

Confirmation Hearing

Statement by Dr. Jeffrey R. Brown  
Social Security Advisory Board Nominee

Before the Committee on Finance  
United States Senate

December 14, 2005

## Statement of Jeffrey R. Brown<sup>1</sup>

Mr. Chairman, Senator Baucus, and members of the Committee:

I am honored to appear before you today as a nominee of the President to be a member of the Social Security Advisory Board.

If you will indulge me for just a moment, I would like to recognize the members of my family that have accompanied me here today. They include my wife Lisa Brown, our daughters Madeline and Sophie, and my parents, Melvin and Ann Brown. I am sure that everyone at this hearing would also like to join me in thanking my parents-in-law, Gene and Janet Eggleston, who are babysitting our two-year old son Andrew so that he does not run around the room during this special event.

As you know, the Social Security Advisory Board was established in 1994 to provide independent and *bipartisan* advice to Congress, the President, and the Social Security Commissioner on matters related to the OASDI and SSI programs. Over the years, the Advisory Board has performed these functions admirably, producing valuable consensus reports on issues ranging from how to improve the agency's disability determination process to the need to act quickly to improve the sustainability of Social Security's finances.

If I am confirmed, I look forward to working closely with the Advisory Board members and staff to continue this bipartisan tradition.

As you know, there are few government programs that have as direct an effect on the lives of so many Americans as does the Social Security program. Nearly 160 million workers are paying taxes to support Social Security, while more than 48 million Americans are receiving benefits, either as retired or disabled workers, dependents or survivors.

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<sup>1</sup> I am an Associate Professor of Finance and the Julian Simon Faculty Fellow in the College of Business at the University of Illinois at Urbana-Champaign. I am also a Research Associate of the National Bureau of Economic Research (NBER) and Associate Director of the NBER Retirement Research Center. In addition to my academic work related to Social Security, pensions and retirement security, I have extensive experience working on Social Security as a Senior Economist with the President's Council of Economic Advisers, a member of the staff of the President's Commission to Strengthen Social Security, and a member of the National Academy of Social Insurance expert panel on "Uncharted Waters: Paying Benefits from Individual Accounts in Federal Retirement Policy."

The aggregate financial flows associated with Social Security are enormous, with benefit payments in the year 2005 expected to exceed 500 billion dollars. Social Security is the major source of income for most of the elderly population. Approximately two two-thirds of U.S. households pay more each year in payroll taxes to support Social Security than they pay in income taxes.

Numbers aside, the Social Security program has become part of the social fabric of this nation. I agree with the assessment that Social Security is one of the most popular and most successful government programs in our nation's history. It has clearly delivered on the vision put forth by President Franklin Roosevelt to "give some measure of protection to the average citizen and to his family against poverty-stricken old age."

Unfortunately, the Social Security system faces severe financial challenges in the coming decades. Because Social Security is designed as a pay-as-you-go program, its financial status is very dependent on demographic trends. For a variety of otherwise positive developments – including the fact that Americans are living longer than ever before – Social Security's expenditures will begin to exceed its tax revenue around 2017 – just a dozen years from now.

As the ratio of workers-to-retirees continues to fall, Social Security's cash deficits will grow rapidly in the decades to follow.

As a result of this collision between demography and Social Security's pay-as-you-go structure, it is a simple budgetary, economic, and mathematical reality that something must change. Some reform of the system is required to bring the program's finances back into long-term balance.

The Social Security Advisory Board has been a forceful advocate of acting sooner rather than later to address these looming shortfalls. If confirmed, one of my priorities as a Member will be to continue to emphasize the need for Congress and the President to set aside partisan differences and meaningfully address this important policy issue.

However, it is also very important to note that there are other critical issues that deserve the continued attention of the Social Security Advisory Board in the years to come.

For example, the disability program is an essential part of our social insurance system in the U.S., but it is a program in need of continual improvement. Despite the progress made in recent years, there remains a need to streamline the disability determination process. Many applicants find themselves navigating the complex system of applications and appeals for years before ultimately being approved for benefits, a situation that sometimes imposes severe financial hardship on applicants and their families.

There are many other issues as well, ranging from proactively managing the large numbers of SSA employees who will be retiring from public service in the coming decade, to considering SSA's role in combating identity theft, to analyzing the efficacy of the SSI program in alleviating poverty.

On these issues and others, I am looking forward to the opportunity to apply my academic, research and policy expertise to tackle these difficult problems. If confirmed, I have every intention of becoming an active Member of the Board, and I look forward to working with the Members and staff of this Committee to help improve retirement security for both the current and future generations of workers.

I would like to thank you for allowing me this opportunity. I would be happy to answer any question that you may have.