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**BUSH SOCIAL SECURITY WARNINGS UNFOUNDED,
SAYS NEW REPORT FROM LEVY ECONOMICS INSTITUE**

**Bush and Neoconservative Privitization Plan Relies on Overly Pessimistic Economic Projections and Threatens Nation's Most Successful Safety Net, Senior Scholar Says**

ANNANDALE-ON-HUDSON, N.Y.—President Bush has made overhauling Social Security his top domestic policy priority, warning that the program faces a serious financial crisis and even bankruptcy. A new report from The Levy Economics Institute of Bard College, however, argues that the longstanding domestic program and safety net is, by all objective measures, on solid financial ground well into this century. Levy Institute Senior Scholar L. Randall Wray contends that Social Security cannot go bankrupt unless the U.S. government goes bankrupt, and that Bush's warnings are not only based on overly pessimistic economic projections, but are also inconsistent with the exorbitant budget deficits that have resulted from his administration's tax cuts and spending plans.

In a new policy note, *Manufacturing a Crisis: The Neocon Attack on Social Security,* Wray argues that all objective analyses show Social Security running huge surpluses through 2018, thus further growing the trust fund's $1.5 trillion in assets and allowing the program to cover all promised benefits for nearly four decades. Realistic assumptions of growth, productivity, longevity rates, and other factors, Wray says, show that program revenues will be more than sufficient to cover all promised benefits into the indefinite future. Furthermore, Wray contends that Social Security cannot go bankrupt on its own. "It is logically impossible for any one of the government's programs to face a financial crisis on its own, because it is the overall budget that matters—not a single program's finances," he writes.

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Wray is particularly critical of Bush for sounding an alarm over a supposed Social Security shortfall predicted for later this century when the president's policies have led to enormous budget deficits in the short term. "President Bush has willingly granted large tax reductions that amount to a reduction of tax revenue, over the foreseeable future, five times greater than the sum total of all the 'red ink' forecast in the Social Security program by its enemies," writes Wray. "If governmental red ink really is problematic, these relatively certain and near-term trillions of deficits should weigh far more heavily on the public consciousness than trillions in a long-distant and highly uncertain future."

Wray calls into question many of the projections behind the crisis predictions—such as the warning that while we have three workers today supporting each Social Security beneficiary, that ratio will fall to only two workers per beneficiary around mid century. "Over the past half-century, productivities of workers in manufacturing have doubled or tripled, depending on the industry—far more than what is necessary to guarantee that we will have enough output in 2050 to raise the living standards of retirees, workers, and other dependents," Wray writes.

Wray concludes by suggesting that, if one of the Bush and the neoconservatives' goals in privatizing Social Security is to encourage saving, then they should use the estimated $2 trillion in transition costs necessary to create the private savings accounts to encourage savings directly. "Rather than using this $2 trillion of red ink to finance transition costs, government could use it directly to subsidize voluntary personal savings accounts—by matching dollar-for-dollar deposits into approved financial instruments," Wray writes. "This would achieve the objective of the President's Commission to encourage savings and 'ownership,' albeit without destroying Social Security's promise to provide a safety net to those unlucky in work or investments."

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Public Policy Note 2005/2, *Manufacturing a Crisis: The Neocon Attack on Social Security*

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