

Statement of Senator Chuck Grassley
Finance Committee Hearing
Report of the President's Commission on Social Security
October 3, 2002

Mr. Chairman, I would like to thank you for holding this hearing. I'm especially glad to see that Dr. Olivia Mitchell, a member of the President's Commission, is here to testify.

Today, there are 46 million people collecting Social Security benefits. These benefits are funded by payroll taxes collected from 152 million working Americans. Because there are more than three workers for each beneficiary, Social Security is running a surplus. This surplus is invested in government bonds.

Once the 78 million baby boomers retire, however, there will be only two workers for each beneficiary and Social Security will begin running deficits. At that point, Social Security will have to redeem its government bonds to pay benefits.

Redeeming these bonds will cost the government more than \$13 trillion over the next thirty-nine years. That means higher income taxes, less spending on other programs, or more government debt. Even if the government can afford to redeem all of these bonds, once they are gone, benefits will have to be reduced 30 percent, or the payroll tax will have to be increased 50 percent.

We cannot continue to ignore this problem. That's why I strongly supported President Bush's decision to create a bipartisan commission on Social Security. The Commission was assigned the task of developing a plan to protect current beneficiaries while eliminating the Social Security deficit and avoiding higher payroll taxes.

Since the Commission issued its final report this past December, it has been the subject of much criticism. Most of this criticism has been focused on two issues: "transition costs" and "benefit cuts."

According to the critics, the options developed by the Commission would require "massive" amounts of additional revenue and result in "dramatic" benefit cuts. I would suggest that these criticisms, when taken together, are categorically false.

According to the Social Security Administration, over the next 75 years, the benefits scheduled to be paid will exceed the taxes scheduled to be collected by \$129 trillion. The argument that the President's Commission, or any other commission, could design a plan that costs more and pays less than current law defies all reason. Hopefully, today's hearing will shed some light on this matter.

Finally, I would note that while much time and effort has been given to criticizing the Commission's proposals, very little thought has been given to the alternatives. But, I look forward to the day we hold a hearing on any plan developed by the Commission's critics.