



# Committee On Finance

Max Baucus, Ranking Member

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## NEWS RELEASE

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### **Baucus Introduces Resolution to Prevent Privatization of Social Security** *Senator Joins Colleagues in Protecting Program From Harmful Benefit Cuts*

(WASHINGTON, D.C.) Today, U.S. Senator Max Baucus (D-Mont), ranking member of the Senate Finance Committee, joined efforts with Senator John Corzine (D-N.J.), Senator Tom Daschle (D-S.D.), and Senator Richard Durbin (D-Ill) to introduce a Senate resolution which would put the Senate on record in opposition to any Social Security privatization proposals, including those that would require deep cuts in Social Security benefits.

In August, President Bush reiterated his intention to enact privatization of Social Security in his second term if he is re-elected. President Bush's Commission to Strengthen Social Security had previously proposed privatization plans that would require cuts in Social Security benefits of as much as 46% for workers who are under age 55 today, according to the Chief Actuary for Social Security.

"The Social Security program is a lifeline for many of our nation's seniors. 20% percent of our seniors rely on Social Security for all of their income and 2/3 of our seniors rely on Social Security for over half of their income," Baucus said. "The deep cuts in Social Security benefits that could result from privatization would have a devastating effect on our senior population. I will do everything to see that the Senate votes on this important resolution before Congress adjourns this year."

Under these privatization plans, individuals would have the option to divert some of their Social Security payroll taxes into private accounts. However, in order to make up for some of the lost revenue to the Social Security trust fund, privatization plans require deep cuts in Social Security benefits.

Baucus noted that under the Commission's privatization proposals, cuts in benefits of as much as 46% would apply to all individuals, not just those individuals who choose to participate in private accounts. "If these privatization proposals are established, individuals that choose not to enroll in private accounts would still have their Social Security benefits drastically reduced," Baucus said.

Baucus added that even workers who do opt to participate in private accounts will end up with less retirement income than under current law, in most cases. For example, an individual with average earnings could suffer almost a 30% reduction in retirement income, even after the income from his private account is factored in, according to the Chief Actuary. If the stock market does not perform well, or if the worker makes bad investment choices, the cut could be greater than 30%.

Yet even with these deep benefit cuts, the Bush Commission's plans would dramatically increase the national debt. For example, according to the Chief Actuary, by 2041, Plan Two would increase federal debt held by the public by an astounding \$4.7 trillion in today's dollars. That would more than double the amount of such debt that exists today.

Baucus said, "These privatization plans are a threat to the Social Security benefits and retirement income of our seniors, as well as to the nation's fiscal condition. That is why I, along with Senators Daschle, Corzine and Durbin, am introducing this critical Senate resolution today."

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