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## Privatizing U.S. Social Security

# Those Most in Favor Have Least at Stake, Says Report

by Abid Aslam

WASHINGTON -- The biggest backers of President George W. Bush's plan to privatize Social Security are those with the least at stake in the government retirement system, economic researchers and advocates said Wednesday.

Chief executive officers (CEOs) of U.S. investment firms supporting Social Security's partial privatization effectively pay into the system for only a few days a year because those payments are capped and most financial industry CEOs get paid enough to enable them to reach the limit in the first few days of January, said a new report from the groups [United For a Fair Economy](#) (UFE) and [Institute for America's Future](#).

By contrast, they said, "the average 'Joe' taxpayer pays an effective rate that is more than 201 times the effective rate of the average CEO in this group."

That is because average taxpayers contribute all year long, paying Social Security taxes on their entire annual earnings without ever reaching the annual cap of \$87,900, according to the report, "[Taxpayers for a Day: The Most to Gain, the Least to Lose \(.pdf\)](#)."

President George W. Bush has made overhauling Social Security a top domestic priority and has crisscrossed the country to build support for his plan.

Bush would allow workers born after 1950 to divert a portion of their payroll taxes into private accounts in exchange for a reduced guaranteed benefit.

He has appealed for support on two main grounds. First, he has said, the changes would ease a long-term financial squeeze confronting Social Security and second, younger workers would enjoy some degree of control over their retirement funds.

Report co-author Scott Klinger of UFE countered: "Social Security would be funded and solvent into the next century if the highest-earning 6 percent of Americans would pay taxes on their full income, just like everyone else."

The report examined the pay structures of 26 CEOs of Wall Street firms involved in

backing privatization efforts and estimated the dates by which they would have finished paying Social Security taxes.

Of the 26 CEOs at public and U.S.-owned firms, average compensation in 2004 was \$17.7 million. The average CEO within this group surpassed the \$87,900 earnings cap after 4 days on the job, or at the end of the day on Jan. 4, after which no Social Security tax would be collected, the report said.

While 94 percent of workers effectively paid 12.4 percent of their annual income, including employer's contribution, the CEOs paid an average effective rate of 0.16 percent of their annual income toward Social Security taxes, it added.

Although some Wall Street firms have questioned the specifics of the Bush plan for Social Security and at least two have said they do not support it, the investment industry as a whole long has expressed an interest in boosting its business by tapping Social Security's vast pool of money.

Even so, some analysts have said that Wall Street's level of interest in the current Bush plan has been overstated, however. Bigger firms have been lukewarm because it would directly benefit only brokerages specializing in small investors, because any financial crisis in the Social Security system remains years away, and because the issue has become mired in controversy.

Wednesday's report came amid mounting scrutiny of lobbying by supporters and opponents of Bush's plan.

On Monday, the Washington, D.C.-based Center for Political Accountability (CPA), set up to shed light on corporate political giving, asked America's largest companies to disclose whether they were spending corporate funds in the Social Security debate.

The group said it was moved to ask the CEOs of Fortune 500 companies because of news reports about company donations and political activity in support of the Bush plan.

Under current rules, companies are not required to report corporate resources spent on political activities. But "shareholders need to be informed about company use of corporate resources for political activities," the CPA said in a statement.

"These expenditures are secret and can have serious consequences for companies and their shareholders. Disclosing them is good corporate governance practice," it added.

The group said it was looking for details of direct contributions in support of the Bush plan but also money channeled through trade associations.

Corporate supporters are able to funnel money into the administration campaign under the cover of two umbrellas: the Coalition for the Modernization and Protection of America's Social Security (Compass), which counts some 100 state and national trade associations among its members; and the Alliance for Worker Retirement Security.

Also in the forefront is the Business Roundtable, a club of chief executives from 160 of the country's best-known corporations.

Trade associations tend to project a unified front. But individual firms have been reluctant to publicly declare support for the Bush plan. Some executives have said more urgent matters should be addressed first. These include strengthening the dollar and cutting healthcare costs, taxes, and the U.S. trade deficit.

Some also are under siege from consumer and labor groups strongly opposed to the Bush plan.

Leading the counterattack are the 35-million-member American Association of Retired Persons (AARP) and 13-million-member AFL-CIO labor federation.

While much of the fighting is being done with advertising and direct outreach to voters in key congressional districts, labor unions have brought tremendous pressure--or the threat of it--to bear on individual firms.

Later this month, drug maker Pfizer Inc. will confront a Teamsters union shareholder resolution demanding that the company disclose its spending on political causes. The firm has recommended that shareholders reject the proposal, saying it already discloses contributions to election campaigns and does not think it needs to do so for legislative issues.

The threat of union action also has made a number of Wall Street firms wary. Union pension fund trustees who manage portfolios in the billions of dollars have said they would consider an investment company's position on Social Security, among other factors, when they review fund managers.

Last month, the trustees who oversee Social Security said that in 2017 Social Security would begin paying out more in benefits than it receives in payroll taxes. They further estimated that the \$1.6 trillion accumulated in trust accounts from payroll taxes in decades past would run out in 2041 if no changes were made to the system.

The two independent trustees on the panel warned, however, that Medicare, the health program for the elderly and disabled, was in worse shape than Social Security.

Social Security, established by President Franklin Roosevelt in 1935, provides retirement, survivor, and disability income for 47.6 million Americans. Medicare, enacted by President Lyndon Johnson 30 years later, provides healthcare for 41.7 million older and disabled people.

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