

Opening Statement of Hon. Patrick J. Toomey, a U.S. Senator from Pennsylvania

Senator Toomey: Thank you, Mr. Chairman, and thanks for calling this hearing. It is an extremely important topic.

And I completely agree with the part of your analysis about the importance of the program, which is exactly why we have to take the measures necessary to ensure that Social Security will actually be there for future generations, so that it can play the vital role for them that it has played in recent decades and past decades.

But part of that means acknowledging some of its fundamental problems. Number one, the program is insolvent. The present value of the promised benefits is much greater than the present value of the revenue that is meant to pay those benefits.

And that is not a problem with some distant future implications. It is running a cash flow deficit now. It has been since 2010 -- over \$200 billion in deficits the last four years, and \$75 billion per year (on average) going forward. This is the amount by which payroll tax revenue, which is meant to fund the program, is less than outgoing benefits.

Structural reform is necessary, and the sooner we do it, the better. Unfortunately, if we cannot agree that there is a problem, it is hard to make progress on the solution.

The observation that this is a problem, by the way, is not a partisan matter. I think it is a matter of arithmetic.

I want to quote briefly from the Social Security Trustees 2013 Report. This is the Social Security program describing itself. It says that "Both the Social Security and Medicare programs face substantial financing shortfalls that require legislative corrections. It is important to grasp that the amount of time remaining to enact a financial solution is far less than the amount of time

projected before final depletion of Social Security's combined trust funds. If lawmakers take action sooner rather than later, more options and more time will be available to phase in changes so that the public has adequate time to prepare. Earlier action will also help elected officials minimize adverse impacts on vulnerable populations, including lower-income workers and people already dependent on program benefits.”

As the Social Security actuaries have noted, the fundamental problem is that spending in the program is increasing faster than the economy is growing. That is pretty much the definition of unsustainable. Over the next 10 years, the forecast is for nominal GDP to grow at 4.5 percent per annum, while Social Security will grow at 6.1 percent per annum.

Tax increases are not the answer. Tax increases will not bring spending growth in line with GDP growth and will be economically destructive. Since President Obama has taken office, we have seen \$1.8 trillion in tax hikes over a 10-year period, and economic growth is anemic -- only one-tenth of 1 percent last quarter, and we have the lowest labor force participation rate in 35 years. These are not coincidences.

I should also point out that the math does not work very well. Even, for instance, if you completely eliminated the current existing \$117,000 cap on the maximum earnings that are subject to the payroll tax, it would amount to a massive tax increase and the program would return to a deficit position in 11 years.

The solution is that we have got to change the rate of growth and bring it into line with GDP growth. No government program can grow faster than the economy indefinitely, so we have got to make the decisions. And the sooner we do it, the better it will be for the people who depend on this essential program.

So thanks again, Mr. Chairman. I look forward to the testimony of our witnesses.