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Social Security vote in the works

House Republicans plan scaled-down push for private accounts

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WASHINGTON -- House Republican leaders declared Wednesday that they will seek a vote this year on a scaled-back plan to establish Social Security private accounts like those proposed by President Bush.

Speaker Dennis Hastert (R-Ill.) told reporters after a meeting of House GOP members that the leadership will push a plan to establish private accounts by tapping the Social Security surplus. House GOP Whip Roy Blunt (R-Mo.) said a vote could be held in July or September, when lawmakers return from their summer break.

The GOP leadership's move marks a significant change in the Social Security debate and, if successful, would lead to the first vote on private accounts in this session of Congress. The decision indicated that the House leadership was ready to press ahead with a vote without assurances of Senate action.

"Politically, people are not as nervous as they used to be," said Rep. Jack Kingston (R-Ga.), vice chairman of the House Republican Conference.

In the past, House members have expressed reluctance to cast a politically risky vote on a Social Security measure if there was no indication that the Senate would follow suit and the measure might become law.

By not dealing with the system's money shortage now, Republicans sought to avoid criticism that benefits would have to be cut or taxes raised in order to introduce private accounts--a line Democrats effectively used against Bush's plan.

But it could also open up a new line of attack against the GOP, because the plan would use the Social

Security surplus that now goes to pay for government operations and to lower the deficit. In the future, the new GOP plan could lead to sharp budget cuts or heavier U.S. borrowing to cover the federal deficit, critics said.

The president's plan would have used a portion of workers' payroll taxes to set up private accounts but also called for a future reduction in benefits and perhaps an increase in the retirement age to help make the system permanently solvent. Despite a nationwide blitz to sell Bush's plan, it has gained little traction.

Energizing the debate

The scaled-down version was initiated last week by conservatives in both houses as a way to energize the debate. The strategy is to launch private accounts first and deal with Social Security's fiscal problems later.

The new proposal also dramatizes the fact that the Social Security surplus is being drained for other government purposes. Under the House GOP plan, it would be used to fund Social Security benefits in the form of private accounts.

"We have to change the system," Hastert said. "We owe it to our children and our grandchildren to assure that they will have a secure retirement."

Democrats reacted strongly to the new House GOP approach. Senate Minority Leader Harry Reid (D-Nev.) said Republicans are "pushing a risky privatization scheme that will weaken Social Security, cut benefits and increase the debt."

Rep. Jan Schakowsky (D-Ill.) said, "This plan is going nowhere. To say that they are going to use the surplus to fund private accounts is ridiculous and irresponsible."

Not dealing with the solvency question represents a vulnerability, as Social Security's funding problems have raised concerns among younger workers that the program would not provide the same kind of safety net as it did for their parents.

Under current projections, Social Security would run out of money to pay all its benefits in 2041, but the surplus would disappear in 2016.

The surplus in payroll taxes not needed to pay current retiree benefits now goes to help pay for government operations. For each dollar it spends, the Treasury gives the Social Security Trust Fund unmarketable U.S. government bonds, essentially IOUs.

Tweaking old idea

The new proposal would enable the government to launch a system of private accounts for workers 55 and under. These accounts would be invested in U.S. bonds that could be traded in financial markets.

After three years, a commission would recommend whether workers could invest these accounts in private equity funds under government supervision.

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