

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Rick Perry: Consistently Wrong on Social Security

Republican presidential candidate Gov. Rick Perry's statements about Social Security have been consistently false or misleading, and completely out of touch with the American people. At best, they reveal a dangerous ignorance about Social Security, a program that has provided essential economic security to America's working families for the past 76 years. At worst, they telegraph the candidate's willingness to disregard and distort the facts, and his deep hostility to Social Security. Governor Perry has said:

- Social Security is a Ponzi scheme. Wrong.
- The idea that Social Security will be there for today's young people is a "monstrous lie." Wrong.
- Social Security is unconstitutional. Wrong.
- We need to consider raising the retirement age. Wrong.
- We need to consider means testing Social Security. Wrong.

Below is an analysis of Perry's recent statements about Social Security.

SOCIAL SECURITY IS A PONZI SCHEME

Perry: Social Security "is a Ponzi scheme for these young people." ([Iowa Caucus Event at The Vine Coffeehouse, August 27, 2011](#))¹

The Truth: Social Security is the opposite of a Ponzi scheme, which is a fraud, a deceptive and totally unrealistic promise made by a swindler that your investments will reap huge returns. No one is cheated out of Social Security. Social Security is a promise made by all of us together, using the United States government to make that promise work. Just as adult children have always cared for aging parents, Social Security is a promise across generations. It is protection earned by working persons through their contributions, which insures against lost earnings resulting from severe disability, retirement or death. Social Security has delivered on that promise for 76 years. That's why it is America's most successful and popular federal program. Unlike a Ponzi scheme, it will always deliver on that promise, if the American people continue to elect politicians who support it.

SOCIAL SECURITY WON'T BE THERE FOR TODAY'S YOUNG PEOPLE

Perry: "The idea that [young people] are working and paying into Social Security today, that the current program is going to be there for them, is a lie. It is a monstrous lie on this generation, and we can't do that to them." ([Iowa Caucus Event at The Vine Coffeehouse, August 27, 2011](#))²

The Truth: Social Security will be there for today’s young people—no matter what. It is there right now providing the only life insurance and disability insurance that most young workers and their families have. It will also be there if they are fortunate to reach old age. Like any program that projects its income and outgo three-quarters of a century into the future, Social Security can sometimes project distant shortfalls, but it can never go bankrupt. Its major source of income is from the contributions of workers and employers; as long as there are workers, Social Security will have income. The truth is that, even if Congress takes no action to close [Social Security’s modest funding gap](#), the program will be able to pay all promised benefits through 2035 and more than three-quarters of promised benefits after that based on workers’ contributions.³ To guarantee full benefits after that we should require that [people with wages of more than \\$106,800 a year pay Social Security taxes on all of their income](#)—like the rest of us do who make less than that.⁴ Ensuring that the next generation will benefit from the promise of Social Security is all about choices. Which would you choose: tax cuts and tax loopholes for the wealthy, or financial security for everybody else?

SOCIAL SECURITY IS UNCONSTITUTIONAL

Perry: Social Security was created “at the expense of respect for the constitution and limited government.”⁵ ([Fed Up!](#), Rick Perry, November 2010)

The Truth: The Supreme Court ruled Social Security constitutional in 1937, and it has not been seriously contested since. In the Court’s 7-2 ruling, in the [1937 case Helvering v. Davis](#), Justice Benjamin L. Cardozo wrote that Social Security is constitutional, because “Congress may spend money in aid of the ‘general welfare.’”⁶

CONSIDER RAISING THE RETIREMENT AGE

Perry: “We need to decide, are we gonna raise the age of eligibility? What’s the age gonna be that we’re gonna make the transformation from?” ([Iowa Caucus Event at The Vine Coffeehouse, August 27, 2011](#))⁷

The Truth: Not only do we not *need* to raise the retirement age, we should not. We can close Social Security’s projected long-term funding gap by removing the cap on wages taxed for Social Security.

Governor Perry does not seem to realize that raising the retirement age is bad policy. Raising Social Security’s full retirement age from 67 to 69 amounts to a [13 percent across-the-board benefit cut](#), no matter what age an eligible worker retires.⁸ This would be especially unfair to low-income workers and minorities, who are more likely to work in [physically demanding jobs](#).⁹ Finally, raising the retirement age discriminates against the [growing number of elderly unemployed](#), who have a [much harder time finding new work](#) after being laid off.¹⁰ Governor Perry is out of touch with the vast majority of Americans who oppose raising the retirement age.

CONSIDER MEANS TESTING SOCIAL SECURITY

Perry: “Means testing is one of those things that we oughta have a conversation about. Or you know, does Warren Buffet need to get Social Security? Maybe not.” ([Iowa Caucus Event at The Vine Coffeehouse, August 27, 2011](#))¹¹

The Truth: Means testing may sound good, but unless it hits the middle class, it would not save the program much money. More than 90 percent of all benefits go to individuals who receive less than \$50,000 a year from sources of income other than Social Security. Only 2 percent of benefits go to [individuals with earnings over \\$100,000](#).¹² Limiting or eliminating benefits for Warren Buffett, as Perry suggests—or any of the relatively small number of people with earnings over \$100,000 for that matter—would do little to help the overall solvency of the program, but would greatly harm it.

Social Security is not welfare; it is earned. For the same reason that Warren Buffet is entitled to private life insurance, disability insurance, or an annuity he may have purchased, he is entitled to Social Security, whose benefits are modest but vitally important to all but the handful of millionaires and billionaires among us.

What means testing will do is greatly undermine public support for Social Security by changing it from a universal insurance system to a government welfare program. It would certainly make Social Security more vulnerable to politicians like Perry, who claim it is unconstitutional and recently called it an [“injustice”](#) that the poor do not pay higher taxes.¹³

Means testing erodes the traditional American values that Perry claims to represent. It will punish hard work and thrift. If someone has too much in income and assets they would risk losing some or all of their Social Security benefits. Government policy should encourage accumulation of a nest egg, not discourage it.

Finally, means testing would greatly increase administrative costs and undermine the dignity of hard-working Americans. [Social Security’s low administrative expenses—less than 1 percent of total benefits paid—would likely double](#) if the program were means tested, since potential beneficiaries would likely have to produce bank account statements, value of assets, tax returns, gifts to children, etc., to show that they are below the government-approved level to receive benefits.¹⁴ Many would consider that distasteful and undermining of dignity since Social Security belongs to those who contribute to it; it is not a welfare program.

We agree with Gov. Perry that the country would benefit from a “good, thoughtful conversation” about Social Security.¹⁵ Unfortunately, he either lacks the basic understanding of Social Security needed to have such a conversation, or, in his dislike of nearly all things “federal,” he simply lacks interest in having an honest conversation, based on facts.

Either way, we hope he will change his approach to Social Security. Its future is too important to the well-being of new generations of workers to be shaped by false or misleading arguments.

¹ YouTube, “Rick Perry Answering Questions in Ottumwa, IA. August 27 2011. Part 2,” August 28, 2011. <http://www.youtube.com/watch?v=XHPoUsPfnWs&NR=1>

² YouTube, Ibid.

³ Social Security Trustees, *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, 2011, p.9. <http://www.ssa.gov/oact/TR/2011/tr2011.pdf>

⁴ Social Security Administration (SSA), Office of the Chief Actuary, “Description of Proposed Provision: Beginning in 2011, make all earnings subject to the payroll tax (but retain the current-law taxable maximum for benefit calculations),” March 2, 2011. http://www.ssa.gov/oact/solvency/provisions/charts/chart_run205.html

⁵ Citation from *Fed Up!* in *Wall Street Journal*, “Rick Perry is Less ‘Fed Up’ Over Social Security,” August 18, 2011.

<http://blogs.wsj.com/washwire/2011/08/18/perry-is-less-fed-up-over-social-security/> Article references statements by Perry spokesman to claim Perry was walking back remarks in book about Social Security’s constitutionality. Since that time, however, Perry confirmed that he maintains the positions he embraced in his book *Fed Up!* “I haven’t backed off anything in my book. Read the book again, get it right,” Perry said. *Think Progress*, “BREAKING: Perry Says He Hasn’t ‘Backed Off’ Anything in Book, Still Thinks Social Security is Unconstitutional,” August 27, 2011. <http://thinkprogress.org/politics/2011/08/27/306126/rick-perry-social-security-still-unconstitutional/>

⁶ Benjamin L. Cardozo, “No. 910, *Helvering v. Davis*, 301 U.S. 619,” May 24, 1937. Retrieved from the library of Cornell University School of Law on August 29, 2011.

<http://www.law.cornell.edu/socsec/course/readings/301us619.htm>

⁷ YouTube, Ibid.

⁸ Social Security Administration, “Effect of Early or Delayed Retirement on Retirement Benefits,” 2010.

http://www.ssa.gov/OACT/ProgData/ar_drc.html Each one-year increase represents a cut of 6 percent to 7 percent.

⁹ Hye Jin Rho, “Hard Work? Patterns in Physically Demanding Labor Among Older Workers,” Center for Economic and Policy Research, July 2010, p. 1. <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>

¹⁰ For rates of early retirement by older laid-off workers: Government Accountability Office, “Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls,” November 2010, p. 25.

<http://www.gao.gov/new.items/d11125.pdf> For recent increase in age discrimination claims: *Washington Post*, “Age Discrimination Claims Jump, Worrying EEOC, Worker Advocates,” July 2009.

<http://www.washingtonpost.com/wp-dyn/content/article/2009/07/15/AR2009071503760.html>

¹¹ YouTube, Ibid.

¹² Data and chart adapted from a chart by the Center on Budget and Policy Priorities, Kathy Ruffing, “Means-Testing No Answer for Social Security,” March 10, 2011. <http://www.offthechartsblog.org/means-testing-no-answer-for-social-security/>

It is based on data from a report by the Center for Economic and Policy Research (CEPR), Dean Baker and Hye Jin Rho, “The Potential Savings to Social Security from Means Testing,” March 2011. <http://www.cepr.net/documents/publications/ss-2011-03.pdf> Tabulations reflect all people 62 or older in the March 2010 Current Population Survey who reported receiving Social Security in 2009. For married couples, CEPR divided income equally between spouses.

¹³ Rick Perry, Presidential Announcement Remarks, August 13, 2011. <http://www.rickperry.org/news/text-gov-rick-perry-presidential-announcement-remarks/>

¹⁴ Assuming that eligibility review costs would equal the current disability program’s costs, which requires the same extensive review as a means test. See Dean Baker and Hye Jin Rho, “The Potential Savings to Social Security from Means Testing,” Center for Economic and Policy Research, March 2011, p. 12.

<http://www.cepr.net/documents/publications/ss-2011-03.pdf>

¹⁵ YouTube, Ibid.