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Alan Simpson: Social Security is "a Ponzi Scheme," "not a retirement program"

Erskine Bowles: the Paul Ryan budget "is a sensible, straightforward, honest, serious budget and it cut the budget deficit just like we did, by $4 trillion"

Dear Democratic Colleague:

There has been a lot of discussion about Congress enacting a "grand bargain" during the lame duck session of Congress. Many members of Congress have talked about using the plan put forward by Alan Simpson and Erskine Bowles as an outline for a "balanced" approach to deficit reduction.

Let me take this opportunity to tell you a little about Alan Simpson and Erskine Bowles and what their plan would do.

As many of you know, Alan Simpson is a former conservative Republican Senator from Wyoming who has wanted to cut Social Security benefits for decades.

Here are just a few of the rude, inaccurate, and derogatory statements that Alan Simpson has made about Social Security:

- On August 24, 2010, Alan Simpson wrote in an e-mail to the head of the Older Women's League: "And yes, I've made some plenty smart cracks about people on Social Security who milk it to the last degree. You know 'em too. It's the same with any system in America. We've reached a point now where it's like a milk cow with 310 million tits! Call when you get honest work!"
- On Friday, May 6, 2011, Alan Simpson told the Investment Company Institute, that Social Security is a "Ponzi scheme", "not a retirement program." Simpson went on to say that Social Security "was never intended as a retirement program. It was set up in '37 and '38 to take care of people who were in distress -- ditch diggers, wage earners -- it was to give them 43 percent of the replacement rate of

their wages. The [life expectancy] was 63. That's why they set retirement age at 65."

- On June 19, 2010, Alan Simpson said: "Social Security was never a retirement. It was set up to take care of poor guys in the depression who lost their butts who were getting butchered."

Erskine Bowles has been a board member of Morgan Stanley since 2005 and made a fortune as a Wall Street investment banker as many of you know.

However, you may not know that Erskine Bowles made the following statement in 2011 at the University of North Carolina: "Paul Ryan is honest, he is straightforward, he is sincere. And the budget that he came forward with is just like Paul Ryan. It is a sensible, straightforward, honest, serious budget and it cut the budget deficit just like we did, by $4 trillion."

You may also be unaware that Erskine Bowles and Alan Simpson endorsed Congressman Charles Bass (R-NH) against progressive Democrat Ann McClane Kuster.

In their endorsement of Rep. Bass, Bowles and Simpson wrote: "Charlie supported a plan that demonstrated it is possible to raise revenues for deficit reduction through pro-growth tax reforms that reduce tax rates for individuals and businesses. Likewise, it is possible to reform entitlement programs … He is a brave leader who deserves the thanks of everyone who really cares about our nation's future."

Rep. Bass voted for the Paul Ryan budget that every Democrat in the Senate has voted against. In contrast, Kuster, who went on to defeat Rep. Bass, has said: "Let me be clear: I will never cut Social Security and Medicare benefits. My Tea Party opponent will."

Even more distressing, in my opinion, is the belief that the Simpson-Bowles plan is a "balanced approach" to deficit reduction that we should be using as a model.

Here are the major elements of the Simpson-Bowles plan that I believe the Democratic Caucus should strongly oppose:

1. **Cutting Social Security benefits for current retirees.** The Simpson-Bowles plan would reduce Social Security benefits for current retirees by using a "chained-CPI" to determine cost-of-living-adjustments (COLAs). According to the Social Security Administration, enacting a chained CPI would cut Social Security benefits by $112 billion over 10 years meaning that the average Social Security recipient who retires at age 65 would get $560 less a year at age 75 and would get $1,000 less a year at age 85 than under current law.

   Two-thirds of senior citizens rely on Social Security for more than half of their income, and the average Social Security benefit today is about $1,200 a month. At a time when seniors haven't received a Social Security COLA in two out of the last three years as the price of prescription drugs and healthcare have gone up, the Simpson-Bowles plan would make it harder for today's average senior citizen to make ends meet.

2. **Cutting veterans' benefits.** Not only would enacting a chained-CPI be harmful to senior citizens, it would also make substantial cuts to the VA benefits of more than 3 million veterans. The largest cuts in benefits would impact young, permanently disabled veterans who were seriously wounded in combat. According to the Social Security Administration, permanently disabled veterans who started receiving VA disability benefits at age 30 would see their benefits cut by more than $1,300 a year at age 45; $1,800 a year at age 55; and $2,260 a year at age 65. That would be simply unacceptable.

3. **Raising the retirement age to 69 years.** Increasing the retirement age to 69 would reduce lifetime Social Security benefits for workers by about 13 percent. This would be particularly harmful to construction workers, nurses, factory workers and other labor intensive jobs. According to the Center for Economic Policy and Research, 45 percent of workers who are 58 years of age and older work in physically demanding jobs or jobs with difficult working conditions. Moreover, older Americans have a higher rate of long-term unemployment than any other age group.

4. **Cutting Social Security benefits for middle class workers.** According to the Social Security Administration, all of the Social Security policy changes in Bowles-Simpson would cut average annual Social Security benefits for middle-income workers (with average annual lifetime earnings of between $43,000 and $69,000) by up to 35 percent.

5. **Reducing tax rates for the wealthy and large corporations.** The Simpson-Bowles plan would significantly reduce income tax rates for the wealthiest Americans and largest corporations to between 23 and 29 percent -- even lower than the top rate of 35% under the Bush tax cuts. Simpson and Bowles claim that some $1.2 trillion in revenue would be increased under their proposal by eliminating or reducing tax expenditures, such as the mortgage interest deduction, and the tax exclusion on employer health insurance and pension plans. However, a March 22, 2012 Congressional Research Service report has suggested that federal income tax rates could be reduced by no more than two percentage points under a realistic scenario of reducing tax expenditures in order to be deficit neutral, and could not reduce the deficit.

   The President and almost all Democrats have supported repealing the Bush tax breaks for the top two percent. That means that the top individual income tax rate would be increased from 35 percent to 39.6 percent – the same level under President Clinton when over 22 million new jobs were created. We should eliminate corporate tax loopholes and tax breaks for the wealthy -- and use this revenue to reduce the deficit and create jobs, not to lower tax rates.

Other harmful provisions in the Simpson-Bowles plan include:

- Increasing the regressive gas tax by 15 cents starting next year;
- Increasing premiums for Medicare, Medicaid, and the Children's Health Insurance Program;
- Increasing interest rates on student loans;
- Increasing co-payments for middle class veterans receiving health care through the VA;
- Cutting 450,000 jobs in the federal workforce and private companies under contract with the federal government;
- Eliminating or limiting the exclusion of taxation on employer provided health insurance and pensions;
- Encouraging companies to ship jobs to China and other low wage countries by adopting a "territorial" tax system allowing corporations to evade U.S. income taxes by establishing subsidiaries overseas;
- Increasing taxes on low-income workers making between $10,000 to $20,000 a year by 14.5% in 2021 by moving to a chained-CPI; and
- Reducing the number of Americans eligible for Medicaid, SSI, the Children's Health Insurance Program, WIC, Head Start, LIHEAP, the Earned Income Tax Credit, the Refundable Child Credit, and the Savers' credit by shifting to a chained-CPI.

Those are the major elements of the Simpson-Bowles plan. If enacted, they will cause major economic pain to virtually every American, while lowering tax rates for millionaires, billionaires and large corporations even more than President Bush.

For all of these reasons, I hope you will join me in opposing the Simpson-Bowles approach to deficit reduction.

Sincerely,

Bernard Sanders
United States Senator