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President Discusses Social Security at Pennsylvania State FFA Convention
The Pennsylvania State University
University Park, Pennsylvania

1:54 P.M. EDT

THE PRESIDENT: Mr. President, thanks for the great introduction, and thanks for having me. It's an honor to be here at Penn State University, one of the great universities in our country. (Applause.) I want to thank the President of this fine university, President Spanier, for having us. Thank you for letting me come here on this beautiful campus.

Guess what happened. There was a pretty famous person at the airport today. (Laughter.) And so I said, why don't you ride over to the college campus with me here, the university campus -- I need a briefing on what's going on. And Joe Paterno kindly agreed to travel with me. (Applause.) I said, let's talk football. He said, why don't you tell me what's going on in Washington? (Laughter.) I tell you one thing about Joe Paterno; there's no more decent fellow on the face of the Earth. What a man who sets -- a man who sets high standards, he loves his family, he loves this university, he loves his country, and my mother and dad love him. Coach, thanks for coming. Proud you're here. (Applause.)

I appreciate the FFA a lot. I appreciate the fact that the Pennsylvania FFA has made a table for the Crawford, Texas FFA. I'm looking forward to telling the folks there at Crawford how decent the good folks here are in Pennsylvania. I really want to thank you for that gesture. I bet they like that table. I'm a little disappointed you didn't make the table for me. (Laughter.)

But thanks for what you -- thanks for the example you have set. Thanks for understanding the importance of values. I mean, one thing that's really important about our farming communities all across the country is that in our farming communities you find the values of hard work, faith, love of family, and love of our country. And I want to thank you all for carrying on that tradition of carrying those values.

I'm sorry my wife isn't here. Yes, I know, most people are sorry -- (laughter) -- she's not here instead of -- she's here -- she's not here instead of me. But she is doing great. I'm a lucky man when Laura said, I do. She is a fabulous First Lady, a great mom and a great wife. (Applause.) And she sends her very best.

I want to thank the Governor of the great state of Pennsylvania for joining us today, Governor Rendell. I'm proud you're here. Thank you for serving. (Applause.) I am traveling with members of the mighty Pennsylvania congressional delegation. First,

Senator Arlen Specter -- I appreciate you being here, Mr. Chairman. Senator Specter is battling cancer with incredible courage, and I appreciate your allegiance. (Applause.)

I'm proud to be with Senator Rick Santorum, a graduate of Penn State University. (Applause.) Congressman John Peterson from this area -- John, thank you for joining us. (Applause.) Dennis Wolff, the Secretary of Agriculture from Pennsylvania, I appreciate you being here, Dennis. (Applause.) I want to thank Chris Herr, the President of the Pennsylvania FAA Foundation. I want to thank Mike Brammer, the Executive Manager. Most of all, I want to thank you all for letting me come by.

You know, when I landed, I met another person, named Mickey Peters. The reason I bring up Mickey is she is a volunteer with the Centre County Cooperative Extension 4-H program. She has been a volunteer for more than 40 years and helping instill values and reminding all of us that we have a commitment to serve our respective communities. The reason I bring up Mickey is because, if you're interested in serving your country, your state or your community, volunteer. See, the great strength of this country lies in the hearts and souls of our citizens. If you want to truly be a patriot in America, feed the hungry, find shelter for the homeless, love a neighbor just like you'd like to be loved yourself. Mickey, thank you for coming, and thank you for the example you have set. (Applause.)

I am particularly grateful to come to speak to younger Americans -- and a few older ones here I see scattered around. (Laughter.) We're living in historic times. These are amazing times. And I hope you're as excited about them as I am. I wish I could tell you this wasn't the truth -- the case, but the case is, we're still fighting the war against terrorists. It's a different kind of war. But it's a necessary war, because our most solemn duty is to protect the homeland. (Applause.)

Our strategy is clear: We will stay on the offensive against the enemy. We will find them where they hide. We will bring them to justice. We will defeat them in foreign lands so we do not have to face them here at home. (Applause.) And for those of you with a relative in the United States military, I want you to do me a favor and thank them on behalf of the Commander-in-Chief, but more importantly, thank them on behalf of a grateful nation for their sacrifice and service. (Applause.)

The second part of our strategy to defeat terror, to spread the peace, is to spread liberty, is to help those courageous souls who demand the God-given right to live in a free society. Freedom is on the march around the world now. We're living in amazing times when millions of people in Afghanistan, when given a chance, went to the polls to say, we want to live in a free society. Freedom is on the march in places like Lebanon and Ukraine. Freedom has taken hold in Georgia. Freedom has taken hold in Lebanon. Freedom has taken hold in Iraq, where 8.5 million citizens defied suiciders and killers to say with a loud voice to the world, we want to be free. And a free society is a necessary part of spreading the peace. (Applause.)

So as you watch the dramatic changes taking place in the world, keep in mind we're laying the foundation for a peaceful world, a world in which boys and girls from all cultures and all countries can realize their dreams, can live in a free society. There's no doubt in my mind this world will be better off as freedom spreads. And I'm proud that the United States of America is taking the lead in spreading democracy and freedom around the world.

Now, farming is still the first industry in America. It is a luxury that we live in a country that can feed ourselves, and we need to keep it that way. American agriculture is diverse and it's a complex industry, where family farmers are CEOs, where the occupations in agriculture run from engineering and food science to business management to biotechnology—which says to me, you better take advantage of the educations you got; which says, you got to learn, you got to set high standards and work hard, read more than you watch TV, take your teachers seriously—because you're going to need a good education in order to be able to compete in this world.

We started our -- we made good progress for the agricultural committee -- agriculture community by this farm bill I was honored to sign three years ago. This is a farm bill that provided a strong safety net for our farmers. It allows farmers and ranchers to plan and to operate based upon market realities, not government dictates. You see, we tried to reduce government interference in the agricultural market, and at the same time, create incentives for sound conservation practices. The bill I signed, and the Congress passed, has helped strengthen the farm economy, and promoted independence by our farmers, and helped preserve the farming way of life. And now we've got to build on the successes.

I've got a good man as the Secretary of Agriculture in Mike Johanns. He actually grew up on a farm. Some of you will be pleased to hear he grew up on a dairy farm. (Applause.) He's going to be speaking to an FFA group in Illinois. He's going to be listening to farmers and ranchers all across our country as we prepare for a new farm bill. But one thing is for certain -- he doesn't need to travel the country for me to understand this -- in order for the agricultural sector of America to be strong, we got to keep your taxes low. (Applause.)

The tax relief we passed has helped our economy overcome a lot of challenges. The small business sector is strong today because small businesses are paying fewer federal taxes. The entrepreneurial spirit is strong today because of the tax relief. More people are working today in America than ever before in our nation's history. The national unemployment rate is 5.1 percent. We're making good progress. But in order to make sure this progress continues, Congress needs to make the tax relief we passed permanent. (Applause.)

And speaking about tax relief, in order to make sure our farms stay within our farming families, we need to get rid of the death tax once and for all. It makes no sense -- (applause) -- it makes no sense to tax a person's assets twice, once while they're living

and again after they die. For the sake of family farmers, Congress needs to get rid of the death tax forever. (Applause.)

To keep agriculture strong, to make sure these good folks have a chance to make a good living in the agricultural sector, we need to continue to open up new markets abroad. I always told the American people, if you're good at something, let's promote it. We're really good at growing things, so why don't we grow things and sell them abroad? I mean, we've got enough food to feed ourselves, so it seems like to me to be a good strategy to open up markets so others can buy our crops, our soybeans and our corn, our products we grow right here at home.

My administration supports trade initiatives that level the playing field, and one such initiative is the Central American Dominican Republican Free Trade Agreement, which is coming before the United States Senate and the House of Representatives. Let me tell you why I think this is a good deal for all Americans, as well as our farmers and ranchers. Right now the United States is open to more than 80 percent of the goods being sold out of Central America into our own markets, and yet 80 percent of our goods don't have equal access to their markets -- markets of about 44 million people. Catch this -- the United States is already open to more than 99 percent of Central America's agricultural products. In other words, we've opened up our market, but our farm exports to Central America are losing ground every day to third countries that have got trade deals with these nations.

As your President, it seems like to make sense to me to say, if we treat you this way, you treat us -- that's what fair trade is all about. By opening up Central American markets, it will help our farmers. The American Farm Bureau Federation estimates that CAFTA could boost our agricultural exports by \$1.5 billion when fully implemented. For the sake of fairness, and for the sake of the agricultural economy, the United States Congress needs to pass the CAFTA trade agreement now. (Applause.)

To keep American agriculture strong, we need to assure -- ensure that all Americans have access to affordable, reliable and secure supplies of energy. You know, when I first came to Washington, D.C., nearly four years ago -- a little over four years ago -- I knew we had a problem with energy. See, we're too dependent on foreign sources of energy. So we developed a strategy that would make us less dependent on foreign sources of energy. And by the way, one reason why you're seeing your gasoline prices go up, why farmers are paying higher fertilizer prices, why it costs more to fill your tractor, is because we're dependent on foreign sources of energy.

And so I said to the United States Congress, why don't we get wise about our energy policy? Why don't we do things differently? Why don't we encourage conservation? Why don't we make sure we spend money so we can have clean coal technology, so we can use the coal resources of a state like Pennsylvania in our electricity plants that has zero emissions? Why don't we continue research and development, so we can use soybeans or corn to develop new sources of energy?

I was at a plant the other day in Virginia. It was a soy diesel refinery. They're taking crops grown right here in America, putting them in the refinery, and out comes a fuel that we can use in diesel engines.

We need to be using clean, safe nuclear power. We need to make sure that the United States of America diversifies away from a hydrocarbon society, so we're no longer dependent on foreign sources of energy. The House has passed a bill, the Senate will have the bill on the floor. This Congress needs to stop debating energy policy and get a bill to my desk before the August resource -- recess break. (Applause.)

Now, I want to talk about one other subject that the young here need to pay attention to, and that's the Social Security issue. First, you know, some people have said to me in Washington, why did you bring it up? Why did you talk about such a politically difficult subject? Well, here's why. I think there's a problem. I'm about to explain why there is a problem. But I also know what the nature of the job of the presidency is. The job of the President is to confront problems, and not pass those problems on to future Presidents and future Congresses. (Applause.) The easy path is to do nothing. That's the easy political path. The tough path is to come together and get something done. But let me tell you something -- by doing nothing, you're about to hear that we will have done a disservice to a younger group of Americans coming up.

Franklin Roosevelt did a wise thing when he created the Social Security system. Social Security has been an important safety net for a lot of seniors. And for seniors receiving a check today, I want to assure you you're going to continue to get your check. The system is solvent for our seniors. You have nothing to worry about. I know all the political ads and the propaganda. I'm sure, Governor, you've had to put up with that occasionally. But the truth is -- the truth is, if you're born prior to 1950, you're going to get your check. I don't care what the politicians say. (Applause.)

Here's the problem. The problem exists for a young generation of Americans. And the reason why is there are a bunch of people getting ready to retire. We're called baby boomers. I'm one. I was born in 1946. I reach retirement age in 2008 -- it's a convenient year for me to reach retirement age. (Laughter and applause.) The problem is there's a lot of people like me getting ready to retire. Do you realize today there are about 40 million retirees receiving benefits? By the time the baby boomers retire, there's going to be about 72 million of us receiving benefits and a whole lot of people getting ready to retire. And we're living longer. My generation will live longer than the previous generation.

Coach Paterno said, are you exercising a lot, Mr. President? I said, all the time, Coach, I'm trying to live longer than the previous generation. And not only that, but when people were running for Congress in previous years, they'd say, vote for me, I'll make sure your benefits go up faster than the rate of inflation. And that's what happened. That's one of those political promises that was kept. So you've got a lot of baby boomers like me, a whole lot of us, going to be living longer, getting greater benefits than the previous generation, which is all fine and good until you realize the other half of the equation.

Now, in 1950, early '50s, there was about 16 workers for every beneficiary, which meant the load wasn't all that heavy when you're paying your payroll tax to take care of a beneficiary. Today, there's 3.3 workers per beneficiary. When a lot of these kids get older, there's going to be 2 workers per beneficiary. You've got fewer workers, fewer people taking care of people like me who will be living longer and receiving greater benefits. And that's the problem. In 2017, there will be more money going out than coming in. And every year thereafter, it gets worse. In 2027, there will be about a \$200-billion-a-year shortfall. And it gets worse, until finally, 2041 the system would be bankrupt.

So we're looking at a bankrupt system for younger workers. We're asking younger workers to pay payroll tax, to pay hard-earned money into a system that's going broke. That doesn't seem right to me. That doesn't seem fair, to know the facts and not do something about it. And so that's why I went in front of the United States Congress, and I said, we've got a problem. The problem -- the facts are irrefutable, and now we need to do something about it. I said, why don't we get rid of all the partisan bickering in Washington, D.C., and come together for the good of a generation of people coming up. (Applause.)

I believe I have more -- a responsibility more than just bringing the problem out there. And so I have talked about solutions, and I'd like to share some of my thoughts with you. First, a reformed system -- now, remember, if you're getting your check, I'm not talking to you. Nothing changes for people receiving their checks. I met a lot of grandmothers and grandfathers who kind of went, thank goodness, I'm going to get my check. And then, you know what the next question is? They say, what are you going to do about my grandkids, Mr. President? What do you and the Congress intend to do about a group of youngsters getting ready to go into the workplace? So I said, the first we got to do in a reformed system is to say to future generations, you'll receive benefits equal to or greater than the benefits today's seniors get. Seems to make sense to me.

Secondly, I said a reformed system must reassure future generations that those who depend most on Social Security will have the most protection in their retirement. In other words, I don't believe anybody ought to retire into poverty. I don't believe we ought to have a system where somebody is working all their life, and then they get a check and it keeps them in poverty. That doesn't make sense to me, And so I've adopted the idea put out by a Democrat named Robert Pozen. I think Mr. Pozen has got a good idea, and here's what it says.

It says that the Social Security checks for the highest 1 percent of Americans will remain the same in today's dollars as the checks received by beneficiaries today. It means no cut in benefits to the upper 1 percent. The other 99 percent of American workers will get bigger checks in today's dollars than the current retirees, which means an increase in benefits. The top 1 percent earners would have their benefits go up at the cost of living; the lower income Americans would have their benefits go up with wages, and it would be scaled in between. And that's important, because, you see, if Congress were just to adapt

that part of the proposal, it would solve, by far, the biggest problem we face in funding Social Security for the out years.

Now, it takes other measures, and I want to work with Republicans and Democrats to look at other ways to make the system -- permanently fixed.

We got some folks here that are dairy farmers. Jeff Grove, and his son, Caleb, are with us. Jeff is a third-generation dairy farmer. Caleb will start his first year with FFA this fall in Shippensburg, Pennsylvania. Jeff and his brother, Jay, run the family farm. By the way, their mom, Anna, is here. Boys, listen to your mother. (Applause.)

Caleb wants to join the family business when he's finished school. If he chooses to, Jeff could retire at 65 and start drawing benefits in 2021. Under a system with progressive indexing, he could expect a benefit of over \$12,000 a year in today's dollars -- today's dollars -- compared to about \$11,000 in today's dollars for a similar worker. In other words, the program would be beneficial to Jeff. That means after adjusting for inflation, his benefits would be 10 percent higher.

What I'm trying to do is to tell you the system that Mr. Pozen has proposed goes a long way toward fixing the system, but it's a good deal for people paying into the system today.

If Caleb turns out to be a farmer just like his dad, he can expect an annual benefit of more than \$15,700 in today's dollars. In other words, the system helps us achieve what we want -- permanent solvency, and to say you're not going to retire into poverty. That makes sense. Under the reform proposed by Mr. Pozen, 99 percent of Americans will see their benefits grow and no one's benefits will be cut.

It's important for Congress, if they've got a better idea, to bring it up. If you think you can do better in solving this problem, I don't care whether you're a Republican, or a Democrat, put your ideas on the table. That's why they sent you to Washington, D.C. in the first place. (Applause.)

So, I've got some ideas to permanently solve the Social Security deficit and the problem, so we can say to youngsters, when you work and pay something into the payroll system, there will be something for you when you retire. And I've got another idea that I want Congress to consider, and that I want people in this country to listen to carefully. And it's to make sure the system is a better deal for younger workers.

Now, first, let me describe how Social Security actually works. It's called a pay-as-you-go system; you work hard and you pay through payroll taxes, and we go ahead and spend. We spend on the benefits for retirees, and then, with the money left over, we spend on programs. See, some people think where the Social Security system is one where we take your money and we hold it for you, and then when you retire we give it back. That's not the way it works. You pay, we pay out the money for the retirees, and the money left over -- see, there's money left over until 2017 -- it goes ahead and funds all the different

programs of government. And do you know what's left behind? Paper. IOUs in a file cabinet in West Virginia. (Laughter.) Those are the assets of the Social Security system.

In order to make sure there's real assets in Social Security, I think we ought to allow younger workers, if they so choose, to take some of their own payroll taxes and set up a voluntary personal savings account. (Applause.) I think it makes sense to encourage people to build a nest egg they call their own -- by the way, a nest egg the government cannot take away; a nest egg the government can't take and spend on programs that they like.

I'll tell you why it makes sense to allow younger workers to take some of their own money as a part of a Social Security system, if that's what they so choose -- is because people can get a pretty good rate of return on a conservative mix of stocks and bonds, or a portfolio of bonds only. A conservative mix of stocks and bonds can yield you 4.6 percent. By the way, you get about 1.8 percent on your money in the government. It's a lousy rate of return compared to what a conservative mix of bonds and stocks will get you.

And the important thing about earning 4.6 percent is that over time your money compounds, it grows. And that's important. If you're a youngster and you start saving some of your own payroll taxes -- and I say, by "some of your own payroll taxes," sometimes if you listen to the rhetoric in Washington, it sounds like the people there believe the payroll tax is the government's money. It's not the government's money, it's the people's money. The people are working hard for that money. (Applause.)

Let me just give you an example. Suppose one of your brothers or sisters becomes a farmer and marries a food scientist and they earn typical wages from both those professions; and you enter the work force in 2011, and you work your entire career; and you're allowed to put a third of your payroll taxes aside, and it grows at 4.6 percent and compounds over time -- by the time you retire, you'll have a nest egg of \$570,000 -- your money. It's a part of a Social Security system. It would supplement your Social Security checks, but it's your money. No one can take it away from you. It's your money. It's money you can pass on to whomever you choose. And that's an important part of an ownership society in America. (Applause.)

It's important -- let me tell you -- let me give you an example of the Social Security system today that I think is patently unfair. You've got two folks working in their family, one of them dies before age 62, you know what the government pays? Burial benefits, period. And then when the other spouse reaches a retirement age, he or she gets to choose the benefits from her work or his work or the spouse's work, which is ever higher, but not both. In other words, the way the system works today, you've worked all your life, and you predecease your spouse, and the spouse's benefits are greater than yours would have been, the money you earned just goes away.

That doesn't seem fair to me, that you've got Americans all across the country working hard to put bread on the table, and they get a bad break and they die early, and the money

they've contributed to the Social Security system just isn't around for the surviving spouse.

It seems like to me it makes sense to let workers, if they so choose, to take some of their own money and put it aside in a personal savings account. And if something bad happens, like early death, there would be some assets for the surviving spouse, assets he or she could live on to help the family; assets to help with the grief; and assets to make their life better in retirement.

No, the idea of giving younger workers the ability to take some of their own money and set it aside so they can watch their money grow is an idea that's already taken hold here in America. Some of us older guys, like Specter and Rendell and others here, when we were coming up, we weren't sure what a 401(k) was. There weren't any. We didn't know what IRAs were in those days. There's a whole investor class of people growing up in America, people who are used to watching their money grow. And it seems to make sense to me to make sure a modernized, reformed Social Security system for a young generation of Americans ought to incorporate this idea, if that's what they choose to do, as a part of a modern retirement system.

This isn't a new idea, by the way, in Washington, D.C. I think you'll find this interesting, at least I certainly did when I started looking in on the issue -- is that the United States Congress has set up what is called a Thrift Savings Plan. It's a plan that lets United States senators and members of the House of Representatives set aside some of their own money in a conservative mix of bonds and stocks. You know what I think? I think if that plan is good enough for members of the United States Congress, it's good enough for workers all across America. (Applause.)

I've come today to tell you that there are some of us in Washington, D.C. who do not want to leave you saddled with a retirement system that's going broke, that we realize we have an obligation to address this problem. I'm enjoying traveling the country talking about the Social Security issue. It gives me a chance to get out of Washington, gives me a chance to remind the skeptics and critics that there are people in Washington, D.C. who care about the common good, that care about addressing problems. There are people in that Nation's Capital that have gone there for the right reason, to focus on the people's business and to come up with solutions, so that when it's all said and done, no matter what your party might be, we can say, job well done. We came to Washington, we didn't spend a lifetime there, we worked hard and we did the people's business.

I'm going to continue working this issue, state after state after state. I'm going to continue to call upon the United States Congress, members of both political parties, to stand up, to do what's right for a young generation of Americans coming up, to fix this Social Security system once and for all so a young generation of Americans will have that same sense of security that previous generations had when it came time for them to retire.

There's no doubt in my mind we're going to get this job done. And if you're interested in the subject, pay attention; call your elected representatives. The voice of the people can determine what takes place in Washington, D.C.

I want to thank you all for giving me a chance to come by and visit with you. I want to thank you for being -- (applause) -- I want to thank the members of the FFA for being leaders, for making right choices, for setting high standards, for setting the example, and for serving the communities in which you live. May God bless you all, and may God continue to bless our country. (Applause.)

END 2:29 P.M. EDT