

## Private accounts don't make Social Security solvent

We're seeing some fresh debate on Social Security reform lately, though not much in the way of fresh ideas for what to do about Social Security. If you're worried about the program's finances, you can really only do one of two things: lower the amount of money the program sends out or increase the amount of money it brings in.

But those things are sort of a bummer. So in a National Review [article](#), Cato's Michael Tanner tried to offer up another option: personal accounts, which he suggests are an alternative to cutting benefits or raising taxes. Andrew Biggs, an AEI scholar who served on George W. Bush's Social Security commission, [explains](#) why that won't work.

Here's the problem: Personal accounts are a valid choice, and one I've supported in the past and continue to support. But accounts aren't exclusive to tax increases or benefit cuts; they don't, as I'll explain, reduce the need for these other choices. One problem for the Bush administration's reform drive in 2005 was that many congressional Republicans had bought into the idea that accounts reduce or eliminate the need for tax increases or benefit cuts. Finding out they don't may have taken some wind out of their sails. Because of this, combined with some pretty shameless demagoguery from the left, Bush's reform ideas didn't even come up for a vote.

With personal accounts, we face the same choices, only sooner. If workers invest part of their Social Security taxes in personal accounts, they could indeed earn higher returns and generate higher benefits without taking more risk. But diverting taxes to accounts leaves the program short of what is needed to pay benefits to today's retirees. To cover these "transition costs," we would need to generate new revenues for the program, either by raising taxes, cutting other programs, or borrowing. But once transition costs are accounted for, the total rate of return on a personal-accounts-based program would be about the same as the current system. (If you're willing to wade through some math, this [paper](#) by Olivia Mitchell, Stephen Zeldes, and John Geanakoplos is pretty much the canonical treatment.)

In other words, there's no free lunch. But if you still want to make some changes to Social Security, here are [five reforms](#) that would actually work.