

Statement of  
Thomas N. Bethell  
to the  
National Commission on Fiscal Responsibility and Reform

June 30, 2010

Thank you for the opportunity to submit a statement to the Commission.

In my capacity as a self-employed writer-editor and policy analyst based in Washington, D.C., I had the great privilege of working closely for many years with the late Robert M. Ball (1914-2008), the legendary former Commissioner of Social Security.

Bob Ball devoted his entire professional life to building and defending Social Security. For more than half a century he was the program's "most influential advocate, architect, and philosopher," in the words of the late Senator Edward M. Kennedy. In January 1939, less than four years after the program was enacted, he went to work for the Social Security Board, as it was then known. During the Truman and Eisenhower years, he rose through the ranks of the Social Security Administration to become its top civil servant. He then served as Commissioner of Social Security under Presidents Kennedy, Johnson, and Nixon, guiding the evolution and expansion of the program; he was also a principal planner of Medicare and its first administrator. After leaving government service he served on numerous advisory councils and commissions, including the National Commission on Social Security Reform, better known as the Greenspan Commission. He also co-founded the National Academy of Social Insurance, wrote many articles and books, and – in his 90s – fought hard and successfully to defend the program against efforts to begin privatizing it.

I feel strongly that if Mr. Ball were alive today, he would want to caution the National Commission on Fiscal Responsibility and Reform against recommending Social Security benefit cuts of any kind, in any form. This is not mere conjecture on my part. I am currently editing Mr. Ball's memoir for posthumous publication. It includes a cautionary chapter on his experience as a member of the Greenspan Commission, and also includes an adaptation of an op-ed which he wrote for the *Washington Post*, in response to a *Post* editorial, and which the *Post* published on October 29, 2007. I submit the text here because Mr. Ball's views are as insightful and on point in 2010 as in 2007.

## Social Security: No benefit cuts

by Robert M. Ball

In a recent editorial [commenting on presidential candidates' positions on Social Security], the *Post* stated: "It's no more responsible for Republicans to rule out tax increases than it is for Democrats to insist on no benefit cuts." And the *Post* praised, as a "bipartisan blend," President Ronald Reagan's acceptance of a 1983 fix that included both.

I take exception. I see it as the essence of responsibility to insist on no benefit cuts.

In 1983, I served on the National Commission on Social Security Reform (better known as the Greenspan Commission) and represented House Speaker Tip O'Neill in negotiations with the White House. What was right in 1983 – a balanced package of benefit cuts and tax increases – would be wrong today.

Social Security benefits are modest by any measure and are already being cut – by raising the age of eligibility for full benefits and by deducting ever-rising Medicare premiums from benefit checks. So the benefits provided for under present law will replace, on average, a lower percentage of prior earnings than in the past. To cut them further would undermine all that Social Security has achieved – exposing millions of vulnerable people, both elderly and disabled, to needless economic hardship.

Social Security has never been more important to more Americans than it is now. Private pension plans continue to dwindle – currently covering only about 20 percent of private-sector employees – and the national rate of savings hovers around zero. We just can't afford to cut Social Security benefits further. There's no way to make up for the loss.

Furthermore, the notion that benefits could be cut selectively – that is, only for the relatively well-off, through a means test – and that doing so would not be broadly harmful does not withstand scrutiny. First, cutting benefits for the better-off would erode support for the program. Second, Social Security benefits are important to nearly all recipients and, as Social Security Administration data show, will be just as vital for the great majority of workers approaching retirement in the future.

About a third of the elderly rely on Social Security for 90 percent or more of their income; two-thirds count on it to supply at least half of their income. The program lifts 13 million elderly beneficiaries above poverty. Without Social Security, 55 percent of the disabled – and a million children – would live in poverty. The program is particularly important to women and minorities. It provides 90 percent or more of the incomes of almost half of all unmarried women age 65 and older (including those who are widowed, are divorced or never married), and it is the sole source of income for 40 percent of elderly African Americans and Hispanic Americans.

Social Security is the nation's most effective anti-poverty program. But it's much more than that. For every worker it provides a solid base on which to try to build an adequate level of retirement income. To weaken that foundation would be grossly irresponsible.

The good news is that there's no need to weaken it. We can shore up Social Security for the future without cutting benefits – or raising contribution rates. The program can be brought into close actuarial balance over the long run with just three revenue-enhancing changes that are desirable in any case.

- Perhaps the most obvious – and important – is to gradually increase the maximum amount of earnings covered by Social Security so that the traditional goal – covering 90 percent of all earnings – is once again achieved. This change would help to address the growing national problem of income inequality and its impact upon Social Security revenues, but would affect only the 6 percent of earners who make more than the maximum covered amount [in 2010 just under \$107,000] – and implementing the change gradually over the next 20 to 30 years would have only a minimal impact on them.
- Allow Social Security to improve earnings by investing some of its assets – up to 20 percent, say – in equities, as nearly all other public and private pension plans do.
- Provide a new source of income by retaining a residual estate tax and dedicating it to Social Security. [As of 2010] the estate tax affects only individuals with estates worth more than \$3.5 million (\$7 million for couples). Dedicating the income from the tax to Social Security would considerably improve the progressivity of Social Security financing as well as increasing revenue.

Of course policymakers have every right to discuss Social Security's financing. But today they should not be guided by a 1983 formula. We are in a different time, with different needs – and today there are much better options available than benefit cuts.

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