



Social Security Choice

SOCIAL SECURITY THIS WEEK

A WEEKLY NEWSLETTER ON SOCIAL SECURITY REFORM

WEEK OF JULY 9, 2004

Piñera Stirs Up Debate with Calls for Reform at La Raza Conference

Cato senior fellow José Piñera created a stir at the National Council of La Raza's (NCLR) annual conference last week in Phoenix, Arizona, challenging the organization's opposition to private accounts. Piñera pointed out the successful private account-based pension systems in Latin America and suggested that Latinos in the United States could benefit from a similar privatized system in the United States. NCLR is the largest national Hispanic constituency-based organization in America.

The Social Security session at the conference, "The Great Debate: Social Security Reform and What's at Stake for Latinos," gave supporters of private accounts reason for optimism: Lea Abdnor, president of "For Our Grandchildren," a national group that seeks to educate Americans on the need for Social Security reform, observed that the bulk of the audience was clearly on Piñera's side by the end of the discussion. Her entire write-up of the session follows, and the write-up's accompanying photographs can be seen [here](#).

"José Piñera shook the U.S. Latino establishment by telling attendees of the National Council of La Raza Annual Conference in Phoenix, Arizona that Latinos demand choice when determining their retirement plans. Piñera participated in a debate at the conference to convey the positive experience of Chileans and other Latin American workers who have chosen to have Personal Retirement Accounts (PRAs) as part or all of their retirement plans.

"Other participants were Rep. Robert Menendez (D-NJ), Rep. Chris Cannon (R-UT) and Peter Orszag of The Brookings Institution, with Virginia Reno of the National Academy of Social Insurance serving as the moderator.

"Piñera challenged La Raza's stated opposition to PRAs and Social Security reform. Piñera said that workers in Chile have the choice to put 10% of their salary in PRAs, which have grown, on average, 10% per year over the past 23 years. He highlighted the value of individual ownership and the ability to pass down retirement plans to family members.

“Piñera is the architect of Chile’s successful personally owned pension system. As Founder and President of the International Center for Pension Reform he now promotes PRAs as an alternative to government-run social security systems.

“The audience appeared to enter the session with a bias for the status quo, but as the debate progressed, attendees began applauding as Piñera made his points. But, what really swayed the audience was Piñera’s response to Orszag’s suggestion, seemingly similar to a let-them eat-cake notion, that Latinos should just put their money into PRAs on top of the current Social Security System. Piñera chastised Orszag for not realizing that Latino’s traditionally lack spare income with which to place into retirement plans. At that moment the audience erupted into applause.

“Piñera also highlighted the fact that if immigrant Latinos had PRAs, they could take that money back with them to their home country at retirement age, if they chose to do so since it would be fully transferable, unlike the current system.

“The opponents of reform defended the current Social Security system saying that there is much time before the system goes broke. For instance, Menendez and Orszag argued that the system wasn’t in deep trouble and would remain solvent until 2042 or 2052. They also used fear tactics to sway the audience against reform measures.

“Piñera countered that risk is minimized by restricting investment funds and allowing individuals to choose bonds if they prefer zero risk. After the debate, many people crowded around Piñera to talk more and get autographs. Among the group were family members of La Raza’s Executive Director, who spoke with Piñera about their personal support for his position.”

The debate was also covered in an article in the [Arizona Republic](#), which included several photographs. The text of that article, written by Jonathan J. Higuera, follows:

“Is the nation’s Social Security trust fund on the brink of collapse and in need of a total overhaul, or could it remain solvent for many decades and continue providing income for the nation’s retirees, widows and orphans?

“A debate on Social Security reform Sunday at the National Council of La Raza’s conference at the Phoenix Civic Plaza addressed those issues.

“The debate featured two panelists who favor privatizing the system by allowing workers to contribute their FICA taxes to their own investment accounts, while two others argued that the social insurance program could remain largely intact with minor adjustments.

“Congressman Robert Menéndez, a Democrat from New Jersey, likened it to a car with a flat tire.

“‘You don’t get rid of the whole car because you have a flat,’ he said. ‘It’s true the cash flows won’t equal the claims beginning in 2018, but there are still reserves to draw from.’

“He and Peter Orszag, a senior fellow at the Brookings Institution, argued that the government has many options to make sure the fund remains solvent, including taxing the wealthiest Americans, repealing broad tax cuts or raising tax caps.

“Meanwhile, Congressman Chris Cannon, a Utah Republican, and José Piñera, a Chilean who is considered the architect of that country’s privatized pension system, argued that allowing workers to contribute taxes to their own private accounts could enable them to reap larger returns for their retirement than Social Security could provide.

“Government investment is not the same as private investment,’ Cannon said. ‘Government does not have the entrepreneurial incentive.’

“Piñera said that workers could still choose to remain in the government program and would have to opt out.

“We didn’t privatize. We gave them a choice,’ he said of Chile’s plan, which started 25 years ago.

“Cannon pointed out that millions of undocumented workers pay into the system and never receive any benefits. A privatized system would enable them to draw out what they put into the system. A Social Security analysis two years ago found that over a number of years, \$28 billion in FICA tax receipts came from workers with false Social Security numbers.

“To the degree people want to go back to their home countries, they can take their wealth with them,’ he said.”

Publications

The Social Security Administration has released its latest issue of the newsletter “[International Update](#).” The publication for June looks at the most recent international developments concerning pension reform. This month’s issue discusses movements toward reform in Macedonia, Mexico, Australia, China, and South Korea. Also discussed is the newly implemented totalization agreement between Japan and the United States.

Boston College’s Center for Retirement Research has released two new papers this week. The first is a *Just the Facts* brief entitled “[How Can the Actuarial Reduction for Social Security Early Retirement Be Right?](#)” by Natalia A. Jivan. The second is an *Issue in Brief* paper by the Urban Institute’s Richard W. Johnson entitled “[How Closely Do Spouses Coordinate Their Retirement Decisions?](#)”

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