edward M. Kennedy said in a speech, “We have an Administration that falsely hypes almost every issue as a crisis,” which happened to be the same day the Washington Post was reporting on its front page that the CIA had quietly given up its hunt for weapons of mass destruction in Iraq. “They did it on Iraq, and they are doing it now on Social Security.”

Bush recognizes that the politics are daunting, even inside his own party. “Part of my effort,” he told TIME, “is going to have to be to convince [Republicans] that taking it on is the right thing to do.” But that might be easy for Bush to say. He doesn’t have to run again.

Questions
1. According to President Bush, what is the first step in his plan to privatize Social Security?
2. What is expected to happen to the Social Security system in the year 2018?
Interpreting Graphs and Charts

Accompanying the article *Is There Really a Crisis?* on pages 6 and 7, you’ll find a variety of charts and graphs. These graphics are packed with information, but what does it all mean? Use the questions below to sharpen your skills in reading and interpreting graphs and charts.

1. Apart from retirees, who else receives Social Security benefits?

2. Of the total number of Americans who receive Social Security benefits, what is the percentage of non-retirees? What is the actual number of these recipients?

3. True or false: One third of retirees depend on Social Security benefits for 90% to 100% of their income.

4. Complete this sentence: In the year 2080, it is estimated that there will be 100 million

5. True or false: Between the years 2020 and 2080, it is estimated that there will be a large decrease in the number of workers whose taxes support Social Security.

6. What has happened to the surplus of money that Social Security has been taking in since the mid 1980s?

7. What is going to happen to the Social Security program in 2018? Why?

8. True or false: The Social Security system has never been in deficit before.

9. After 2018, for how many years will income taken in by Social Security and the Social Security trust fund pay for 100% of current benefits?

10. In what year or years was the Social Security trust fund projected to be exhausted in 2029?

11. What social program is expected to account for 14% of Gross Domestic Product (GDP) in the year 2078?

12. What percentage of GDP will the combined cost of Social Security and Medicare account for in the year 2078?

13. In your view, does Social Security face a crisis? Explain, citing evidence to support your answer.