

**Washington, D.C.** -Price Responds To Emails from Constituents in a Live E-Town Hall Meeting

Today, US Rep. David Price (NC-04) hosted his first electronic town hall meeting, the topic of which was Social Security. Price took emailed questions from constituents and answered them in a live hour-long online chat. The transcript of the discussion appears below:

Greetings to the 4th district!

Congressman Price is currently voting on the House floor. However, before he left, he wrote a brief introduction. He also drafted a few responses to emails that have been submitted in recent days. So, we'll start with those questions and answers, and he'll join us live in just about 10 minutes or so.

Introduction

Good afternoon, and thank you for joining me here today! This is a "first" for me, as it may be for you. I'm used to answering questions in traditional town hall meetings, in small groups, on the street, or even in the grocery store -- but I don't often answer them in an online chat! I hope that we'll both find this to be an interesting learning experience, and that this will be a worthwhile opportunity to answer the questions of people who don't often get involved in the political process.

Before we get started, I'll just start with a quick summary of where I am on the possibility of Social Security reform: I believe Congress should strengthen Social Security without increasing the deficit, harming the middle class, or slashing guaranteed benefits. I think it was a mistake to abandon the fiscal policy that in the late 1990s reserved Social Security surplus revenues to pay down federal debt and prepare for the system's obligations to the baby-boom generation. Finding a solution to the long-term challenges won't be easy, but in order to do it, we must be forthright in outlining what the consequences of each of the proposals may be.

Let me also mention, briefly, that we have already received many more questions than I could possibly answer in this hour. We're going to try to answer the questions that reflect the concerns of most people. If we don't get to your question, please go to my website at [www.price.house.gov](http://www.price.house.gov) to check out our Issues page on Social Security or to submit your question to me directly. I'll post the transcript there, too.

Let's get started!

How can the president expect to fix social security by diverting money to private accounts at a time when the system needs it the most? Thanks, David, and keep up the good work!

I appreciate the kind words. You raise a good point. The President's "solution" to the long-term solvency problem would actually move up the date by which annual Social Security benefit payments are expected to exceed annual revenues -- by six years. And it would move up the date by which the trust fund would be unable to pay 100 percent of benefits -- by 11 years.

I'm in college. Isn't privatization better than nothing? Social Security won't be there for me when I retire.

That's just the thing -- the President's plan isn't better than doing nothing. In fact, it's far worse than doing nothing, especially for someone your age. Under the president's plan, the average 20-year old would stand to lose \$152,000 in promised benefits when he or she retires.

Even if we did nothing at all, Social Security would still be there for you when you retire. The Social Security Trust Fund would still be able to pay out about 80% of benefits when you're ready to retire, and there's no reason to believe it would ever go lower than that. Now, I know that's not ideal -- we must ensure that the Trust Fund pays 100% of benefits when you retire! -- but it's a lot better than what the President is proposing. That's why I think we should take the time to come up with the right plan...not rush into this plan.

What is "clawback"? What I understand is that when a person selects private accounts, the percent selected is then reduced from the retirees SS benefits. That never seems to be spelled

out to all, and in my opinion needs to be for people to make a correct decision. Thanks for you help.

You're right. The president's plan for private accounts includes a "clawback," or "tax," as it is also called. It is pretty difficult to comprehend, and most people have not been given the information they need to understand it.

Basically, the president's plan requires that workers repay all of the payroll taxes diverted to their private accounts, plus interest, through a further reduction in the worker's guaranteed retirement benefit. In essence, this would be the equivalent of imposing a 50-80 percent "tax" on the value of the private account at retirement, depending on how much the account has earned over time. That means you could end up with as little as 20% of what's in your private account.

Why would the President's plan include this provision - why isn't he more straightforward in explaining it? As far as I can tell, it's because his plan is so expensive that the only way he can offset the cost is to try to pass it along to the retiree.

It seems to me that allowing people to invest a small part of social Security would be a good thing. What would be the harm? I have always voted for you, and appreciate your work.

You're right in that, on the surface, the concept seems perfectly logical. But as the saying goes, the devil is in the details. The reason I and many other members of Congress -- from both sides of the aisle -- oppose private accounts is because they jeopardize both the future of Social Security and our economy. There is plenty of solid, nonpartisan data that has convinced us of this. For example, using the nonpartisan Congressional Budget Office's (CBO) risk-based estimate of future returns on investments in stocks and bonds, a private account would leave a retiree no better off than someone who decided not to use them. In fact, it leaves some people significantly worse off, thanks largely to the reduction in guaranteed benefits. Moreover, the president's plan would leave a large hole in the overall federal budget, adding \$1.4 trillion to the national debt in the first ten years alone.

In your experienced opinion, what is the real chance that SS will be privatized?

There are many people in Washington who are wondering the very same thing. The national poll numbers indicate that the more the public hears about the President's plan, the less they like it. But he seems very determined, and I've learned not to underestimate that determination.

If a privatization bill does come before the House, I'm sure the White House and the House Leadership will pressure many moderate Republicans to vote for it, even if their constituents don't want them to. I do not believe a pure privatization bill could pass the Senate. But if any bill passes the Senate, a House-Senate conference might be engineered to produce something close to the House bill. That happened once, with an inferior Medicare prescription drug bill, and it could happen again.

I'm Back!

Hi everyone -- thanks for your patience! I'm back, sitting in front of the computer, taking questions live.

What can we do to stop the false and misleading claims the White House is making to undermine Social Security?

I'm going to answer this question in conjunction with the next one:

I am a 17 year old recent graduate of Orange High School, and among my fellow peers there are several that are deeply concerned about social security. We feel as if our benefits may be scaled back in the future and at the present time we don't exactly know what is going to happen concerning our future benefits. How could social security reform affect us, and how do we make our voices heard?

To both of you, and everyone here of all opinions, I say: Ask questions. Get involved. Talk to your friends, your neighbors, members of your community. Write letters to your editor. And demand representation that reflects your values and your interests.

And to the 17 year old from Orange High School, congratulations on your recent graduation - and keep up your interest in important issues! I hope the earlier question from the college student (and this discussion in general) has answered your question about how you might be affected.

We should be able to do what we want with our Social Security money. Do you Democrats really think the federal government can do a better job planning for our retirement than we can? I don't.

The President's plan wouldn't simply allow you to invest your money however you please. You would be forced to choose from a small selection of government-approved funds. Plus, the "tax" that I referred to earlier significantly reduces the amount of money you'll get - especially when you factor in the massive benefit cuts that the President has included in the plan.

Another factor to consider is the cost of privatization, which is so significant that it jeopardizes Social Security for everyone, including today's retirees.

If Democrats think Social Security works so well, how come Members of Congress don't participate in Social Security?

This is one of those "urban legends" that has been making its way across the Internet for years! I am happy to have the chance to debunk it here. Since 1984, all Members of Congress have been required to pay into Social Security. Our payroll taxes and our benefits are calculated precisely the same way they are for all workers.

You and the other Congressional Leaders get to put money into the stock market, i.e. "Private Account", instead of Social Security. Why can't myself, and other non-Congressional Leaders, have the same benefits as you and the other Congressional Leaders in regards to Social Security, "Private Account", contributions into the Stock Market?

First of all, we do pay into Social Security, as I've stated. Second, I elected to supplement my Social Security income by opening a Thrift Savings Plan account, which is a voluntary savings

plan like any other 401(k). Many employers offer similar 401(k) plans, and I support legislation that make it easier for all Americans to save their money in a 401(k) and other retirement accounts. In fact, I believe it's one of the many options Congress should be considering now.

What the President is proposing is something different entirely. Instead of making it easier for you to save in addition to your Social Security guaranteed benefit, he wants to drastically reduce your benefit and replace it with a private account plan -- one that leaves you without anywhere near the flexibility or security of a 401(k) and one that may leave many Americans significantly worse off.

Social Security was founded during the Depression, which was a result of the Stock Market crash. Its purpose is to shield us from market instability, and other economic fluctuations. I continue to be amazed that noone ever talks about this huge irony. How can we call attention to the foolhardiness of investing Social Security funds in the stock market?

You are correct about much of the thinking that went into Social Security originally. I do not regard careful investment in the stock market as foolhardy, but it is important to diversify one's key investments. So, I oppose replacing Social Security as an anchor for Americans' retirement.

Can you explain how the "clawback" could possibly end up costing 50 to 80 percent of the retirees benefit?

The "clawback" takes back all the money that was used to start your account, plus 4% interest on that money. So, all you get to keep is the return above 4%. Based on past market rates of return and what is expected over the next 20 years, you would only be able to keep 20-50% of the total amount in your account.

It's hard to understand, and even harder to defend. I don't find it surprising that the President is reluctant to talk about it.

Democrats always whine that stock market is risky. I personally don't care if the stock market is risky, because Social Security won't be there for me when I retire. Besides, I'm investing in a

401k anyway. My friends and I say taking risks is better than getting nothing at all from a system I've been paying into already.

The President has done a great job of convincing younger people that Social Security won't be there for them, as we talked about in the earlier question. The thing is: he's not being straightforward with you. Social Security will still be there for you, even if Congress does nothing at all. Social Security will pay full benefits to everyone until about 2042, and even after that, retirees would take about a 20% benefit cut.

I have never whined about the stock market being risky. I invest in the stock market through my 401(k) and otherwise. I want to facilitate such investment for more Americans. But just as a wise investor diversifies his stock and bond portfolio, I would never suggest replacing the basic Social Security package of a guaranteed benefit plus disability and survivors insurance with a "private account." The idea should be to supplement, not supplant, Social Security.

Yes, congress does pay social security taxes but how can you really look at the plan with the peoples best interest at heart when you will be receiving your current pay with increases until you die?

I don't think I understand what you mean. My pension is calculated like those of other Congressional employees, based on years of service and salary. I will not get my full salary when I retire, not even close. I have, however, planned for my retirement and want to make it easier for all Americans to do the same.

Congressman, please spell out that your Thrift account is not part of what you pay into SS. Some people may think it is based on your response.

You're right -- my Thrift Savings Plan has nothing to do with what I pay into Social Security. It's just like any 401(k).

Are there incentives for greater savings for retirement proposed, that do not involve siphoning off some Social Security contributions? Social Security must not be "privatized." - that would

seriously weaken the funding structure for S.S.

I agree with you on both counts. I believe that incentivizing savings for retirement is one of several possibilities Congress should consider as part of a possible Social Security reform package. Generally the incentives proposed are tax breaks or, for low-income individuals, governmentally-provided matching funds.

Congressman, why didn't you just invite people who shared your opinions to participate? :o)

Because I do not regard the President as a role model in this regard!

I've heard about taking the cap off SS which I think is an excellent idea. I've heard of the higher incomes paying more SS which I also think a good idea - - any chance either of these suggestions may happen? I do not think the 'savings plan' a viable plan.

Many of you have written in with similar comments and suggestions. I agree that raising the earnings cap (the amount of one's income on which the Social Security payroll tax is levied) is one of many options we should consider as part of a bipartisan solution to the long-term Social Security solvency problem. It would not be the first time; the cap has frequently been adjusted in the past.

Why not just have the government invest part of Social Security surplus in the stock market.

I believe your idea has merit. You may remember that several years ago, President Clinton called for using a limited portion of Social Security's share of then-projected budget surpluses to buy a mixture of stocks and federal securities. I would have liked to see a greater effort by Congress to find a realistic way to make that work. A number of members of Congress, however, expressed concerns about the implications of extensive government ownership of private companies and the dangers of favoritism (or, conversely, the imposing of "politically correct" prohibitions) they saw in such a system.

I think your suggestion would definitely be something we should consider as part of a bipartisan effort to address the long-term challenges facing Social Security. The system would have to be carefully designed to avoid undue risk or abuse, but it could increase the rate of return on Social Security revenues without making the downside risk fall on individuals.

Are Social Security funds released for concerns other than retirement, survivor and disability benefits. As an example, are these funds available for military spending?

Social Security taxes can only be spent to pay benefits. When revenues exceed benefits, the surplus is required by law to be invested in US Treasury bonds at market rates of interest. This, of course, makes funds available to the Treasury to finance other government operations and to reduce borrowing elsewhere. But the US bonds held by the Social Security Trust Fund are the safest form of investment available, and it is irresponsible to suggest otherwise by denigrating them as "IOUs." The US Treasury has never failed to redeem its bonds in our country's entire history.

I understand that the expense ratio to administer the current SS Program is about 2%. Under the Administrations plan to privatize SS the expense ratio may climb to 10-12% from information I have received. Is this correct?

It's hard to say for sure because the Administration has not offered a complete plan, but your numbers are pretty close to many of the estimates I have seen. Fidelity Investments, an industry 401(k) leader, estimated that the Social Security Administration would need to hire 100,000 additional staff to handle the additional paperwork from the President's proposal. And Wall Street investing firms are expected to get close to half a trillion dollars in fees from private accounts in the next 30 years. So whether the new administrative costs of private accounts are 8% or 15%, there is little doubt that they will be much higher than they are now and that the people who will benefit the most from the President's plan are the investment firms which will handle the accounts.

I know the President announced some changes to his proposal not too long ago. How do they work?

President Bush has recently revised his benefit cut package to reflect a sliding-scale approach.

A sliding scale would result in less dramatic cuts in promised benefits for the average worker than would pure price-indexing (closer to 21% for the average American worker making \$35,000 a year, as opposed to 45% under his original plan). But this plan does even less to address the long-term financial shortfall facing Social Security! It would address only 57% of the Social Security shortfall. So, I can't help but wonder...how will he make up the remaining 43%? Reduce benefits? Raise taxes? He has yet to say how he would make up for that shortfall in funding.

One more important item to note: Although the poorest Americans would not see their guaranteed benefits reduced under the President's new plan, everyone making over \$20,000 a year would still have their benefits cut. In fact, it is the middle class that would lose the largest proportion of their retirement income under the President's new proposal.

First--many thanks for all your hard work on our behalf. My question: Specifically, what exactly is happening to us baby boomers? What specifically happens to my benefits and for all of us over 50?

Though the President and the House Republican leadership have not released a completely plan, they say it likely "won't affect" anyone over 55. Based on his recent "sliding scale" proposal, people who are about 50 years old, like you, could probably expect some benefit cut -- maybe around 12% -- when you retire.

But here's what's even more troubling: The president's plan would also have the effect of adding \$1.4 trillion to the national debt over the first ten years of the program, and nearly \$5 trillion over the first twenty years. That would result in an unsustainable 70% increase in our current national debt. What makes this even more incredible is that the interest costs of that additional debt alone are more than it would cost to keep Social Security solvent into the next century -- without any benefit cuts.

A debt that large will put every single government program at risk immediately - including Social Security.

When will the Social Security Fund payout = income. I can't live on S.S. so why not get some Private Acct to supplement? Why is the return on my S.S. so low? The Stock market usually

does better and Bonds almost always! Is the Fund still being used for other purposes?

You're right about the overall rate of return, which is one reason for the answer I gave above about having the government invest some portion of the Trust Fund in the equity market. However, the debate is also about risk, about costs to the Trust Fund and the Treasury, about disability and survivors insurance, and about retirement savings that do not depend on the state of the stock market on the day one retires. I hope this discussion touches on most or all of those matters today.

The bottom line, according to most analysts, is that the stock market would have to perform way above historic levels in order for people to break even or make more under the President's plan. That's just not a risk we should be willing to take.

Social Security is in good shape for decades, but Medicare and Medicaid are on the brink of failure within the next 10 years. Why not deal with those real problems first?

Great question. You're absolutely right – those problems should take priority. But the president and Republican Congressional leadership think otherwise, and their targeting of Social Security for radical change requires us to prioritize that issue.

Why not reduce or possibly eliminate disability payments from Social Security?

I personally don't think that's a good idea, although the Bush Administration recently said it is a possibility. Disability insurance was added to Social Security in 1956, and although most Americans will never use it, it is an essential component of the safety net. It offers protection that most people would feel it necessary to purchase, were it not available through Social Security. If government offered such protection, should it do so through direct funding at a time of record deficits? Disability insurance as an earned benefit that workers pay for through Social Security makes a lot more sense.

Using non-partisan, non-political numbers, tell me how much you really think the President's plan would cost.

The president's plan would force the government to borrow \$1.4 trillion over the first ten years of the program and nearly \$5 trillion over the first twenty years, significantly raising interest payments on the national debt. These statements come from the Social Security actuaries themselves.

Why are the Democrats not suggesting that social security be "reinforced" by repealing limited portions of President Bush's tax cuts? This seems to me to be a perfect way to demonstrate that the Democrats are for protecting the middle class and will put the Republicans in the position of having to say that social security should not be "reinforced" if it would harm any of the tax breaks already given out to the wealthy.

While I have supported tax cuts targeted toward the middle class, I believe that most of Bush's tax proposals have mainly benefited the wealthiest Americans, have done little to stimulate the economy, and have added trillions to our national debt. For one-third of the revenue lost to Bush's tax cuts, Social Security could be made whole for the next 75 years!

An additional thought...

One additional thought on that question: there have been numerous efforts to allow portions of the president's tax cut (for people making over \$500K a year) to expire, and all have failed because the Republicans have voted them down.

I urge you to do something to help Social Security shortfall by trying the private account solution and STOP SPENDING THE SURPLUS!

Let me refer you to earlier answers: the private account "solution" would make projected shortfalls come sooner, not later. As for spending the Social Security surplus, I agree. These revenues should be used to pay off debt, as they were in the late 1990s, not for tax cuts or new spending. That would be the best single way to prepare for the baby boomers' retirement. Unfortunately, George Bush abandoned this policy soon after he took office.

Don't leave just yet...

Folks, we have a few more questions we want to get to, so if you're interested in the discussion, stay with us for another 10 or 15 minutes!

What's the point in worrying about Social Security at all? The current administration isn't concerned with public opinion, World opinion or Constitutionality....They're enthusiastically willing to just ignore whatever laws happen to get in the way of achieving such noble goals as finding creative ways to justify & legitimize torture, killing filibusters, interfering with the Schiavos, ignoring the 9/11 commission... I am and have always been proud to be an American. But I am ashamed and embarrassed at the actions of the American government. I applaud Rep. Price's efforts to hold on.

Thanks for your support. Many of my constituents have echoed your sentiment that the actions of the president and the House leadership do not reflect their concerns as Americans. As you noted, I've voiced a few reservations about the Administration's policies myself.

It seems to me that the Democrats would just try to block whatever the President and the Republicans try to offer.

Your email raises an important issue: the disintegration of the relationship between Republicans and Democrats on Capitol Hill. I'm on my ninth term now, and I've never seen it as bad as this.

I think I speak for many Democrats when I say that we don't want Social Security to become a partisan issue – just as we didn't want prescription drug benefit legislation, or stem cell legislation, or any number of other important issues to be decided along party lines. As someone who still bears the scars of the budget battles of the early nineties, I mean it when I say that we must work together in order to accomplish anything meaningful. That is how Social Security was fixed in 1983, when its problems were much more severe than they are now.

Democrats have been dealt a tough hand in recent years – we've been shut out of important negotiations on the most important bills facing Congress, and the Republican leadership will use

arm-twisting and intimidation to get their bills passed, often against the wishes of the moderates of their own party. I appreciate the need for strong parties in the House, but we also need a bipartisan capacity to take on tough issues, and I fear we are losing that.

I find very interesting that you would schedule this electronic town hall meeting at a time of day that most tax and SS paying citizens are at work and can't participate in this forum. Please explain. By the way I am 50 years old and support President Bush's proposal for SS changes because our children will not be able to pay the much higher taxes and expect a decent standard of living in the nearer than they expect future.

Actually, we gave advance notice for this e-town hall meeting and opened up the website for early submission of questions because we wanted to ensure that everyone would have a chance to participate. We are also hoping that some of you might be catching this chat on a lunch break at your office! I do hope that constituents who couldn't catch the live chat are able to read the transcript later. It will be available on my website, and on this one.

Your question assumes that the only way to fix Social Security in the future would be to raise payroll taxes and/or make the benefits less adequate. I don't accept either assumption, for reasons I've explained in previous answers, and don't believe you should either.

When will the Democrats propose a plan, or are they waiting to see what the Republicans are going to do? I think it would be in the Democrats favor to get out there with a plan first and get public attention to it.

As I hope you've seen in this discussion, there are many things I would consider as part of a bipartisan plan. But for reasons I hope I've explained satisfactorily, I believe private accounts must be off the table, before the elements of a realistic solution are put on the table. Any final plan must not slash benefits while adding trillions to the national debt.

It seems to me that President Bush has waffled a lot on this issue. And like in Iraq and with tax cuts, he just twists the facts to mislead the American people and only wants to hear from people who agree with him. Thanks for standing up for us and fighting his crazy privatization plan and having open meetings.

Thanks. I believe that a straightforward, honest discussion about the possibilities for - and consequences of - Social Security reform is absolutely essential to understanding this issue. That's why I welcome people of all political stripes to the table as we discuss these challenges. Town hall meetings - be they mine or the President's - should be open for spirited debate, and North Carolinians should have an accurate sense of exactly how they would be affected by the possible plans, be they Democrat or Republican or bipartisan. The President has been less than straightforward about the benefit cuts that workers would ultimately face under his plan, and I think it is Congress's job to keep constituents informed. That's what I've been trying to do, and I appreciate your support.

THANK YOU!

This was a great discussion everyone! I hope you enjoyed it as much as I did. I only wish we could have gotten to every question, and I hope the answers I provided have been helpful.

To read this transcript online, you can also go to the [Online Town Hall website](#).

Participate in [Price's E-Town Hall on Social Security!](#)