faith and credit of the United States behind it, a legal obligation to pay back the money with interest to the Social Security Trust Fund when it was needed to pay out. And so there is no reason to believe that all the money that's been taken out since 1983 will not be paid back in as soon as it's needed to meet the legal obligations of the Social Security Trust Fund.

By doing that, by borrowing that money and paying it back, we didn't do anything to affect the obligations of the Fund to pay Social Security recipients in the future. But we did keep the Government from borrowing more money out in the private sector, competing with the private sector for money, and running interest rates up. So I think, on balance, it's been a safe and sound thing to do, and I do not believe that the raid has occurred on the Social Security Trust Fund. It would be a raid if the money were not paid back when it's due to be paid to you, but the money will be paid back when it's due to be paid to you.

And that's one of the things that we have to make sure is never interfered with, the legal obligation of the United States Government to replenish that Trust Fund and pay back the money when it's needed for the recipients.

Thank you very much.

NOTE: The President spoke at 1:20 p.m. by satellite from Room 5 at Penn Valley Community College to regional forums in Columbia, MD; New Britain, CT; Philadelphia, PA; Sierra Vista, AZ; and South Holland, IL. In his remarks, he referred to Commissioner of Social Security Kenneth S. Apfel.

Remarks in a Panel Discussion at a National Forum on Social Security in Kansas City

April 7, 1998

[*Moderator Gwen Ifill, NBC News, introduced the panelists and asked the President if proposals to privatize Social Security were a slippery slope or a cure.*]

The President. Well, I don't think it's necessarily a slippery slope. I think the issue is, if you start with certain basic principles and you start with certain basic facts, then I think there are any number of options that can be chosen that both fit the facts—because if you start—you get in trouble in life if you start denying the facts. The facts are what we talked about this morning, the population trends, the financial problems of the system. I think it's important to keep a system that's universal, that's fair, that has a benefit certain as a baseline, and that deals with the problems of the disabled and the low-income people that are presently helped.

If you do all that, could you construct some system which also made allowance for private accounts? I think you could, yes. But could you—would I favor totally privatizing the system? No, because then you couldn't have a universal system that was fair that had a benefit certain.

Let me just back up and say, people are always saying, "Well, so what's your plan?" And what I'm attempting to do here is to avoid announcing a plan while we go through this period first of educating the whole electorate, all of our citizens, on what the facts are, and then eliciting ideas from people to get the broadest range of ideas. Because if I come out and say, "Well, here's exactly what I think ought to be done," then that forecloses debate when I'm trying to broaden debate. I want all of you to have your say, and I want us to wind up getting the best possible ideas.

But I think the important thing that you need to know about me and my position is, what are the principles I intend to follow, and are we prepared to do this? And I think I've answered those questions today.

But I think it would be a real mistake to rule out—what I think we all would like to see—let me go back to what Senator Santorum said in his opening remarks about the problems with the rate of return and what Senator Kerrey said in his opening remarks about the need to give all people some wealth-generating capacity. I think we'd all like to see a higher rate of return on the system, on the investments. The question is, how do you get that and still keep the system that has lifted so many seniors out of poverty and dealt with disability and dealt with premature death and dealt with all the other problems the Social Security system deals with? But I think there are lots of options to do that.

[*Panelist Senator J. Robert Kerrey described features of the reform proposal he and Senator Daniel Patrick Moynihan introduced. An audience member suggested removing the welfare aspects from Social Security and keeping any increase in contributions under the private control of the individual. Panelists responded that simply raising taxes to keep the current system operating would not be politically feasible and that comprehensive reforms to stabilize the system are necessary.*]

The President. Let me just say, I don't know anybody who has proposed—and I think your Missouri Congressman today made this point, or one of the Members who spoke before me or after me made this point—I don't know anybody who thinks that we should try to preserve the status quo program with an increase in the payroll tax. Most Americans are paying more in payroll tax than they are in income tax today; most working families are. And I don't know anybody who favors that.

And with the projected surpluses we have now, all of the proposed solutions that I have seen so far I believe are achievable with no increase in the payroll tax. So that goes back to what you said.

There are some people who believe that there maybe ought to be an increase of, let's say, one percent, but only for private savings accounts, totally within the control of the payer. So it would be, in effect, an enforced savings plan to give you some investment in private income later on in life, that there are some proposals.

The only thing I've said about taxes is, I think that we ought to admit that we can solve this problem without an increase in the payroll tax, but we ought not to put ourselves in the position of saying that we won't even listen to somebody who's got a different idea. For example, I think the Kerrey-Moynihan plan—Senator Kerrey just left—has a fairly steep cut in the payroll tax in the first 20 or 30 years or something like that, and then, because of projected demographics, actually has it creeping up again—because we try to have 75-year plans with Social Security, actually has it creeping up again in 30, 35 years, something like that.

But I don't think you have to worry; most of us, I believe, are committed to trying to find a way to solve this problem that doesn't involve an increase in the payroll tax. And if there were any, all of the plans I've seen are those that say that this should be a savings account that's yours to invest as you see fit.

[*An audience member asked why the President had not actively supported legislation prohibiting any further borrowing from Social Security funds.*]

The President. Because I'm against it. I haven't taken a position to get it achieved, because I think it would be a big mistake. The Social Security Fund has been investing in Government securities, which have the full faith and credit of the Government behind it. The Government then takes that money and spends it on other things; that's true. But it's an investment by the Social Security Trust Fund. If they take in more money in any given year than they give out as benefits, they have to do something with that money. They have to invest it somehow. If they invest it in Government securities, they get the money back plus interest, and it's the safest possible investment.

Now, there was a lot of talk for years about how this amounted to a raid on the Social Security Trust Fund. And I could understand that talk because we were running huge deficits every year, so people had a right to ask, what's going to happen when the Government has to pay back the Social Security Trust Fund and the Trust Fund needs the money to pay out benefits—which is one reason it was so imperative that we balance the budget and then start running a surplus. But now the projected surpluses we have over the next 10 to 20 years are surpluses over and above what it will take to pay back to the Social Security Trust Fund the money of their investment plus interest.

And I believe it was a good investment by the Social Security Trust Fund. I also think it was good for the taxpayers at large. It kept the Government from going out into the private markets, borrowing money, running interest rates up, and driving your interest rates up by making it harder for you to get money. So I don't agree that it was a bad policy. But it would have become a horrible policy if we hadn't balanced the budget and started running a surplus, because then when it came time for the Government to pay back the Social Security Trust Fund, we either wouldn't have been able to pay the money back or we would have had to sock you with a huge tax increase. But you don't have to worry about that now because we've got this deficit down, we're going to run a surplus, and it's going to look like a good investment of the Trust Fund, I think.

[*Panelist Representative Kenny C. Hulshof noted the existence of proposals in Congress to make Social Security surpluses untouchable, counteracting the tendency to create new programs with available money.*]

The President. If I could just follow up, because he made a point there that I think deserves some greater attention. I didn't mean to dismiss your question as lightly as it may have sounded like. There are people who believe that it would be better—let's assume that what I said is right. It is right now, as long as we keep the balanced budget, we run the surplus. Let's assume that's right. Still there are people who say, "Okay, Mr. President, so the Social Security Trust Fund had a surplus, and they invested their surplus in Government securities, and they'll get it back plus interest. But wouldn't it be better, if we had any surplus, that in effect the surplus was invested in a way that went to the individual in accumulating benefits of the people who were paying the taxes?" That's basically what a lot of people say.

See, one reason the return is not any higher than it is, is that 90 percent of your taxes, when you pay Social Security every year, are going to pay for the current Social Security benefits of your parents and grandparents. And that's what Senator Kerrey was talking about. That's what a lot of the people—the individual account argument is. If you get money this year, even if it's just $2, if all you get is a 5 percent return on it, if you keep it there for 50 years, pretty soon you're going to have a pretty good chunk of change. That's the argument for having something for children at birth.

But I just want to point out, it will not be all that easy to shift from a system where you take all the surplus of any given year and apply it to each individual's future retirement when 90 percent of the money you're paying out now is being used to pay your parents' and grandparents' retirement. So it sounds like a good idea, but it's going to be hard to make the transition.

[*An audience member requested the President's encouragement for more local discussion forums explaining the details of the Social Security crisis. Panelist Senator Rick Santorum agreed on the need to lay a foundation of public understanding before Congress could act.*]

The President. Let me just say, if I could follow up on that, one of the most important things about a democracy, a representative democracy like ours, is that the political system—when you quoted President Ford today, it was a great comment—the political system act when it's required to act, in a bold way, but that you have the trust of the people and the support of the people. And this is an interesting issue. This is a fairly complex issue.

Now, I think the people have been ahead of the politicians as a whole in the sense that I think it's widely understood that there's a problem here, and therefore all of you want us to do something about it.

On the other hand, there is a fairly small number of the political leaders in Congress, let's say, and there's a fairly significant number of people in the press, the people that are covering this, who've been thinking about this problem for a long time, and they know we need to do something about it. So all of us who are activists, you know, the tendency is that we want to go in a room now and just—you know there's a problem, so we'll fix out what to do about it.

The nearest thing I can think of that we're trying to avoid happened a few years ago, before I became President, on catastrophic health insurance. I don't know if you remember this—and the AARP even got burned on this—where everybody in the country knew there was a problem, right? So the politicians figured, "Well, the people all know there's a problem. The AARP says there's a problem. So we'll all sit down and do what seems like a reasonable thing and come up with a solution." And the public outcry was so great that a then-Democratic Congress and a Republican President had to undo what was done.

Now, it was too bad, really, in that, but it wasn't catastrophic for the country. This is big-time business. We can't—once we do this, we have to do it, do it right, and we can't undo it. We've got to do this right, and so that's why we're doing it in this way. And I thank you for what you said, and I'll do what I can to try to—I've got an office in Washington, part of the White House, that deals with State and local officials. We'll work with the Congress and try to see how we can multiply these things.

[*An audience member asked how privatization would affect disability and survivors insurance and how supporters could be certain that people would indeed save when given the opportunity.*]

The President. I think we should all have a chance at that. Go ahead. We'll start here; we'll just go around. You've asked, in some ways, the question on which everything else depends, so I'll give everybody a shot at that. Why don't you start?

[*Panelists commented on the need for Social Security to continue to protect the most vulnerable citizens by incorporating elements of privatization while still providing an income guarantee.*]

The President. I can't add much to what's been said, except I would like—this is the one and only time I'll try to do this because the Social Security issue itself is sufficiently complex and important—but just for a moment, since you talked about families that are at risk of having something bad happen, I'd like to fold the Social Security issue into the larger issue of family savings, just for a moment, and ask you to think about it and think about it from the point of view of a family living on, let's say, $20,000 a year and one living on $40,000 a year and then one living on $100,000 a year.

We want a system, first, in Social Security that has some sort of a disability benefit and a survivor benefit to give a baseline threshold of existence to people that could have horrible misfortune. Then we want a baseline predictable retirement benefit that is universal, again, that—today it's lifting 15 million seniors out of poverty.

But there are other things that we want to happen in the course of a family's life. We want more and more people to be able to save for their own retirement. And keep in mind, more and more companies are offering their employees defined contribution plans, not defined benefit plans. There are very few—increasingly, a smaller percentage of our workforce works for a company that can afford to guarantee your retirement, that says, here's what your benefits are going to be forever.

So what have we done? We've tried to stabilize any retirement systems that are under water or at risk, with various actions in Washington. And the Congress, in a complete bipartisan fashion, has tried to dramatically increase the ease with which and the incentives through which people have to take out 401(k) plans and then can carry them from job to job.

In addition to that, in the IRA proposals that we passed in the last year as a part of the Balanced Budget Act—and then again last year we liberalized them, I think, some—you can now save for an IRA. And you can say, well, you can't afford to save. But if you can, you don't have to pay taxes on that money. And then later, if you withdraw now from an IRA, for example, to pay for your child's education expenses, you don't have to pay taxes on that either.

So what we're trying to do slowly but surely is to create a system in which middle class people who are strapped for cash can afford to save in a comprehensive way. Now, what are the problems? Relatively low rate of return on Social Security. And if you move away from low rate of return to higher rate of return, can you continue to maintain the baseline benefit and the universality, number one? Number two, do you create so much risk that, if people happen to retire and need the money when there's a big drop in the stock market, they're in bad shape? Senator Santorum has really thought a lot about how to minimize the downside risk.

But I hear your message; I agree with it. And I think those are the real dilemmas we're going to have to figure out: What are people going to have to do for themselves outside the Social Security system, and what can we do to help them do that? How are we going to increase the return; how are we going to minimize the risk; how can we do that and keep the benefit level at an acceptable level?

But to me, what I'd like to do when I leave office when the 21st century starts, I'd like to know that any family that's out there with one person or two people that are working their hearts out, doing the best they can, no matter how meager their income, they're going to have a chance to create a little something for their children and themselves later on and have a chance to do even better, and that no 20-year-old person will ever have to worry about whether his or her Social Security taxes are going to be wasted, because there will be a retirement system when they retire.

[*An audience member suggested removing the cap on the amount of wages subject to Social Security tax, as a means of generating more revenue for the system. A panelist responded that it would not generate enough additional revenue and would increase the tax burden unfairly.*]

The President. Maybe I should answer this since this is really a question, if we're going to defend this, that a Democrat should answer, if we're going to try to keep this nonpolitical.

If you think about it, there may be an argument for raising the income some, because of inflation and because a lot more people have moved into higher income brackets in the last 5 years. But if you think about it—let's suppose you took it off altogether. You say, "What do I care about some baseball player making $10 million a year," right? But if you think about it, what would happen is you would be putting people in a position of paying over the course of their lifetimes 50, 60, 100 times more than they would ever draw out of the Social Security system. And you can say, "Well, they owe it to society." But these people also pay higher income taxes, and the rates are still pretty progressive for people in very high rates.

So I think you can make—in fact, if you took it off altogether—the gap that will exist in 2029 is the equivalent of about 2¼ percent of payroll, and that would close, I think, if you took it off altogether, I think about a percent and a half of payroll. But you would really have tremendously changed the whole Social Security system. You would have basically said, "If you get to where you make $70,000 or more a year, we're going to soak you, and you're never going to get anything out of this compared to what you're putting in."

Like I said, I wouldn't rule out raising it some, but I think we should be very careful before we get out of the idea that this is something that we do together as a nation and there at least is some correlation between what we put in and what we get out, except we want people on the bottom to get out a whole lot more than they put in so we can give them a decent retirement. It goes back to what our nurse said there.

[*An audience member asked if Congress would consider such unpopular options as raising the retirement age or changing the cost-of-living adjustment formula. Panelists responded that, in the context of overall reform, those options were important considerations but were not a quick fix to a difficult problem.*]

The President. Let me just make one suggestion here, if I might, for all of you, and I'm embarrassed that I can't remember exactly the numbers for the question that the lady just asked. But you need to keep in mind, if the specifics are real important to you—I mean all the specifics—then I think you need to always know what the impact of any specific proposal is. So again I'll say, in the year 2029, we'll stop being in balance, and then we'll go into a deficit of roughly where we can only pay 75 percent of the cost of the existing system of Social Security with the revenues that we have.

So if somebody says to you, "Well, what if we raise the retirement age to 70," or "What if we cut the cost of living by half a percent," or "What if we took the ceiling off the incomes earnings," to go back to this gentleman, I think it's important, if you really want to seriously discuss that level of detail, that you know what the impact of each specific one would be. And we can get you that information. For example—or if you want one percent of payroll devoted to individual savings account, what will that add to the gap of 2.23 percent in the short run? And then you just have to decide what you're prepared to do to close the gap.

But you have to understand, your Members of Congress here, they're going to have to actually make difficult decisions at something less than an abstract level. They're going to have to sit down and say, "Okay, if I raise the payroll ceiling this much, it will close four-tenths of a percent of this 2¼ percent payroll gap."

And one of the things that surprised me—the reason I brought this up—one of the things that surprised me when I started studying it in this way is what a small impact it would have to accelerate the rate at which we're going to 67 for the retirement age. I mean, it does you some good, but it doesn't have anything like the impact that I had imagined it would.

Do you want to say anything?

[*A panelist concurred, emphasizing that a reform package should balance many elements. An audience member then described features of his retirement annuity.*]

The President. You like the fact that it's locked in?

Audience member. Yes, and I can't touch it. I can't cash in. I can't go buy shoes or anything like that. It's locked in for me. [*Laughter*]

The President. Thank you.

[*Panelists and audience members commented on the options of individual savings accounts and 401(k) plans in terms of the level of access permitted and the need to preserve funds for use in retirement.*]

The President. But I do want to emphasize that your proposal would be not to increase the amount of payroll tax but to take a percent away so——

Senator Santorum. No. Take a percentage away so it wouldn't be an increased tax burden on you.

The President. Let me say to the young lady that asked this question, we changed the law on IRA's, individual retirement accounts which would require you to be able to put away something over and above your Social Security tax. But now, if you put money into an IRA now, and you have to withdraw from that IRA to meet a medical emergency or for a first-time home or to pay for education, you can do that without a penalty now. And if you do it for education, you do it without even paying any tax at all on the gain.

So there is a way under the present system, as a young person, that you can save. And if you face a medical emergency, you could withdraw from the savings without penalty, but it would have to be over and above what you pay in your payroll tax. And that wouldn't be changed by what Senator Santorum—he wouldn't make it any harder for you to do that. And we tried to make it easier, in the way we changed the law in the last 2 years.

[*An audience member suggested changing the Social Security cap.*]

The President. You think that there should be a cap on the size of your tax or that we should have a higher floor on the benefits?

[*The audience member said that those with incomes under $30,000 per year should pay minimal or no Social Security tax. Senator Santorum responded that the present earned-income tax credit was intended to assist lower income taxpayers.*]

The President. It's $31,000 a family.

Senator Santorum. It's up to around $30,000, and you would get some credit to help you pay your Social Security tax. So in a sense—I do know that people earning under, I think it's $20,000, pay no Social Security tax, net, of the EIC. So there is no Social Security tax burden, net, when you take the tax credit in effect.

The President. Let me say again, I believe that those of us who have higher incomes should pay more on the Social Security cap. I don't have a problem with that. The only point I was making is, if you took the cap off altogether on upper income people, they literally—they wouldn't be in a Social Security system anymore, they'd just be writing 6 percent of their income for something that they'd never see.

And we do tax them more on the income tax side, considerably more. And we also have no cap on what they pay into the Medicare Trust Fund, which you pointed out. But the thing that has made Social Security work in the past is that everybody has had to pay in and everybody got to draw out, that there was a guarantee and a mutuality of responsibility.

The earned-income tax credit has been somewhat controversial in Congress, but if it were up to me, I would have it even more generous. Because the way it works now is the average family of four with an income of $30,000 a year or less is paying approximately $1,000 less in income tax, including eligibility for refunds, than they would have paid if the law hadn't been changed in 1993. And we did it to try to take account of the fact that the payroll tax was so high for people and that incomes of people—the lower 20 percent of our work force had not gone up very much in the last 10 years.

But it seems to me that it's better to have some giveback there and still have a universal participation in the system, since we want everybody to be a part of both the responsibility for paying in and then be able to get the minimum amount coming out.

[*An audience member, citing the stalemate in campaign finance reform, asked for assurance that something would actually be done, and panelists responded that Congress was working to achieve a bipartisan solution and expected to* *act on Social Security reform in 1999. Ms. Ifill then asked for the President's closing comments.*]

The President. Well, that question melds rather nicely with the last question that was asked from the audience. I deeply regret that we haven't passed campaign finance reform legislation. But to answer this, why is this different, for one thing, the divisions in the campaign finance reform are both not only divisions—they're divisions of party and also divisions of incumbency and non-incumbency. And then they're honest differences of opinion about what would work and wouldn't—all kinds of problems—and complicated by Supreme Court decisions and a zillion other things.

But the other thing is, frankly, every Member of Congress that really doesn't want to pass it knows that the Republic will go on and that the system we have is capable of producing significant positive change; witness the Balanced Budget Act and the fact that we've had the biggest increase in aid to higher education in 50 years and the biggest increase in coverage of children's health insurance in 35 years. So people know that this system can be made to function.

The Members of Congress in both parties know that, at some point in the future, Social Security will stop functioning, with grievous consequences to the fabric of American life that affect people who are Republicans and Democrats and independents, in all walks of life, with all manner of circumstances. And basically, there's enough patriotism in the Congress to want to address it. That's the honest truth. It's an issue of our survival as a people, our unity as a people, and the innate patriotism of the people that are serving. That's why I believe it will happen.

What I think will happen, what I want to see is that we will spend the time between now and December trying to answer the question this gentleman had: How can we get out this information to people? We also want you to become more familiar, so you can answer questions for yourselves. If you had to choose, for example, between a faster movement to a higher retirement age or an individual savings account or, you know, raising the cap on income or all these choices they're going to have to make, what choices would you make and why? And how would you answer the other charges? This ought to be a big national debate. There is no other program that affects so many of you in such an intimate, personal way.

And then what I believe will happen is all these Members will have lots of forums in their own States. They'll listen to their own people. They'll listen to these experts. You're going to see 100 or more articles written by people like our panelists here, coming up with new refinements on ideas, analyzing the proposals that Senator Kerrey and others have made.

And then in December, in January, we'll sit down and come up with the best possible solution. It won't please everybody 100 percent, but it will save Social Security for the 21st century, and it will make us a stronger, more united country. And then I think the Congress will come in and pass it because it is the right thing to do.

That may seem naive, and I may be old-fashioned, but I'm more idealistic today than I was the day that I took the Oath of Office. That's what I think will happen. And I think you will make it possible, because you'll support people like these folks who will do the right thing by your children and your future.

Thank you.

NOTE: The discussion began at 2:16 p.m. at the Penn Valley Community College. The panelists were: Senators J. Robert Kerrey and Rick Santorum; Representatives Kenny C. Hulshof and Earl Pomeroy; Marilyn Moon, senior fellow, Urban Institute; Gary Burtless, senior fellow, economic studies, Brookings Institution; David Walker, trustee, Social Security and Medicare Trust Fund; and Fred Goldberg, former executive director, Commission on Social Security and Entitlements.