

[Home](#)

[About Us/Help](#) | [Archive](#) | [Subscribe](#) | [Feedback](#) | [Text Edition](#) | **Search:**

[Special Offer: Subscribe to the Monitor and get 32 issues FREE!](#)





[The Monitor's View](#)

[Opinion](#)

[Letters to the Editor](#)

Columns:

[Dante Chinni](#)

[Helena Cobban](#)

[Pat M. Holt](#)

[John Hughes](#)

[Moral Dilemmas](#)

[Daniel Schorr](#)

[Jeffrey Shaffer](#)

[Godfrey Sperling](#)

Features Columns:

[2nd Chapters](#)

[Marilyn Gardner](#)

[Economic Scene](#)

[A Global Accounting](#)

[David R. Francis](#)

WEB COLUMNS

[Another View](#)

[Patrick Chisholm](#)

[Crossroads](#)

[Ghassan Rubeiz](#)

[Deep Space](#)

[Michelle Thaller](#)

[Pop Eye](#)

[Jeremy Dauber](#)

[Siteseeing](#)

[Jim Regan](#)

Commentary: "Economic Scene: A Weekly Column"
from the June 27, 2005 edition

Privatized Social Security - Take 2

By [David R. Francis](#)

"If you don't succeed at first, try, try again." That could well be the motto of those trying to partially privatize Social Security.

It's already clear that most Americans don't back Republican efforts to divert some Social Security revenues into private accounts. And in the Senate, Democrats have enough votes to sustain a veto of any privatizing bill.

So a group of influential Republican members of Congress last week announced a plan to use the system's current cash surplus - rather than future payroll tax revenues - to finance these accounts.

The idea has a certain political appeal. The 11 Republican senators sponsoring the new legislation bill it as "Stop the Raid on Social Security."

Here's the logic: Social Security has big surpluses. For years, Congress has "borrowed" them to make the "unified" budget deficit look smaller. Their plan, the senators note, would end that. Neither party could use the surplus to mask the true size of the deficit. Instead, it would be legally owned by workers who decide to open personal accounts.

In the Monitor

Wednesday, 06/29/05

[Diplomacy's new muscle under Rice](#)

[Is black-market baby formula financing terror?](#)

[Is black-market baby formula financing terror?](#)

[High-octane energy fight](#)

[A monument stirs immigration debate](#)

Read these and the rest of the Monitor's headlines by e-mail. [Subscribe for free.](#)

SUPPORT THE MONITOR

→ [Help the Monitor](#).
[Donate now](#) to support independent journalism.

SUBSCRIBE

→ [Free sample issue](#)

ADVERTISEMENT

Apparel

[Buy Shoes](#)

Business Resources

[Search Engine Optimization, Inc.](#)

Financial

[4 Free Mortgage Quotes](#)
[Car Insurance](#)
[Cheap Car Insurance](#)

Gifts

[Engagement Rings](#)
[Italian Charms Sale!](#)
[Send Flowers - Florists](#)

Graphic Design

WEBLOGS[Cook's Capitol](#)*Dave Cook*[In Focus](#)*John Nordell*[The Index](#)*Alan Messmer*[Liblog](#)*Monitor library staff*[My American Life](#)*Tom Regan*[Notebook: Africa](#)*Monitor correspondents*[Notebook: Iraq](#)*Monitor correspondents*[Notebook: South Asia](#)*Monitor correspondents*[The Poetic Life](#)*Elizabeth Lund*[SciTechblog](#)*csmonitor.com staff*[Verbal Energy](#)*Ruth Walker*[We're Just Fans](#)*csmonitor.com staff***Commentary Stories:**

for 06/29/2005

[Peer to Peer Justice](#)[The Euro Grows Up - And Down](#)[Islamic women rise up](#)[It's no secret: Hung up on memos, antiwar lobby has been ineffective](#)[Letters to the Editor](#)**XML** [What is this?](#)

So far, so good. However, it's far from the full story.

Take the senators' math, for example.

They calculate that since 1985, Congress has spent \$1.67 trillion of the Social Security surplus on other government programs. But they conveniently overlook that in return, the Social Security Trust Fund holds \$1.67 trillion in federal bonds. Those bonds are already earmarked for Social Security retirement benefits down the road when there will be more retirees and proportionately fewer workers to support them.

Future surpluses will amount to \$792 billion through 2017, before the surplus disappears, according to the Social Security trustees. So if they're drained today to fund private accounts, Uncle Sam would have to borrow an extra \$792 billion to make promised benefit payments to future retirees, widows and their children, and the disabled.

A private account appeals most to young people, since they might gain from it - especially if they're skeptical that traditional Social Security will be around when they retire and suspect Trust Fund bonds will be worthless. But they are ignoring political reality: Future retirees will have major political clout.

"There will be enormous numbers of older people and these older people are voters," notes Alicia Munnell, director of the Center for Retirement Research at Boston College. "They can't be dismissed."

Another problem with the Republicans' bill is that the Trust Fund bonds would be used up sooner - by 2039 rather than the Social Security Trustees' current estimate of 2041.

After that, the system will still hand out benefits, but at a reduced level, funded by payroll taxes paid by workers of that era. That cut isn't as bad as it sounds in absolute terms. Assuming living standards continue to rise as they have in past decades, pensions of that era will be based on salaries with substantially more purchasing power than today's Social Security benefits.

Nevertheless, retirees may feel poorer. That's because the system under current law will provide less retirement income relative to previous earnings than it does today. The average earner who retires at 65 today gets benefits equal to about 42 percent of preretirement earnings, or 39 percent after deducting Medicare premiums. By 2030, a 65-year-old retiree will find his Social Security pension replaces 29 percent of his preretirement wages - not even a third, calculates Mrs. Munnell. That's because "normal retirement age" is scheduled to advance to 67 by 2022. Also hurting: increased taxation of Social Security benefits and higher Medicare premiums.

 [E-mail this story](#) [Write a letter to the Editor](#) [Printer-friendly version](#) [Permission to reprint/republish](#)[Logo Design - LogoBee](#)**Home & Garden**[Discount Home](#)[Furniture](#)[Find Great Furniture](#)**Legal Services**[Find A Lawyer](#)**Real Estate**[Home Foreclosures](#)[Moving](#)[Moving Companies](#)[Mortgage](#)[Mortgage Calculator](#)[Real Estate](#)**Services**[Weddings](#)**Travel**[City Hotels](#)[Discount Hotel Rooms](#)[Hotels](#)[Hotel Reviews](#)**Web Services**[Cheap Web Hosting](#)[Web Hosting](#)[Web Hosting Reviews](#)[Web Site Promotion](#)**MONITOR ARCHIVE**

[Purchase articles](#) for as little as 15 cents each.

TREELESS EDITION®

[Subscribe](#) to the Treeless Edition!

Most-viewed stories:

(for 06/27/05)

06/27/05

[A rape victim defies traditional code](#)

06/27/05

[Crime-busting cameras: a US-city experiment](#)

06/28/05

[Supreme Court splits on Ten Commandments](#)

06/27/05

[Return of the alien invaders](#)

06/27/05

[New Bush drive for support on Iraq](#)

So, if any Social Security "reform" cuts future benefits further - say by indexing benefits to inflation rather than prevalent average wages - many retirees may experience a huge and sudden decrease in their incomes.

Of course, it's possible that a private account might offset that factor - if an account's investments do particularly well.

Many conservatives hope that this plan will lead to lower government tax levels, already at the lowest level in relation to gross domestic product in many decades.

Sen. Jim DeMint (R) of South Carolina, one of the plan's backers, calls the Social Security money "a secret slush fund for Congress."

The Trust Fund assets "probably" have increased federal debt held by the public by, in effect, encouraging Congress to spend more and tax less, argues Kent Smetters, an economist at the Wharton School in Philadelphia.

"It's a psychological factor," he says.

But "it's almost impossible to test this empirically," Munnell counters. She doubts the Trust Fund had any impact on the debt level, at least until 2001, since both Congress and the White House were pushing for deficit reduction.

Democrats and their sympathizers are attacking the DeMint bill. It's seen as a "nose in the tent" for privatization. And, they note, it will require hiring thousands of federal employees to administer it, costing an estimated \$25 billion over 10 years.

[Special Offer: Subscribe to the Monitor and get 32 issues FREE](#)

Links of interest

- [New terror-financing scheme: stolen baby formula?](#)
- [In Books: How Giuliani saved New York](#)
- [Does your job pay well? Check salaries for hundreds of job titles in dozens of cities](#)

Most-viewed stories (for 06/27)

- [A rape victim defies traditional code](#) (06/27/05)
- [Crime-busting cameras: a US-city experiment](#) (06/27/05)
- [Supreme Court splits on Ten Commandments](#) (06/28/05)
- [Return of the alien invaders](#) (06/27/05)
- [New Bush drive for support on Iraq](#) (06/27/05)

E-mail Alerts

- [Environment](#)
- [Politics](#)
- [Ethics](#)
- [More topics...](#)

Sign up now:



Monitor Store



IN THIS WEEK'S ISSUE

Meet the Parents

So, along comes a world-famous psychologist to argue that parenting is almost always a form of child abuse. But parents often need to be tyrants--for the sake of their children. A critical look at parent abuse.

Wrong Dose

How the Bush's ambitious AID drug-distribution plan could hurt Africa's sick.

DOWNLOAD THIS ISSUE

AND SIGN UP FOR


[E-mail this story](#)


[Write a letter to the Editor](#)


[Printer-friendly version](#)


[Permission to reprint/republish](#)

[back to top](#)

THIS ISSUE
AND SIGN UP FOR
4 FREE WEEKS
OF THE NATION'S
FINEST POLITICAL
REPORTING
TNR.COM

[Click Here](#)

[Home](#) | [About Us/Help](#) | [Feedback](#) | [Subscribe](#) | [Archive](#) | [Print Edition](#) | [Site Map](#) | [RSS](#) | [Special Projects](#) | [Corrections](#)
[Contact Us](#) | [Privacy Policy](#) | [Rights & Permissions](#) | [Advertise With Us](#) | [Today's Article on Christian Science](#) | [Web Directory](#)

www.csmonitor.com | Copyright © 2005 The Christian Science Monitor. All rights reserved.