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Taking Exception

A Social Security Fix For 2008

By Robert M. Ball

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In the Oct. 19 editorial "[Mr. Giuliani's No-Tax Pledge](#)," The Post stated: "It's no more responsible for Republicans to rule out tax increases [to strengthen Social Security] than it is for Democrats to insist on no benefit cuts." The Post praised, as a "bipartisan blend," President [Ronald Reagan's](#) acceptance of a 1983 fix that included both.

I take exception. It's the essence of responsibility, in my view, to insist on no benefit cuts.

In 1983, I served on the National Commission on Social Security Reform (better known as the Greenspan Commission) and represented House Speaker Tip O'Neill in negotiations with the [White House](#). What was right in 1983 -- a balanced package of benefit cuts and tax increases as part, roughly half, of the final agreement -- would be wrong today.

Social Security benefits are modest by any measure and are already being cut -- by raising the age of eligibility for full benefits and by deducting ever-rising [Medicare](#) premiums from benefit checks. So the benefits provided for under present law will replace, on average, a lower percentage of prior earnings than in the past. To cut them further would undermine all that Social Security has achieved -- exposing millions of vulnerable people, both elderly and disabled, to needless economic hardship.

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Social Security has never been more important to more Americans than it is now. Private pension plans continue to dwindle -- currently covering only about 20 percent of private-sector employees -- and the national rate of savings hovers around zero. We just can't afford to cut Social Security benefits further. There's no way to make up for the loss.

Social Security benefits are vital to nearly all recipients. About a third of the elderly rely on Social Security for 90 percent or more of their income; two-thirds count on it to supply at least half of their income. The program lifts 13 million elderly beneficiaries above poverty.

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Without Social Security, 55 percent of the disabled -- and a million children -- would live in poverty. The program is particularly important to women and minorities. It provides 90 percent or more of the incomes of almost half of all unmarried women age 65 and older (including those who are widowed, are divorced or never married), and it is the sole source of income for 40 percent of elderly African Americans and Hispanic Americans.

Social Security is the nation's most effective anti-poverty program. But it's much more than that. For every worker it provides a solid base on which to try to build an adequate level of retirement income. To weaken that foundation would be grossly irresponsible.

The good news is that there's no need to weaken it. We can shore up Social Security for the future without cutting benefits -- or raising contribution rates. The program can be brought into close actuarial balance over the long run with just three revenue-enhancing changes that are desirable in any case:

¿ Gradually increase the maximum amount of earnings covered by Social Security so that the traditional goal -- covering 90 percent of all earnings -- is once again achieved. This change would affect only the 6 percent of earners who make more than the maximum covered amount (now just under \$100,000), and implementing the change gradually over the next 20 to 30 years would have only a minimal impact on them.

¿ Allow Social Security to improve earnings by investing some of its assets -- up to 20 percent, say -- in equities, as just about all other public and private pension plans do.

¿ Provide a new source of income by retaining a residual estate tax and dedicating it to Social Security. By 2010, the estate tax will affect only individuals with estates worth more than \$3.5 million (\$7 million for couples). Dedicating the income from the tax to Social Security would considerably improve the progressivity of Social Security financing as well as increasing revenue.

Presidential candidates should be expected to discuss Social Security financing. But in 2008 they shouldn't be held to a 1983 formula. We're in a different time, with different needs -- and there are much better options available than benefit cuts.

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Robert M. Ball was commissioner of Social Security in the Kennedy, Johnson and Nixon administrations.

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