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Ronald Brownstein:  
**Washington Outlook**  
**Accounts Added On to Social Security**  
**May Not Be Viable Sum**

The window already may be closing on the most likely compromise that could trigger an agreement between President Bush and Congress to restructure Social Security. And that narrowing opportunity increases the odds that the parties will carry this fight into the 2006 election and probably beyond.

Bush's top goal in the debate is to divert part of the payroll tax into private investment accounts. But with that idea facing enormous resistance, more people in both parties are considering "add-on" investment accounts that could be established outside of Social Security. Yet that possible compromise increasingly looks like a dead end too.

Though the White House takes heart from polls showing most Americans believe Social Security faces significant long-term problems, signs of opposition continue to mount for Bush's centerpiece proposal to fund investment accounts through the payroll tax.

Last week, an alliance of leading financial companies quit a coalition promoting the idea. More important, five Senate Republicans joined all 44 Democrats and independent James M. Jeffords of Vermont to support a resolution opposing any Social Security restructuring that would massively increase the federal debt.

That was an ominous sign for Bush because, absent a big tax increase, diverting payroll taxes into private accounts would require trillions in borrowing. If the senators supporting that resolution hold firm, they could sustain a filibuster to block any plan to fund — or "carve out" — private accounts from the payroll tax.

This opposition helps explain the interest in accounts that would be added on to Social Security, rather than



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carved out from it. Earlier this month, Jeffords and every Senate Democrat — except Nebraska's Ben Nelson — sent a letter to Bush opposing carve-out accounts. But in that letter, the 44 senators said they were open to negotiating add-on investment accounts that "would be established entirely separate and apart from Social Security." Rep. Clay E. Shaw Jr. (R-Fla.) has been promoting that idea, and Sen. Orrin G. Hatch (R-Utah) proposed a variation on it last week.

Some of those closely watching the debate believe that if any Social Security deal is reached — admittedly a big if — add-on accounts will be at its core.

A deal could work like this: Government would provide tax credits to match retirement savings for low- and moderate-income workers, establishing what amounts to a universal 401(k) plan. That would meet Bush's goal of encouraging wider ownership of financial assets.

With those new funds available for retirement, the theory continues, the public might accept a package of tax increases and modest reductions in the guaranteed Social Security benefit. That would close the system's long-term financing shortfall while preserving Social Security's role as a safety net. Then everybody could shake hands in the Rose Garden.

The problem is that add-on accounts undermine a principal, if largely unspoken, goal for congressional conservatives and the White House. Despite the continued public support from Democratic senators, many liberal activists now worry that add-on accounts would threaten their priorities in this struggle too.

In fact, the letter from Senate Democrats promoting add-on accounts may be a lagging indicator in a rapidly changing political climate. Almost all Democrats supported add-on accounts when President Clinton proposed them. Al Gore endorsed them in his 2000 presidential campaign.

But among the activist base of the Democratic Party, enthusiasm for add-on accounts is markedly cooling. One set of critics notes that Clinton and Gore backed the idea when the federal budget enjoyed a huge surplus; now, with the government again so deeply in the red, skeptics are asking whether subsidizing more retirement saving should be a higher priority than expanding access to healthcare or reducing the deficit itself.

Others worry about the tactical implications of promoting add-on accounts. Today, there seems little chance that a plan to carve out accounts from Social Security can pass the Senate; and since the House has indicated it won't act until the Senate does, the idea is blocked at square one. But if the Senate approved an add-on account, the House GOP leadership might muscle its troops into passing a carve-out. The fear is that Republicans might then blend the two ideas in a conference committee,

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increasing the pressure on Democratic moderates to accept some diversion of payroll tax revenue into the investment accounts.

Even a final deal that would establish accounts entirely separate from Social Security now concerns many liberal activists. Their fear is that add-on accounts would operate as the nose under the tent, providing Bush a platform to renew his push for diverting part of the payroll tax into investments.

"I can hear the ad now: 'Why won't the politicians let you put your tax dollars into your account?' " says Tom Matzzie, Washington director of the online liberal group MoveOn.org. "It's a slippery slope."

Ironically, most conservatives see add-on accounts as a slippery slope down the other side of the hill. Almost all congressional conservatives view such accounts as a new entitlement that would expand the welfare state; that's the view among Bush's top economic advisors as well. And that conflicts with a key, if rarely articulated, conservative goal in this debate: shrinking the size of government and encouraging Americans to rely more on the market, and less on public programs, for economic security.

"I don't think you solve a problem with an old entitlement by creating a new entitlement," says one senior administration official.

Add-on accounts may look like a reasonable midpoint between the two sides in this struggle. But in a polarized capital where the only constant is conflict, it increasingly appears that add-ons don't add up for either party.

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*Ronald Brownstein's column appears every Monday. See current and past columns on The Times' website at <http://www.latimes.com/brownstein> .*

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