

By: Raymond

H.C.R. No. 54

CONCURRENT RESOLUTION

1 WHEREAS, Enacted in 1935, the social security system was
2 designed to provide continuing income for American workers and
3 their family members on retirement, disability, or death; the
4 system includes two trust funds to which American workers
5 contribute a portion of their income: old-age and survivors
6 insurance and disability insurance; and

7 WHEREAS, Today, more than 96 percent of American workers pay
8 into social security and expect to collect benefits from the
9 program; more than 47 million receive checks from the social
10 security system, and social security constitutes more than half the
11 income of nearly two-thirds of retired Americans--for one in five
12 it is their only income; and

13 WHEREAS, President George W. Bush has made it clear that a
14 primary objective of his administration is the fundamental
15 transformation of the social security program; to that end, in
16 2001, President Bush established the President's Commission to
17 Strengthen Social Security, which submitted three proposals for the
18 privatization of the program that featured private investment
19 accounts created by diverting two percent of each worker's
20 traditional social security contribution; and

21 WHEREAS, Analysis of these proposals has revealed it would
22 cost between \$2 trillion and \$3 trillion to pay for the creation of
23 private investment accounts while continuing coverage for social
24 security's current beneficiaries; such an enormous increase in

1 spending would clearly require some combination of benefit cuts,
2 increased taxes, or further borrowing by the federal government;
3 and

4 WHEREAS, The 2004 Economic Report of the President
5 acknowledged that the impact of one of the privatization proposals
6 considered by the president's commission would be annual increases
7 in the federal budget deficit greater than one percent of gross
8 domestic product (GDP) for nearly two decades, resulting in an
9 increase to the national debt in an amount equal to 23.6 percent of
10 GDP by 2036; with the national debt currently at \$7.6 trillion, just
11 under the statutory limitation, the economic consequences of
12 privatization could be severe; and

13 WHEREAS, Moreover, economists predict that privatization
14 would actually worsen social security's long-term finances and
15 jeopardize the baby boom generation's retirement; social security
16 was originally funded on a "pay-as-you-go" basis with annual
17 revenues equal to annual outlays, but federal legislation passed in
18 1983 authorized the system to take advantage of changing
19 demographics and build surpluses in the system's trust funds; the
20 Congressional Budget Office has projected that these surpluses will
21 be spent and the program will revert to "pay-as-you-go" in 2052; and

22 WHEREAS, Under privatization, however, funds that are now
23 deposited to prepare for retiring baby boomers instead would be
24 diverted to create private investment accounts, and as a result
25 social security's trust funds would be exhausted before 2030, and
26 the federal government would be forced almost immediately to take
27 drastic measures to uphold commitments to current beneficiaries and

1 near-retirees; the burden to retirees in the form of lowered
2 benefits or increased taxes could not be ameliorated by returns
3 from private investment accounts in such a short period of time; and

4 WHEREAS, Indeed, the Securities and Exchange Commission
5 reported in 1999 that most Americans lack the financial education
6 necessary to make even basic investment decisions; similarly,
7 research by noted economists at Yale University and Princeton
8 University has demonstrated that an individual investor's
9 portfolio cannot be expected to match the overall yield of the stock
10 market and that even professional money managers significantly
11 under-perform market indexes over the long term; and

12 WHEREAS, While individual investors cannot be guaranteed a
13 significant rate of return on social security contributions
14 diverted to Wall Street, brokerage houses, banks, and mutual funds
15 stand to make considerable profit from management and
16 administrative fees associated with private investment accounts;
17 since 1988, financial intermediaries operating within the United
18 Kingdom's privatized national pension system have collected an
19 average of 43 percent of the return on pensioner investments; and

20 WHEREAS, In fact, the national pension system in the United
21 Kingdom serves as a principal example of the potential consequences
22 of privatization; in Britain, citizens have been victimized by poor
23 investment decisions, and the government has been saddled with
24 substantial bureaucratic expenses and the obligation to rescue
25 failed individual private pension plans in the face of lost
26 revenue, prompting researchers at the international Organization
27 for Economic Cooperation and Development to conclude that pensioner

1 poverty, which had been all but eradicated before privatization, is
2 again a pervasive problem in the United Kingdom; and

3 WHEREAS, The continued solvency of social security is
4 certainly in the best interest of every American; millions depend
5 on the program for income during retirement, and for some families
6 social security has become a vital safety net as the result of death
7 or disability; equally certain, however, is the fact that the
8 disadvantages of privatization far outweigh the benefits, and
9 privatization should be rejected in favor of a more studied
10 solution to the program's longevity; now, therefore, be it

11 RESOLVED, That the 79th Legislature of the State of Texas
12 hereby respectfully urge the United States Congress not to
13 privatize the social security program; and, be it further

14 RESOLVED, That the Texas secretary of state forward official
15 copies of this resolution to the president of the United States, the
16 speaker of the house of representatives and the president of the
17 senate of the United States Congress, and all members of the Texas
18 delegation to the congress with the request that this resolution be
19 officially entered in the Congressional Record as a memorial to the
20 Congress of the United States of America.