

The Times - Delphic

Solution to Social Security

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11/30/2011

Some have commented on my articles that I never give solutions to the problems I cite. However, I think they are missing the point. Limiting government is the solution. I'll quote from Barry Goldwater to explain my goal: "I have little interest in streamlining government or in making it more efficient, for I mean to reduce its size."

But in the spirit of compromise I will offer a solution to a governmental problem without completely ending the program in question. I believe this is a solution that, if given enough logical thought, can be accepted by those on both sides of the political aisle. The problem at hand is Social Security, something that desperately needs to be fixed or America will find itself in a world of hurt.

The dangerous future of Social Security is no secret. Up until 2010, Social Security was running a surplus and people argued that there was no way it could add to the federal deficit. But this has now changed. The Hoover Institute claims that, "In 2011, Social Security will add \$151 billion to the current federal deficit." Factcheck.org confirms the insolvency of Social Security and warns America that the program will contribute "well over half a trillion dollars in the coming decade" to the deficit.

Of course, there was always the claim prior to these deficits that the Social Security Trust Fund would be able to pay out benefits. This was never true. The Trust Fund consists of nothing but governmental bonds (IOUs) and, as we now see, cannot help solve Social Security. In the Clinton administration's 2000 budget, it was explained that, "(The Trust Fund does) not consist of real economic assets that can be drawn down in the future to find benefits." So, the looming threat to Social Security is real and both Democrats and Republicans are cognizant of this.

But what solution will solve the problem?

One solution is higher taxes and many will support this direction, despite the fact that it has always been the solution and look where we find ourselves today. In order to fund benefits of Social Security the tax increase would need to be larger than ever. But since taxes are already so high, compared to the benefits received, "Social Security has quite simply become a bad deal for younger workers" that provides a "below-market rate of return," the Cato Institute reports. What this means is simple: Young workers could get far better benefits if they were able to invest their money privately.

This is why I endorse at least a partial privatization of Social Security. I understand many Democrats oppose this solution but I have not heard a better option yet and I consider their fears to be unfounded. While many privatization solutions have been drafted, the Cato Institute has one of the best. Titled the "6.2 Percent Solution," individuals would have the option of diverting half of their payroll tax (6.2%) to a privately invested account. The remaining 6.2% would be "used to pay transition costs and to fund disability and survivors' benefits."

Also, those who wish to stay in the current system could do so and they would receive the benefits payable with the current level of revenue. This solution offers two things: Choice and restoration. Nobody would be forced into the new system and Social Security would be restored financially. Not to mention, young workers will earn a higher level of return in benefits. I will spare you all the details but the plan can be found online if you wish to read more.

Other components of reform assuredly need to be made as well, such as raising the retirement age. However, partial privatization of Social Security is the most significant step that America could take to solving the Social Security problem.