



[Home](#) | [Columns](#) | [Posts](#) | [Topics](#) | [Email list](#) | [About](#) | [Search](#)

## Spinning the Social Security Surplus

By Bryan Keefer ([bryan@spinsanity.org](mailto:bryan@spinsanity.org))

September 10, 2001

By pledging to "protect" the Social Security surplus, Democrats and Republicans have boxed themselves in on the budget. Now, instead of a debate over whether and how to use the surplus, it's a race to see who can frame the debate in the most advantageous way.

### The "lockbox" problem

According to both the White House and the Congressional Budget Office, the budget surplus this year will consist entirely of revenues from Social Security. The general revenue surplus projected earlier this year has not materialized due to the tax cut package and a slowing economy.

The problem for both parties is that they had figured on having their cake and eating it, too. President Bush and congressional leaders in both parties pledged in the last election to devote the entire Social Security and Medicare surpluses to debt retirement (the infamous "lockbox"). Now that the Social Security surplus is the only money left for spending increases beyond what was set out in the budget resolution passed earlier this year, both parties face a dilemma as they enter the fall appropriations process: how can they spin the situation to their advantage?

A meeting of the Senate Budget Committee last Thursday proves especially illustrative on this count. Under the guise of an open debate about surpluses, it reveals how both parties are

**The nation's leading watchdog of manipulative political rhetoric.**

#### News

-We have decided to stop updating the website. See [our farewell post](#) for more.



attempting to frame the problem to their advantage with only limited consideration of the policy implications of their actions.

## So what, exactly, is the Social Security surplus?

Briefly, excess Social Security revenues is spent on government programs and retiring the federal debt, and the Social Security trust fund is credited with bonds equal to those expenditures. By reducing the debt, the logic goes, the government saves on interest payments and enhances its ability to borrow in the future to help pay benefits to retirees. Last year, for the first time, the entire surplus was devoted to debt reduction, and leaders from both parties pledged to continue doing so. (For more on the Social Security surplus and the trust fund, see [this sidebar](#).)

## Conrad claims a "raid" and "deficits"

In that context, the Senate Budget Committee met last Thursday, with White House budget director Mitch Daniels invited to testify. Chairman Kent Conrad (D-ND) opened the hearing with [a statement](#) [131K PDF file] emphasizing Bush's campaign promise to devote the Social Security surplus to debt reduction, then stated what has become the Democratic position:

Now, in August, [the Congressional Budget Office] tell[s] us: No, there's *no surplus*. Instead, there's a \$26 billion deficit. In other words, \$36 billion of, in this case, Medicare trust fund money is going to be used for other purposes. . .

I warned at the time that [Bush's] plan was going to inevitably lead us back to deficits and was going to take money from the Social Security and Medicare trust funds to pay for other programs and to pay for his tax cut. [emphasis mine]

Democrats like Conrad assume that the Social Security surplus should be counted separately from the rest of the federal budget. On this premise, Conrad disingenuously claims there is "no surplus" any longer, and that Bush's budget is leading "us

Search Now:

Search **New** and **Used**  
**amazon.com.**

[The Spinsanity store](#)  
at [CafePress.com](#)

back to deficits." Conrad also emphasizes that Medicare and Social Security money is being used for "other purposes" - a rhetorical slight-of-hand, given that the surplus money has *never* been used directly for Social Security or Medicare, and the trust funds of both will be credited with the same amount of money regardless of how it is spent. But, taken together, Conrad's statements makes it appear that Bush is taking money directly from Social Security and Medicare and running up new structural deficits, neither of which are true.

## **Domineci invents a "recession"**

In response to Conrad, Senator Pete Domineci (R-NM) argued that the current economic situation "is so close to zero growth that I choose, for simplicity of words, to call it a recessionary environment," then claimed that "you unlock [the lockbox] when you have a recessionary economy." Note how slippery this argument is: since a recession is defined as two quarters of negative growth and the economy is still growing positively, in order to justify spending the surplus Domineci uses the broader term "recessionary environment." This is very similar to what President Bush has [said](#), claiming he would tap the surplus in a "recession" but defining that term as broadly as possible.

At the end of his speech Domineci indulged in what has become boilerplate spin from Republicans, claiming that "the current surplus was decreased by a downturn in the economy." While this is technically true, it is only a half-truth - the tax cut package is responsible for a majority of the decline in the surplus (\$40 billion in rebates and \$33 billion in corporate taxes shifted to the next fiscal year, out of a total decline of \$125 billion).

## **Daniels's deceptions**

Daniels began his testimony with a summary of the economic situation similar to Conrad's, with one important exception: unlike Conrad, who defines "surplus" and "Social Security surplus" separately, Daniels uses the term "surplus" in the broader sense to include *all* revenues. Thus he can claim that "This is, by any rational definition, an enormous surplus," an attempt to both avoid any discussion of the source of the

surplus and to frame Conrad and the Democrats as irrational.

Daniels continued with one of his staple rhetorical devices, the "just plain folks" claim: "[N]o one else outside of Washington I know has any trouble identifying the correct term to apply to the situation where revenues exceed all expenditures by hundreds of billions of dollars." This is strikingly similar to Daniels's claim in July on ABC's "This Week" that "Out here in Indiana, people are concerned about jobs and income prospects, not bookkeeping entries." Both attacks are simply a rhetorical trick used to discredit the Democratic position without addressing it directly.

### **Daniels and Conrad trade confusion**

Having established their competing frameworks, the rest of the hearing became a battle of spin rather than a policy debate. Daniels attacked Conrad for using phrases like "coming out of the trust fund," "raid," and "taken from the trust fund." Yet Conrad was not to be dissuaded; he responded that "when you take those monies . . . and use them for another purpose, you dig the hole deeper, in this senator's judgement. To me it's very clear. I believe that is a raid."

Conrad is only confusing the debate. He is not making an argument about whether to devote the money borrowed from the trust fund entirely to debt reduction or partially to other programs - the real issue at stake. Instead, he is attempting to frame the debate in terms of whether the money is spent on Social Security and Medicare or not. This allows him to accuse the White House of, essentially, stealing from the trust fund - when, in fact, the money is going to be spent either way.

Towards the end of the hearing, Daniels made one final deceptive claim, telling the committee that "today's surpluses don't have anything to do either with the long-term problems of Social Security or Medicare, or the solvency [of those programs] or our ability to pay those bills as they come due." This, as I explained above, is simply untrue; using the surpluses to retire debt has a major effect on the government's interest payments and ability to borrow. For Daniels to claim otherwise is simply deceptive.

## Summing up the spin

Last Thursday's hearing neatly encapsulates the pseudo-debate that discussion of the Social Security surplus has become.

Conrad gives us the Democratic line: the Social Security surplus should be counted separately, and the Bush budget steals from the trust funds. Daniels and Domineci put forward the Republican line: all revenues should be considered together and the "recessionary environment" is responsible for the dwindling surplus and justifies spending surplus monies on government programs. Rather than having a productive policy debate over the implications of spending the surplus in one way or another, both sides are struggling to frame that debate to their advantage.

[\[Email this to a friend\]](#)   [\[Subscribe to our email list\]](#)

Related links:

-[Both sides play pin the tail on the Social Security surplus](#)

(Bryan Keefer, 8/22)

-[Novak's welcome-back gift for Congress: Social Security spin](#)

(Ben Fritz, 8/20)

-[A useless Social Security stalemate](#) (Brendan Nyhan, 8/9)

-[Mitch Daniels spins the Medicare trust fund](#) (Bryan Keefer, 7/16)

-[Krugman predicts shortfalls, Bush spin](#) (Bryan Keefer, 7/6)

[Home](#) | [Columns](#) | [Posts](#) | [Topics](#) | [Email list](#) | [About](#) | [Search](#)

This website is copyright (c) 2001-2002 by Ben Fritz, Bryan Keefer and Brendan Nyhan. Please send letters to the editor for publication to [letters@spinsanity.org](mailto:letters@spinsanity.org) and private questions or comments to [feedback@spinsanity.org](mailto:feedback@spinsanity.org).