



How the GOP-Backed Ryan Plan Threatens Middle-Class Retirement Security

Eric Kingson, Syracuse University

Nancy J. Altman, Social Security Works

Benjamin Veghte, National Academy of Social Insurance

Generations of Americans have worked together to build our nation's Social Security system. Each citizen contributes through a lifetime of work, and each is entitled to claim an assured benefit to see him or her through retirement and old age, or in the event of a serious disability or the death of a working parent or spouse. The vast majority of Americans support this system, because it works. In an economy where most are dependent on wages, Social Security insures a worker and his or her dependents can continue to get a portion of those wages during old age or if death or disability strikes.

Much controversy currently surrounds a radical federal budget overhaul designed by Representative Paul Ryan of Wisconsin and overwhelmingly backed by House Republicans. The Ryan plan calls for trillions of dollars in cuts in Medicaid and other safety-net programs for low-income and disabled Americans. It also goes after Medicare, one of the pillars of middle-class retirement, aiming to turn it into a voucher system that would force the typical retiree to pay about \$6000 more per year just to get the same benefits Medicare now guarantees.

What about Social Security? Ryan would effectively gut that program, too, supposedly to address a looming national fiscal crisis. But in fact Social Security's long-term shortfall is manageable, and we need to invest more not less in this effective system.

How Ryan Plans to Undermine Social Security

Because Social Security is so popular, the 2011 Ryan budget backed by almost all House Republicans tip-toes around planned changes in the program – and simply includes procedural changes that would “fast track” modifications and make it possible for legislators to accept them without full political accountability. When procedural tricks are put in place, we have to ask why. What changes do Representative Ryan and his colleagues have in mind? In each of the past two years, Ryan has issued documents about the GOP's long-term budget plans. Neither has the force of law yet, but the preferred changes in Social Security are clear:

- Along the lines of a proposal former President George W. Bush unsuccessfully advocated in 2005, Ryan would move toward giving all Social Security beneficiaries a basic pension set at a low level and largely unrelated to each person's prior wages. Beyond that, people would have to fend for themselves, supplementing their modest benefits from savings or paid work.
- Ryan praises the idea of increasing Social Security's early and normal retirement ages to ages 64 and 69 respectively – and he would also further lift these ages in the future based on how much longer an average American lives. This may sound fair, but there are big drawbacks. Many workers who do jobs involving physical labor live do not live anywhere near as long as lawyers or managers who sit in offices, so raising the age of eligibility for Social Security can take their retirement away. More important, though, for all older Americans, a higher age for claiming Social Security simply amounts to a big across-the-board benefit cut. A “retirement age” of 69 translates into approximately a 13% cut for everyone, even for workers who work until age 70 or beyond (and that cut would be *in addition* to the 13 percent cut that all Americans younger than 52 will experience because the retirement age is already scheduled to move to age 67 for them).

Can Personal Savings Make Up for Reduced Benefits?

Ryan argues that individuals should save more for their retirement, and proposes allowing them to place in retirement savings accounts up to a third of what they now pay for Social Security. Savings accounts are a good thing, but we should never confuse savings and insurance. Social Security was designed to provide a

July 1, 2012 <https://scholars.org>

certain core benefit that everyone can count on for all the years they live between retirement and the end of life. No individual can know how long that will turn out to be, and it is just not realistic to expect most people to save enough for all or most of what they may need over an uncertain span after employment. One can outlive savings but not an insurance annuity like Social Security. Inflation can devastate savings, but not Social Security benefits as Americans now know them, which are regularly adjusted for inflation. Unexpected drops in the stock market can greatly diminish the value of savings, but not Social Security.

Crying Wolf about a Modest Shortfall

Ryan and others proclaim that Social Security is “in crisis” and cannot be sustained. But we can tell that they do not really believe this by looking at Ryan’s own budget plan. He and his GOP colleagues want to shower more and more tax cuts on the very wealthiest Americans, including continuing the 2001 and 2003 Bush tax cuts. Interestingly, the amount that those cuts alone would cost America in future decades is roughly equivalent to the additional funds needed to address Social Security’s manageable shortfall in long-term revenue. And here’s the kicker: Ryan’s budget calls for even greater tax cuts for millionaires and billionaires, on top of the continued Bush cuts. Clearly, the deficit and fiscal constraints are not the real issue here. Ryan and his supporters just want to cut Social Security – that is their political choice, not a necessity.

The Social Security Agenda Americans Really Need

Working Americans in their forties and fifties are already headed for economic difficulties in retirement. Employers have cut back on assured pensions; housing values have declined and 401ks have taken hits; and hard-strapped families are dipping into savings rather than building them up. The Center on Retirement Research at Boston College estimates that 51% of U.S. households are at risk of seeing their standard of living decline during retirement years (closer to two-thirds when rising health care costs are factored in). Social Security’s modest benefits – currently around \$14,800 a year for a typical retired worker – are more important now than ever.

Too often Social Security is discussed in technocratic terms as a “problem,” when it is actually a solution to people’s worries that they might not be able to get by after employment ends. The cuts pushed by Ryan and other free-market radicals would threaten retirement security for all but the very wealthy – and these cuts are so unpopular that they can pass only if regular democratic accountability to the voters is avoided. The debate we Americans should be having is not about how to cut Social Security, but about how to improve and extend its protections long into the future.