



Sherrod Brown says Social Security is a promise between generations: Truth in Numbers

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WASHINGTON, D.C. – U.S. Sen. Sherrod Brown doesn't face reelection until 2018. Yet he is raising money now, asking for donations as small as \$5.

If Brown's last campaign was an indication, he'll need millions in four years. But he is likely to give away some of the money, too, helping like-minded Democrats who have elections on Nov. 4. If Democrats can keep a Senate majority by winning that election, they can maintain influence in Congress and block legislation that the Republican-controlled House of Representatives will champion.

But what if Senate Democrats lose? In a fundraising email on Sept. 18, Brown framed his request for money around that premise – that Republicans could win control of the Senate in November and, in turn, change the social contract known as Social Security.

The email's subject line: "What if the GOP wins?"

The Plain Dealer decided to examine the claims that Brown made in that email, using the Truth in Numbers fact-checking feature. The email had three components:

"Most pundits are giving the Republicans a better-than-50 percent chance of taking over the Senate this fall."

"If that happens, Social Security could face a renewed attack." That could happen in the form of privatization, and "privatizing Social Security would leave seniors vulnerable to the ups and downs of Wall Street.

"Social Security is a promise between generations. Some Americans don't know this, but the current generation of workers is actually paying for the current generation of retirees. That's the way it's always been -- today's retirees paid for their grandparents with the expectation that when the time came, the next generation would take care of them in turn."

We began our Truth in Numbers analysis earlier this week, and invited readers to score the email on their own. Here's what we found, compared with overall reader scores:

Scoring

| | Our Score Readers Score | |
|---|---------------------------|------------|
| Are the words literally accurate? (0-3 points) | 2 | 1.4 |
| Is the message accurate? (0-3 points) | 1 | 1.1 |
| Is the message fair? (0-2 points) | 2 | 0.7 |
| Does the message have substance? (0-2 points) | 2 | 1 |
| Total score (10 points): | 7 | 4.2 |

***Due to rounding, categories may not equal total.**

Our Analysis

Are the words literally accurate? (0 to 3 points)

Brown said that most pundits give Republicans better than 50 percent odds of winning a Senate majority. Republicans would need to gain six seats to do that.

We know of no way to count the number of pundits making predictions, but there are a handful whose predictions are watched closely in political and media circles. Their models vary but they tend to measure current polling, expected voter turnout, state partisanship and the mood of the country or state.

These are among those who said -- around the time Brown sent his email -- that the GOP is favored to win a majority in the 100-member Senate: The Washington Post's Monkey Cage/Election Lab, The New York Times' Upshot and FiveThirtyEight Politics.

The same week as Brown sent his email, the Huffington Post's Pollster predicted a very slight chance that Democrats would prevail. But subsequent polls prompted a shift in Pollster's

prediction, giving Republicans clear odds in winning the Senate. The University of Virginia's Larry Sabato and his Crystal Ball blog meantime had the outcome too close to call because of a few toss-up states: Alaska, Louisiana and Iowa.

The underlying polls could still shift in the closing month. But we are rating the truthfulness of Brown's claim based on its accuracy when he made it. Charlie Cook, a respected politics watcher, summarized the consensus in his Sept. 15 column for National Journal: "At this point, most independent political analysts are giving the edge to Republicans in this year's fight for majority status in the U.S. Senate. Personally, I give the GOP a 60 percent chance of taking the majority, while others put it a little higher or lower."

Brown's second point was that if Republicans gain majority status, Social Security could face "a renewed attack" in the form of privatization, or the creation of private investment accounts that replace at least some portion of traditional Social Security. Privatization "would leave seniors vulnerable to the ups and downs of Wall Street," Brown said.

We are reluctant to add or subtract points for this portion of his claim because of its speculative nature. Brown used the word "could." But Brown's email also said that "privatizing Social Security would leave seniors vulnerable to the ups and downs of Wall Street. We can't take that kind of chance with our seniors' retirement security."

This portion of Brown's message appears geared toward today's seniors. Threats to their retirement income, whether real or perceived, can motivate the senior donor and voter bloc. As the New York Times reported on Sept. 20, in "the first half of September, one in five Democratic ads dealt with either a candidate's commitment to the programs or, more often, the threat from Republicans, according to Kantar Media CMAG, a nonpartisan media monitor."

There is one problem: The proposals for private retirement accounts as a Social Security substitute or supplement do not pertain to "our seniors," as Brown put it in his pitch for donations, or at least not today's seniors.

Republicans have raised the possibility of creating private accounts for "younger workers," in the recent words of Iowa U.S. Senate candidate Joni Ernst. She did not spell out the mechanics of such a program or say whether private accounts would be voluntary, as has become a common caveat. But Ernst also said she would oppose any efforts to change the promised benefits for today's seniors.

The Cato Institute's Chris Edwards also used the words "young people" in a recent column for The Daily Caller. This has been a consistent theme, with others making similar suggestions including scholars from the Heritage Foundation and the American Enterprise Institute, both of them influential think tanks. Conservatives might view the long-term opportunity of stock or bond market gains as outweighing the risk of market downturns, but they do not propose taking "that kind of chance," as Brown puts it, when it comes to today's retirees.

As for Brown's third point, he said that current workers pay for the Social Security benefits of current retirees -- a pay-it-forward plan that has existed from the program's 1930s start.

We talked with the Social Security Administration, and reviewed the latest Social Security trustees' and Congressional Research Service reports on the program's funding. Social Security charges a tax on earnings, and collectively the current revenue -- from 163 million taxpaying workers and their employers -- supplies most of the money that goes to current retirees.

In fact, for years this tax -- 5.3 percent on the worker's wages and another 5.3 percent for the employer -- has supplied more than enough money, giving the program reserves. The excess was invested in U.S. Treasury bonds, which paid interest. The collective reserves are known as the Social Security Trust Fund.

Starting in 2010, however, payroll taxes alone became insufficient to pay all the retirees' benefits. Fortunately, the Social Security Administration had other revenue to make up for the shortfall. The biggest source was the interest on the Social Security Trust Fund's bonds. A smaller share came from a tax that retirees with higher annual incomes must pay on a portion of their monthly Social Security benefits.

With that background, let's look at the numbers to see how Brown's claim shakes out. These figures come from the 2014 Social Security trustees' report.

In 2013, Social Security spent \$672.1 billion to pay old age and survivor benefits. The Social Security system collected less than that, however, in worker and employer payroll taxes. It got only \$620.8 billion to cover this generational transfer.

In other words, 91.3 percent of the money paid for retiree and survivor-income benefits came from current workers and their employers.

Social Security made up for what might have been a shortfall because it also got \$20.7 billion in taxes from high-earning current retirees, \$98.1 billion in interest from the trust fund's Treasury bonds, and \$4.2 billion owed to Social Security by the government's general fund.

When put together, these additional revenues provided more than enough to pay retirees. They even produced a surplus. The trust fund, with \$2.8 trillion in assets, is still growing, in fact, thanks to the interest the Treasury bonds still earn.

But that growth rate is slowing and there won't always be enough interest income, according to government projections. Unless a solution is found, Social Security will ultimately have to cash in its Treasury bonds as it needs the money to pay benefits, thanks to a coming retirement boom. At the point there are no more bonds to cash in and no more interest to tap -- currently projected after 2034 -- retiree benefits would have to be cut.

Republicans say that private accounts could help avoid this problem, while Democrats suggest other options such as raising the payroll tax cap. Right now, workers' earnings up to \$117,000 are subject to Social security taxes, and anything above that is exempt.

But Brown wasn't making that suggestion in his email. Rather, he was saying that Social Security is a promise between generations, and the current generation of workers is paying for the current generation of retirees. He is largely correct. Current workers may not pay every penny that goes to current retirees -- they and their employers pay a sum that currently comes to 91 percent -- but in school, 91 percent would be a low A. We are including the employer's share because it is part of the generational transfer.

Brown also is correct in stating that projections show the GOP is poised to win the Senate.

But his middle point – that the ups and downs of Wall Street in private accounts "would leave seniors vulnerable to the ups and downs of Wall Street" – is inaccurate as it pertains to current retirees.

Score: 2 points.

Is the message accurate? (0-3 points)

This is where we consider spin.

Brown made several factual remarks in his email, but his broad message was simpler: that if Republicans win a Senate majority, they could try to privatize Social Security. This would leave seniors vulnerable to the wobbles of Wall Street, he said.

Some proposals call for voluntary participation. Brown omits that point of view. He also fails to make clear that these proposals should not affect current seniors as long as there are still Treasury bonds and interest that can be tapped from the trust fund.

Score: 1 point.

Is the message fair?

In Ohio, where there is no U.S. Senate race this year, a single theme frames interest in the Nov. 4 midterm elections: Which political party will win control of Congress, and what will that mean?

Brown raises the issue of control and adds a point: What could happen with Social Security? We addressed the spin factor already. But here is where we assess whether it is fair game to raise the issue, or whether it is a red herring. Might the issue, no matter how it is spun, be on the table? Yes.

Score: 2 points.

Does the message have substance?

Except for the part in which it asks for money, most of Brown's email is heavy on substance. Brown makes several substantive assertions.

Score: 2 points.

Overall score: 7 out of 10 points.