

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

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Bush to Address Social Security Monday

Republican presidential candidate George W. Bush will deliver a speech Monday in California outlining the principles he will apply to the issue of Social Security reform, foremost among them the idea that workers should be allowed to invest a portion of their payroll taxes in the market through personal retirement accounts.

While Bush has not yet arrived at the details of his plans, campaign sources indicate Bush is likely to articulate the following principles:

- Reform must not reduce benefits for current retirees or those near retirement.
- Payroll taxes must not be increased.
- Reform should be fair to all generations.
- The entire payroll tax surplus should be protected by a legal 'lockbox.'
- Reform should be bipartisan.
- Reform should include voluntary personal retirement accounts, to give workers the opportunity to build wealth.
- There should be no government investment in private stock or bond markets.

Information on the Bush speech will be available at www.socialsecurity.org as soon as it is delivered.

Kerrey May Campaign For Bush Reform Plan

As Republican George W. Bush prepares to present his principals for reform based on personal retirement accounts, some Democrats fear their nominee may end up on the wrong side of the debate. In fact, as the Boston Globe reports May 5, many "New Democrats" are concerned that the approach to Social Security most resembling their own is that proposed by Bush.

Reporter Michael Kranish writes that New Democrats like Louisiana Senator John Breaux and the Democratic Leadership Council fear that Gore's reflexive rejection of personal accounts could harm them in November. While Bush has tried to articulate the idea of adding personal accounts to Social Security, Breaux said, Gore could lose the presidential election if he "can't somehow embrace these concepts. These ideas are going to be the ideas that affect the outcome of the election." Asked whether Gore should back some the measures, Breaux replied, "It depends on how much he wants to be president."

Likewise, DLC chairman Al From expressed concerns that Gore would rely too heavily on attacking Bush, instead of stressing his alternative vision. "I fear that Gore will not be able to win the vital center by pushing Bush to the right with a negative campaign. He will need to affirmatively occupy the center himself. To do that, he'll have to go beyond the New Democrat status quo and offer a new generation of New Democrat ideas."

Sen. Bob Kerrey (D-Neb.), another New Democrat, says, "In spite of the political rhetoric" by Gore, "this is the progressive approach. It would be irresponsible not to do it." In a May 10 column in the *Albany Times Union*, Matt Miller writes that "Kerrey, a longtime leader on entitlement reform, told me that if Gore moves from vague language about 'secret plans' and 'risky schemes' to poison the well for honest talk about Social Security's long-term woes, he'll 'join the debate' to hail Bush's leadership and slam Gore's irresponsibility."

Lea Abdnor to Leave AWRs; Blahous to Head Pro-Privatization Group

On June 5th Lea Abdnor will be leaving her position as Executive Director of the [Alliance for Worker Retirement Security](#), a coalition of organizations dedicated to giving workers the option to invest their payroll taxes in personal retirement accounts. Taking Abdnor's place will be Chuck Blahous, currently on the staff of Senator Judd Gregg (R-NH), a leader in the Congressional movement to reform Social Security. Says Abdnor:

"In order to leave, I had to find the best person possible to become the new Executive Director, and I did. Chuck is brilliant and well-known on the Social Security issue--he's given speeches all over the country on it and has a book coming out in the fall. He's eminently qualified and will need no 'initiation' into the issue and the political scene."

"Everyone involved with the reform movement owes a debt to Lea for her accomplishments in promoting worker controlled investment," said Michael Tanner, director of Cato's Project on Social Security Privatization. "Chuck Blahous, with his knowledge of the issue and his political experience, is the perfect individual to take her place."

A Confusing Social Security Clash in New Jersey

[The New York Times reported Friday](#) that the debate between Democratic Senate candidates John Corzine and Jim Florio turned into a heated battle over Social Security, with both candidates claiming the support of the president. “Of all the scuffles in [Thursday’s] acerbic debate between New Jersey’s two Democratic candidates for the Senate, no clash was more bitter than the contestants’ exchanges over the volatile issue of Social Security.”

Corzine, a former Wall Street investment banker, supports what he called the “Clinton-Corzine plan” for the government to invest 15 percent of the Social Security Trust Fund in the stock market. This plan, first introduced by President Clinton in 1999, was (until recently) promoted by the Clinton/Gore administration.

Florio, a former governor, opposes any investment of payroll taxes, whether by the government or through personal accounts. “The president and the vice president have clearly and decisively come out and said [government investment] is not something that either of them support,” Mr. Florio said.

Vice President Gore, in his recent battle with George W. Bush, now claims that the administration did not in fact ever propose such investment. How did Corzine react to these statements? “We’re certainly surprised, but not nearly as much as Bill Clinton must be,” said one Corzine aide.” In fact, as the *Times* reveals, Mr. Clinton’s spokesman said earlier this month that the president still supported the concept.

Social Security Poll-tics

Karlyn Bowman reports in the [May 11 Roll Call](#) on [a new survey](#) conducted by Princeton Survey Research Associates for the Heinz Family Foundation and *Newsweek* magazine. Among the highlights:

- About a third of those surveyed said that all or most of their retirement income will come from Social Security. Yet...
- 71 percent of 18- 34 year-olds, 64 percent of 35-54 year-olds and 32 percent of those 55 and over said they were not confident that Social Security would provide the income they needed from it when they retired.
- Thirty-one percent had more confidence in the Republican Party to deal with problems in Social Security, 33 percent in the Democratic Party.

As you see it now, what share of your retirement income will have to come from Social Security benefits/What share of your retirement income now comes from Social Security benefits...				
		Age		
Total		18-34	35-54	55+
18	All or nearly all of it	18	17	21
14	Most of it	15	13	13
21	About half	19	22	23
17	Less than half	15	16	20
21	Very little or none	22	23	15
9	Don't know	11	9	8

How confident are you that the Social Security system will be able to provide that income when you retire/How confident are you that the Social Security system will continue to provide that income...				
		Age		
Total		18-34	35-54	55+
14	Very confident	7	11	29
23	Somewhat confident	19	20	30
27	Not too confident	30	30	19
30	Not at all confident	41	34	13
6	Don't know	3	5	9

Do you have more confidence in the Republican Party or the Democratic Party to deal with problems in the Social Security system?				
		Age		
Total		18-34	35-54	55+
31	Republican Party	32	30	31
33	Democratic Party	34	32	36
10	Same/No difference	8	11	11
17	Neither	17	20	13
9	Don't know	9	7	9

Social Security Numbers Under Fire

The [House Social Security Subcommittee](#) held hearings this week regarding fraud and misuse of Social Security numbers, which are often disclosed as part of ordinary business transactions. As 72-year-old retired Air Force officer John T. Stevens learned, when someone else gets hold of your Social Security number it can soon become very expensive. Stevens, a witness at the hearing, testified that someone had used he and his wife's Social Security numbers to obtain credit and run up \$113,000 in bills. "Everyone accepts this single nine-digit number as you, regardless of who's handing it out," said Stevens. "It makes us vulnerable."

James Huse, the Social Security Administration's inspector general, also testified before the subcommittee: "Although the Social Security number was never intended to be a national identification number, it has rapidly evolved to be the de facto identifier."

Huse reported that since Social Security numbers are so widely accepted, wrong-doers can easily gain access to personal, financial and medical records, or even assume another person's identity to obtain credit or government benefits. Last year the Social Security Administration's fraud hot line received 62,000 phone calls from Americans fearing the misuse of their numbers.

"Many people have started to wonder about the proliferating uses of Social Security numbers, and the privacy and security implications of all of this," said Rep. Clay Shaw (R-FL), chairman of the subcommittee. Among the possible congressional action lawmakers are contemplating:

- Ban sale of Social Security numbers.
- Require government agencies and businesses to obtain permission before sharing a person's Social Security number.
- Increase penalties for fraud committed with the use of another person's Social Security number.
- Make government agencies and businesses give people the option of using identification numbers other than their Social Security numbers.

Legislation may be introduced in both the House and Senate within several weeks.

Publications of Interest

The [Employee Benefit Research Institute](#) released "[Evaluating the Archer-Shaw Social Security Proposal](#)," by Craig Copeland. "This article shows that high equity returns and low administrative costs would give the Archer-Shaw proposal a good chance of achieving its goals," said EBRI President and CEO Dallas Salisbury. "But if the equity market doesn't fare as well, and the costs of operating individual accounts are higher than predicted, there is a minimal chance the proposal will succeed." Nevertheless, Salisbury said, "The Archer-Shaw proposal would bring Social Security closer to actuarial balance over the next 75 years than making no changes in the program. Whether the same is true for the Bush or Gore proposals will be assessed once they release details. "

For more information on Archer-Shaw, see "[The Archer-Shaw Social Security Plan: Laying the Groundwork for Another S&L Crisis](#)," by Andrew G. Biggs

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