

Social Security debate out of the starting blocks

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By Joe Baker, Senior Editor

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The propaganda campaign has begun; the drumbeat to take away your Social Security benefits, or at least some of them under the guise of “reform,” pounds in the mainstream media.

Privatizing social welfare programs has been a goal of the ultra-right for at least 20 years. Groups like the Concord Coalition have been telling the American public that Social Security is a Ponzi scheme and will inevitably collapse when the alleged horde of “baby boomers”—those born between 1945 and 1964—begin retiring.

Indeed, those very points can be found on the U.S. Treasury Department’s Web site, even the term “Ponzi scheme.” The agency’s Web site is used to promote President Bush’s plan for individual investment accounts and more tax cuts for the wealthy and corporations.

CNN’s Tucker Carlson echoed the crisis rhetoric of the Bush administration, claiming Social Security would become insolvent in 2018, only 14 years away.

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“Benefits will overtake revenues,” Carlson declared.

Peter Baker, writing in The Washington Post, claimed congressional Democrats are “citing different accounting than the president’s” to support their argument that Social Security will be financially healthy for another 50 years. In fact, when the system becomes insolvent is not a partisan matter, as The Post writer suggested. Bush is talking about what might happen in 2018, and the Democrats are talking about when the system is projected to run out of money. Baker put the two issues together (mediamatters.org).

We are being told the Social Security program is in crisis and will go bankrupt in 40 years or less. If you go to the Social Security Administration’s Web site (www.ssa.gov/oact/tr) you can read the trustees’ projection that the system will be healthy until the year 2042 or, if you check the Congressional Budget Office, it will be solvent until 2052.

After that time, it will be able to pay 75 to 80 percent of the promised benefits. If there is a crisis, it is hard to detect. In fiscal 2003, Social Security recorded a surplus of \$82 billion, despite fewer workers paying into the system because of unemployment.

Even if the system could only pay 75 percent to 80 percent of benefits, it still would be more than what is drawn by today's retirees. Mark Weisbrot, co-author of *Social Security: The Phony Crisis*, said the Congressional Budget Office estimates a person born in 1940 would get about \$13,300 in the first year of retirement, while a person born in 1990 would receive \$16,700 in today's dollars.

Right now, Social Security collects more in taxes than it pays out in benefits. If there's all this surplus, what's the problem? Where is the money going? Columnist Ed Henry, who has written extensively on this question, said: "In the last five years, Congress and the administration, have bled off: \$94.5 billion in fiscal 2000; a high of \$98.7 billion in 2001; \$89 billion in 2002; \$81.8 billion in 2003; and \$71 billion this year, in a troubled economy. Those are the figures dutifully reported year-by-year by the U.S. Treasury. Denial ain't just a river in Egypt."

So where did all this extra money come from anyhow? Back in 1983, Bob Dole and the late Daniel P. Moynihan put their heads together and introduced a bill cranking Social Security payroll taxes way beyond what was needed to keep the program functioning as intended. The "Beltline Bandidos" were

delighted with the results; now they had a huge kettle of cash to steal for whatever pork projects or budget-balancing sleight-of-hand they chose.

Of course, the esteemed congressmen and ladies never admitted they were stealing the money, just “borrowing” it and “investing” it on our behalf. In place of cash in the bogus entitlement trust funds, they deposited nonmarketable bonds, redeemable by John Q. Taxpayer, plus interest.

You all voted to have your benefits cut and your taxes raised, right? That’s what you opted for, among other things, when you voted for G.W. Bush. His plan for private accounts for younger workers will lead to hefty cuts in basic Social Security benefits. Under the Bush plan, each retiree would draw benefits from both market investments and basic government payouts
(inthesetimes.com)

A child born today, earning an average wage during his working life, would draw about 10 percent of those wages at retirement, according to Bush’s plan. It will force the middle class to depend more on income from market investments and less on government programs. But what happens to retirement income if the stock market slumps? The market does not always go up.

This political hot potato is hidden within a balanced budget amendment to the Constitution—H. R. 22—which does not exempt Social Security and Medicare from mandated cuts. It was beaten down last session, but is very likely to emerge in the next Congress in January.

And what about the big boogie man—76 million retiring ‘baby boomers’? This again is another scare tactic that is without foundation in fact. It was launched during the Clinton administration. Slick Willie mentioned that number in a speech, and the national media picked it up and ran with it. The problem is that nobody did their homework and checked it out.

Careful examination of the population charts on the Web site of the U.S. Census Bureau reveals the crowd of 76 million boomers just isn’t there. Some 7 or 7.5 million maybe, but nothing like 76 million.

This drive to alter, Social Security began way back in the early ’90s. In September 1996, Michael Tanner of the Cato Institute testified before a committee of the U.S. Senate.

Tanner told the committee: “The Social Security pyramid is unsustainable. Moreover, even if Social Security’s financial

difficulties can be fixed, the system remains a bad deal for most Americans, a situation that is growing worse for today's young workers. Payroll taxes are already so high that even if today's young workers receive the promised benefits, such benefits will amount to a low, below-market return on those taxes.

“Studies show that for most young workers such benefits would amount to a negative return on the required taxes. Those workers can now get far higher returns and benefits through private savings, investment, and insurance. There is a better alternative. Social Security should be ‘privatized,’ allowing people the freedom to invest their Social Security taxes in financial assets such as stocks and bonds” (www.cato.org/testimony/ct-mt092496.html).

Do you have an informed understanding of the stock market and a good grasp of investing? If not, do you want to gamble with your retirement income?

So do we really need to change Social Security, or should we leave it alone?

Weisbrot thinks some reform will be needed eventually, but nothing as drastic as what is being proposed. “We’re talking about

tinkering,” he said.

He suggests raising taxes on higher income earners over the next five to 10 years and lift the cap on income subject to Social Security taxes—this year it’s the first \$90,000 in wages. “Payroll tax no longer captures as much income of wage earners as it did 20 years ago,” Weisbrot said. That happens because more national income goes to those earning above the tax cap for Social Security. Raising that cap would go far toward covering any shortfall in the program, he notes.

In addition, Weisbrot suggests repealing some of the tax cuts granted the rich and earmarking the money for Social Security and, perhaps, boosting the payroll tax rate by one or two points in coming decades. Today, we pay 6.2 percent of wages and your employer contributes another 6.2 percent.

A non-partisan voice in this debate is EBRI Social Security Research Program. Director Craig Copeland notes there have been periods in the past when wage growth was less than what was expected and that “not everyone grows at the average.”

If you keep raising taxes to provide the promised benefits, Copeland said, the effective return on those benefits will be less because each generation will be

paying in more taxes than the previous generation.

On the other hand, there is a sizeable price tag on what are called “transitional fees” with the privatized program. Those fees could run between \$1 trillion and \$2 trillion, for a partially privatized system. If the government borrows to finance the shortfall, that could drive up interest rates and harm investment and job creation, Copeland said.

Henry Aaron, a senior fellow at the Brookings Institution, pointed out: “the real take-home pay replacement rate that workers receive is already below 40 percent. Benefit reductions in a system that’s already parsimonious is not desirable” (cnmone.com).

What this all amounts to is the final realization of the Franklin Delano Roosevelt-haters’ dreams—the destruction of FDR’s dream of a social security net for those who cannot wisely invest for their own retirement. Hating what they called FDR’s socialism, they are the wolves slathering greed and having no empathy for the disadvantaged and uninformed in the marketplace.

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