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Opening Statement
Representative Pete Stark
Joint Economic Committee Hearing
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Thank you, Chairman Bennett. I also want to thank you for holding this hearing on “Helping Americans Save” and thank our witnesses for testifying today.

While we all recognize the importance of saving for retirement, we all don’t have the means to do so. It’s all many low- and moderate-income families can do just to get by each day, let alone put away a little money each month for retirement. One economic disruption to a family, such as unemployment, a medical emergency, or a divorce, can wipe out their savings.

Most Americans actually find it difficult to save. Although consumers realize that they would be better off if they saved, many lack the willpower to put off buying that TV that’s on sale today in favor of waiting until they can pay cash. But saving is a key factor in determining how well many Americans will be able to maintain their standard of living during retirement.

While some families are well on their way to a secure retirement, many families have accumulated little or no savings. Seventy-five percent of families with income under \$25,000 do not own a retirement plan of any kind, and half of all families who do have a 401(k) have a balance of less than \$2,000, according to the most recent data from the Federal Reserve.

Clearly, Social Security will continue to play a key role in maintaining retirement income security for the majority of American families. For one-fifth of seniors, Social Security is their sole means of support in retirement, and two-thirds of the elderly receive the majority of their income from the program. Moreover, Social Security is instrumental in keeping millions of elderly families out of poverty. The poverty rate among the elderly is 10.5 percent, but would be 47.4 percent without Social Security. Over the past fifty years, Social Security has dramatically decreased poverty among the elderly. Privatizing Social Security, as President Bush has proposed, would lead to widespread retirement insecurity.

Most saving for retirement occurs because workers are automatically enrolled in a program such as Social Security or a defined-benefit pension. We’ve seen higher retirement plan participation rates where employers have applied automatic enrollment – where workers must opt out – to 401(k) type plans. Another successful type of default is to have workers commit to save some portion of future salary increases, so their current take-home pay remains the same.

While these are all innovative approaches to increasing saving, the President has only offered more and bigger tax shelters that largely reward those who can already afford to save. Tax-incentives could be redesigned to increase saving among the low-income population, but existing policies and the President's proposals offer little to low-income families and are not an effective way to increase saving. Not only are the Administration's proposals unlikely to have much of an effect on private saving, they could actually decrease it. Moreover, the Administration's costly proposals would decrease public saving by increasing future budget deficits.

In order for Americans to be able to save, first they need good jobs that pay good wages. The President's policies are clearly failing here, because we still have a huge jobs deficit and workers' productivity gains aren't showing up in their pay checks. But that's a topic for another hearing.

Our witnesses have some sensible suggestions for helping Americans save and promoting retirement income security. Proposals for better financial education and using default options in employer-sponsored pensions should be encouraged. But our first priority must be to preserve and strengthen Social Security for current and future retirees. Every industrialized nation in the world, including this one, has recognized that the social safety net must include a government-sponsored retirement system. Without Social Security, many of the elderly in this country would not be able to live out their golden years with dignity.

I look forward to the testimony of our witnesses today.

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