

The Springfield Republican
Bush Social Security proposal a huge scam
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The Bush administration has thrown down a challenge to those of us who want to defend Social Security from the "privateering privatizers." (I call them that because if Congress guts Social Security to create private accounts, the financial services industry will skim 20 percent right off the top on all investments, whether the markets go up, down or sideways.)

The administration wants us to believe that Social Security benefits are doomed to be lowered by some future Congress, whereas with privatized pensions the individual will own the pension he or she has paid for.

Legally this is true.

However, whereas it takes an act of Congress to change Social Security benefits (and every member of the House of Representatives who votes to cut Social Security benefits will have to face the voters less than two years later), it just takes an economic downturn (or some serious dishonesty by some executives) to destroy the value of your personal pension.

The Enron employees owned their 401K accounts, and after Enron went bankrupt they had nothing.

The young workers of today are being asked to trade their Social Security guarantees for a lottery ticket.

Under private pension plans, if the company or the plan goes bankrupt (and most private pension plans today are grossly underfunded) the "owners" of those pensions have to get in line with all other creditors (banks, vendors) and let some bankruptcy judge determine how much of their pensions they actually get to collect - if any!

Under Social Security, Congress has the power to adjust taxes in order to keep the promises made.

Finally, let's remember our benefits are not limited to a lifetime pension. They also include survivors' benefits for children and spouse, and also disability benefits.

Most important, once we start collecting, payments are automatically adjusted upwards to compen-

sate for inflation. With private accounts, the day you retire you have a chunk of accumulated savings which you have to hope will last through retirement. If inflation returns at even moderate rates and your investments don't keep up, too bad!

But your broker will collect when you cash in your last share of stock, no matter what its value.

To scare us into trading the guarantees for a lottery, President Bush asserts that when today's young workers retire there will not be enough money to pay them what they were promised.

This is the big lie of the scam being run on us all. There will not be enough revenue coming into the Social Security trust fund at current tax rates to fully fund promised benefits after 2042. (That's right, there's no problem till then; you can look it up in the Trustees Report.)

However, in 2042, workers in the U.S. will be earning 30 percent more in wages than today (that's over and beyond inflation) and either an increase in the payroll tax of 2 percent or faster economic growth than projected (these projections are highly uncertain anyway) would fix the problem.

In other words, there will be plenty of money to pay future retirees what they were promised.

Meanwhile, with private accounts, the quantity of your retirement nest egg will depend on the timing of your retirement. Those who retired in 2000 ended up with a lot more egg in their nests than those who retired in 2002 (and many were forced to change plans and delay retirement!).

Do not be lulled by the siren songs of the privateering privatizers. All they want is your money.

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