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**PRIVATIZATION SLASHES BENEFITS AND ADDS TRILLIONS
TO SOCIAL SECURITY'S LONG-TERM COST**
Bush Administration Offers Misleading Comparisons of Shortfall vs. Costs of Privatization

Washington, D.C. – The plan that President Bush has labeled a “good blueprint” for Social Security reform only achieves solvency through massive cuts in guaranteed benefits – not privatization. Private accounts would cost \$2.2 trillion more than the current program over the next 75 years, according to a new analysis by the **Joint Economic Committee (JEC) Democrats**.

“The Bush Administration’s latest faith-based initiative is privatizing Social Security,” said **Rep. Pete Stark (D-CA)**, Senior Democrat on the JEC. “The Administration claims that spending \$2 trillion on privatizing Social Security today will save us about \$10 trillion in the future. But this wildly exaggerates the problem and is a misleading comparison between the shortfall and the costs of privatization. The President’s blueprint for fixing Social Security only achieves cost savings by drastically cutting benefits. The shortfall actually grows by adding private accounts.”

“The promises of privatization simply don’t add up,” said **Rep. Stark**. “It makes no sense to spend trillions of dollars today to address possible shortfalls more than 100 years from now.”

Despite the Administration’s claims, Social Security will remain solvent for nearly fifty more years, and thereafter Social Security would be able to pay 70 to 80 percent of benefits. To make the costs of privatization seem small by comparison, the Administration cites a highly speculative figure of \$10 trillion or more as the size of the Social Security shortfall. But that number is based on projections into eternity, with two-thirds of that shortfall occurring after 2078.

The official estimate by the Social Security Administration puts the 75-year shortfall at \$3.7 trillion, while the Congressional Budget Office (CBO) estimates suggest a smaller deficit of about \$2 trillion. The “blueprint” privatization plan would cut guaranteed benefits by \$3.6 trillion over the next 75 years – roughly equal to the shortfall. Even with private accounts, benefits for the typical retiree in 2065 will be 45 percent lower than under the current system, according to CBO.

To put the problem into perspective, making the Bush Administration’s four enacted tax cuts permanent would cost 3 to 5 times as much as the Social Security shortfall over the next 75 years. Put another way, the entire Social Security shortfall is about equal to the cost of making permanent the Bush tax cuts for the highest income taxpayers.

Full text of the report, *Privatization Slashes Benefits and Adds Trillions to Social Security’s Long-Term Cost*, is at <http://jec.senate.gov/democrats/Documents/Reports/ssprivatizationdec04.pdf>.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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