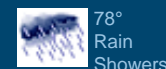


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### GOP's magic tricks for Social Security

June 28, 2005

Now we're getting somewhere.

Congressional Republicans let the American public in on a secret. Yes, there is a Social Security trust fund. And yes, it holds real financial assets: U.S. Treasury bonds that are as good as cash and could even be parceled out in small amounts to millions of Americans in private accounts that bear their names.



It turns out the trust fund doesn't hold worthless IOUs after all.

Someone must tell the president. He famously visited a vault at the Bureau of Public Debt in West Virginia in April, seeking to prove that our Social Security payroll taxes have been transformed into nothing more than irredeemable scraps of paper: "You see, a lot of people in America think there's a trust...

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that we take your money through payroll taxes and then we hold it for you, and then when you retire we give it back to you. But that's not the way it works."

[in America](#)

May 31, 2005

"There is no trust fund," President Bush declared, "just IOUs that I saw firsthand."

That was about three months ago, when the White House nursed the peculiar hope that flying the president around the country to pitch a plan to partly privatize Social Security somehow would succeed, despite polls showing that the more people learned about his proposal the more they disliked it. Flailing now for a strategy to rescue what was supposed to be their president's top domestic initiative, Bush's helpmates on Capitol Hill have effectively repudiated him.

Yes, America, there is a Social Security trust fund. And

there is real money in it. There's so much money, these lawmakers say, that they want to transfer the Social Security surpluses now sitting in the trust fund into private accounts. The amount to be transferred would vary depending on how much in payroll taxes a worker pays each year. "When the money was to go to Social Security, they said it didn't exist," Rep. Charles Rangel (D-Harlem), ranking Democrat on the House Ways and Means Committee, said in a statement. "But if it goes into private accounts, then it does exist, they say."

Of course, just because congressional Republicans have admitted that honest-to-goodness payroll taxes have been deposited in the trust fund doesn't mean this latest plan saves Social Security. It doesn't.

It is the same as the Bush plan: It takes payroll tax money that's already earmarked to pay future Social Security benefits and uses it instead for private accounts. It does nothing to help the system stay solvent after mid-century. It would increase the nation's already staggering debt and lead to deep benefit cuts not only for those whose private accounts would be small but for anyone who might live longer than he or she expects.

There are gimmicks so convoluted it's hard to keep track. The House version of the proposal double-counts money that is, in essence, already being double-counted. The surplus in the Social Security trust fund now is being spent on general government programs - the wars in Iraq and Afghanistan, education, highways, homeland security and so on. House proponents want to keep doing this, but also make "deposits" of Treasury bonds into individual accounts. In effect, there would be two sets of bonds, one held by individuals and the other by the Social Security trust fund. But there would be just one pot of payroll taxes backing them up. If you liked Enron, you'll love this plan.

Senate proponents are more honest. They would make transfers from general government funds into Social Security in order to finance the accounts. But where would they get the trillions that Social Security's actuaries estimate would have to be shifted? They don't say.

Still, this is a glimmer of light at the end of the political labyrinth. Like the admission that there really is money in the Social Security trust fund, the awkward accounting in these plans exposes a truth. Our huge annual deficits can't be ignored any longer. If lawmakers eventually want to shift money from general funds into Social Security, then common sense dictates there must be money to shift. That requires tax hikes and spending cuts, not creative accountants.

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