

NEWS ANALYSIS

President's Big Social Security Gamble

By [RICHARD W. STEVENSON](#)

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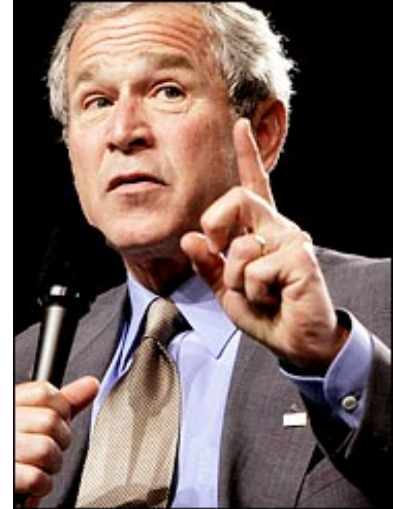
WASHINGTON, April 29 - In proposing on Thursday night to cut Social Security benefits for future generations of retirees, President Bush made two big bets, one political, one on the substance of his policy, and if he is to succeed in remaking the retirement system, both of them will probably have to break his way.

The political gamble is straightforward. Will putting benefit cuts on the table eventually break the legislative logjam by providing political cover to members of both parties who accept that something painful must be done to set Social Security right? Or, by imposing substantial cuts on middle-income workers relative to what the system currently promises, will the approach endorsed by Mr. Bush so permanently harden the wall of opposition from Democrats, as it seemed initially to have done, that no compromise becomes possible?

The White House and its allies sought to build a sense of momentum on Friday, following the news conference on Thursday at which Mr. Bush proposed a plan that he said would leave future retirees better off than if Congress failed to act and Social Security ultimately ran short of money to pay full benefits. After standing on the legislative sideline for weeks, House Republican leaders said that they intended to produce a bill in the Ways and Means Committee in June, and they tried to lure, or bludgeon, Democrats into negotiations. Speaking in Falls Church, Va., Mr. Bush said only "a few isolated voices" were resisting the need to act.

Representative Jim Kolbe, Republican of Arizona, said Mr. Bush's strategy "has the potential" to create enough bipartisanship to move legislation through Congress, "but there are no guarantees." Mr. Kolbe has long called for benefit cuts to be part of a repair for Social Security.

Mr. Bush's proposal "is the first faint flicker of hope of getting something moving that I've seen this year," said Charles Stenholm, a former Democratic congressman from Texas and one of the very few members of his party who support the general thrust of Mr. Bush's approach to Social



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President Bush, appearing before a friendly audience in Falls Church, Va., wrapped up his 60-day promotional campaign for Social Security reform.

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Security.

But in the Senate, where Mr. Bush faces his biggest hurdle on the issue, there was no sign that Democrats would join him in calling for benefit cuts or budge from their unified opposition to the core of the president's approach, his call to allow workers to divert part of their payroll taxes into investment accounts. And if Mr. Bush is relying on public opinion to sway at least a few Democrats and a vital handful of centrist Republicans to come to his side, he has his work cut out for him. Despite 60 days of intensive campaigning by Mr. Bush and other top administration officials, the president's approval rating on the issue has been falling in most polls and voters appear unenthusiastic about his solutions.

"It's like throwing a drowning man a lead weight instead of a life preserver," Mark Mellman, a Democratic pollster, said of Mr. Bush's decision to introduce benefit cuts into the equation. "He's got a plan that neither the public nor his own party can support. Only good can come from Democrats' defending the right of the middle class to continue getting their benefits in full."

The more substantive gamble involves drawing clear lines between winners and losers. Mr. Bush's plan calls for lower-income people to be exempted from the benefit reductions, which would fall progressively harder on workers up the income scale. In that way, he is daring Democrats to oppose it, judging that they will ultimately come under intense pressure to be seen as protecting one of their core constituencies.

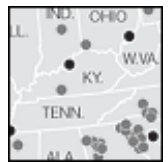
Under the plan that is the basis for Mr. Bush's approach, people in the lowest 30 percent of the income spectrum would get all of the benefits promised to them by current law. But the plan would reduce benefits relative to current law for everyone else, using a sliding scale that would impose deeper cuts on the upper end of the income scale than on the middle. For average-wage earners - making around \$36,500 this year - the benefit cut would be 16 percent if they reach retirement age in 2045 and 28 percent if they retire in 2075. For upper-income people - making \$90,000 or above this year - the benefit cut for those retiring in 2045 would be 29 percent, and for those retiring in 2075 it would be 49 percent.

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President's Big Social Security Gamble

Published: April 30, 2005

(Page 2 of 2)

White House officials said the right point of comparison is not what current law promises but what the Social Security system can afford to pay down the road; under current projections, the system can pay full benefits for the next 36 years, and afterward just under 75 percent.

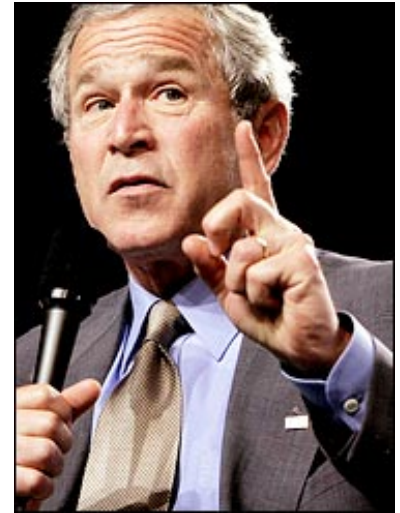
"People may agree or disagree with a specific point, but they are beginning to get a sense of what the tradeoffs are," said David Winston, a Republican pollster. "Does that pull everyone to the table to begin a negotiation? We're about to find out."

It is by no means clear that Mr. Bush's plan will be judged on his terms, as a way to ensure the long-term survival of a popular program in the face of daunting demographic challenges. Democrats are already painting it as something quite different: a big step toward dismantling Social Security as we know it.

The change Mr. Bush is embracing would by itself take care of around 70 percent of Social Security's projected long-term financial problems. On the surface, it would leave the basic framework of the current system in place, though with the addition of voluntary individual investment accounts. Anyone signing up for the accounts would have to agree to a further corresponding cut in the guaranteed, government-paid benefit.

But Mr. Bush's approach would arguably lead to a gradual, decades-long but fundamental change in the nature of the system. Over time, the government-paid benefit for higher-income people would move closer to the benefit paid to lower-income people; in that sense, Social Security would become something more like a purer welfare system than what it is widely perceived to be now, a government-run pension plan in which benefits are tied to income.

The end result would be a system in which many workers would rely more on the proceeds of



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President Bush, appearing before a friendly audience in Falls Church, Va., wrapped up his 60-day promotional campaign for Social Security reform.

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their investment accounts and less on the government-paid benefit, and one in which upper-income people would have less of a stake in traditional Social Security, potentially undermining political support for it.

"This would represent a major change in the philosophy of Social Security," said Jason Furman, an economist at New York University and a senior fellow at the Center on Budget and Policy Priorities, a liberal research group. "If you combine progressive indexing with private accounts, you could threaten to unravel the entire Social Security system."

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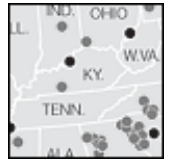
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