Statement of Senator Chuck Grassley, Committee on Finance Hearing on
The 2003 Annual Social Security Trustees' Report
Wednesday, April 9, 2003

The purpose of today's hearing is to review the latest report of the Social Security Board of Trustees. Our first and only witness is Mr. Stephen Goss, the Chief Actuary of the Social Security Administration. I'm very pleased Mr. Goss could be here today. As anyone involved in the Social Security debate can tell you, Mr. Goss has an outstanding reputation. He is widely respected by members on both sides of the aisle for his experience and expertise. I look forward to his testimony. Although the Social Security Trustees Report was issued last month, I believe today's hearing is both timely and important. According to this year's report, annual benefits will exceed payroll taxes by 2018 and the trust fund will be depleted by 2042. As a result, Social Security will be unable to pay benefits in full, or on time, forever thereafter. Despite this looming financial crisis, Congress remains reluctant to enact meaningful reform. I believe this political inertia is largely the result of fear – beneficiaries are afraid their benefits will be cut, workers are afraid their taxes will go up, and Congress is afraid of taking the blame. I would suggest that one of these fears is entirely unfounded. As far as I can tell, no one in elected office will ever again seriously propose to reduce benefits for current recipients. It's simply not going to happen. So, we can take that issue off the table.

Of course, there is a price to be paid for protecting those who are currently eligible. As we will learn from today's testimony, taking current benefits off the table means tougher choices for everyone else. But, that's a price we should be willing to pay. There is, however, another price we don't have to pay. That's the cost of delay. It's often said that the longer it takes to reform Social Security, the harder it gets. This expression may sound clichéd, but it is true, although not in the way most people think. As the trustees' report shows, the Social Security shortfall is $10.5 trillion. This number remains the same whether we enact reform this year, or next year, or any year thereafter. The only thing that changes from one year to the next is who must bear this burden. The longer it takes to enact reform, the greater the burden on younger workers.

Assuming Congress fully protects those who are currently eligible, eliminating the Social Security shortfall would require a 25 percent reduction in future benefits or a 30 percent increase in future payroll taxes. Every year we delay, these numbers go up roughly 1.5 percent for those who are not yet eligible to collect benefits. Despite this rising burden on the young, many people in Washington continue to question the political viability of Social Security reform. Members on both sides of the aisle are concerned the other party would rather have a political issue than a practical solution. So, the question we face today is how do we build a bipartisan consensus for reform? To begin the process, I believe we must first agree on the problem. The Social Security Trustees' Report clearly identifies the size and scope of the problem. The testimony we will hear today translates the problem into specific benefit reductions or tax increases. We may not like these numbers, but we should at least be able to agree that these are the numbers we've been dealt. Let me be clear, accepting the validity of these numbers does not imply an endorsement of these specific tax or benefit changes. These changes are merely illustrative. We will have plenty of time at future hearings to consider all of our policy options. Reforming Social Security will require an open and honest discussion about some politically difficult choices. But, this discussion can occur only if we first agree on the size and scope of the problem. Today's hearing on the latest Social Security Trustees' Report is designed to get everyone on the same page. Hopefully, we can accomplish that goal. After all, if we can't agree on the problem, we will never agree on the solution.