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**Bonds News**

**Republicans eye Social Security alternative**

Fri Jun 17, 2005 05:36 PM ET

By Donna Smith

WASHINGTON, June 17 (Reuters) - Congressional Republicans hope to kick-start President George W. Bush's stalled Social Security investment account plan by offering a pared-down alternative that avoids politically unpopular benefit cuts and tax increases.

The legislation to be offered next week by Sen. Jim DeMint, a South Carolina Republican, would use surplus Social Security revenues to finance individual investment accounts.

The DeMint bill is being described as a down payment toward individual accounts and long-term solvency of the retirement program. It would not include the benefit cuts and possible tax hikes and retirement age increases that supporters said bogged down Bush's plan.

"Maybe we can't get a comprehensive permanent fix in one bite," DeMint said in a telephone interview on Friday. "This is one bite of the apple and it is moving in the right direction."

Democrats already are threatening DeMint's proposal after having refused to negotiate with Republicans on Social Security's underlying financial problems as long as private accounts were on the table.

"This is just another version of Bush's privatization of Social Security and makes solvency worse," Rep. Sander Levin of Michigan, the top Democrat on the Ways and Means Committee, said of the DeMint plan.

Social Security currently collects more in taxes than it pays out in benefits and will continue to do so until 2017, according to the program's trustees. The surplus revenues are used to finance other programs and the trust fund is given an IOU in the form of a government bond.

The proposal is attracting attention from Republicans in both the Senate and U.S. House of Representatives and DeMint said "there may be some surprises" next week when he officially unveils the legislation.

Bush proposed allowing workers to set aside a portion of their Social Security taxes into individual accounts that would be invested in stocks and bonds. He also proposed slowing the growth of benefits for middle- and upper-income workers by linking them to prices rather than wages.

House Ways and Means Committee Chairman Bill Thomas, a California Republican, has been working to craft a comprehensive retirement bill that addresses Social Security and encourages retirement savings. His goal of producing a bill in June is slipping.

Senate Finance Committee Chairman Charles Grassley of Iowa also is having trouble building consensus among his own Republicans for a bill.

But backers hope DeMint's bill will help break the legislative logjam. Opinion polls have shown public skepticism about Bush's individual account idea but backers say polls also show taxpayers do not like Social Security money being used to finance other government programs.

"This is the way out of this mess -- pare this thing back to something Republicans already ran and won on," said Lawrence Hunter of the Free Enterprise Fund, a conservative advocacy group that favors the DeMint approach.

The plan would allow backers of individual accounts to argue that it would ensure Social Security money is used only to finance the retirement system and not other government programs.

Levin said Republican "fiscal irresponsibility" was to blame for Social Security money being tapped for other purposes.

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