

# Social Security and Budget Deficits: Don't Lose Sight of the Facts

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With the release of the new Social Security Trustees annual report, we can expect to hear sharp debates on Social Security's financial picture. We must ensure these discussions do not lose sight of some important facts. Despite concerns about Social Security's long-term stability, the truth is that the program is in good financial shape and, with some sensible improvements, will continue to provide security to millions of American's for generations to come

As in previous recessions, Social Security income and outgo today are performing as they were designed, as a counter-cyclical insurance program. That is, with more people out of work, contributions from wages decrease and more program participants retire sooner than they had planned. These facts are not a cause for alarm. Rather, they demonstrate the insurance function of Social Security and how critical it is to the economic security of American workers and their families.

Unlike the early 1980s, and despite the current deep economic recession, the Social Security program actually is continuing to build reserves for the future. The Trustees' new projections show that the reserves held by the Old Age, Survivors & Disability (OASDI) program will increase from \$2.5 trillion at the end of 2009 to \$2.6 trillion by the end of 2010

Since the first benefit was paid 70 years ago, and through many economic ups and downs, the Social Security program has never missed a payment. Under current law, the program has the resources to pay all projected benefits for the next quarter century. This is in sharp contrast to 1983, when the program's reserves were fast approaching zero, and Congressional action in the spring was necessary to enable the program to pay full benefits due in the summer.

Only small changes in the program – such as raising the contribution rate, broadening the sources of income to pay for Social Security, raising the tax cap, or modest benefit adjustments – are needed to put the system in balance for 75 years and beyond. At the same time, benefit improvements are needed to better assist vulnerable populations as well as to maintain a sound foundation for future retirees, many of whom have suffered sharp losses in family wealth due the simultaneous reductions in housing values and investment assets. These points are further developed in the NASI report: *Fixing Social Security: Adequate Benefits, Adequate Finances*.

Three in four Americans say it is critical to preserve Social Security even if it means that working Americans have to pay higher taxes to do so. According to a July 2009 poll co-sponsored by the National Academy of Social Insurance and the Rockefeller Foundation. Americans are willing to pay for Social Security because they value it for themselves (72%), for their families (75%), and for the security and stability it provides retired workers, disabled individuals, and the children and widowed spouses of deceased workers (87%)

2010 is the 75th anniversary of the act establishing the Social Security program. That law underscored that the program is part of a critical foundation that allows capitalism to survive and indeed to thrive in America by protecting American workers against the risks of old age and disability, and their families against the risk of the worker's death.