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## Partisan Social Security Claims Questioned

### Budget Experts Say Both Sides Flawed

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As the two political parties would have it, Social Security is either careening toward catastrophe or is on as solid financial footing as it has ever been. Both sides have marshaled -- or twisted -- facts and figures to back up those seemingly irreconcilable views.

But at its heart, the debate over Social Security's finances is really a brawl over the way the nation's preeminent retirement security system will deliver benefits to generations not even born. President Bush's warnings that Social Security is going broke are designed to build support for a restructuring that would allow younger workers to divert part of their payroll taxes into personal investment accounts. The "magic" of compounding interest will save the system from deep benefit cuts, while giving investors a comforting nest egg and a greater return on investment than they currently receive through the system, Bush contends.

Democrats, virtually unanimous in their opposition to such accounts, counter that the 70-year-old program for retirees and the disabled is fundamentally solid. Creating personal accounts would drive up government spending and debt while doing little to ensure the system's long-term solvency, they say. The main beneficiary of such accounts would be Wall Street "fat cats" profiting while low-income retirees suffer from the fickle fortunes of the stock market.

To help readers cut through the rhetoric, The Washington Post interviewed budget experts on both sides of aisle, who challenged some of the most important claims made by Bush and his Democratic critics in Congress.

### Bush Claim: Social Security Is Going Bankrupt

On the stump, the president says Social Security will be bankrupt -- or, in more colorful moments, "flat bust" -- by 2042. The truth depends on the definition of "bankrupt."

The Social Security Administration estimates that by 2042, the system will have depleted trillions of dollars worth of Treasury bonds piling up in its trust fund. At that point, by law, the system could pay out in benefits only what it would receive in Social Security taxes.

By then, the number of Social Security beneficiaries will have ballooned to 91.5 million people, from 47.9 million today, according to the Social Security Administration. For every beneficiary, there would be only two workers, who, under a 12.4 percent payroll tax, would generate nearly \$960 billion less in taxes than are promised in benefits. At the moment of "trust fund exhaustion," benefits would have to be cut 27 percent from promised levels.

But even then, monthly checks would be larger in inflation-adjusted terms than they are today. As long as there are workers paying taxes, there will be money flowing into the Social Security system to pay benefits. Moreover, all of those numbers are in dispute. The Congressional Budget Office, Capitol Hill's nonpartisan official scorekeeper, says

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Sen. Charles E. Schumer (D-N.Y.), showing a comparison of the current plan to benefits under President Bush's proposal, says the status quo is stable. (Lee Ferris -- Poughkeepsie Journal Via AP)

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the date of trust fund exhaustion is 2052, and at that point, the system still will be able to pay 80 percent of promised benefits.

## Trust Fund Is Disputed

Whether the date of exhaustion is 2042 or 2052 is of little consequence, Bush contends. "Payroll taxes going into the Social Security are spent. They're spent on benefits and they're spent on government programs. There is no trust," the president said earlier this month.

There is, in fact, a trust fund, but its significance is subject to debate. This year alone, the government will take in nearly \$173 billion in payroll taxes that it will spend on programs other than Social Security. For those dollars borrowed from Social Security taxes, the Social Security Administration receives Treasury bonds equal in value plus interest. When Social Security benefits surpass Social Security taxes, between 2018 and 2020, the Social Security Administration will begin redeeming those trust fund assets, which will peak at nearly \$6.6 trillion.

Once redemption begins, future administrations will have to make good on their IOUs, or risk a potentially destabilizing default on U.S. sovereign debt.

To redeem those bonds, the government will have three choices: raise taxes, cut spending or borrow more money. Those are the same choices the government would face even if there were no trust fund.

## Democratic Claim: Personal Accounts Will Cost \$4.9 Trillion

There is no arguing that individual accounts alone will cost taxpayers a lot of money initially as the government transitions from the current pay-as-you-go system to a partially privatized one. But it is impossible to slap a realistic price tag on the Bush plan until the president shares with Americans the specific benefit cuts and other changes that will accompany the new accounts.

As a result, the Democrats' \$4.9 trillion figure is as debatable and politically motivated as Bush's \$754 billion estimate, budget experts say.

## POLITICS TRIVIA

### Friday's Question:

President Bush's summit with Russian President Vladimir Putin is just the most recent meeting between representatives of the two countries. Which of the following people, who would go on to become president, was the first official representative of the United States to travel to Russia?

**John Quincy Adams**

**James Buchanan**

**Theodore Roosevelt**

**Woodrow Wilson**

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