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FACE THE NATION

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GUESTS: Senator CHUCK HAGEL, (R-NE)

Senator BARBARA BOXER, (D-CA)

MODERATOR: BOB SCHIEFFER - CBS News

PANEL: Karen Tumulty - Time Magazine

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**FACE THE NATION - CBS NEWS
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BOB SCHIEFFER, host:

Today on FACE THE NATION, Social Security reform: Is it dead? Can it really happen? Is it even necessary?

President Bush and administration officials will visit 60 cities in 60 days to try to push a faltering plan to reform Social Security. One of our guests this morning, Republican Senator Chuck Hagel, will broaden the debate with his own plan to overhaul the system, and then we'll hear from Democratic Senator Barbara Boxer, who says these reform plans will take Social Security from a guaranteed benefit to a guaranteed gamble.

Karen Tumulty of Time magazine joins in the questioning. I'll have a final word on the magic of baseball.

But first, changing Social Security: How does it affect you? On FACE THE NATION.

Announcer: FACE THE NATION, with CBS News chief Washington correspondent Bob Schieffer. And now, from CBS News in Washington, Bob Schieffer.

SCHIEFFER: And good morning again.

With us here in the studio, Senator Chuck Hagel. Joining in the questioning, Karen Tumulty of Time magazine. If ever there was an issue where the devil is in the details, certainly it is Social Security. But if ever there was an issue that affected everyone, from people my age to my grandchildren, this is the one. It can be mind-numbing when we get into all these numbers and different reform plans, but it is so important we are determined to keep covering this story. And to help us kind of sort it out today, two points of view, first from Senator Hagel, who's here in the studio with us.

Senator, tomorrow you're going to introduce yet another proposed overhaul. This is different from what the president has in mind. It includes some very key things about Social Security. You call for no changes, really, for anyone over 45 years of age, but you're also touching one of the--what people call the third rails of American politics, and that is you want to extend the retirement age from 67 to 68. Why have you decided to do this?

Senator CHUCK HAGEL (Republican, Nebraska): Well, first, Bob, thank you for the opportunity to explain my program a little bit. Two facts I think are important for the American people to understand. One: The Social Security Administration has noted that actuarially, the current Social Security program, out over into the next 75 years, is unsustainable. That means that we have \$3.7 trillion in unfunded liabilities. That means that we have \$3.7 trillion in obligations and commitments to future retirees that we don't have money to pay for. So already we are \$3.7 trillion--at least \$3.7 trillion--in debt over the next 75 years. Now those are two facts. They're indisputable.

So if that's the case--and it is the case--what do we do? We know we have to fix the system. Well, let's go back to the original intent of Social Security. It is an insurance contract. Roosevelt said that it was about keeping all of our people out of poverty. It was never intended to be a substitute for one's own retirement program. So we have to put it back on a current course of solvency. And what I do to do that over the next 75 years, recognizing what I've just said as the actuarial facts here, is, number one, I extend in 2023 the full-benefit retirement age from, as you noted, 67 to 68.

Why do I pick 2023? That is the year that those born af--who are now 45 years old and younger, when they will first start being eligible for early retirement at 62. I don't think that is an irresponsible act. We are living longer. Our quality of life is better. We're going to need more people in the work force. We know that. So when you look at the total universe of this, I think that makes some sense to extend the age.

Second, what I do is I keep 62 as the early retirement age. Currently you can take an early retirement at 62, but you're penalized early retirementwise, taking only 70 percent of the benefits. I move those benefits to 63.

And the third thing I do to make the system solvent is put into the wage-base indexing something that has never been done before, and that's life expectancy. You live longer, then you're going to draw more Social Security.

So that's how we do it. Now two other points here, Bob. One is, I do set up a voluntary program for those 45 and younger to go ahead and enter into personal accounts. They would still be guaranteed a Social Security account, but they would have, at the end of their working days, two accounts, and those returns on those personal accounts, just like the federal employees have, three and a half million of us--those returns over the last 10 years, for example, have ranged from 5 to 12 percent.

SCHIEFFER: OK.

Sen. HAGEL: So those are some of the things that I do do that I think change the system. One other thing, too, that's important: the disability survivors benefits do not change, and I focus on what I think is most important about Social Security.

SCHIEFFER: Right.

Sen. HAGEL: It's those at the bottom.

SCHIEFFER: Let me just ask you the obvious question. You are for these personal savings accounts under the circumstances you've outlined. But like the president's plan, you're going to have to borrow to get the money to pay for that. So you talk about solvency, but this is going to run the deficit even higher, Senator?

Sen. HAGEL: No, it's not. Remember what I said. We are already in debt \$3.7 trillion. That is an actuarial fact of life. We have \$3.7 trillion that we're in debt right now over the next 75 years. So I'm not adding any new debt. What I'm doing in order to pay for the transition is taking some of that \$3.7 trillion and spreading that out at the front end. The Social Security Administration ran all my numbers. They were the ones that we ran our models through. They're the ones that scored all our numbers. And what they're telling me is that my system to put us into solvency within 75 years and beyond, by the way--and beyond, so we don't have to deal with this again, would take about \$80 billion over the next 10 years. But already, you've got to remember, we're in debt \$3.7 trillion.

SCHIEFFER: OK.

Sen. HAGEL: So I just spread it out over the front end to get us to where we need to be.

SCHIEFFER: Karen.

Ms. KAREN TUMULTY (Time Magazine): But, Senator, everyone in Washington agrees that no plan is going to get anywhere unless it has at least some Democratic support. Your plan, like the president, has the two things that the Democrats say they won't support; one of which is increasing borrowing at least in the short term and the second is these private accounts. So why would your plan bring any Democratic support on board if the president's hasn't done that already?

Sen. HAGEL: Well, first of all, two answers. One, the president has not laid down a specific plan. In fact, I think my bill tomorrow, when I introduce it, will be the first bill--Social Security reform bill introduced in the Senate this Congress. Now others, like my friends Lindsey Graham, John Sununu, Bob Bennett, have talked about it. They introduced plans last Congress. And we need more ideas. I'm not saying my idea is the one and only idea. We should have other ideas, but the president has not laid down a specific plan as to how he's going to get us to solvency. I do that. It doesn't mean mine's best but I do it.

Second, not all Democrats have said, Karen, that they're not willing to deal on these things. For example, I talked to Max Baucus on Thursday about my plan. He's very important because he's the ranking Democrat on the Finance Committee. My colleague from Nebraska, Ben Nelson, has said, 'Let's look at the facts,' so I don't think you've got an en masse block here. Now most of the Democrats, you're right.

The third point is this, Karen. We have to do something about this. Where is the Democrats' alternative?

SCHIEFFER: Let me just interrupt with this question. Some of the Democrats--Dick Durbin, for example, the deputy leader in the Senate of the Democrats--says today that if the president will take this whole idea of personal accounts out of this, that the Democrats would be ready, under those circumstances, to sit down and talk about reforms. Would you be willing to remove personal accounts from your bill if that got Democrats to the table?

Sen. HAGEL: No. I don't think so because this is also not just an actuarial issue, in my opinion. It's a philosophical issue as to the role of government and the obligations and responsibilities of government not just politically but, more importantly, what is government going to be able to sustain over the next 75 years? We're going to saddle our young people with so much debt because we are making commitments that we cannot pay for except if we raise taxes. I don't buy what the Democrats--most of the Democrats are saying. We can fix Social Security by just raising taxes. I don't think that's the right thing to do. We are going to put this country in such a bind over the next few years if we don't get control of our spending and the biggest piece of that is entitlements.

I mentioned Medicare. Medicare is growing faster than Social Security--eight times faster. We're going to have a bigger problem with Medicare. So I think you've got to have a private dynamic to this and there's a guarantee in Social Security as well. I think that is part of the way out.

SCHIEFFER: Karen.

Ms. TUMULTY: Your own leader in the Senate has cast some doubt, Senator Bill Frist, in the Senate of whether this is even doable this year. Do you think given how much opposition there is that Social Security overhaul is, in fact, achievable?

Sen. HAGEL: Well, it's achievable because we don't have any choice. Now whether that's going to come...

Ms. TUMULTY: This year?

Sen. HAGEL: Well, whether it's going to come this year or next year or in four years, I can't predict that. The fact is, Social Security is the most important, successful program in the history of American government. You said at the top of the show, Bob, that every American has in some way been connected to this program. Seventy years this has worked very well, so people are going to have a lot of questions. They should have a lot of questions. We need to answer those. But I don't think you can get at the problem unless you lay some things on the table. Now whether we can do it this year or not, I don't know. You know that Senator Frist came back on the floor the next day and clarified those statements and said, 'We're going to try to get it done this year.' What's important to me, Karen, not whether it's done this year or next year but what's important is getting it done, and getting it done wisely so we can really fix the Social Security problem.

Ms. TUMULTY: But the polls...

SCHIEFFER: But--go ahead.

Ms. TUMULTY: ...suggest that the president's going backwards in trying to convince people that these private accounts are a good idea.

Sen. HAGEL: I don't know about backwards, but again, I can't answer for the president. But you got to remember we've got a problem. We've got a realistic, actuarial, fact-of-life problem. Now what I'd like to see is the Democrats start putting something on the table. I'd like to see the Democrats lay it down. We've talked about some of my colleagues. The House has introduced some things, but these are all Republicans who have come forward. If the Democrats have plans, lay it out. Let's debate it. But I think it's far too early to take anything off the table. And again for me it's a long-term sustainability of these entitlement programs. Without the private sector economic growth, and that part of this, I don't think you can sustain it. You cannot saddle our young people with the kind of burden we're going to saddle them with if you don't fix this.

SCHIEFFER: All right, Senator. We have to take a break there. When we come back, we'll talk to Barbara Boxer, the Democrat from California. She has a different idea.

(Announcements)

SCHIEFFER: And now with the other side of this story, joining us from Provo, Utah, Senator Barbara Boxer.

Senator, I want to get your reaction to some of the things that Senator Hagel said this morning but I also want to ask you about something you said last week. You said the president isn't trying to save Social Security at all. What he is trying to do is destroy Social Security. I believe that's what you said on the floor of the Senate.

Senator BARBARA BOXER (Democrat, California): Yes. Yes.

SCHIEFFER: How do you back that up?

Sen. BOXER: It's pretty easy to back it up, because fortunately one of the newspapers got an internal memo from the White House in which they say right at the top, 'We've been waiting for this moment for six decades.' That's 60 years. And if you go back and look at the conservative think tanks, that road about gutting Social Security 22 years ago, they lay out the map perfectly, and the president is following the script. Pick off the people over 55, tell them they'll be fine. Divide and conquer. It's all laid out.

SCHIEFFER: You really believe that, that that's what he's trying to do?

Sen. BOXER: Yes.

SCHIEFFER: Why would the president want to do...

Sen. BOXER: Yes.

SCHIEFFER: ...something like that? What would...

Sen. BOXER: Well, if you...

SCHIEFFER: ...be the reason to do that?

Sen. BOXER: Well, if you heard Chuck Hagel, I think it was really interesting and Chuck Hagel is a good colleague and friend of mine, but the bottom line is if you listen to what he said, he said on the one hand Social Security has been the best program we've ever had. He's very complimentary to Social Security. But then he also said, 'This is a philosophical issue. This is about the role of government,' and that's really where you come down.

I mean, it is no great secret that since Social Security went into play, since Medicare came into play, the right wing of the Republican Party has been after these programs. And Social Security is not in crisis. It is solvent for at least 38 years under one accounting, 48 years for another, but because the Republicans now own the White House, the House and the Senate, this is an opportune moment and it's really fairly tragic in my view because their plan of privatization will destroy Social Security. It's very simple. You're taking funds away from the Social Security Trust Fund, putting them into these private accounts, turning Social Security from the guaranteed benefit into a guaranteed gamble and worst of all plunging us into the most extraordinary debt. Talk about the debt on our young people.

Ms. TUMULTY: But this...

Sen. BOXER: So it's a very tough time I think for this country.

Ms. TUMULTY: Well...

Sen. BOXER: And I think we have to either decide that Social Security has been the most successful insurance program, retirement program in our history and probably in the history of the world or it isn't.

Ms. TUMULTY: But...

Sen. BOXER: And that's the true debate.

Ms. TUMULTY: ...Senator, bottom line here. Senator Hagel says that the Democrats aren't necessarily a united front against this idea of private accounts as a carve-out of the Social Security program. Bottom line, are you ever going to get a significant number of Democrats to the table to talk about any program that would involve diverting part of your Social Security taxes into private accounts?

Sen. BOXER: Actually, no, because we just wrote to the president of the United States a very good letter, I thought. And all of us--well, let's see. I think 42 of us signed it. Forty-two of us signed it and I don't know whether you've seen it. But what we said to the president is, 'If you take privatization off the table, we are ready to solve the Social Security Trust Fund problem,' just as we did with Ronald Reagan, with Tip O'Neill, an icon of the Democrats. Ronald Reagan, an icon of the Republicans, sat down with all of us behind them and we solved a problem, a very imminent problem in 1983.

Ms. TUMULTY: And...

Sen. BOXER: And we added 60 years to the life of Social Security. We can do the same thing...

Ms. TUMULTY: And exactly how...

Sen. BOXER: ...but you don't sit down with someone who's trying to destroy you, you know? You don't.

Ms. TUMULTY: But exactly how would the Democrats do that? How would they add to the solvency? There are only three ways of doing it. You either borrow more, you raise taxes or you cut benefits. What exactly would the Democrats do?

Sen. BOXER: Well, I'll tell you, we're not going to borrow more. Right now, we have a debt of \$7.7 trillion. That is--let me get it right for you--a million dollars a day for 21,000 years. That's what we already have. And this theme of privatization would add over 20 years another \$5 trillion. Talk about destroying this country. That's a plan that will bring us down. We'll be able to do nothing, nothing, for our people at that point in time. So...

SCHIEFFER: Well, Senator, tell us something...

Sen. BOXER: ...the fact is we're not going to add to the debt. What we're going to do is continue what we've done in the past, make Social Security a pay-as-you-go program and follow the lead of the American people. They've been asked these questions.

SCHIEFFER: Tell us...

Sen. BOXER: They come back very strongly. Yes, let's go to the wealthiest of Americans and let's ask them to do a little bit more. And under that scenario, you could even lower the payroll tax rate as long as people are paying on higher incomes. So I think the American people are leading. In a way, they're very, very smart about this.

SCHIEFFER: So is what you're saying here, you would consider raising the cap on the amount of income that is taxed to pay for Social Security? That's one of the things that Democrats would be willing to do?

Sen. BOXER: Well, clearly Republicans have put it on the table as well. I'm not speaking for any other Democrat, but I am telling...

SCHIEFFER: But you're saying you might consider that.

Sen. BOXER: ...you that for me, for myself, I think the important thing is to solve this problem which doesn't kick in until 38 years from now by making some adjustments. Now there's other things you can do, you know, that we did in 1983. There are many things we can do. But I think the point is this, and I hope the American people understand this. The question for them is: Who do you trust on Social Security? And you opened it up when you asked me about why I think President Bush should not be trusted. This is a man, President Bush, who said in 1978 that Social Security would go bust in 1988 unless the system was privatized. He was wrong then. This is the president whose White House said we've been waiting for this opportunity to change Social Security, get rid of it for 60 years. This is the president who said in his...

SCHIEFFER: Well...

Sen. BOXER: ...speech--and this is a quote--"People are acting as if Social Security is a federal program." You mean he didn't know that Social Security is a federal program?

Ms. TUMULTY: But, Senator...

Sen. BOXER: This is one of the greatest success stories of our time.

SCHIEFFER: Senator...

Sen. BOXER: Why would we destroy it?

Ms. TUMULTY: But this idea picked up an important supporter in this--in the--in Alan Greenspan, the chairman of the Federal Reserve.

Sen. BOXER: Which idea? Which idea?

Ms. TUMULTY: The idea of private accounts. He says they are a good idea for Social Security. He has been the 'Good Housekeeping seal of approval' for a number of presidential programs. Bill Clinton's in 1993 and President Bush's tax cuts in 2001. Your leader this week, Harry Reid of Nevada, said that Alan Greenspan is one of the worst political hacks in Washington. Do you agree with that, and do a lot of Democrats agree with that characterization of the chairman of the Federal Reserve?

Sen. BOXER: Well, Harry speaks straight from his heart. And it is a little disheartening to hear Alan Greenspan, because when Bill Clinton was president, he made speech after speech: 'This deficit is terrible, this deficit is awful.' And we acted on it. We balanced the budget. We paid back the Social Security Trust Fund, every penny. This president's taken out every single penny, and Social Security should be paid back. And now he is silent in all of these things and seems to reiterate something new every day. So I'm losing track of Alan Greenspan. One day he says, 'The deficit is terrible. Don't cut taxes.' 'Oh, no, it's OK. Cut taxes.' Now he's calling for a consumption tax.

Ms. TUMULTY: And does that make him...

Sen. BOXER: Then he says, 'Put that all together in...'

Ms. TUMULTY: ...a political hack?

Sen. BOXER: Well, that's Harry Reid's, and I'll let that stand for Harry's opinion. My own view is I think he's turning into a great disappointment, because he used to be someone who was non-partisan. And you're getting the sense now that he's lost that, and that's too bad for the country. We need some impartial people today.

SCHIEFFER: Do you think that any reform will pass this year, Senator Boxer, either something the Democrats have or some plan by the president, or do you think we're just going to talk about this most of the year and deal with it next year?

Sen. BOXER: Well, it depends on what you mean by reform. If we mean by reform making adjustments to the system as we did with Ronald Reagan and the Democratic Congress in '83, adjusting the program so it's still pay-as-you-go, no more debt, we fix it, that could happen pretty quickly. But if privatization stays on the table and Social Security is turned into a gamble, I don't see us getting anywhere, because none of us in the Democratic Party, at least none that I know, is willing to do that.

SCHIEFFER: All right. We have to end it there. Thank you so much, Senator Boxer.

Sen. BOXER: Thanks.

SCHIEFFER: I'll be back with a final word in just a minute.

(Announcements)

SCHIEFFER: Finally today, what with Iraq, a cold winter and this nasty argument over Social Security, Washington has been in a bad humor lately. But one day last week the clouds parted and people in my office anyway were smiling again because, after all these years, Washington finally has a baseball team and it was playing its first exhibition game in Florida. Full disclosure for the bosses in New York, yes, we were all watching, but it is possible to watch TV and work. Just ask any teen-ager.

A realist will tell you that our team had one of the worst records in baseball when it called Montreal home last year. But when our guys won that first exhibition game, people were actually saying, maybe, just maybe this team can go all the way. Such is the magic of baseball in the spring, when nature begins to renew itself and all things seem possible.

But it is more than that. Somehow baseball brings out the optimist in all of us and that shouldn't surprise us because optimism has been in our DNA from the very start. How else would a ragtag army have taken on the greatest military power in the world against all odds to win our freedom? Not because they thought they were going to lose. The other day a friend of mine from another country said what she liked about Americans was that we were always willing to give it a go, to take a chance, whatever the odds, if the cause was right. I have always believed that but in these days when we get so many brick bats, it was nice to hear her say it.

America's core strength remains that spirit of optimism. Again last week it was baseball that reminded us of it. Play ball!

That's it for us. We'll see you next week right here on FACE THE NATION.