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A Foolish Bargain For Women

Kim Gandy
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Kim Gandy is president of the [National Organization for Women](#).

Using a combination of shell-game math and “the sky is falling” rhetoric, proponents of Social Security privatization are trying to frighten us into giving up the only guaranteed family safety and retirement insurance that this country provides, while wooing our support for private accounts with visions of big bucks from playing the stock market.

This well-orchestrated media extravaganza has all the bells and whistles of a political rock concert, complete with a 60-day campaign tour by George W. Bush. The president wraps himself in the flag and packs arenas with audiences of the faithful—by invitation only, natch—cheering the carefully scripted stories from “real people.” But those rose-colored glasses just make me see red.

Make no mistake, privatizing Social Security will be financially devastating for women. Without this essential social insurance program, more than half of women over 65 would be living in poverty. Social Security provides a guaranteed monthly income to retired workers, to workers who become disabled and to survivors of deceased workers. It is time-tested, extremely cost efficient and—most importantly—it works. Fortunately, the public is becoming more skeptical, not less.

We must debunk the myths and tell the whole truth, so that everyone with an interest in this fight understands how the system works and what is at stake. As always, knowledge truly is power.

What Are Privatizers Selling?

They are selling panic and trying to create a sense of crisis to convince people to do something that they wouldn't do if they had full information and knew the true consequences of their actions.

In selling a vaguely defined “plan,” President Bush and other administration representatives gloss over their own fiscally irresponsible decisions, like the Medicare prescription drug boondoggle and the administration's tax-cuts, not to mention the Iraq war, and how those decisions have helped run up the largest deficit in history. Then they want to use the very deficit they've created as an excuse to undermine Social Security.

Bush's rather fuzzy plan, which is difficult to separate from the spin, seems to be based on these ideas:

- Drastically cut Social Security's promised benefits for workers under age 55—cuts of 30 percent by 2045, 45 percent by 2065—and trust that workers will be able to make up the difference by putting a portion of their payroll taxes into private accounts to be invested in Wall Street.
- When a worker retires, she or he will be required to pay back the government some portion of that money, and use the rest to purchase a private annuity with a monthly payout—hopefully enough to supplement the reduced Social Security check if the market hasn't crashed lately.
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Those under age 55 who choose not to participate will still have their Social Security benefits cut—so the “opt out” is really not a choice at all.

- Bush's most recent proposal includes reducing benefits to workers making \$25,000 or more a year in 2012 dollars (\$20,000 in today's dollars). Workers earning below that would receive the same level of benefits promised under the current system—not an increase, as has been reported.

Privatization: Doesn't Work For Workers Or Women

I was a math major in college, and my first job was in forecasting and statistics—so I've looked at the numbers carefully. And it's clear to me that Bush's rhetoric about Social Security just doesn't add up. It was enough to get me to pull out my old paperback of the classic book *Lies, Damned Lies, and Statistics*. Here are just a few of the important points to consider:

- The cost of managing private accounts cuts deeply into any profit that might come from them. Management fees for private accounts will be 20 to 30 times higher than the modest cost of Social Security management.
- Currently Social Security provides a guaranteed, inflation-adjusted income for the worker's entire retirement. When workers divert a significant part of their Social Security tax into a private account, their monthly check from Social Security will be substantially reduced. In order for private accounts to supplement those reduced benefits, workers would have to buy a lifetime annuity with their private accounts when they retire.
- There's been no mention of a requirement that workers purchase a joint and survivors annuity—so widows and children could be left out in the cold, with reduced benefits and nothing from the private account.
- Annuities discriminate against women. Because women statistically live longer than men, private annuities provide less annual income for women. In fact, most women don't actually live longer than men—only about 15 percent do—but the other 85 percent of women (whose life expectancies are similar to men's) still pay the price with lower annuities and pensions based on the longevity of a few.
- The stock market is inherently risky. Should the stock market take a nosedive—as it always does from time to time—there will be no way to take so much private retirement account money out of the market. And if a worker is unfortunate enough to retire during a downturn, her account will be worth much less than expected.
- Not only does privatization put workers' retirement funds at the mercy of the market, but it will take \$2 to \$5 trillion to implement this plan—that's right, \$2 trillion or more just for the transition costs! Bush's domestic and international policies have drained U.S. coffers, and our government simply does not have a few trillion “to spare.” We'll have to borrow it —increasing our debt and cutting social programs to pay the price.

Who Benefits?

Privatization certainly works for Wall Street. That \$2 trillion or more would go directly into the pockets of private companies who will provide the management of the private accounts.

It also works for large corporations favored by the government. In some privatization plans that have been suggested, workers would have the choice of 4 to 5 government-chosen funds to invest in. The government would decide which funds holding which stocks get this huge windfall of private investment capital—a situation that is rife with possibilities for corruption.

The bottom line is this: women depend on Social Security more than men do. Women are less likely to receive pensions from employers—the average pension for a woman is less than half of the average pension for a man. Wage discrimination—women still make only 76 to every man's dollar—and time out of the workforce for caregiving make it more difficult to save an adequate amount of money for retirement. Social Security is simply vital for women's financial stability in their golden years.

Social Security is a progressive program and this is particularly important to women. People who make less money over their lifetimes get a higher percentage of their earnings in a monthly check when they retire. This works entirely to women's advantage—and that advantage would be lost in a program of private accounts.

Privatization of Social Security is foolish and irresponsible, and women aren't buying it. We weren't born Democratic, Republican or Yesterday.