Funds for elderly will flow to stock market

Clinton to back Social Security privatization

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The Clinton administration opened a two-day bipartisan conference on Social Security Tuesday amid press reports that the White House has decided to back some form of privatization for the retirement system that supports more than 40 million US pensioners.

The *Washington Post* carried a front-page story December 8 that the administration has narrowed its options on Social Security to five alternatives, 'a series of proposals that would include some form of stock market investment for the first time in the program's history.'

The five plans include three put forward by groups of congressmen, one proposed by former Social Security commissioner Robert Ball, and one by former Reagan economic adviser Martin Feldstein. All propose some diversion of money from the Social Security Trust Fund, presently entirely invested in government securities, into Wall Street. All propose cuts in benefits and increases in the retirement age.

The White House conference follows eight months of carefully orchestrated hearings and town meetings at which Clinton administration officials have repeatedly expressed interest in privatization. As the *Post* noted, 'The White House acceptance of private investments represents a remarkable gravitation toward ideas traditionally in the province of conservatives.'

Tuesday's meeting included some 250 people, mainly professionals, experts and advocates of the various plans. Wednesday will feature a closed-door meeting between Clinton and 60 Democratic and Republican congressmen to discuss ways that a privatization plan can be advanced after the new Congress convenes in January.

The five plans under active discussion include:

* The 21st Century Retirement Act, a bipartisan bill drafted by Senators John Breaux (D-La.) and Judd Gregg (R-N.H.) and Congressmen Jim Kolbe (R-Ariz.) and Charles Stenholm (D-Tex.) This would divert two percentage points of the Social Security payroll tax on workers under age 55 into mandatory personal savings accounts invested in the stock market. The retirement age would be increased to 70 in the year 2037 and cost-of-living raises would be cut by 0.5 percent.

* The Moynihan-Kerrey plan, drafted by Democratic Senators Daniel Patrick Moynihan of New York and Bob Kerrey of Nebraska. This would divert 2 percentage points of the Social Security payroll tax, 1 percent each from employers and workers, to voluntary investment accounts. The plan would raise the retirement age to 68 in 2023, and then to 70 in 2073.

* The Kasich and Roth plans, drafted by Republican Congressman John Kasich of Ohio and Republican Senator William Roth of Delaware. These would create individual retirement accounts by diverting a portion of the federal budget surplus; Kasich's plan would provide equal amounts to each worker, Roth's plan would make shares proportional to earnings, favoring those with higher incomes.

* The Ball plan, drafted by former Social Security commissioner Robert M. Ball. This would establish voluntary individual investment accounts on top of the existing system, and direct at least 40 percent of the trust fund into stocks rather than Treasury securities. A CPI adjustment would reduce the cost-of-living raises for recipients by 0.3 percent a year. Since the federal government would end up controlling a significant block of stocks, right-wing Republicans have opposed it as 'socialistic.'

* The Feldstein plan, drafted by economists Martin Feldstein of Harvard and Andrew Sammick of Dartmouth. This would require workers to invest an additional 2 percent of their pay in individual

retirement accounts, on top of the Social Security payroll tax, with dollar-for-dollar tax credits paid for from the federal budget surplus. Those earning too little to pay taxes would gain no benefit.

The starting point of the official debate over Social Security is the projection that the system will fall into deficit in about three decades, when the bulk of the baby boom generation has retired. All five plans under discussion take for granted that any shortfall in the Social Security Trust Fund must be made up through taxes on working people and benefit cuts for the retired, leaving untouched the vast wealth controlled by big business.

One of the peculiar features of this discussion is the pretense of concern over a deficit which is some 30 years away and whose existence is presumed on the basis of arbitrary and highly questionable assumptions about the economic future of American capitalism. The real object of Social Security 'reform' is not to prevent deficits far in the future but to help Wall Street lay its hands on the sizeable current surpluses. The Social Security Trust Fund, despite all the talk of impending doom, has a positive balance of several hundred billion dollars, which is projected to swell to over $2 trillion by 2020, only thereafter beginning to shrink. It is this huge sum which the big business politicians, Democratic and Republican, wish to funnel into the stock and money markets.

It is impossible to justify such a raid on the public treasury and the retirement funds for tens of millions of workers on its own terms. Instead, both Clinton and the congressional Republicans declare that their purpose is to 'save' Social Security.

Social Security, for all its great limitations, is the most comprehensive social program ever enacted in the United States. In 1995 some 43.4 million people received Social Security benefits averaging $649 per month. The old age pension enacted in 1935, together with the Medicare program established 30 years later, have played a significant role in improving the status of the elderly in the United States.

The rise in the retirement age from 65 to 67 or 70 will actually have a far more drastic impact, since the majority of workers--53 percent--now retire early, at age 62, despite receiving lower benefits. In effect, workers will have to work five to eight years longer, not two to five, before they are eligible for benefits.

A report issued by the General Accounting Office last summer warned that raising the retirement age would be particularly harmful to the health of blue-collar workers, who are far more likely than white-collar workers to suffer job-related illnesses. 'Blue-collar workers are more likely to have musculoskeletal problems, respiratory diseases, diabetes and emotional disorders than are white-collar workers,' the GAO said. 'For example, blue-collar workers are 58 percent more likely to have arthritis, 42 percent more likely to have chronic lung diseases and 25 percent more likely to have emotional disorders.'

A little-reported aspect of the partial privatization plans now under discussion is that the cost of shifting over to a privatized system would create a financial crisis in the Social Security Trust Fund much more quickly than the demographic effects of the aging of the baby boom generation.

The Trust Fund pays benefits to retirees from the payroll taxes paid by current workers. When payroll taxes begin to be diverted into individual retirement accounts, those funds will no longer be available to pay benefits to current retirees, and the Trust Fund will quickly go into deficit. The result is that partial privatization will provoke a financial crisis that could well serve as the pretext for the dismantling of Social Security.

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