

Social Security: What's their plan?

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Faced with a dismal political climate, Democrats appear ready to revive the hoary charge that Republicans seek to dismantle Social Security. But what's the Dems' answer?



Senate Majority Leader Harry Reid has run TV ads attacking his opponent, Sharron Angle, for wanting "to wipe the program out." In Kentucky, Republican senatorial candidate Rand Paul is being criticized for remarks he made in favor of Social Security privatization — in 1998. Several strategists are calling for Democratic candidates to tie their opponents to privatization efforts, including President George W. Bush's failed efforts to reform the troubled program.

House Speaker Nancy Pelosi has made it clear that she'll oppose any change to Social Security benefits, including raising the retirement age. Democratic spokesmen have criticized a statement by House Minority Leader John Boehner leaving the door open for a retirement-age hike. A plan by Rep. Paul Ryan (R-Wisc.) to allow younger workers to invest a portion of their Social Security taxes privately under controlled circumstances — one, sadly, the GOP leadership hasn't endorsed — is also likely to serve as a point of Democratic attack.

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Social Security is certainly a fair issue. It's the largest government program in the world, accounting for 23 percent of the federal budget. The Social Security tax is the largest tax that the average American family pays. Nearly 80 percent of Americans pay more in Social Security taxes than they do in federal income tax. Millions of seniors depend on Social Security for their retirement income. Republican candidates should be pressed on what they plan to do about the program's looming financial shortfall.

But what about those who are on the attack? What exactly is their plan to fix Social Security?

Social Security now runs a temporary cash-flow deficit; that deficit will turn permanent in just six years. Of course, in theory, the Social Security Trust Fund will pay benefits until 2037. That's not much comfort to today's 35-year-olds, who'll face an automatic 27 percent cut in benefits unless the program is reformed before they retire.

But even that figure is misleading, because the Trust Fund contains no actual assets. The government bonds it holds are simply a form of IOU — a measure of how much money the government owes the system. It says nothing about where the government will get the money to pay back those IOUs.

Even if Congress can find a way to redeem the bonds, the Trust Fund surplus will be exhausted by 2037. At that point, Social Security will have to rely solely on revenue from the payroll tax — and that won't be enough to pay all promised benefits. Overall, the amount the system has promised beyond what it can pay totals \$15.8 trillion, according to the Social Security trustees.

Moreover, Social Security taxes are already so high relative to benefits that the program has simply become a bad deal for younger workers, providing a low, below-market rate of return. In fact, many young workers will end up paying more in taxes than they receive in benefits; they'll actually lose money under the program.

Moreover, in the current Social Security system, workers have no ownership of their benefits. That means that they're left totally dependent on the good will of 535 politicians to determine what they'll get in retirement. Benefits are not heritable, and the program is a barrier to wealth accumulation. Attacking Republicans does nothing to fix those problems.

In fact, there are really only three options for Social Security reform: raise taxes, cut benefits or invest privately. A candidate who attacks his opponent for supporting some kind of private-investment option must therefore favor either tax hikes and/or benefit cuts. If that candidate goes on to rule out such benefit cuts as raising the retirement age, he or she is necessarily calling for a tax hike. And mighty big tax increases they'd need to be: a 50 percent rise in the payroll tax or the equivalent.

Traditionally, Republicans have responded to Democrats' Social Security demagoguery by curling into a

fetal position. Perhaps this time they should try something different: demand that their opponents come up with their own plan for Social Security reform.

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