Bush plan neither social nor secure

COMMENTARY

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WHEN PRESIDENT Franklin D. Roosevelt was asked in 1935 to defend his payroll contributions to Social Security, he said that he wanted "to give the contributors a legal, moral, and political right to collect their pensions and benefits." "With those taxes in there," he tartly emphasized, "no damn politician can ever scrap my social security program."

Seventy years later, President George W. Bush is making a destructive effort to do just that. Insisting that the Social Security system is in danger of bankruptcy and that the only way to avoid the crisis is privatization, Mr. Bush is attempting to dismantle the centerpiece of Roosevelt's New Deal policies.

Social Security is the old-age insurance system that was created in 1935 in response to the widespread suffering caused by the Great Depression. Funding for the pensions of those who reached the age of 65 was to be raised entirely through taxes on employers and employees, not to be subsidized by general public revenues as in other countries. The size of individual pensions would reflect the amount of the worker's contributions. Thus, the higher one's earnings, the higher one's pension.

Amendments enacted between 1939 and 1972 greatly broadened coverage, substantially increased the real value of benefits, and indexed them against future inflation. In so doing, Social Security has served to limit rather than exacerbate social inequality in the United States. Yet Mr. Bush still seeks to eliminate the system entirely and is taking his case to the nation's most powerful business lobbies in order to achieve that goal.

Last week, as a key House panel opened its first major review of the Social Security system in 20 years, the president addressed the National Association of Realtors, the largest political action committee measured by direct contributions to federal candidates.

Asking for their support to "fix the crisis," Mr. Bush repeated his dismal forecast about the future of the system. By 2018, he argued, the system will begin to pay out more in benefits than it receives in taxes and will thus be forced to draw on the surplus in the Social Security Trust Fund. By 2052, he went on to say, the Trust Fund will be exhausted and only 70 percent of benefits will be funded by payroll tax revenues. Another 30 percent will have to be cut or funded by other sources.

In fact, the trustees of the Social Security system offer a more optimistic assessment. They claim that economic growth in the United States will average 1.8 percent throughout the period 2015 to 2080, which is about half the rate of growth over the last century. Increase the rate of growth slightly to 2.5 percent, which is entirely possible, and there is no "crisis" in Social Security.

Since President Bush recently acknowledged that his privatization plan would not help the shortfall in revenue, he now stresses that it would "introduce greater fairness" into the system by protecting the elderly and the poor.

It's difficult to imagine how the current system is "unfair" to those groups. Today, nearly 48 million people – 33 million retirees and their dependents, 7 million survivors (mostly spouses), and 8 million disabled people – receive Social Security benefits. The benefits are the only source of income for 20 percent of the elderly and for 38 percent of the African American and Hispanic elderly.

Together with Medicare, which pays the majority of medical bills for the elderly, Social Security is largely responsible for limiting the poverty rate among today's elderly to just 10 percent. Without the benefits, the rate would be as high as 50 percent.

President Bush contends, however, that the federal government should no longer bear that responsibility. He insists that private retirement accounts would increase national savings and, in turn, boost investment and economic growth. Private accounts would also pay a higher rate of return than the Social Security Trust Fund, which is invested in Treasury notes.

In fact, a significant percentage of the payroll tax would be diverted to creating private accounts. As a result, the federal government would have to borrow the money necessary to keep making benefit payments. The borrowing would be done by selling government bonds. Mr. Bush's plan marks a sharp departure from the New Deal, which sought to preserve the traditional American emphasis on individualism and voluntarism by funding pensions entirely through taxes on employers and employees.

Instead, privatization only enhances the president's "ownership society" where tax cuts are extended to the wealthiest Americans and corporations and where programs that help people survive and ensure national progress are cut rather than strengthened.

Were he alive today, FDR would be wise to ploys like privatization. So, too, should we be.

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