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GOP prepares to sink teeth into Social Security

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The Bush White House is preparing for a post-inauguration push to privatize Social Security. True believers are being put in place in various agencies, and the usual free-market hucksters are filling the airways and opinion pages with the glories of the president's "ownership society." Stephen Friedman, head of the National Economic Council and a supporter of privatization, has resigned to make way for an even more vociferous and effective advocate for President Bush's plans.

Reportedly, House Speaker J. Dennis Hastert withdrew the revamped Intelligence bill because he wanted it to pass with a "Republican" majority, not one cobbled together with Democrats. That explanation, however, does reek of protesting too much, because it is unclear how much the Bush administration wants the reforms the bill forces upon the Defense Department and CIA.

But, with Social Security privatization, Hastert is likely to take any kind of majority he can get. Bush wants a domestic legacy other than record deficits, economic polarization and police-state-like security measures. Dislodging the jewel of the so-called Democratic welfare state would be a triumph for him and his ideological brethren.

Those who have opposed Social Security since its inception have managed to slander the most successful government program ever to be invented. What other federal agency as large and as rich has been so efficient and so utterly free of scandal or mismanagement?

That alone should leave it inviolate, but the attack on Social Security is aimed at -- and is meant to create -- distrust of government. The charge often broadcast was repeated recently by Stephen Moore, president of the Club for Growth, on NPR: "If Congress wanted to . . . they could cut the benefits and take [Social Security] entirely away from you."

In order to sell the public their brand of privatization snake oil, critics first have to persuade people that Social Security rests on quicksand. It's a curious argument: Don't trust the government, but let it run a partnership with money managers controlling your collective future trillions, an industry with a history of corruption and bad, or nonexistent, oversight. If the "full faith and credit" of the system's U.S. Treasury bonds isn't honored, this country will have worse troubles than a Social Security shortfall 40 years from now.

The problem earnest and honest privatizers are trying to "fix" -- if there are any who don't want to do away with the 70-year-old program itself -- is not Social Security, but Americans' low savings rate, coupled with their high average debt burden. Social Security is the only reliable program Americans use to put money away for

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their old age or possible disability -- one that provides an after-death benefit for dependents. The tax code already contains more than \$100 billion in loopholes each year for workers to save in individual retirement accounts, 401(k) plans and employer pensions. Privatizing Social Security on top of all the existing vehicles violates the first principle of savings: diversification. No one should bet all his retirement security on the stock market.



Social Security can be "fixed" any number of ways, none of them damaging to the system or the economy. Payroll taxes can be raised minimally: a 1 percentage point increase for workers and employers would leave the system actuarially solvent for 75 years. In contrast, privatizing Social Security would give a trillion-dollar handout to Wall Street firms over the same period, while pumping up deficits.

But any such changes will take leadership and courage, because they have none of the pizzazz of the flamboyant, but wrong, remedy of privatization. The larger the folly, the easier it is to sell. Why think small, when there's a big mistake possible? Why keep Saddam Hussein in a no-fly-zone box, under U.N.-sponsored sanctions, when we can go to war instead?

Friedman complained at an economic conference last May that there are people who will collect trillions of dollars of Social Security benefits (and Medicare) they didn't pay for. One dirty secret of privatization is that it's actually a plan to prevent people from getting too much return from the system, rather than too little.

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