By: Raymond H.C.R. No. 13

CONCURRENT RESOLUTION

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

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

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

WHEREAS, Analysis of these proposals has revealed it would cost between $2 trillion and $3 trillion to pay for the creation of private investment accounts while continuing coverage for social security's current beneficiaries; such an enormous increase in spending would clearly require some combination of benefit cuts, increased taxes, or further borrowing by the federal government; and

WHEREAS, The 2004 Economic Report of the President acknowledged that the impact of one of the privatization proposals considered by the president's commission would be annual increases in the federal budget deficit greater than one percent of gross domestic product (GDP) for nearly two decades, resulting in an increase to the national debt in an amount equal to 23.6 percent of GDP by 2036; with the national debt currently at $8.6 trillion, just under the statutory limitation, the economic consequences of privatization could be severe; and

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

WHEREAS, Under privatization, however, funds that are now deposited to prepare for retiring baby boomers instead would be diverted to create private investment accounts, and as a result social security's trust funds would be exhausted before 2030, and the federal government would be forced almost immediately to take drastic measures to uphold commitments to current beneficiaries and near-retirees; the burden to retirees in the form of lowered benefits or increased taxes could not be ameliorated by returns from private investment accounts in such a short period of time; and

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

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

WHEREAS, In fact, the national pension system in the United Kingdom serves as a principal example of the potential consequences of privatization; in Britain, citizens have been victimized by poor investment decisions, and the government has been saddled with substantial bureaucratic expenses and the obligation to rescue failed individual private pension plans in the face of lost revenue, prompting researchers at the international Organization for Economic Cooperation and Development to conclude that pensioner poverty, which had been all but eradicated before privatization, is again a pervasive problem in the United Kingdom; and

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

RESOLVED, That the 80th Legislature of the State of Texas hereby respectfully urge the United States Congress not to privatize the social security program; and, be it further

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