

## Introduction

In his 2006 State of the Union address, President Bush spoke optimistically about the state of the United States economy. While to some fortunate Americans, this pronouncement may ring true, such is not the case for our squeezed middle-class who are finding it harder and harder to hold onto the staples of the American Dream: stable jobs, the promise of a secure retirement after a lifetime of hard work, access to affordable health care and the ability to put your children through college while also taking care of your elderly parents. By refusing to acknowledge the fundamental squeeze that has left one in six middle-class Americans without health insurance, record numbers applying for bankruptcy, and a significant percentage dipping into retirement security to send their children to college, the President makes it impossible to talk about the comprehensive solutions required to restore faith in the American Dream.

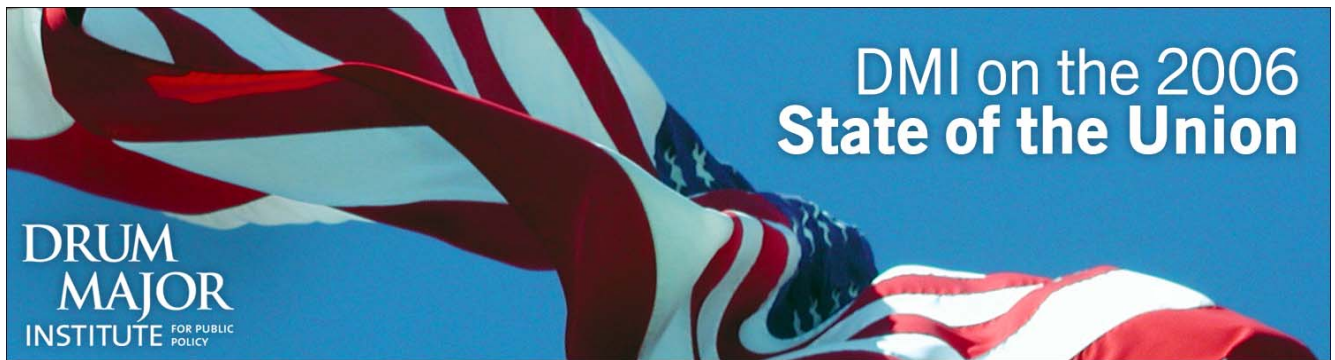
The President's address was a speech around the margins. It contained a proposal to expand math and science education without addressing the fundamental under-funding of our nations' public school systems and the skyrocketing cost of higher education, another to create Health Savings Accounts without addressing the true costs of our enormously expensive and inefficient private health care system, and yet another to create a guest worker program for immigrants without acknowledging the impact of the institutionalization of a second-tier workforce has on middle-class workers.

We agree that the State of the American Dream is strong; it is, in fact, what unites us. Unfortunately, so is the shared sense of vulnerability and economic insecurity that went unaddressed by the 2006 State of the Union address. Though his speech lasted over an hour, the deafening silence on the struggles of the middle class and those working so hard to enter it may very well be its defining moment.

## Health care

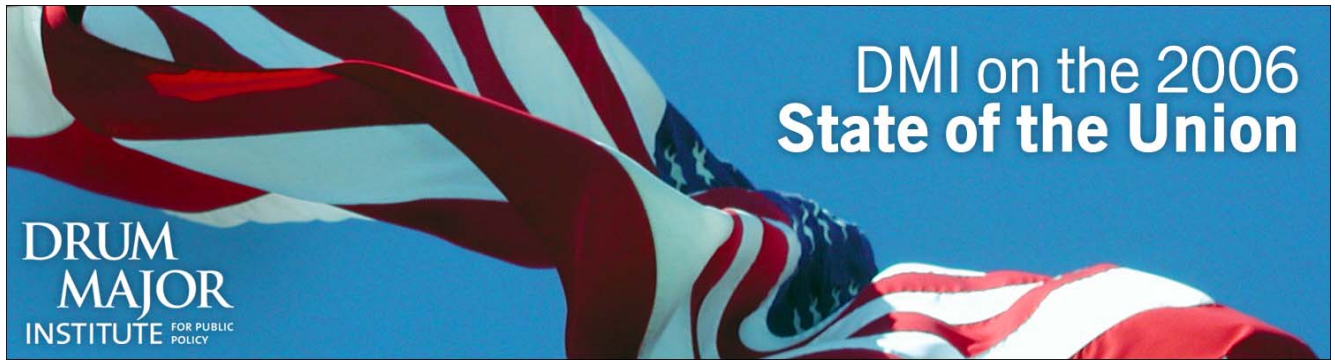
### **President Bush: Health care should be consumer-driven.**

- "We will strengthen Health Savings Accounts by making sure individuals and small business employees can buy insurance with the same advantages that people working for big businesses now get."



**DMI: Health Savings Accounts (HSAs) do nothing to address the fundamental problems of our enormously expensive and inefficient private health care system; HSAs just push risk and costs from businesses and the government on to America's squeezed middle class and exacerbate existing strains in the health care system.**

- Health Savings Accounts defy the central principle of insurance – which is to spread risk so that no insured individual is left with overwhelming costs or without access to needed care.
  - By individualizing risk rather than spreading it among many people, HSAs will be attractive to healthier, wealthier people, who have less risk and more money to begin with, draining them from the insurance risk pool and leaving only higher-risk people with traditional insurance, who will face much steeper costs.
- For the most part, HSAs do not make health care less expensive: instead they just move costs from employers, who may previously have paid for comprehensive health care benefits, to employees, who must now pay high health care deductibles out-of-pocket.
- Any health care savings that do arise from HSAs are the result of providing less health care — including skimping on needed care.
  - Health Savings Accounts are predicated on the idea that people are spending too much on unneeded health care expenses and will spend less if they have to pay for it out of their own pockets.
  - This presents tremendous risk that any cost savings will come at the sacrifice of needed care. President Bush expects busy middle-class consumers with no medical training to evaluate which tests and treatments are worthwhile. Doctors and other health care professionals—not patients trying desperately to save a buck—should decide what care is really warranted.
- Consumers spending too much on unneeded health care is not the main problem with the U.S. health care system. Instead, we should try to reduce the costs that have nothing to do with providing medical services.
  - One such non-medical cost is the nearly \$60 billion a year the pharmaceutical industry spends on advertising and marketing drugs to physicians and patients.
  - Other health care spending that did not go into providing care was the \$35.9 billion in profit made by the top ten pharmaceutical companies in 2002, and the \$10.2 billion profit HMOs made in 2003.
  - Bush's plan makes the situation worse by requiring additional costs for middle-class consumers that have nothing to do with providing medical care — billions of dollars in fees the middle class would have to pay banks and money managers to manage their health savings accounts.
  - The United States spends far more for a health care system that does not cover 45 million Americans than other industrialized countries spend to provide insurance to their entire citizenry. We spent 15.3% of GDP on health care in 2003 compared to 10.9 percent of the GDP in Switzerland, 10.7 percent in Germany, 9.7 percent in Canada and 9.5 percent in France.
- HSAs are more effective as tax shelters for the very wealthy than opportunities for middle-class Americans to access quality health care.



- Contributions to the accounts are tax-deductible, and withdrawals from the accounts to pay for out-of-pocket medical costs are tax-free, providing an unprecedented opportunity for the very wealthy to shield money from taxation.
- Meanwhile, these tax breaks will not help the aspiring middle class (the majority of the uninsured), because the majority pay little or no income taxes to begin with.

**DMI: Association Health Plans (AHPs) will harm the middle class — raising the cost of health care for small businesses and increasing the number of uninsured Americans — if they are exempt from state insurance laws that prohibit insurance companies from only insuring the healthiest consumers.**

- Exempting AHPs from state regulations increases average health care costs for small businesses and reduces the number of workers with health insurance. State laws prevent insurance plans from cherry-picking only the healthiest people for insurance coverage, allowing businesses with relatively healthy employees to join for less money, while charging higher rates to those with older and sicker workers. Such cherry-picking would destabilize the health care marketplace: state-regulated health care plans would see their healthy workers siphoned off to the AHPs, leaving them with a disproportionate number of older and sicker employees who are more expensive to cover. As a result, an estimated 4 out of 5 small businesses would see their premiums increase under unregulated AHPs. Small businesses should be able to band together to get a better deal on health insurance without this harmful disaggregating of risk that will ultimately rebound to make health care less accessible and more expensive for many middle-class Americans and small businesses.

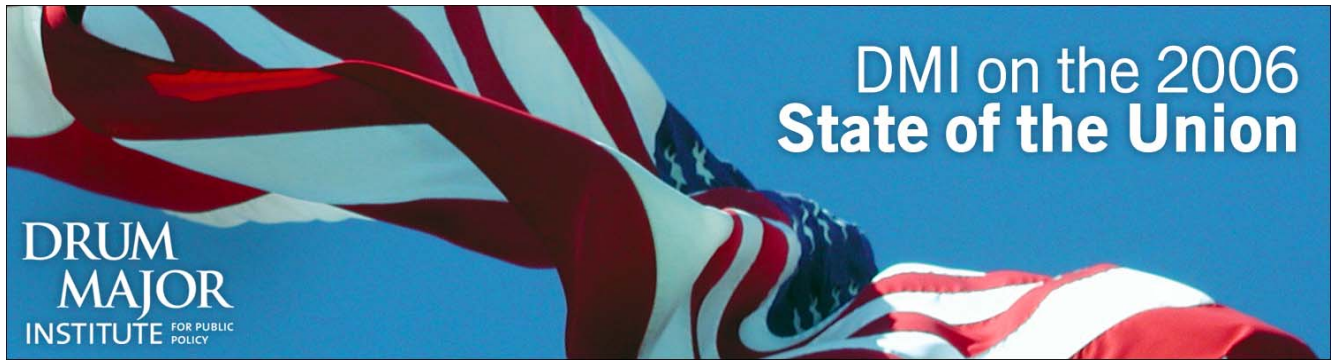
**Relevant Statistics:**

- Number of Americans who do not have health insurance: 45 million
- Proportion of middle-class households lack health insurance: one in six
- Percentage of small businesses that did not offer health insurance to employees in 2004: 37%
- Proportion of small business employees that would see their premiums increase if AHPs became common: 4 out of 5
- Average estimated increase in health care premiums for small employers with state-regulated coverage under AHP legislation: 23%

**President Bush: Capping damages from lawsuits will lower the cost of health care.**

- “Because lawsuits are driving many good doctors out of practice...I ask the Congress to pass medical liability reform this year.”

**DMI: Capping damages would do little to decrease health care costs, but would let hospitals, pharmaceutical companies, and medical device manufacturers get away with cutting corners on patient safety and would hinder injured patients from getting justice.**



## DMI on the 2006 State of the Union

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- Medical malpractice reform is not the solution to the lack of affordable healthcare for working Americans. Restricting the amount of money an individual can seek for medical malpractice or other health care-related wrongdoing would hinder many people in the middle class' ability to hold unscrupulous companies accountable for selling unsafe products, ripping off consumers, polluting the environment and employing unfair labor practices. Capping malpractice awards would limit people's access to justice and be less effective in deterring wrongdoing. The President's claim to make healthcare more accessible and affordable by limiting malpractice liability is invalid and its only outcome is limiting citizens'—particularly low-income citizens'—access to the civil justice system.

### Relevant Statistics:

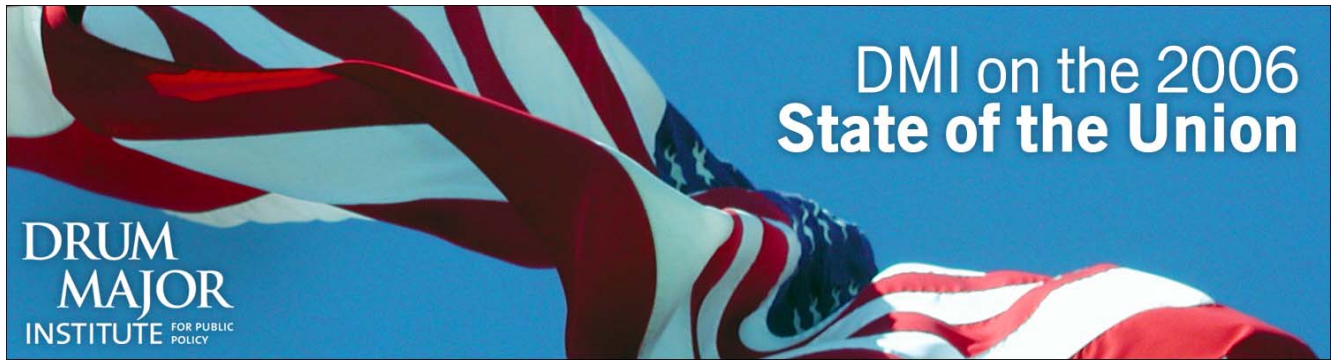
- Percentage of the nation's health care expenditures that are attributable to malpractice: 2.0%
- Estimated number of patients who die in hospitals each year due to medial malpractice: 98,000
- Total worldwide sales of Vioxx from the time it was introduced in 1999, when manufacturers allegedly already knew it had potentially fatal unreported side-effects, to the time it was removed from the market in 2004: \$11.8 billion
- Number of deaths attributed to a defective cardiac pacemaker sold by Guidant Corp. despite the company's allegedly knowing that the device was faulty: 7

### **President Bush: America is meeting its health care responsibilities to senior citizens.**

- "Keeping America competitive requires affordable health care. Our government has a responsibility to provide health care for the elderly, and we are meeting that responsibility."

**DMI: If the new prescription drug benefit Plan D is any indication, federally funded health care is not reaching most of the people it's designed to help. With its complicated and incomplete coverage, Plan D eschews efficient solutions, like allowing the government to negotiate for lower drug prices, that would provide straight-forward savings to seniors in favor of a large government subsidy to the already hugely profitable pharmaceutical industry.**

- Now one month old, Plan D—the new prescription drug benefit that directs federal funds to 260 private companies—has already hit hard times. Greatly under-funded by Congress, the confusion surrounding the benefit's launch forced the states to step in, paying medical bills where the federal government failed to. What's more, only 5% of the nation's 21 million seniors who qualify for this benefit have signed up for it, and most of them were people who had already been receiving a prescription drug benefit or low-income people who were automatically enrolled by the government. Little progress has been made to extend prescription drug coverage to the currently uncovered seniors who were promised improved pharmaceutical access by Plan D.
- Medicare should be a source of security for the middle class elderly. Plan D instead injects uncertainty and complexity. Many seniors have to sort through forty or fifty coverage options and select from among plans with a wide range of monthly premiums and deductible options. By forcing the elderly and their adult children—who often care for both their parents and their small



children—to make complicated decisions about finances and health care, Plan D requires a substantial investment of time and energy for a relatively small discount on prescription drugs.

- In the next ten years, \$720 billion in government funds will subsidize Plan D's private companies, but because of confusion and unresolved gaps in coverage, significant prescription drug costs will continue to fall onto middle-class families.
- If the government were to negotiate directly with pharmaceutical companies to get the lowest prices for seniors, as the U.S. Veteran's Administration already does, prices would be lower, confusion would be minimized, and the middle class would receive a truly significant prescription drug benefit.

#### **Relevant Statistics:**

- Percentage of seniors who say they will enroll in a plan, according to a Kaiser Family Foundation survey: 20%
- Percentage of seniors who say they won't enroll in a plan: 37%
- Percentage of seniors who are confused and do not know what to do about Plan D: 43%
- Estimated federal subsidy over ten years to the pharmaceutical industry under the Plan D program: \$720 billion

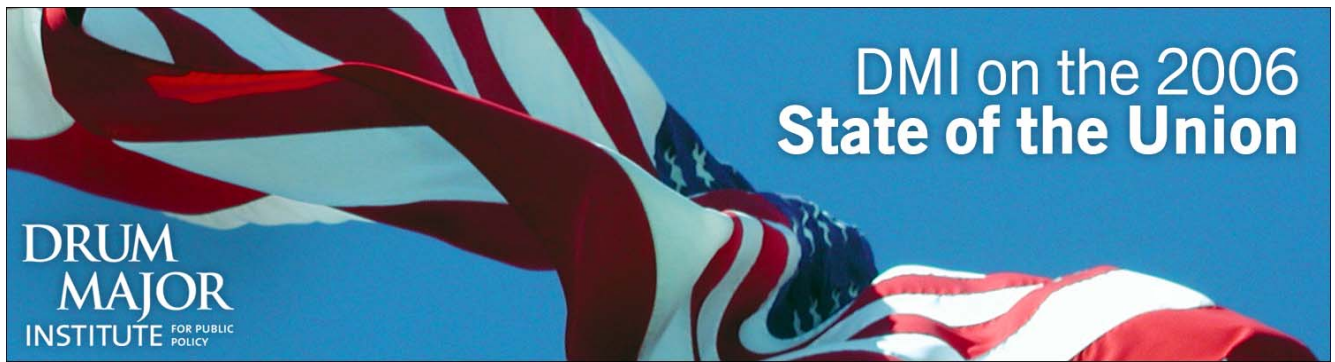
## **Education**

**President Bush: Proposes the "American Competitiveness Initiative" aimed at, among other things, providing America's children with a better education in math and science.**

- Recruit 70,000 new math and science teachers capable of teaching advance placement courses
- Encourage 30,000 private sector math and science professionals to teach in the schools
- "We need to encourage children to take more math and science, and to make sure those courses are rigorous enough to compete with other nations. We made a good start in the early grades with the No Child Left Behind Act, which is raising standards and lifting test scores across our country."

**DMI: President Bush's mention of his proposal to increase the number of advanced math and science teachers under the American Competitiveness Initiative in the same breath as he lauds his No Child Left Behind program is apt because the programs share two important commonalities. First, both programs contain proposals that, as least in theory, could help strengthen public education in America. Second, both programs, if not fully funded, are destined to fail and, in so doing, undercut the quality of the free public educations middle class families rely upon.**

- While the No Child Left Behind Act of 2001 (NCLB) remains a controversial measure, even the law's critics agree that it is mostly likely to succeed in increasing the quality of public education if

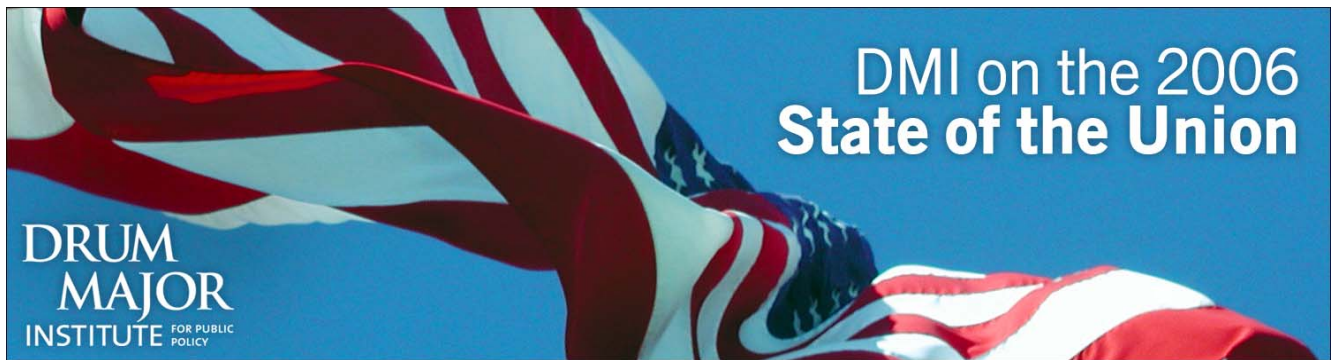


it is well funded by the federal government. Proposals to strengthen the teaching of math and science are only valuable if they are fully funded, otherwise they are merely another unfunded mandate to be absorbed by states and localities across the nation. Such unfunded mandates force states and localities to raise property taxes on the middle class to finance the education programs required by the law. It is troublesome that President Bush is looking to adopt a new education program that will increase the budgetary requirements of public schools when he has yet to pay for his first round of "improvements" under NCLB.

- Even if President Bush were to provide the funding to hire 70,000 more advanced math and science teachers, an important question would remain: Where will those new teachers come from? Under the Bush administration, the federal government's significant reduction in funding to the states has drained state coffers and forced states to dramatically increase tuition at public colleges and universities (including community colleges) which have made them far less accessible to the middle class.
  - Tuition and fees at the typical state university rose 36% between 2002 and 2005. The President's ongoing efforts to make his tax cuts for the wealthy permanent will result in even greater increases as states are forced to raise revenue from the principal institutions over which they In fall 2005, an estimated 90,000 students who were previously eligible for federal Pell Grants lost their aid because President Bush's Department of Education changed the formula for calculating family need. Another 1.3 million students saw their aid reduced as a result of the change.
  - More and more, middle-class parents are forced to take on debt or tap into their retirement funds to send their children to college. An estimated 900,000 households plan to draw on their retirement savings to send their children to college.
- If the federal government continues its refusal to help make college affordable for middle class Americans, our nation will fail to produce an adequate supply of advanced teachers to meet the mandates of the President's American Competitiveness Initiative program.

**Relevant Statistics:**

- Decrease in funding for elementary and secondary education programs in Congress' proposed fiscal 2006 budget, compared to 2005: \$1.2 billion
- Estimated proportion of U.S. schools that lack the resources to implement NCLB standards: 50%
- Percentage of U.S. students who attend public school: 85%, totaling 41.6 million
- Number of states that say they do not have sufficient staff to carry out the administrative duties mandated by NCLB: 37
- Percentage of voters who say the federal government should spend more on the nation's schools: 67
- Percentage of education funding that comes from the federal government: 10%



## The Economy & Budget

### **President Bush: The economy is strong and improving.**

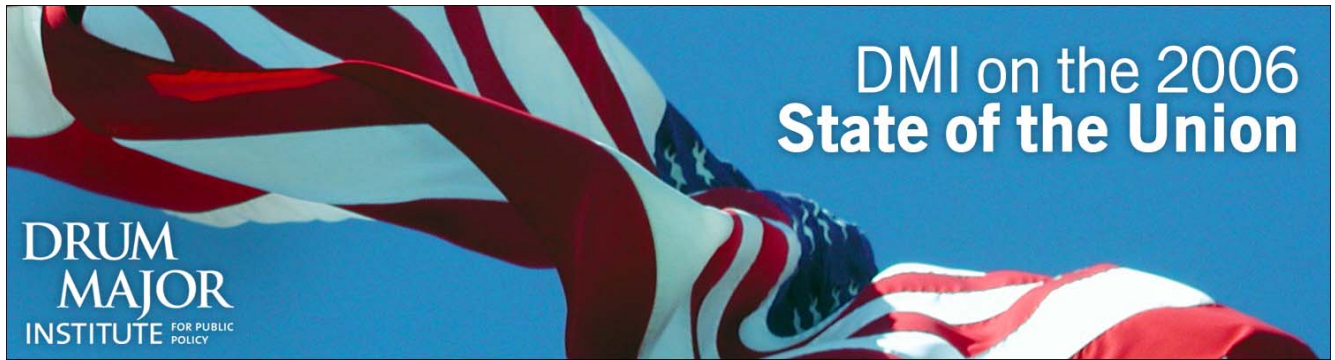
- “Our economy is healthy and vigorous... In the last two and a half years, America has created 4.6 million new jobs, more than Japan and the European Union combined. Even in the face of higher energy prices and natural disasters, the American people have turned in an economic performance that is the envy of the world.”

### **DMI: The middle class has seen few of the benefits of economic growth, instead experiencing stagnation a decline in wages, sluggish job creation, weakened retirement security, and the rising cost of education and health care.**

- The president’s rosy economic picture does not reflect the economic reality of middle-class Americans. These days, corporate profits are growing and CEOs are picking up bigger paychecks. But ordinary Americans aren’t celebrating. Battling inflation and stagnant wages, the same middle-class paychecks bring home fewer daily necessities than they used to. As the national deficit continues to grow, more and more Americans are filing for bankruptcy. The costs of health care and of putting a kid through college continue to go up. And with the housing bubble threatening to burst, middle-class Americans who only managed to buy a house or find a job because of this industry’s growth will be hit hard. For the 7.5 million Americans unemployed and 45 million Americans uninsured, it’s hard to see much cause for celebration at all.
- The President’s economic policies have done little to address these issues. This middle-class squeeze reflects harsher constraints on accessing the American Dream: While middle-class Americans aspire to build up equity in their homes, send their children to college and save for a secure retirement, even hardworking families with good jobs are finding it harder to meet these goals and get ahead.
- Economic growth has been slower than the President’s own predictions.
- Job creation has been slow compared to previous economic recoveries, and employers like Kraft and General Motors that offered well-paying middle-class jobs have just announced tens of thousands of lay-offs
- Growing inequality in the United States, stagnating wages, record deficits, and a private pension system on the brink of insolvency are hardly the envy of the world.

### **Relevant Statistics:**

- Increase in the number of Americans living in poverty between 2003 and 2004: 1.1 million
- Increase in the number of hungry households since 1999: 43%
- Change in typical weekly earnings, adjusted for inflation, from December 2004 to December 2005: -0.4%
- Increase in the cost of health care premiums in 2005: 9.2%
- Increase since 2000 in the cost of premiums for family health care coverage: 73%
- Increase in tuition and fees at the average public four-year college over the past year: 7.1%



**President Bush: Tax cuts have produced economic growth. Congress should make tax cuts permanent.**

- “Our economy grows when Americans have more of their own money to spend, save, and invest. In the last five years, the tax relief you passed has left \$880 billion in the hands of American workers, investors, small businesses, and families, and they have used it to help produce more than four years of uninterrupted economic growth. Yet the tax relief is set to expire in the next few years.”

**DMI: President Bush’s tax cuts have not significantly contributed to economic growth.**

- Economic growth has been slower than in previous periods of economic recovery when extensive tax cuts were not in place.
  - According to the calculations by the Economic Policy Institute, GDP grew at an average rate of 3.8% a year during past periods of economic recovery, but averaged only 2.8% during this recovery (2001-2005)
  - Similarly EPI calculates that while past recoveries saw average job growth of 9.3%, the current recovery only experienced 1.6% job growth by the end of 2005.
- The tax cut on investment income deprives the public sector of the revenue needed to fund college aid, Medicare, unemployment benefits, and other programs the middle class relies on. Meanwhile, most of the revenue raised comes from the wealthiest people who can most afford to pay.

**Relevant Statistics:**

- Reduction in government revenue since 2001 due to the President's tax cuts: \$870 billion
- Total estimated deficit over the next ten years if President Bush's tax cuts are extended: \$4 trillion
- Percentage of the President's 2003 tax cuts that went to the top 1% income earners: 40 percent
- Percentage of the American people who will get the majority of benefits from cuts in dividend and capital gains taxes: 0.2%
- Percentage of benefits from these tax cuts that will go to households making more than \$200,000: 75%
- Percentage of all stock-market holdings held by the bottom 80% of Americans: 10.7%
- Lowest annual salary of the majority of stock holders in this country: \$100,000

**President Bush: Reduce the budget deficit through spending cuts in non-defense programs.**

- “Every year of my presidency, we've reduced the growth of non-security discretionary spending, and last year you passed bills that cut this spending. This year my budget will cut it again, and reduce or eliminate more than 140 programs that are performing poorly or not fulfilling essential priorities. By passing these reforms, we will save the American taxpayer another \$14 billion next year, and stay on track to cut the deficit in half by 2009.”

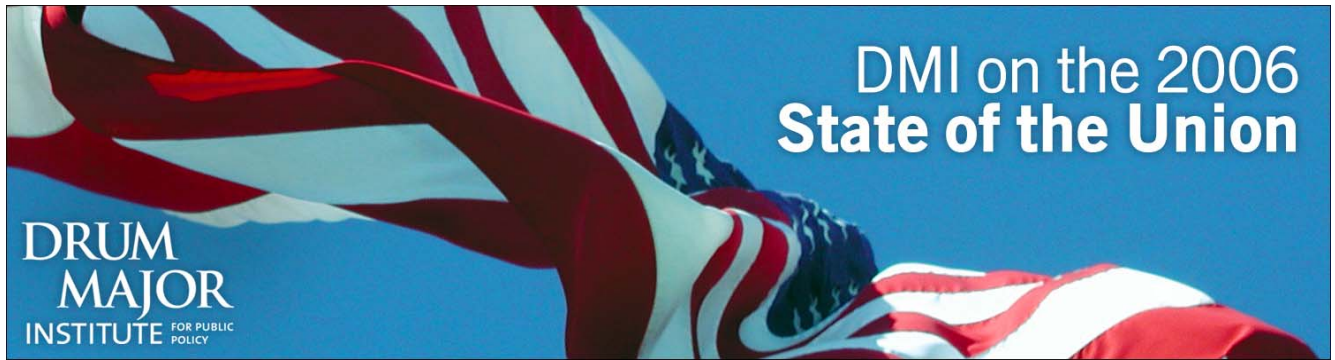


**DMI: President Bush has operated with an unprecedented level of fiscal irresponsibility while preaching austerity to a squeezed middle class. Now the Administration plans to economize by slashing public support for programs that enable low-income Americans to work their way into the middle class.**

- Every year since President Bush took office 2001, the government has run a deficit, which in 2005 was the largest in American history. Despite the increasing deficits, President Bush repeatedly opted to cut taxes while increasing the amount the government is allowed to go into debt, ultimately weakening the dollar's worth. Over time, a weak dollar increases consumer prices, making a middle class standard of living increasingly difficult to afford, especially when wages do not increase at the same rate—pushing the middle class to bear the burden of government's fiscal irresponsibility.
  - These policies, in turn, slow the U.S. economy in general and makes it more costly for middle class Americans to buy a home, or get a loan to pay for college or start a small business.
  - The children of today's middle class will have a harder time staying there. A higher public debt also burdens future generation with higher interest payments on the debt—meaning there's less money available for other public priorities.
- At the same time that the Bush Administration has recklessly cut taxes with no concern for the growing public debt, the President has encouraged and approved legislation and administrative policies that punish middle-class and aspiring middle-class families that are struggling to live within their means.
  - The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, signed by President Bush has forced middle-class families facing bankruptcy due to job loss, catastrophic medical bills, or the break up of their families to undertake arduous debt-repayment programs.
  - A new policy by the Office of the Comptroller of Currency, an executive agency within the Department of the Treasury, will require debtors to pay more on their credit card balances each month, making it harder for middle-class Americans, who must increasingly take on debt just to make ends meet, to pay their bills each month.
- Now the President announces that the budget should be balanced by cutting public programs that enable low-income people to work their way into the middle class. The President expressed his approval for a 2006 House budget that would:
  - require Medicaid beneficiaries to pay more out-of-pocket for health care;
  - deprive 255,000 people, many of them low-income workers, of food stamps;
  - deny child care subsidies to children whose parents need the daycare to keep working;
  - cut millions in funding from vocational and adult education programs.
  - The President's call to cut programs that the aspiring middle class relies on is driven by politics, not effective policy. Such proposals deflect attention from the true culprit for growing deficits: the trillions of dollars being spent on a war that most Americans do not support and tax cuts that benefit only the very wealthiest.

**Relevant Statistics:**

- Size of the 2005 budget deficit: \$319 billion
- Number of times the federal debt limit has been raised in the past four years: 4



- Total increase in the federal debt since President Bush took office: \$2.502 trillion
- Average middle class family's estimated share of the national debt in 2004: \$ 107,000
- Percentage of personal bankruptcies that can be traced back to a serious illness or other medical cause: 54.5%
- Percentage of debtors who went without food before declaring bankruptcy: 19.4%
- Number of children who would lose childcare subsidies under the 2006 House budget President Bush expressed support for: 300,000
- Amount to be cut from adult educational programs in the 2006 budget: \$370 million.

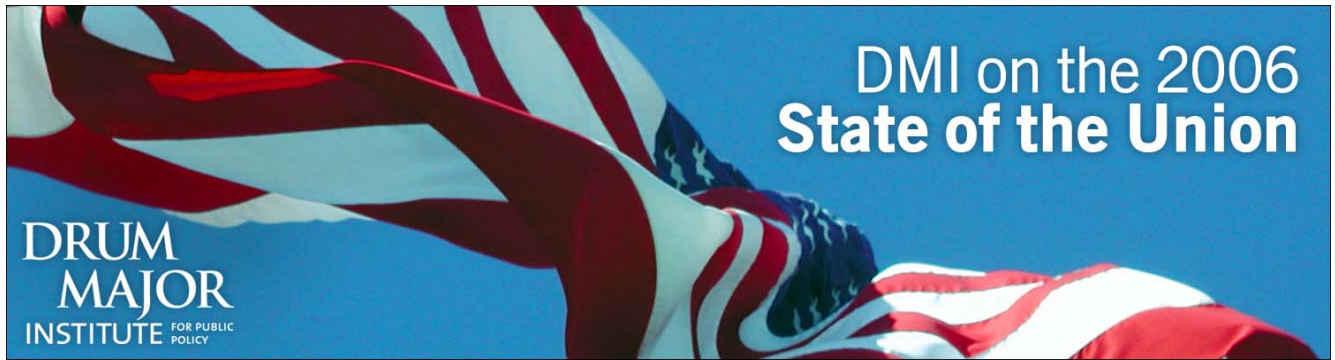
## Immigration

**President Bush: The U.S. needs to increase border security to prevent undocumented immigrants from entering the country and create a Guest Worker program without amnesty.**

- “Keeping America competitive requires an immigration system that upholds our laws, reflects our values, and serves the interests of our economy. Our nation needs orderly and secure borders. To meet this goal, we must have stronger immigration enforcement and border protection. And we must have a rational, humane guest worker program that rejects amnesty, allows temporary jobs for people who seek them legally, and reduces smuggling and crime at the border.”

**DMI: Guest workers programs threaten to institutionalize an underclass of workers with no labor protections, dragging the rest of American workers with them.**

- President Bush's guest worker programs would institutionalize a two-tiered labor market, undermining middle-class wages and working conditions and restricting access to the American Dream. It's not that all guest worker programs are bad; it's that the President's proposal does little to strengthen workplace rights for immigrants and a great deal to undermine them. And when immigrants lack rights in the workplace, labor standards are driven down, and all working people have less opportunity to enter or remain part of the middle class. On the plus side, those immigrant workers who participate in the guest worker would have legal status in this country, and their working conditions would thus be more open to enforcement of U.S. wage and hour laws, workplace safety standards and other labor regulations. By moving workers and workplaces out of the shadows, immigrants' rights in the workplace could be enhanced to some degree. However, this benefit is far outweighed by the fact that the President's proposal would put excessive power into the hands of employers, undermining the rights of immigrant workers and thus the strength of the middle class. And with the lack of opportunities for temporary workers to attain permanent status, Bush's plan threatens to create a program in which interchangeable workers shuttle in and out of the country with little incentive to improve their working conditions and little opportunity to establish themselves economically or to advance in the workplace. The President's guest worker programs won't make much real progress; As long as a cheaper and more compliant pool of immigrant labor is available, employers will be less willing to hire U.S.-



born workers if they demand better wages and working conditions, and therefore less likely to support those aspiring to a middle-class quality of life.

- A sound and successful immigration policy needs to do more for workers than what's suggested in the President's proposals. Eliminating the second-class labor market in this two-tiered system, allowing foreign and U.S.-born workers to compete on an even playing field with equal labor rights and making sure that employers cannot use deportation as a coercive tool in the labor market would strengthen the existing middle class and give both immigrants and U.S.-born workers trying to join the middle class a leg up.

#### **Relevant Statistics:**

- Percentage of the national workforce that undocumented workers constitute: 5%
- Total number of immigrants living and working in the United States: 36 million
- Number of undocumented immigrants living and working in the United States: 10 million
- Percent of the nation's purchasing power represented by Hispanic and Asian-American consumer markets, to which immigration is a major contributor: 12%

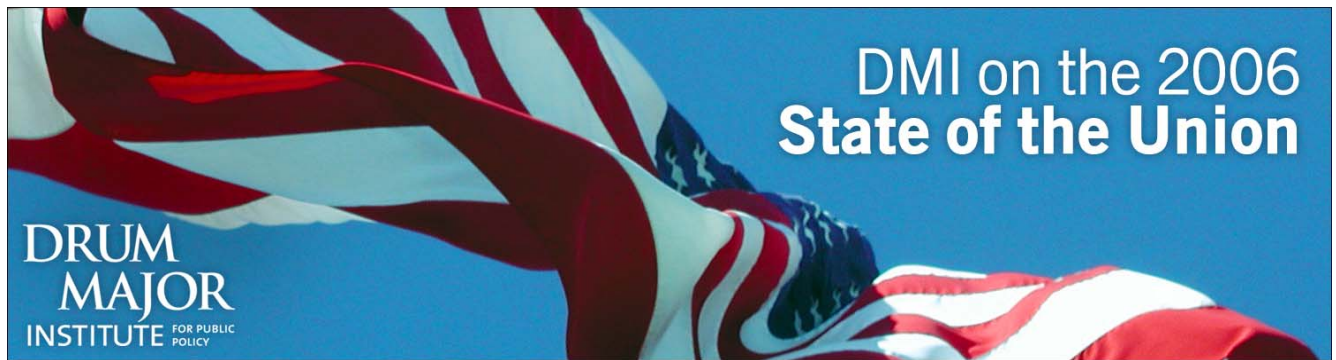
## **Retirement Security**

### **President Bush: Set up a commission to evaluate the impact of baby boomers on Social Security, Medicare and Medicaid.**

- "By 2030, spending for Social Security, Medicare and Medicaid alone will be almost 60 percent of the entire federal budget. And that will present future Congresses with impossible choices -- staggering tax increases, immense deficits or deep cuts in every category of spending... So tonight, I ask you to join me in creating a commission to examine the full impact of baby boom retirements on Social Security, Medicare, and Medicaid."

**DMI: The right to a dignified retirement is at the cornerstone of what it means to be middle class in America. First through his Social Security privatization scheme, and then through the administration's silence on the impending pension crisis, the Bush administration has left the middle class to fend for themselves, using their retirement security as an experiment in market-based denial. A commission to examine the impact of baby boom retirees on entitlements will be useless if it exists solely to justify ideologically-driven privatization ventures that Americans have rejected because they break the fundamental promise of the American Dream.**

- 78 million baby boomers are poised to retire in the next two decades, with an unprecedented 20 percent of the U.S. population expected to be 65 or older by 2030. At the same time, Americans are living longer than ever before.



- With a lower number of working-age people for each retiree, these demographics will further strain the nation's already stressed Social Security and Medicare systems.
- 2005's failed attempt to remake Social Security as a system of private accounts with a declining public contribution highlighted an ideological divide between the majority of Americans intent on maintaining a degree of publicly-guaranteed retirement security and those intent on introducing new elements of individual risk into America's largest social insurance program.
- At the same time, private employers are accelerating the trend toward greater individual risk, with even large profitable companies like Verizon and IBM increasingly shifting from traditional defined benefit pension plans (in which individual benefit levels are guaranteed and the employer bears the risk of a market downturn) to defined contribution plans like 401(k)s (where there is no individual guarantee about the amount of retirement income that will be available), even though individuals may lack the time and information to manage their 401(k)s and make wise investment decisions.
- With a decreasing ratio of working employees to pensioners and soaring insurance costs, a growing number of employers have under-funded their pension plans, raising fears that they will ultimately need to be bailed out by the federal Pension Benefit Guaranty Corp. which already has a deficit of \$22.8 billion. Meanwhile, companies and their stakeholders are concerned that legislation to require full funding of pensions and more clearly disclosure of pension liabilities to investors will be so costly as to cause mass layoffs. The federal, state, and local governments face similar strains in financing public employee retirement benefits.
- More than half of today's workers lack employer-sponsored retirement plans.
- Americans' historically low rate of personal savings— fewer than ten percent of eligible workers contribute the maximum to their 401(k) and about 25 percent contribute nothing. While financial advisors recommend setting aside ten to twelve percent of wages for retirement, middle income Americans are juggling debt, buying a home, sending their children to college, and dealing with unexpected medical costs, making this unrealistic for many.
- Retirement security is not only relevant to the elderly and those about to retire: guaranteed retirement security frees families to invest resources in their children rather than supporting their parents.
- The administration's silence on the pension crisis is as damaging to the hopes of the current and aspiring middle class as last year's failed privatization scheme. The only way that retirement security will continue to be integral to the definition of the American Dream is if the administration tackles the problem directly and offers real solutions that speak to the reality of most Americans' lives.

For more information, please visit [www.drummajorinstitute.org](http://www.drummajorinstitute.org).

*DMI on the 2006 State of the Union was compiled by the staff of the Drum Major Institute for Public Policy: Andrea Batista Schlesinger, LeeAnn Fletcher, Elana Levin, Martin Marinos, Sarah Solon, and Amy Traub, with help from Chad Marlow and Christina Daigneault from The Public Advocacy Group.*