

**Transcript of Floor Statement by Senator Kent Conrad (D-ND)
On Introduction of Amendment to Protect Social Security First
March 9, 2004**

The amendment I am offering today is to protect the Social Security trust fund surpluses from additional raids. My amendment would establish a 60-vote point of order against the consideration of any direct spending or revenue legislation that would increase the on-budget deficit in any fiscal year until we have balanced the budget without counting the Social Security surpluses.

Very simply, what this amendment does is to say, no new spending, no new tax cuts, unless they are paid for, until we secure Social Security, until we stop the raid on Social Security trust fund surpluses.

I said from the beginning that President Bush's fiscal plan would ultimately threaten Social Security. I believed it then, and I, unfortunately, believe that events have confirmed how seriously the President's fiscal plan threatens the fundamentals of our economic security.

Now we see the Chairman of the Federal Reserve, Chairman Greenspan, suggesting we are overcommitted. He has said to the Congress of the United States that he recommends we consider reducing Social Security benefits. That is where the President's overall fiscal plan leads. It fundamentally threatens not only Social Security but Medicare as well.

I want to go back to 2001 and what the President told us then. The President told us, in his budget blueprint for the 2002 budget, "None of the Social Security surplus will be used to fund other spending initiatives or tax relief."

Yet that is precisely what we see happening. Not only is the President using Social Security, he is using \$2.4 trillion of Social Security surpluses over the next 10 years. Let me be quick to say they are not surpluses. All of that money is going to be needed to pay for the retirement of the baby boom generation. The President, who pledged not to take the money and use it for other purposes, is doing precisely that. He is using every penny of the Social Security surplus over the next decade to pay for his tax cuts and other expenses of Government.

Interestingly enough, if one looks at the Social Security money that he is borrowing over this next 10 years to pay other bills and compares it to the cost of his tax cuts -- both those already passed and those proposed -- one finds a very close fit, a very close fit between the money he is borrowing from Social Security, with no plan to pay it back, and the cost of his tax cuts. They are almost identical. There is \$2.4 trillion of Social Security money taken over the next 10 years -- all of it financed with payroll taxes, primarily paid by middle-income people -- and he is using it to provide income tax cuts that disproportionately go to the wealthiest among us.

It is very interesting to pierce the veil and to see what the President is doing and to see the full effects of his policy: \$2.4 trillion taken from Social Security -- borrowed, if you will --

and then used to finance income tax cuts.

If we look at who the beneficiaries are of those income tax cuts, here it is: We see overwhelmingly they are going to the wealthiest among us. The top 1 percent, those earning over \$337,000 a year, get 33 percent of the benefits of these tax cuts. Almost 69 percent of the benefits go to the top 20 percent.

Shown down here on the chart, the bottom 20 percent get virtually nothing. The second 20 percent gets 4.8 percent of the benefits. The middle 20 percent gets 10.6 percent of the benefits. The fourth 20 percent in terms of income, those with \$73,000 or less in income, get 15.8 percent of the benefits. The top 20 percent get 69 percent of the benefits.

If we look on the recipient side, those who get Social Security benefits, that is instructive as well. What this chart shows is almost two-thirds of retirees rely on Social Security for more than half of their income. In fact, 31 percent of Social Security beneficiaries get at least 90 percent of their income from Social Security benefits; 33 percent get 50 to 89 percent of their income from Social Security; and 36 percent get less than 50 percent of their income from Social Security.

What is going on is -- again, I like to use the term "pierce the veil" -- the President is borrowing from the Social Security trust fund, \$2.4 trillion during this next 10 years, using it to finance income tax cuts costing \$2.5 trillion. The income tax cuts go overwhelmingly to the wealthiest among us. Thirty-three percent goes to those earning over \$337,000 a year, and it is all financed by payroll taxes paid disproportionately by middle-class people. In fact, over 70 percent of Americans pay more in payroll taxes than they pay in income taxes.

This is the greatest shift of wealth that has perhaps ever occurred in our history, from the many to the few. That is the President's plan.

Here we see the difference Social Security has made, before we had Social Security and without it. Nearly 50 percent of beneficiaries would be in poverty. That has been the extraordinary power of Social Security and Medicare. It has lifted people out of poverty. Before we had Social Security and Medicare, almost half of seniors were in poverty. Social Security has reduced that to 9 percent; 9 percent now of our seniors are in poverty. What a remarkable social program this has been, the combination of Social Security and Medicare, to lift people out of poverty.

The President says, well, we have a big shortfall in Social Security over the next 75 years.

Indeed, we do. The 75-year shortfall in Social Security is \$3.8 trillion. That is according to the actuaries. But interestingly enough, if you look at the cost of the President's tax cuts over that same 75-year period, they are three times as much: \$12.1 trillion is the 75-year cost of the President's tax cuts.

All of this should inform what we face in the very near future. The President's massive runup of deficits and debt is occurring at the worst possible time, right before the baby boomers

begin to retire. This chart shows it very well. It shows the tax cuts explode as the surpluses in the trust funds of Social Security and Medicare become deficits.

The green part of these bars is the Social Security trust fund. The blue part is the Medicare trust fund. The red is the costs of the President's tax cuts. What you can see is right now the surpluses from Social Security and Medicare are larger than the cost of the tax cuts. As I have indicated, over the next 10 years the Social Security surpluses that are being taken to finance the tax cuts are about equivalent to the cost of the tax cuts. That is over the next 10 years. But look what happens when the trust fund goes cash negative. At that very time the cost of the tax cuts explodes, driving us right over the cliff into deeper deficit and debt. This is what is so fundamentally flawed about the President's fiscal plan for this country.

We see the same flaw in what has been reported out of the Budget Committee. It is seen most clearly in the President's plans because of his adherence to even more tax cuts when we are running record budget deficits. The President is proposing increasing spending and cutting revenue when we already can't pay our bills. What does that do? We can see what it does as he takes more and more of the Social Security money to finance tax cuts and other expenditures. That string starts to run out when the trust fund goes cash negative.

Unfortunately, the President has made no provision for it. His answer is: Cut the revenue more. Spend more, when you already have record deficits.

This is where it is all headed. It is not just the Congressional Budget Office and it is not just this Senator's calculations. We see these warnings coming from the Comptroller General of the United States. We see them coming from the International Monetary Fund. We see them coming from responsible budget groups warning the President has us on an unsustainable course.

Here is what is going to happen with Social Security. We are going to see a dramatic increase in the number of people who are eligible to receive it. There is going to be a doubling of those eligible for Social Security. We have about 40 million people now who are eligible for Social Security. That is going to double to more than 82 million. The President has no plan to deal with it.

Unfortunately, what he is doing is taking the Social Security surpluses. We can see the pattern on the Social Security surplus. We can see it is at very high levels now. The Social Security surplus for this year will be about \$160 billion. That continues to increase dramatically in preparation for the retirement of the baby boom generation. But instead of using this money to pay down the debt or prepay the liability, the President is taking it all to finance current tax cuts and other expenditures, putting us in a more vulnerable position.

My amendment says, let's protect Social Security first. We protect the Social Security trust funds from further raids by preventing the consideration of new revenue or new spending that is not paid for until the budget is balanced without counting the Social Security surplus. This is enforced by a 60-vote point of order.

I want to make clear, the basic idea is if you want new spending, if you want new tax

cuts, you can do it, but you either have to pay for it, or you have to get a supermajority vote. We would maintain that discipline until the raid on Social Security is stopped, until we stop the Bush administration from using Social Security funds to pay for tax cuts and other expenditures.

This is a commonsense amendment. I hope very much our colleagues will support it. It is critically important to provide the discipline on both the spending side and the tax side as we go forward.