

House Resolution

No. 34

Introduced by Assembly Member Steinberg

August 23, 1999

House Resolution No. 34—Relative to the Social Security Program

1 WHEREAS, For 60 years social security has provided a
2 stable platform of retirement, disability, and survivor
3 annuity benefits to protect working Americans and their
4 dependents; and

5 WHEREAS, The American and world economies
6 continue to encounter periods of high uncertainty and
7 volatility that make it as important as ever to preserve a
8 basic and continuous safety net of protections guaranteed
9 by our society's largest repository of risk, the federal
10 government; and

11 WHEREAS, Social security affords protections to rich
12 and poor alike. No citizen, no matter how well off today,
13 can say that tomorrow's adversities will not create future
14 dependency; and

15 WHEREAS, Average life expectancies are increasing
16 greatly and people are commonly living into their 80's
17 and 90's, making it more important than ever that each
18 of us be fully protected by defined retirement benefits;
19 and

20 WHEREAS, Medical scientists are daily discovering
21 more creative ways to preserve the lives of the
22 profoundly disabled, thus making it more important than

1 ever that each of us be protected against the risks of our
2 own dependency, against the risk of becoming a burden
3 to relatives, and against the risk of succumbing to a
4 disability unrelated to the duration of life; and

5 WHEREAS, The lives of wage earners and their
6 spouses are seldom coterminous. One spouse often
7 outlives the other by decades, making it crucial to
8 preserve a secure base of protection for family members
9 dependent on a wage earner who may die or become
10 disabled; and

11 WHEREAS, The children of working Americans
12 require protection against the untimely death or
13 disability of their wage-earning parents, contingencies
14 that are too often uncovered by working Americans and
15 their employers; and

16 WHEREAS, The costs of administering social security
17 are less than 1 percent of the benefits delivered; and

18 WHEREAS, The single purpose of social security is to
19 provide a strong, simple, and efficient form of basic
20 insurance against the adversities of old age, disability, and
21 dependency; and

22 WHEREAS, Social security was founded on the sanctity
23 of work and the preservation of family integrity in the
24 face of death or disability; and

25 WHEREAS, Social security, in current form, reinforces
26 family cohesiveness and enhances the value of work in
27 our society; and

28 WHEREAS, Congress currently has proposals to shift a
29 portion of social security contributions from insurance to
30 personal investment accounts for each wage earner; and

31 WHEREAS, Social security, our largest and most
32 fundamental insurance system, should not be splintered
33 into individualized stock accounts. Social security cannot
34 fulfill its protective function if it must also create and
35 manage millions of small risk-bearing investments out of
36 a stream of contributions intended as insurance. Private
37 accounts cannot be substituted for social security without
38 eroding basic protections for working families. For these
39 protections to be strong, they must be insulated from



1 economic uncertainty and be backed by the entity best
2 capable of spreading risk, the American government; and

3 WHEREAS, The diversion of contributions to private
4 investment accounts would dramatically increase
5 financial shortfalls to the social security trust fund and
6 require major reductions in the defined benefits upon
7 which millions of Americans depend. To administer
8 150,000,000 separate investment accounts would create
9 an ever proliferating bureaucracy. The resulting expense
10 and the cost of converting each account to an annuity
11 upon retirement would consume much of the profit, or
12 exacerbate the loss, realized by each participant; and

13 WHEREAS, It is an entirely different question whether
14 part of the social security trust fund should be diversified
15 into investments other than government bonds. For the
16 fund to invest collectively in a broad selection of equities
17 and private bonds may well increase returns over time
18 and thus enhance the capacity of the fund to meet its
19 obligations to pay benefits as presently defined. The
20 central management for those investments would be a
21 minor expense compared to the staggering cost of
22 overseeing millions of splintered accounts. Central
23 investment also preserves the spreading of risk across the
24 entire spectrum of social security participants.
25 Individualized accounts, by contrast, would create an
26 array of winners and losers, thus converting part of our
27 retirement system into a national lottery. Those who
28 become disabled, those who must retire early, and
29 dependents with the earliest and greatest need would
30 receive the least in return. The system would be
31 perversely contrary to basic principles of insurance and
32 risk distribution; and

33 WHEREAS, Diverting social security contributions to
34 private accounts is redundant to existing programs.
35 Through amendments to the Internal Revenue Code of
36 1986, Congress has created a full menu of provisions by
37 which working Americans and their employers may
38 contribute by choice to tax-sheltered accounts that are
39 open to the opportunities and exposed fully to the risks of
40 our speculative and vigorous investment markets.



1 One-half of American families are already covered by
2 these recently created systems; now, therefore, be it

3 *Resolved by the Assembly of the State of California,*
4 That the federal government is respectfully requested to
5 take appropriate steps to encourage workers and their
6 employers to save or invest for retirement to supplement
7 the basic benefits of the Social Security Program, but not
8 as a substitute for the core protections that are vital to
9 American working families; and be it further

10 *Resolved,* That the Chief Clerk of the Assembly
11 transmit copies of this resolution to the President and
12 Vice President of the United States, the Speaker of the
13 House of Representatives, the Majority Leader of the
14 Senate, and each Senator and Representative from
15 California in the Congress of the United States.

