

Congress of the United States

House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON SOCIAL SECURITY

August 12, 2002

Where Should You Stand On Social Security?

Dear Republican Colleague:

Last December, the House overwhelmingly approved (415-5) H. Con. Res. 282, a resolution calling on the President and the Congress to develop legislation to strengthen Social Security as soon as possible and to guarantee current law promised benefits without increasing taxes. That position was correct then and will continue to be so as we head into the fall elections.

Since then, the Democrats have been trying to tag the President and the GOP with "privatizing" Social Security and harboring a secret plan to slash benefits. If this were not an election year, Democrats would have no more to show for this than a bad case of Pinocchio's growing nose. But with the House majority at stake, we should not simply shrug it off as politics as usual - particularly since Republicans have positive things to say about Social Security. Our own pollsters tell us the public tunes in and listens closely when Republicans talk about their worries regarding Social Security. That tells me they are willing to give us a fair hearing on the issue, because Democrats have not provided the voters with a vision to save our nation's most important retirement program.

How should we answer the Democrats and their campaign rhetoric? Consider the consequences of the Matsui-Gephardt policy that provides no plan for strengthening Social Security:

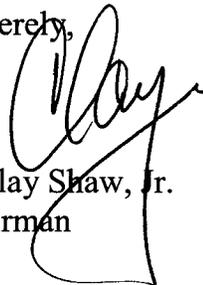
1. Payroll taxes for an average earner (earning about \$35,000 in 2002) would soar from about \$4,300/year to about \$6,600/year (over 50% increase), far too high a burden for our children and grandchildren;
2. Or, promised retirement benefits of 23-year olds would be cut by over 1/4, and their children would face benefit cuts of 1/3;
3. Or, the future of other federal government programs from Defense to Food Stamps to Education would be jeopardized as general revenues are shifted to keep Social Security limping along;
4. Or, national debt would balloon by \$270 billion in 2041, \$4.4 trillion in 2050 and \$33 trillion in 2076.
5. We would have no real assets to pay for the existing \$25 trillion cash deficit Social Security faces.

6. We would not be able to improve benefits for women, even though women are disproportionately dependent on Social Security for retirement income and more likely than men to suffer poverty in old age, especially widowed, divorced, and never-married women.
7. We would not be able to help African-Americans and Hispanic Americans to build wealth they could pass on to their heirs, even though they have less savings and pension coverage than average. African-American households own only \$3,060 in financial assets and Hispanics households own only \$1,200. In contrast the median U.S. household owned \$17,400 of financial assets.
8. No help for two-earner couples (who receive lower combined Social Security benefits than 1-earner couples with equal earnings), divorced spouses married less than 10 years (the marriage must last 10 years in order to qualify as a divorced-spouse for benefits), and working parents caring for young children who are unfairly penalized by today's program (they receive no credit toward retirement for time spent away from work caring for children).
9. Workers would be denied the opportunity to choose ownership and control of personal accounts, which would back Social Security benefits with real assets instead of IOUs, which could be passed to heirs, and which no politician could take away.

My plan, H.R.3497 - The Social Security Guarantee Plus Plan, has been very well received by both the press and public in my senior dominated district of Florida. That proves to me that Republicans can talk about this issue and be convincing and credible. The Guarantee Plus Plan would preserve and guarantee current law promised retirement, disability, and survivor benefits for today's beneficiaries, near retirees, and all workers. It would also provide workers the opportunity to build retirement wealth and create inheritable wealth through personal accounts that are voluntary. No payroll taxes would be removed from the trust funds to hasten its bankruptcy or reduce benefits. My plan also improves benefits for women, eliminates the senior earnings penalty, and saves Social Security for 75 years and beyond according to Social Security actuaries.

I hope you will stand firm against the heavy-handed and distorted Democratic attacks. Talk to your constituents about the challenges that face Social Security, and I believe you will be rewarded. If the subcommittee staff or I can be helpful, please call 5-9263 for assistance.

Sincerely,



E. Clay Shaw, Jr.
Chairman