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GLOBE EDITORIAL

The Boston Globe

Social Security scam

June 25, 2005

REPUBLICANS IN Congress are getting desperate as their plans to privatize Social Security unravel from a dearth of public support. Their latest proposal would set up limited private accounts that would not generate much income for future retirees but would increase the budget deficit and threaten the solvency of the Social Security system.

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The plans, unveiled by Senator Jim DeMint of South Carolina and a group of GOP House members, would divert surpluses in the Social Security trust fund to private accounts. The trust fund last year got about \$145 billion more in tax revenue than it paid out in benefits, but those surpluses will vanish in 12 years with an onslaught of baby boomer retirements. Then the trust fund will go into deficit. The surpluses are now invested in government bonds that can help pay for future retiree benefits.

DeMint's plan would prevent the surpluses from being used to buy the bonds necessary to pay all the guaranteed Social Security benefits. He wants the government to borrow the money anyway, but that would swell the national debt.

Because surpluses end after a few years, the private accounts could not generate enough money to provide adequate benefits for future retirees. By the reckoning of the Social Security chief actuary, a young "medium earner" who opened a private account next year would accumulate \$23,383 by 2046.

DeMint advertises this plan as one that would "stop the raid on Social Security." He said this week that he is upset that the government since 1985 has used the Social Security surpluses to disguise the size of federal deficits. In 1997, Congress and President Clinton reached an accord to balance the budget, which would have ended this practice.

Republicans led by President Bush, with DeMint's support, broke that agreement with a series of tax cuts starting in 2001. If DeMint is serious about stopping the diversion, he should insist that Congress restore tax rates to Clinton administration levels to pay for the wars against Iraq and terrorism and to begin to chip away at the national debt.

DeMint won't do that. His plan is supposed to pressure Democrats in Congress to offer an alternative that involves private accounts. But Democrats rightly resist any plan that would seriously weaken the guaranteed benefit.

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The surpluses are accumulating because of a bipartisan compromise in 1983 that solved a far worse funding problem. A commission headed by Alan Greenspan devised a plan that raised both taxes and retirement ages to assure retirees that their guaranteed benefit would be available far into the future. Democrats are wise to stand firm until Bush and Republicans in Congress are willing to work on a similar solution. ■

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