60-PLUS ASSOCIATION HOLDS A NEWS CONFERENCE AT THE NATIONAL PRESS CLUB ON THE 70TH ANNIVERSARY OF SOCIAL SECURITY

SPEAKERS:
- JAMES LOCKHART III, DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION
- CHRISTIAN WELLER, SENIOR ECONOMIST, CENTER FOR AMERICAN PROGRESS
- DONALD LAMBRO, CHIEF POLITICAL CORRESPONDENT, WASHINGTON TIMES
- URSULA WILLIAMS, DEPUTY DIRECTOR, STUDENTS FOR SAVING SOCIAL SECURITY
- JIM MARTIN, PRESIDENT, 60-PLUS ASSOCIATION

[*] MARTIN: Good day, and a warm welcome.

I'm Jim Martin, president of the 60-Plus Association, and I'm happy you're with us today. It's a fine crowd here we've got at the National Press Club. And with C-SPAN covering this event live, I'm happy to welcome all of you out there all across America.

We're celebrating the 70th birthday of a great system that has served senior citizens, including yours truly, so well through these years. But after 70 years, perhaps the system is showing signs of the aging process, as is yours truly -- panel excluded.

Former Oklahoma Congressman and football star J.C. Watts has called Social Security reform the Super Bowl of domestic policy issues. Why? Perhaps because President George W. Bush has dared to do what no previous president has done: He's boldly called for reform of a system that has served senior citizens so well but is now, according to a majority of citizens, in need of an overhaul.

But to what degree does it need overhauling? Well, that's the $64,000 question. Actually, more accurately, I guess it's the $64 billion question.

We hope to address that today at this forum, which is the 60-Plus Association's ninth annual event designed to bring the public to a better understanding of the system signed into law 70 years ago by President Franklin D. Roosevelt and is now, hopefully, being streamlined and strengthened for future generations at the urging of President Bush.

We have an illustrious panel for today's event, but first I want to thank a few folks who have made the 60-Plus Association, now in its 12th year, a growing organization for close to 5 million senior citizens.

Those with us here today: Amy Noone Frederick (ph), Ed Fulgeniti (ph), Melissa Puckett (ph), Hugh Newton (ph) and so on. Then there's our honorary chairman, former Congressman Roger Zion out in Evansville, Indiana. Roger is a hale and hearty 84 years old.

And then none other than Pat Boone, the original American idol. He's our national spokesman. At age 20, he was the winner of the first "Ted Mack Amateur Hour," back 50 years ago. I recall those days. He is now celebrating with his wife Shirley 50 years in show business. Music icon Pat Boone, and also his associate Ed Lubin.

60-Plus is our advocacy arm, and we've now formed another organization, the Institute for Senior Studies, to educate the public on issues pertinent to seniors.

Let me mention that the 60-Plus Association really has a two-fold agenda. One is to kill the death tax, I like to say, for us old folks, and to save Social Security for the young folks.

Killing the death tax is for another panel, after Labor Day, when the Congress reconvenes, but today's topic is reforming Social Security.

Let's go to our panel.

Seated over to the left is Jim Lockhart. He's the deputy commissioner of the Social Security Administration. Jim's responsible for making sure that over 40 million of us seniors receive our monthly check.

So I'm personally thanking you, Jim. Mine arrives like clockwork every month.

We have Dr. Christian Weller, a noted economist. He's been on our show before.

Also, Don Lambro, a nationally syndicated columnist and reporter.

And a young and rising star in the world of public policy, Ms. Ursula Williams, with Students Saving Social Security.

I'm going to start now with Jim Lockhart.

MARTIN: Jim was nominated by President Bush and confirmed by the United States Senate as deputy commissioner of the Social Security Administration. And as such, as I just said, he's responsible for getting out about 40-some billion checks to us seniors. He doesn't do that all by himself. He has a workforce of about 65,000 employees in about 1,500 offices across the country.

Jim served with distinction in the previous Bush administration as executive director of the Pension Benefit Guaranty Corporation from 1989 through 1993.

Jim is from Connecticut. He's married, has two children.

Jim graduated from Yale University with a bachelor's degree and received a master's degree from Harvard School of Business Administration.

Jim also served as a lieutenant in the Navy aboard a nuclear submarine.

I give you Jim Lockhart.

(APPLAUSE)

LOCKHART: Thank you, Jim. And thank all your 60-Plus members for holding this event to celebrate Social Security's seven decades of service.

Social Security has been an important, successful program for your members. And now, as America ages, we face challenges to ensure that we can continue to make it successful for future generations.

Before we go any farther, let me assure your members, Jim, and even those 55-plus, that President Bush has made it very clear that their benefits are safe and secure. Unfortunately, no one can make that assurance to the younger generation.

That is why I think it's great that you invited the Students for Saving Social Security. Although it is the younger generation who will really bear the brunt of tax increases and benefit reductions if no changes are made, their voices are just starting to be heard in the national dialogue.

Welcome Ursula, Jonathan (ph) and the other four S, as you call yourself, members. It's really great to see you here today. Over those 70 years of service, we have paid out $8.4 trillion of benefits to almost 195 million Americans. It all started with a 17 cent lump sum to Ernest Hackerman (ph); not a bad return on his nickel of taxes.

But despite that rather modest beginning, we have now grown to be what is the largest and really most successful government agency. We pay out every year from Social Security about 48 million checks and almost a half a trillion dollars in benefits.

The many generations that are here today remind me that Social Security was founded and really remains today and should remain for over always a compact between generations. That compact and Social Security itself is being threatened by the aging of America.

As you can see in the chart next to me, the bottom line without changes is that the Social Security pay-as-you-go system is unsustainable. Baby boomers are only three years away from early retirement, and the number of retirees is almost going to double in the next 30 years. The birth rates are below replacement rates and falling. And people are living a lot longer, which is great news.

LOCKHART: But the point is: We're not going to have enough workers to pay benefits.

Fifty years ago we were at 16 to one. Today we're about 3.3 and we'll soon fall to below two to one.

But really the point where we really hit trouble is just 12 years when there's only 2.8 workers to beneficiary. There won't be enough taxes at that point to pay benefits.

Now, this next chart is a cash flow chart, and it really looks at the next 75-year forecast of the agency. And, as you can see, there's a sea of red ink there.

The green part way up here is the positive cash flow we have today. It peaks very shortly in three years when the baby boomers retire. We go negative in 2017. And by the end of the period -- and again, this is all using today's dollars -- the shortfall is almost $800 billion.

This one program will have a deficit bigger than twice the total deficit of the United States today.

And if we really want to solve the problem permanently and eliminate that sea of red ink, we need $11 trillion today earning interest.

And I know that's a number that no one can comprehend. It's much more than the $68 billion question. It's an $11 trillion question.

But maybe to put it in terminology that maybe most of you can understand, that's about $100,000 shortfall for every American family. And every year that we don't fix the program -- just like an unpaid mortgage -- it goes up 6 percent.

To me, these charts make it perfectly clear that we need to take action. So what are the actions we could take?

Well, President Clinton, when he was talking about saving Social Security first seven years ago or so, laid out three options. And they are really the three options today.

The first one is to increase taxes. We have done that many, many times in the program's history. We've actually increased taxes 20 times in those 70 years. And, in fact, the maximum tax at the start was $60. And today it's over $11,000. So maybe enough is enough. We could slow the growth of benefits. That's been done a couple times in our history; most notably in 1983 when there was a crisis, they raised the retirement age from 65 to 67.

LOCKHART: Today it's about 65.5, but when you all retire it will be 67.

Or we could do something different, new, and that's increase the rate of return. And we could do that through voluntary personal accounts or direct investment of the trust fund.

As President Bush, the Social Security trustees and many others have said repeatedly, the sooner we take action, the less drastic will be the changes.

Now, let's look at how drastic inaction will be. If you can look at the next chart, this is what would happen to your taxes if we did nothing and just continued to pay benefits. Your taxes would increase 50 percent, from 12.4 to almost 18 percent.

An important thing about payroll taxes many people don't know, it's really the tax most Americans pay. About 80 percent of the American people pay more in combined payroll taxes and Social Security taxes than they do in income taxes. So this would really hurt American workers if we had to resort to increasing taxes.

And, in fact, it'll also hurt American savings, because people's take-home pay would be less. We already have an abysmally low savings rate, and so that would be very counterproductive and hurt, obviously, economic growth, job growth and small businesses.

So what would happen if we just did nothing and just slid through? Well, the next chart shows that ugly alternative. And if we just kept taxes where they are today, the students' generation will see their benefits cut 26 percent and they will fall by the end of the 75-year period by almost a third.

But it's not only the students in this room. Today, a 45-year- old, who many of them will live to be 80, will see their benefits cut late in retirement, and that would be a disaster for them.

We really just cannot let this generational compact shatter this way. As you can see on the next graph, the compact is becoming very lopsided, because Social Security's rate of return is falling for younger generations.

Let me explain this chart a little bit to you. On your left-hand side we have low earners. On the right-hand side we have high earners. And then this is the real rate of return that they're getting from Social Security. So in my parents' generation, the 1920s, if you were a low earner you got about an 8 percent rate of return. And if you were a one- earner family, which was the tradition back then, as wives didn't work.

In my generation, you can see that the return would be 5.4 percent if you're a one-earner couple, and as becoming more and more common, if you're a two-earner couple it's only 3.4 percent. And for today's students it would be a 2.5 percent for a two-earner couple, which would be less than treasury bond returns.

LOCKHART: And, of course, all the students in this room don't expect to be low-earner couples or low earners. In fact, I would guess, with all their high college loan balances, they'd like to be high earners.

And actually, high earners here is $52,000 in average earnings. So, you know, it's a reasonable high amount of money, but it's certainly I think in the aspirations of all the students here today.

And you can see over here that their return will only be 0.8 percent. And I can say for some of you, it actually may be a negative return from Social Security if we do not make any changes.

As Social Security celebrates our 70 years of successful service, we just cannot let the program retire. We must reinvigorate it. We must make changes so that Social Security can successfully serve the needs of the American people for the next 70 years and for many, many years beyond that.

I'd like to conclude with a quote from President Bush in his 2005 State of the Union. He said: "Social Security is one of America's most important institutions, a symbol of trust between generations, and is also in need of wise and effective reform. And so we must join together to strengthen and save Social Security. We must make Social Security permanently sound, not leave that task for another day," unquote.

Our 70th birthday goal, with the help of 60-Plus, Students for Saving Social Security and many others -- hopefully Republicans, Democrats and independents -- should be to give all Americans an enormous birthday president: a strengthened Social Security for all future generations of America.

Thank you.

(APPLAUSE)

MARTIN: Thank you very much, Jim.

Let me, before I call on our next panelist here, mention in the audience here -- I think, Jim, you mentioned Jonathan Swanson with 4- S, and Ben Ferguson is also here with 4-S.

And another student, Jessica Colon, started a group I believe called Fix Our Future, Storm For Reform. I believe they've been working with the 4-S folks. I love these groups they've started. Jessica is out of Houston.

And one other person in the room -- I saw him come in a minute ago -- Derrick Max. He heads up a couple groups: the COMPASS we call it, the Committee for Modernization and Preservation of America's Social Security, also Generations Together. He's clearly been a leader in this battle to reform the system.

And by the way, talking about us seniors living longer, my honorary chairman, Roger Zion, hale and hearty 83 I believe, he said a couple years ago that we seniors were supposed to live to be about 65 I guess it was. As somebody rather indelicately put it, we died at a convenient -- at about 65.

MARTIN: That's no longer the case.

As Roger likes to say, he says, "I've been dead now, statistically, for 18 years." But the fact is he's still drawing Social Security. He's hale and hearty. We're living longer, more productive lives; including yours truly here. And that's been part of putting the financial strain on the system.

Now I want to turn to Dr. Christian Weller. Dr. Weller is the senior economist at the Center for American Progress, where his specialty is Social Security and retirement income, as well as the Federal Reserve and international finance.

Dr. Weller also does work for the Economic Policy Institute, as well as the Department of Public Policy at the AFL-CIO.

Dr. Weller holds a degree in economics from the University of Massachusetts at Amherst.

Christian Weller?

(APPLAUSE)

WELLER: Thank you very much, Jim. Thank you very much to 60- Plus Association to have me back here. I'll try to fulfill my role as the token progressive on this panel.

I want to make one important point before I start. I'm an economist and I focus on the numbers and I will focus largely on the numbers. The reason why I'm bringing back these charts is there is more to the story than Jim was saying, and I want to make some points with those charts, which tell you a little bit about the use of those charts and the numbers.

The important points I want to make is that Social Security is a crucial middle-class benefit. It's often portrayed as just an anti- poverty tool; it's a crucial middle-class benefit.

Social Security is affordable in the long run. There's no cost explosion in the system.

The privatization proposals that are on the table: all of them will make the finances of Social Security worse. Progressives would be happy to engage in a reasonable and rational debate over Social Security's future, as long as the parameters are set right. Let me go through the benefits of Social Security. We're celebrating the 70th anniversary of Social Security. That's a great milestone.

Social Security's importance for America's middle class cannot be overstated. So as a civilized society, we've made a decision to ensure working families against the loss of income from the main bread-winner upon retirement, death or disability of the main bread- winner.

And Social Security offers three different types: retirement benefits, disability benefits and survivorship benefits.

Only little less than half of all Social Security beneficiaries actually receive their own retirement check. The other half receive some sort of family insurance benefit: spousal benefits, survivorship benefits, disability benefits.

Without Social Security, close to half of all people over 65 will live in poverty. Social Security provides the majority income for 66 percent of recipients over 65.

Social Security is an especially good deal for women and minorities, due to lower lifetime earnings, years out of the labor force, high instances of disability and so on and so forth.

Social Security's also a crucial benefit for young people. There are 4 million children who receive Social Security benefits. There are 1.5 million people under the age of 45 who receive disability checks.

So Social Security is a crucial benefit and we need to work to protect it.

Social Security is also affordable. Full benefits under Social Security are secure through 2041. The trust fund is real, because everybody agrees that future governments will honor the promises made to current generations.

Calling the trust fund "funny money," "worthless IOUs," "not a piggy bank" or any such thing, doesn't meet the mark. It misses, actually, the basic economic and political realities of the trust fund.

Every financial investment is money from me that somebody else will spend. The notion that you give money to the Treasury and the Treasury spends it and that's a bad thing -- you do the same thing when you buy corporate bonds or corporate stocks, so that can't be a bad thing.

Moreover, no future government will default on those bonds and, at the same time, honor the promises made to the Chinese government, to the Japanese government, to the U.K. government, to the Hong Kong government, the Swiss government and so on and so forth.

Future governments will honor the promises made to future generations just like they would honor the promises to foreign governments who are holding massive amounts of treasuries.

Also, Medicare is already redeeming its trust fund. If the government would be defaulting, it would already do that under Medicare.

Whether the federal government will have a hard time repaying its debt is not an issue for Social Security but an issue of fiscal responsibility, and that's where we've fallen far short.

WELLER: Over the last few years, we've seen the largest swing of fiscal outlook from the federal government from surpluses to deficits that will make it harder to honor those promises in the future after 2017.

However, that's not a problem that Social Security has created. We knew since 1983 that those promises will come due in the future. Instead we have created massive deficits thanks to tax cuts.

The other part is that Social Security will not face a cost explosion. And let me point to this part. Where you see the big drop that's here, we already passed those points. If you look at the Social Security trustees' actuaries, you see this part is the future. That's a rather straight line.

If you look at the costs of Social Security from 2030 to 2080, they will remain unchanged at 6.5 percent of gross domestic product. That's not a cost explosion: That's flat cost. We can manage that.

The question is how will we manage that because after 2041, we have a shortfall. We have a solvency problem: Taxes don't cover all benefits.

We can do that by either raising payroll tax -- I'm not advocating any of these; I'm just saying like what the options are, and I think we need to put them in perspective -- payroll tax by about 2 percentage points right now; we could transfer 0.6 percent of gross domestic product every year to Social Security: that's less than we've spent on the war on Iraq; or the entire shortfall of Social

Security in the next 75 years is equal to the tax cuts given the top 1 percent of income earners. It's a manner of choice of where we spend our money: Social Security for everybody, tax cuts for the top 1 percent.

Conservatives, as Jim did, will use absurdly large numbers that are meant to scare people. There is no point in using a number like $11 trillion. It's absolutely meaningless, as Jim said. It baffles people's mind. The point is to scare people. It actually is generated by projecting what Social Security will need into infinity.

I call this the Buzz Lightyear standard of public policy. It's meaningless.

As the same time, the economy will grow to $1,000 trillion. That's about 1 percent of gross domestic product. That's a much more manageable number. Privatization is not the answer. In fact, privatization makes solvency worse -- it will make the hole worse.

Right now Social Security collects 12.4 percent of payroll in taxes. Most of those are used for benefits. President Bush has proposed to divert about one-third of those payroll taxes into individual accounts, 4 percent of payroll.

That means that Social Security doesn't have all the money it needs to pay the promised benefits and would have to go out and borrow more money: $1.5 trillion over the next 75 years. It would need $1.5 trillion today to cover all the borrowing it needs in the future, in the next 75 years.

Large deficits are common to all privatization proposals. They range from about $1.5 trillion to $2 trillion in present value, up to $7 trillion.

So you start with a hole in Social Security next 75 years and then you make it larger, doubling or even tripling it. I don't think that that's the right way forward.

Private accounts will also not magically generate new money. I believe an economic theory: There's no free money out there. If there were, we would all go for it.

The president has proposed that people can borrow money from Social Security, put that into individual accounts, then upon retirement they would have to repay that amount plus inflation plus market interest rates. Right now, the rate is at 2.7 percent above inflation.

Only if you speculate and you win -- your interest rate is above your rate of return, is above the 2.7 -- do you actually come out ahead. For the average person, that's impossible. Because if it was possible, arbitrage would exist in the markets forever. That's impossible. You cannot have arbitrage going forward.

The meaning of arbitrage -- you borrow money and you speculate in the market and you come out ahead, and everybody would come out -- the majority of people would come out ahead. That's economically impossible. That defies economic logic.

WELLER: On average, you would come out worse, not better off than you would just simply leaving the money where it is. Or basically you speculate, that's your fund, you give all the money back to Social Security by the time you retire.

Privatization is not about choice. No conservative I know of has said -- the fundamental choice would be, for a libertarian, for instance, to have Social Security or no Social Security. That one is off the table. Everybody agrees we're going to have Social Security. Everybody says, "You're going to pay 12.4 percent in taxes, at a minimum."

Then choice would be restricted under the president's plan: You can only invest in five funds. Moreover, the president would tell people at a certain age when to get out of the stock market.

So it's really not about choice.

The other one is, it's not about inheritability. The president would tell a certain number of people, depending on how much money they have in their individual account, to convert that money into annuities. And you can't spend money twice, you can't have it on annuities and then leave it to your children.

The other part is also just because you rejigger the system, you don't actually generate more money. If people are not leaving money behind to their children right now; why would the average leave more money behind in the future? You're not growing the pie with this.

The other part that President Bush has proposed is to actually cut benefits. Let me make one last point here, because this is important.

This is the one that Jim used to say, like, you've got to do something. In fact, if you wait and do absolutely nothing and you cut benefits here, you're better off as the average person than under the president's plan. The president's plan would cut benefits more than this line for the average person.

So if you do nothing, the middle-class American family will be better off than under the president's proposal.

And the president is not yet done with cutting benefits. This is just the first step. It only covers part of the solvency problem.

Now, let me say, progressives are willing to engage in a reasonable discussion over Social Security. What that means is, take privatization off the table.

WELLER: It does absolutely nothing for solvency of Social Security.

The problem we try to address is to cover the shortfall between taxes and benefits, Social Security privatization is actually a step backward and not a step forward.

Get rid of the standard of permanent solution. Why should we worry about what happens 300 or 10,000 years from now? That's an unreasonable public policy standard in a world where we don't even fund ongoing wars out of the current budget.

Only benefit cuts is not a reasonable discussion start. Let's put all options on the table, including revenue generation, to Social Security. Then you will get progressives to the table.

I would also add: Let's start talking about retirement security outside of Social Security. Let's talk about real wealth creation and not some fake, gimmickry that we have under Social Security privatizations.

Progressives have proposed a number of proposals, have put a number of proposals forward, especially on wealth creation outside of Social Security. There's one example out on the table by my colleague Gene Sperling.

But there is a comprehensive reform effort by progressives like Peter Diamond, Peter Orszag from the Brookings Institution, MIT. I don't have the book with me, but I'm sure you can get it from them.

There are alternative investments to the trust fund. There are certain things that we can do there.

And then we can talk about revenue increases to Social Security. It would increase restoring the cap so that 90 percent of wages would be taxed. We're down to 85 percent right now. We started at 90 percent in 1983.

We can also have general revenue transfers dedicated to Social Security. As I said, the tax cuts for the top 1 percent are equal to the entire shortfall in the next 75 years.

Social Security is a crucial middle-class benefit. We should be working on strengthening it, not weakening it. Privatization will do nothing to address the problem in the long run.

And progressives are willing to come to the table under reasonable, rational standards.

Thank you very much.

(APPLAUSE)

MARTIN: Thank you very much, Dr. Weller. As always: precise and to the point.

I would make one comment or two before I introduce the next panelist.

We keep talking about the president's plan, the president's proposal. I haven't seen a plan or a proposal. He's laid down some principles, four or five that he emphasizes at every town hall meeting. He's laid down some principles and taken on this issue.

I agree with you that nobody's going to take away Social Security. I've been here 40 some years. I started working in this building 42 years ago as a newspaper man writing for some papers down in my home state, Tampa Tribune and others. And I've got to tell you, nobody's going to take away my Social Security or anybody else's. No Democrat, no Republican is going to take it away.

What we're trying to do, of course, is come up with a solution for the future.

And, Dr. Weller, you are a great progressive. And that brings to mind a comment made back in 1997 or 1998 by a senator who introduced a Social Security Solvency Act.

MARTIN: And he talked about voluntary personal savings accounts and he talked about the magic of compound interest. And he emphasized again and again voluntary personal savings accounts. This was right before President Clinton took up the cudgel.

And he talked about a 2 percent or so set-aside to allow younger workers and doormen, if you will, and others on a lower-income scale to create wealth. He talked about the magic of compound interest.

That was not a Republican senator. That was a great progressive, probably Social Security's best friend, the late Senator Daniel Patrick Moynihan.

And another point: The first recipient of the first check, Ida Mae Fuller; maybe she was a harbinger of things to come for us seniors. She received the first check around 1940. I think it was $24 on her first check, which was about the same amount she paid in. But she didn't conveniently die at about 65, as we seniors were supposed to do. She was a retired school teacher from Vermont. She lived to be, lo and behold, 99 years old. She collected well over $22,000 from the system.

Good for her, for that longevity. But that, again, illustrates the problem we're up against.

It's a real pleasure to introduce our next panelist here, Don Lambro. Don is the chief political correspondent for the Washington Times. Don's the author of five books. He's a nationally syndicated columnist. His twice-weekly column appears in newspapers across the country.

By the way, one of those books that I referred to just now, the title was "Fat City: How Washington Wastes Your Taxes." It won national acclaim way back in 1980 when Ronald Reagan was first running for the presidency.

Don Lambro received the Warren-Brooks Award for Excellence in Journalism in 1995. Don has been the producer and moderator of the "Washington Times Forum." It's a public affairs program that was broadcast from Capitol Hill over the C-SPAN cable television network.

Don Lambro is one of Washington's most frequently quoted political reporters. None other than Wall Street economic analyst Lawrence Kudlow has called Don, quote, "the best political economic reporter in Washington today," unquote. That's high praise indeed. Born and raised in Wellesley, Massachusetts, Don is a graduate of Boston University. He's listed in "Who's Who in America." He and his wife Jackie (ph) have one son. They reside here in Washington, D.C.

Don Lambro, would you please come up to the mike?

(APPLAUSE)

LAMBRO: Well, thank you, Jim.

Thank you, ladies and gentlemen.

It's a little daunting to be up here with these experts on such a complicated subject as Social Security.

LAMBRO: I'm not an expert on Social Security. I'm going to be applying for it, however, near the end of the year. So I'll be getting it next year, so I'm going to get mine.

But I don't know. I'm a political reporter, and my job is to talk to experts and ask them questions; find out what they have to say. And so that's how I've really gotten involved in this issue and have written a lot about it, telling people what the issue's about, what the experts are saying.

And I'm old enough to remember Daniel Patrick Moynihan when he was at the height of his powers and he went to the United States Senate. He was, you know, a liberal from Harvard University and was elected to the Senate from New York, a bastion of liberalism. So this isn't some right-winger.

But he came to be a critic of the way Social Security was run. And I remember interviews I had with him when he was running around the country and giving speeches on the floor of the Senate, talking about the thievery and the stealing that was going on in the Social Security trust fund, and all this money that was pouring in and the tens of billions of dollars with huge surpluses was being just spent by the government, right, and they wanted to spend it on.

And he thought this was wrong. He thought it was illegal. And he thought it should be changed.

And lo and behold, he got into a position where he headed the commission that Bush selected to try to come up with a plan that Bush essentially wanted to work on and to enact.

And at that time, the Democratic National Committee chairman, Ron Brown, the first African-American to ever head a national party, was running around the country working toward the '92 elections and hoping that Democrats would take back the White House, which they did, largely in part to what Ron Brown was doing. And he was running around the country talking about how we had to cut the payroll tax. Ron Brown was really on this issue.

I had a number of interviews with him and wrote stories about it, and Daniel Patrick Moynihan was for this.

We had to do something: Money was being just wasted by the government.

And so we had to cut the payroll tax to stop these crooks from wasting this money and spending our money that we're working hard and sending to Washington.

And Ron Brown did something extraordinary that I don't think ever had been done before or since, and he got the Democratic National Committee to pass a resolution saying that we had to cut the payroll tax for workers.

And, oddly enough, the Republicans generally seemed to be opposed to this. Then-President George Herbert Walker Bush was opposed to it; said, "Don't mess around with Social Security."

But that just shows you how times have changed and how things have changed on this issue.

So the closest I got to Social Security's hierarchy was an interview I had with Jo Anne Barnhart, of course, who heads the Social Security Administration. And that was in the first term of President Bush's term. And Democrats were running around, of course, accusing that we want to destroy Social Security and end Social Security and eliminate Social Security.

And the Social Security administrator does not give many interviews. I think this is the only one she gave.

And she said this was all nonsense and that Senator Corzine of New Jersey, who was running around making these charges, among other Democrats, was wrong. And that the Social Security Administration had run a lot of these plans to allow investment, crunched the numbers, and she said that they all show that this would lead to solvency and would strengthen the system.

Well, I wrote that story and it went out. And Senator Corzine took the story to the floor of the Senate and wanted to know of Mrs. Barnhart had actually said these things and whether the interview had taken place or whether I had made it up.

LAMBRO: Well, he wrote her a letter and she wrote him back, and the interview had taken place. And she did stand by these things. And what could he do?

Anyway, this is the mother of all Social Security battles. In America, in major social systems, we don't make decisions quickly. We don't change major programs quickly. We do it step by step. And that's what's happening here, ladies and gentlemen, and what is going to happen.

For supporters of this reform, it's all been about basically two things. I'm trying to just simplify what really was going on here.

And it's really, for the supporters, it's all been about the return on your investment. The money you send into the system, what is the return you're going to get back when you can take that money out? And number two, on ownership.

That's what it really comes down to, and that's what the battle is really all about.

Ownership, particularly, I think, reared its head with the accounting scandals, the WorldCom and other scandals, where we found that people lost all of their money and all of their pension because they were not diversified, they didn't have control over their own money.

And when we talk about, of course, return on investment, we're talking about 2 percent, roughly, under Social Security, after a lifetime of work. We've become more sophisticated now in the area of the investor class and the revolution in America on mutual funds, which has opened investing to millions and millions of people. And we're talking about 5, 6, 7 percent return. Why shouldn't people have that?

Well, members of Congress have it. They invest in something call the Thrift Savings Plan. And if they can get it, why don't they want other people to have that? And they're getting a good return, and you can look at that index on the Thrift Savings Plan, which now allows federal employees to invest their pension in about half a dozen different stock and bond balanced funds of one kind or another.

Interestingly, this word "privatization" has been thrown around again and again. When Congress decided to change the federal worker pension plan and allow workers to put their money into stocks and/or bonds, no one said they were privatizing the federal pension plan. The federal pensions plan is still a federal government plan. But federal workers are putting their money into stocks and to bonds.

LAMBRO: Anyway, this idea really began to grow really during the late '80s and the 1990s. And it reached the point where, as it was being debated during the Clinton years, President Clinton then proposed that some part of Social Security income, contributions, call them what you want, from workers being sent to Washington should be invested in -- dare I say it? -- the stock market.

And that idea was really shot down by Alan Greenspan and a lot of people because the whole idea of the federal government owning Microsoft and General Motors and Whirlpool and Yahoo just was horrifying. That's what they do in socialist countries and that was a non-starter. That wasn't going anywhere.

And so the Clinton proposal, it came and went. But it made an interesting point that came from the idea that a number of stories had been done on this: How do you deal with the solvency problem down the road? And I believe a number of studies from the Social Security trustees all said that, in some way, there should be some investment component in where we're putting this money in Social Security.

And they couldn't agree on what it should be. But they all agree -- this is the Social Security trustees -- that there should be some stock equity investment because that's the only way you're going to get a return on the money to pay benefits way down the road.

So anyway, people talk about how this is losing support and this issue isn't going anywhere. I think that's rather pessimistic. I think we've got to be a little bit more optimistic about that.

It is losing support certainly among the older Americans who have been demagogued by the AARP.

But one area where it has very strong support -- and pollster John Zogby and many other pollsters have shown this in poll after poll after poll -- is among a different constituency: the younger workers. They are for it very strongly. And they, of course, are the future and that's what the battle is all about.

So we come down to we've been fighting this issue. And it's moved to Capitol Hill. And where's it going to end?

Well, like all big proposals, all ambitious proposals, they go through the shredder of our legislative process, which the founding fathers made as difficult as possible to pass anything, with lots of hoops and hurdles to go through, which is a good thing because it has prevented a lot of bad legislation and bad laws from being passed. And now it seems we're down to a very simple incremental step as I mentioned earlier, and that's the way this is going to be handled.

And that incremental step will probably be -- and that's a proposal that is circulating on Capitol Hill -- "Well, let's just invest in bonds." Everybody -- the opponents have been saying, "Oh, it's just too risky. Investing in stocks is much too risky. And look what happened to the stock market after 2000 and the bubble burst and all that."

So there is a proposal now just to take the surplus -- and it's a big surplus and it keeps rolling in -- where are we going to put that money? Well, this proposal says we're going to allow people to put that money into bonds. And individuals can sign up for this and they would own the bonds.

And that's where we're putting the Social Security money now is these so-called IOUs, these bonds.

The only problem is the money is owed to the system, this amorphous system. And what this would do, the money would be owed to an individual. That worker would own that money.

LAMBRO: That worker could then collect that money on retirement. That worker could leave that money in his or her will to their children, to their family or to anyone they choose. That's the big difference.

And that's the first step. And then you gradually -- once you got that in law, over the years, we would probably begin expanding it, as we always do.

And here's the reason why that's probably going to work pretty well and lead to where Mr. Bush wants it to lead.

When they started the thrift savings plan reform, and Congress decided that we're not going to have just the government taxing people and giving that money out in pensions, but let federal workers put money into stocks and bonds and realize a much higher return and a more comfortable retirement investment, that program started out with just bonds. They could just put their money into a bond plan.

It was a very small, incremental step. That's as far as Congress wanted to go.

And what happened? Well, gradually over the years -- and it hasn't been that many years -- they've been expanding it and eventually they began opening it up to stocks, and then they began opening it up to overseas stocks, foreign stocks. Now they're getting really -- this is really risk taking.

And that's what we have now. You can invest in overseas stocks now, if you're a federal employee.

So we'll start with these bonds. They would be owed to people. They'll be voluntary. And I think that's going to be voted on in the House some time this fall. And there may be another larger plan that Bill Thomas, the chairman of the Ways and Means Committee, is going to come forward, which has a lot of good things in it that's going to be a retirement reform plan.

And one of the best parts of that plan is going to be on 401(k)s, where if you're a worker and you go work for a company with a 401(k), you are automatically signed up. Millions of workers, for some reason, don't sign up to 401(k)s, even though their employer is going to put money into the account and then losing that. You automatically would be, under Mr. Thomas' proposal, under that 401(k) and you would have to actually act to remove yourself.

This will put millions of people, particularly lower-income people, under a much, much better system.

So I think that's where it's going.

I think I would just leave you with this one note that, as I said earlier, I think we should be optimistic about where this issue is all headed. We don't do things quickly in major reforms. This is the biggest social program the government operates in the history of our country, and we're going to take small steps to get down the road.

But I think we're going to eventually reach that point. And we can do what Patrick Daniel Moynihan and Ron Brown wanted to do, which is to take some of this money out of the hands of the politicians who want to spend it 6on corporate welfare and on HUD grants and on wasteful spending that we all know goes on, and put it in the hands of people who would actually own it, who could yield a higher return on their retirement and they could leave it to their heirs.

LAMBRO: Thank you, ladies and gentlemen.

MARTIN: Thank you very much, Don.

And, by the way, speaking of those surpluses -- and you mentioned Moynihan -- a couple of other senators that I like to quote and be bipartisan about it, the late Senator John Heinz of Pennsylvania, and Senator Fritz Hollings, who just retired from South Carolina, they called it embezzlement. If you did it at a company you'd get locked up.

You mentioned the Thrift Savings Plan. I like to say if it's good enough for a senator, it's good enough for a senior. We know it's there for us seniors.

By the way, the AARP you just mentioned is really out there -- the height of hypocrisy to talk about scaring seniors about you have to go as if you have to roll the dice to go invest in the stock market.

That's nonsense. They're not talking about that. You're talking about a safe mix of bonds and stocks and, as you emphasized, Don, bonds.

But it's, kind of, hypocritical, when you thumb through their magazine, and what are they doing? They're hawking dozens and dozens of stocks and bonds. I guess the risk is if you don't purchase them from them.

Let me now conclude with a young point of view from a rising star in public policy, Ursula Williams. Ursula is a 2004 graduate of Viola (ph) University in Southern California.

She developed a real interest in political affairs by serving as a campaign volunteer, a congressional staffer. She's volunteered, she's worked at the Senate Republican Conference and at the White House in the Office of Public Liaison.

Ursula Williams believes that no domestic issue is more critical than Social Security reform. She believes it will be her generation that'll be most impacted by the reform of this 70-year-old system.

And it does need some reform so others can enjoy the benefits that I now enjoy as a recipient; as Don is soon going to enjoy.

Ursula, come on up. (APPLAUSE)

WILLIAMS: Thanks, Jim.

Thanks, everyone, for coming today.

Students for Saving Social Security are happy to celebrate Social Security's birthday today. We value and appreciate the system and all the help that it's given seniors of the 70 years.

But, because of the demographics, because of the statistics we saw earlier, we understand that our generation is now getting a bad rap from the system. We're not going to see the results that our grandparents are getting. And this needs to change.

We are asking for personal accounts. We're only asking for the opportunity to save some of our payroll taxes into a structure that will be there -- that we know will be there.

The ownership of it, the opportunity for empowerment, to know that it's there, and having better benefits and, most importantly, just choice -- the opportunity to have the choice to participate in the personal accounts.

The present system is broken for us. And personal accounts is what will fix it.

So, first, what we're doing is going to our grandparents to talk to them, to, sort of, ease their mind about personal accounts because, unfortunately, they are getting mixed signals from the AARP.

On one hand, they're being told to oppose personal accounts. And on the other hand, AARP is a business selling them mutual funds. And it seems pretty contradictory to me -- a conflict of interest.

And so we're first going to our grandparents and talking to them, going to the dinner table and just having a discussion about it.

And they appreciate that and they understand that. And that's something we feel very important about.

And that it's not about them; it's about our generation now.

WILLIAMS: The argument is about us being able to have the benefits that that they enjoy. And they get that.

And on the flip side of that, young people do get that in massive numbers. And that's why we're getting tons of hits on the Web site, secureourfuture.org. Tons of people are signing up for Students for Saving Social Security. They're excited about the issue. They're excited about personal accounts.

Personal accounts are very appealing to us. We want that ownership. We want that choice. We want that empowerment, and most importantly, the security, knowing that this future is secure and that Congress won't be able to spend it.

So luckily, we get it. Young people understand the issue.

And we're very active about. We're happy to be the voice of this force of young Americans all across the country for personal accounts.

We need these accounts. We're in dire need because we know the burden of debt is going to fall right on us, right on our backs. That's going to break our backs trying to pay off when the government wants to cash in on these empty promises of IOUs.

The payroll tax is going to be debilitating for us to get a job, to find a job, knowing that employers have to pay half of the payroll tax. We're the first hired and last fired -- did I do that wrong? We're not going to be able to keep the jobs that we're looking for, due to our employers not being able to afford to hire us. And it's going to be devastating on our quality of life. We're going to have to pay that tax.

And personal accounts are the only economic security to protect us from that.

Also, students today are very excited about personal accounts, because how beneficial they are to every community: to the black community, to minorities, to women.

For blacks, we're getting the worst end of the stick here, in that we have the lowest life expectancy. And so we're going into the workforce sooner, we're paying more throughout their lives and then dying sooner, and not receiving the benefits. And there's a wealth transfer from the black community to the white community. I find that appalling. I find that abhorrent, that the system is so unfair to the black community. And just getting the message out here is incredibly important.

Also, to women -- I find personal accounts incredibly empowering to women, in that you don't have to depend on being married to a man for your future, for the secure retirement.

WILLIAMS: Currently, under law, you have to be married 10 years to collect benefits. True feminism is having your own personal retirement and not having to depend on a man for your future.

And also, personal accounts actually benefit the gay and lesbian community. I find that very inspiring in that life partners would be able to leave their nest egg to each other and to their children.

So personal accounts for me are very important as a woman of color, as I am half-black, half-Latina, and I find that very important for my communities, and most important, for the low-wage earners, for the poor workers who are living paycheck to paycheck, much like my fellow students, who are paying off our student loans, unfortunately.

We cannot save. We don't have the money to save. And this is an opportunity for the government to help us save, to help build that structure and can save for us while we're paying off our bills, paying off our loans, and, again, for the poorer workers who are also not able to save.

And it's so inspiring that this would bring about economic justice, economic and social justice to all communities, having everyone be an owner. I can't think of anything more progressive, more inspiring than having everyone own a piece of America and decentralizing the wealth, spreading it out to everyone, to every community. Students are very excited about that.

So until now we've been ignored, we've been taken advantage of, but no longer.

Students for Saving Social Security are taking action. This is a call to action to every student out there to visit the Web site, to sign up, to get involved, to contact your Congress members, and to shout from the rooftops that we want a personal account and we're dependent on that for our action.

We're very hopeful about personal accounts, and we're very excited to have a personal trust fund. This is like having our own personal lockbox. And Students for Saving Social Security are incredibly excited to get the ball rolling.

(APPLAUSE)

MARTIN: Thanks a lot, Ursula.

And you're absolutely right, those personal retirement accounts -- personal. And, unfortunately, as you've pointed out, if you die before your 65th birthday you get nothing.

MARTIN: But if you paid into the system for 45 years, your heirs, your children, your spouse gets the benefit of that ownership that you talked about.

We were going to have time, I think, for a question or two but time is running short here.

I would like to have a little cake-cutting ceremony here if you don't mind. We do have a cake back here to celebrate the 70th birthday of Social Security.

And, you know, we all agree something has to be done. A majority of the public now says we need to fix the system. How we get there, of course, is still a contentious issue as it has been for my 40- something years in this town.

But I would like to say that right now, unless we -- if we leave the system as it is, unfortunately, your piece of the cake, Ursula, may not be as big as my piece which I will now enjoy.

If somebody would bring over this one piece of cake, we seniors -- this is a little bit of exaggeration, obviously -- but right now under the current system, seniors get a big piece of cake.

And I see one senior out in the audience, an old friend of mine, Owen Frisby (ph), who is also old enough to be on Social Security -- he's even older than I am and I'll be 70 on my next birthday -- but Owen is the fellow we would think should have this piece of cake.

And Owen, don't eat all of that at one time.

(LAUGHTER)

But, Ursula, unless the system is changed -- and you worked 45 or 50 years as I have done and I'm still doing, as my favorite senior, my late departed mom who lived and worked into her 80s -- died just last year at 88 -- she did work into her 80s, she depended on her Social Security check, hard-working woman all of her life -- but unless we do something to change that system, I'm sorry, your piece of the cake though is going to be like this.

So we do say let's fix the system for future generations.

I want to thank you folks for your attendance today.

I would urge the young people out there -- it's all about you. It's not about us current seniors. We know Social Security is there for us, not just President Bush but everybody, Democrats and Republicans alike are going to see it's there. Nobody's going to take it away. And that's the fear that's been thrown out there, as Don mentioned earlier, the demagoguery.

And so we do say go forth. You've got a big battle on your hands. But I'm enthused by the youth of today and the fight that you are waging, the Students for Saving Social Security, and work with the other group, the Fix Our Future group.

MARTIN: And we will prevail. It's a long, hard road.

But it's like Medicare. I worked on Capitol Hill when Medicare passed 40 years ago this year. And, quite frankly, it's the other big entitlement program.

But seniors have worked hard all their lives and nobody's going to take away their Social Security.

If there's any message I can leave out there to all my fellow seniors: Nobody's going to take it away. But we're trying to make sure it's there for future seniors -- as my mom said, her other assets, her children and her grandchildren and her great grandchildren.

I see our time is up. I sincerely thank you for yours. Thank you very much.