

## 01-25-1999 A Modest Proposal on Social Security

“When you go to the supermarket, when you go to church or to synagogue, when you’re walking down the street, I want you to think that every other woman you see who is over 65 would be living below the poverty line if it were not for Social Security.”

-- Hillary Rodham Clinton, 1/23/1999

Those who are hell bent on ruining Social Security by transforming it into some sort of mutant IRA administered by Wall Street stock brokers are having a tough time of it these days. It seems that people all across America think that involving the stock market is just a really bad idea. Which it is. In different polls people three to one oppose the individual account or IRA model for Social Security.

There are a great many reasons why investing the nation’s retirement in stocks is a bad idea. Interestingly they are now being offered by conservatives as well as by reasonable people. The reasonable people point out that stock markets are fundamentally unsafe investment vehicles. In a really eerie twist of fate the list of people making this observation now includes Federal Reserve Chairman Allen Greenspan. “I am fearful that we would use those assets in a way that would create a lower rate of return for Social Security recipients and even greater concern it would create sub-optimal use of capital and a lower standard of living.”

On the other side, which Greenspan hints at as well, the conservatives have noticed that if the government invested the \$700 million outlined in the president’s State of the Union address then the government would suddenly become a big and powerful player in the market. This stock buying power could be used in all sorts of ways – ways that could possibly include democratic input into the values and policies of major corporations. The conservatives fear democratic control over business and many do not even want to risk going down that road.

The reasonable people are also afraid of this scenario, but for entirely different reasons. If the government were to be heavily invested in Microsoft, for example, then we would all suddenly have a financial stake in the government’s own anti-trust law suit working out in Microsoft’s favor. Even more frightening, if the government were invested in Nike we would all suddenly have a financial interest in Nike using virtual slave labor in Indonesia to make its shoes. Or, god forbid, we were all invested in GE then ... that’s just too scary to even contemplate.

In spite of all this the president seems determined to turn over our collective national savings to the hounds on Wall Street. He is not alone, in spite of Greenspan and a few conservatives in Congress expressing reservations; there are a great many people in Congress, business, and certainly in the corporate media who will be pushing for this desperate measure to “save” Social Security.

In truth the only thing we need to save Social Security from are the people trying to turn it over to the private sector. If it were not for the president’s efforts to “save” Social

Security it would not actually need saving – which it truly does now. There will be even more hype in the coming months about mutant IRA's, about the health of the stock market and why every American should be forced against their will to risk their future in it.

One has to wonder though, if most people don't want Social Security in the stock market, and people as diverse as Greenspan and conservative activists all oppose the plan why are other people still pushing it? The answer here is disturbingly clear. The Social Security Administration has an overhead rate of 2%. Which means it costs us 2% of our Social Security savings to run the program and send out the checks. On Wall Street the average overhead rate at investment firms is about 20%. The real issue here is a 2% administration cost going to a well respect government agency serving people, versus 20% going to god alone knows who running investment firms.

That's all you need to know.

However, there is one small change in the law that needs to be addressed and then Social Security would not just be fine for at least the next century but could actually increase benefits. Progressive organizations, big labor unions, and many others have argued that the current cap on Social Security taxes has to go. At present the very wealthy are exempted from Social Security taxes on income over \$72,600. So the people who run global corporations and make tens or even hundreds of millions of dollars each year pay Social Security tax on only a very small fraction of their total income.

You probably pay Social Security tax on your whole income. So not only is the income cap depriving Social Security of funds which it could use to ensure healthy growth in its accounts, the cap is fundamentally unfair. Why should the very wealthy skirt their fair obligation to contribute to the well being of society?

To his credit the president does have one thing right: any surplus the government has should go to helping programs that serve people not to tax breaks for those who need them least. As long as we do that and remove the income cap there are no worries for Social Security. As long as the very wealthy are forced to pay their fair share America's best-loved social program will continue to survive and thrive.

With just a little fairness Social Security could not only keep those half of women over 65 who would otherwise live in poverty out of poverty but could actually provide the comfortable and dignified living all retirees deserve.