

"Bush on Tuesday said his plan to create private savings accounts could be the first step toward a complete privatization of Social Security."¹

Complete privatization of Social Security. Haven't we tried that before? Oh, yeah, back in the Depression, before Roosevelt created Social Security. The retirement system was completely privatized then. You worked, then you retired, and if the money ran out, you were broke. Of course, even then the system wasn't completely private. There were county poor farms where the destitute could live and work—until they died. I wonder if that's too much government involvement for W?

To his credit, Bush is being honest about what he wants. He doesn't want to tinker with the system. No, he wants to take the single most successful government program of the twentieth century and reinvent it in his image.

I might feel better about the whole thing if he'd actually gone to class when he was enrolled in the Harvard Business School. But at least he's candid when he declares that his proposal to privatize about 16 percent of Social Security is just the beginning. More like the beginning of the end. As the *New York Times* reported: "Answering a question about his plan, Mr. Bush said that the government could not go 'from one regime to another overnight.' He said: 'It's going to take a while to transition to a system where personal savings accounts are the predominant part of the investment vehicle. And so, this is a step toward a completely different world and an important step.'"²

A completely different world. But what will Bush's brave new world look like? (That was an allusion to Aldous Huxley, Governor. Karl Rove will explain it to you.) Well, Bush admitted it was "conceivable" that a worker who opted for Bush's privatized scheme could wind up worse off than under the old, guaranteed Social Security system.³ And he was even more blunt in the *Dallas Morning News*: "Asked whether he envisions a system in which future beneficiaries would receive no less than they would have under the current system, Mr. Bush said, 'Maybe, maybe not.'"⁴

Maybe, maybe not? Maybe, maybe not! That is not what seniors who want to retire in dignity and security want to hear, Governor.

chapter 8

Social Insecurity

"There's not going to be enough people in the system to take advantage of people like me."

(On the coming Social Security crisis. Wilton, Connecticut, 6/9/00)

"Maybe, maybe not."

(When asked if future Social Security recipients will get at least as much under his privatization plan as they would under the current system. *Dallas Morning News*, 5/15/00)

"I've never been a long-term planner about anything. I have lived my life with more of a short-term focus."

(*Texas Monthly*, 5/94)

Republicans have always hated Social Security. And George W. Bush has always been a Republican. So I'm more than a tad skeptical when W talks about wanting to "fix" Social Security. Kind of reminds me of the vet who "fixed" my dog Gus. After the "fix," that which once worked just fine didn't work no more. And Gus was none too happy about the deal.

George W. Bush wants to neuter Social Security. His plan to cut taxes for the rich by \$1.9 trillion, while risking a huge portion of the Social Security Trust Fund in the stock market, could spell the end of Social Security as we know it.

Think I'm being alarmist? I wish. Check out the *Houston Chronicle*:

Maybe, maybe not is an acceptable answer from the weatherman when you ask him if it's going to rain. But it's not an acceptable answer from your heart surgeon when you want to know if the new, transplanted heart is really going to be better than the old heart.

And it gets worse. As the *New York Times* reported: "Bush also refused to say how much benefits might be reduced for workers who created private investment accounts. 'That's all up for discussion,' Mr. Bush said."⁵

So this we know: There's no guarantee under Bush's plan that your benefits won't be cut. There's no guarantee that your investments won't go down. There's no guarantee that if they go down (say, if you invest in a company as poorly run as Bush's El Busto Oil Company) that the government will make you whole.

A Social Security system without guarantees is like a car without wheels. You can shine it up all you like, but it can't take you where you need to go.

One of the ways Bush hopes to build support for his system is to undermine confidence in the current system. His plan has no guarantees, so he pretends that the current system doesn't either, declaring, "First of all, there's no guarantees in Social Security today. . . . There are no guarantees."⁶

Oh? Of course there are. The Full Faith and Credit of the United States of America stands behind the government-run, government-guaranteed Social Security benefits. Bush can't name a single time in seven decades when the government failed to deliver on that guarantee. He wants to pretend it isn't there now, since there truly are no guarantees in his plan.

And if the benefits are not guaranteed, the risks are. The stock market is inherently risky. That's why it often yields greater rewards. But Bush tries to hide the ugly reality that markets can go down. He simply refused to answer Sam Donaldson's question about what he would do for someone who lost their Social Security investment in the stock market. Look at this exchange:

DONALDSON: All I'm asking is whether you think the government should make good any losses for retirees from their accounts?

BUSH: There will be a lot of discussions about the particulars of the plans.

DONALDSON: Well, what do you think?

BUSH: But one of the things that's most important is to understand that giving younger workers the option to manage some of their money in safe vehicles is going to be a heck of a lot better rate of return on moneys invested than the current system.

DONALDSON: But, Governor, your opponent says it's not safe.

BUSH: You cannot justify the current—my opponent says a lot of things. But you can't justify the current system.

(*CROSSTALK*)

DONALDSON: But I want you to answer the question, sir. You're dodging the question.

BUSH: I'm not dodging the question.

DONALDSON: All right, I'll state the question again. Should the government guarantee against losses in Individual Retirement Accounts?

BUSH: But Sam, there are no guarantees today.

DONALDSON: So the answer is no?

BUSH: There are no guarantees in the system today. And if you think there are, then I would like for you to review the voting record of my opponent.⁶

Whew! I'll say this for Sam: he done his damndest. But trying to get Bush to admit that his plan for Social Security has no real security is like trying to nail Jell-O to the wall. Of course, the good governor is full of beans when he says Al Gore's voting record proves there are no guarantees. What he's referring to was the 1993 Clinton-Gore economic package, which subjected a larger percentage of the Social Security income of the wealthiest retirees to taxation. That's all. And it only applied to folks whose net worth averaged around a million dollars. So, by Bush's logic, because Clinton and Gore raised taxes on the rich, Bush should have the right to cut Social Security for the poor.

And they say he's dumb.

Lots of serious people have weighed in on the notion of investing Social Security funds in the stock market, and it makes them nervous. Because, rumor has it, markets can go down. Now, I realize that hasn't happened since, well, since the last time we had a Bush in the White House. But seasoned veterans of Wall Street like Bob Rubin tell me it has happened. A report from the nonpartisan General Accounting Office noted, "Caution is warranted in counting on future stock returns in designing Social Security reform." The report goes on: "However, an average over nearly a century obscures the reality that stock returns fluctuate substantially from year to year. Over the past 70 years or so, stock returns were negative in nearly one out of four years. There is no guarantee that investing in the stock market, even over two or three decades, will yield the long-term average return."⁷

What if Bush is wrong? What if the markets go down? We could be heading for a government bailout that made the Reagan-Bush Savings & Loan bailout look like fixing a lemonade stand. A report done by Joseph J. Cordes and C. Eugene Steucre for the Urban Institute said: "Privatization proposals that would allow individuals to 'keep' gains from private accounts in good times but require the government to maintain a floor in bad times would encourage individuals to take excessive risk. The consequences to the government would be similar to those when the savings and loan financial sector essentially went bankrupt."⁸

Now, to be fair to W (and I'm nothing if not fair to W) I should note that Bush has refused to say he will guarantee against losses in the stock market. And the Urban Institute study shows why. That's why Sam Donaldson had to chase him around the room so unsuccessfully. Bush doesn't want a system in which the rewards of risk taking are absorbed by the individual, but the risk is covered by the government. Or, rather, he doesn't want *you* to have such a deal. It was fine for him. He made \$15 million on a stadium deal in which the taxpayers of Arlington, Texas, put up all the money to build him a stadium, but all the profit went to Bush and his partners. When the team was sold, Bush walked away with a cool \$15 million. And the people of Arlington, who took the risk, got nothing.

This is classic Bush: he wants to abandon you to the vicissitudes of

the market. He's happy to leave you in a sink-or-swim environment. But his butt has never been on the line. He's always had a sugar daddy—either big-money friends trying to suck up to Poppy, or the taxpayers of Arlington. (See "Bush as a Bidnessman.") Maybe that's why he's always smirking. He's playing us for suckers.

Would Bush Make Social Security Go 'El Busto'?

Despite what you've heard from the Cassandras in the media (It's a mythological allusion, Governor. Karl Rove will explain it to you), Social Security is in fine shape. Even under the worst-case scenarios it's solvent until 2037. And that's if we do absolutely nothing to improve it. Al Gore's Social Security plan would pay off the national debt and still make Social Security solvent at least until the year 2050. Back in 1983, when we had a real Social Security crisis, the system was just months from insolvency. Today we are anywhere from thirty-seven to fifty years away from a problem, and Chicken Littles like George W. Bush are trying to tell you Social Security is collapsing.

Bull.

Even the dire predictions of insolvency in 2037 are based on economic assumptions that our economy will only grow at half the rate it's been growing for most of the past century. And if that's true, and economic growth slows by 50 percent, we're going to have a lot more immediate problems than Social Security becoming insolvent in thirty-seven years.

Bush wants you to believe Social Security is on the brink of disaster so you'll think his privatization plan is the only way out. In truth, his privatization plan would actually speed up the date of insolvency by as many as fourteen years, according to a study by the Center on Budget and Policy Priorities.⁹

The Plan with the Trillion-Dollar Hole

But let us, for argument's sake, assume that Bush is right; assume that investing one-sixth of the Social Security Trust Fund in the stock market is a terrific idea. There's still one little detail, which the economists call the transition costs. Moving our Social Security system from one

based on government-guaranteed benefits to one of private risk and return will not be cheap.

Let's say you're living from paycheck to paycheck. The money comes in, the landlord gets paid. Then one day someone tells you that you've got to pay the whole year's rent in advance. That's what Bush's proposal is like. Right now, the little box on your paycheck marked "FICA" goes straight from your paycheck to your grandmother's Social Security check, not to some savings account in Washington with your name on it. Your payments go to current beneficiaries. And when you're a beneficiary, the payments of current workers will go to you. It's not really a savings account. It's an intergenerational transfer payment. (Now, I know we're getting too technical for W, but he's already given up reading by now, so let's keep having this grown-up conversation while he channel-surfs for reruns of *Animal House*.)

So, W comes in and says "Hold everything!" Under his plan you get to hold back 16 percent of the Social Security tax you're currently paying (and which currently goes straight to Grandma) and invest it in the stock market. Does Grandma suddenly lose 16 percent of her benefits? That hardly seems fair. But the money's got to come from somewhere, or else Grandma's going to end up eating Alpo.

And it ain't chump change. According to the Center for Budget and Policy Priorities, Bush's privatization plan would cost \$900 billion over the first ten years. These costs occur because the Social Security system must simultaneously pay out current benefits, at the same time that privatization drains over 16 percent of the money coming into the system. Combine this with the cost of Bush's \$1.9 trillion tax cut, and the Bush plan will leave multitrillion-dollar debts as far as the eye can see.¹⁰

How does Bush plan to deal with the trillion-dollar hole in his Social Security plan? Well, the Associated Press reports "Bush hasn't fully accounted for the costs of moving from the current system to his proposed one."¹¹ Needless to say, this little oversight does not sit well with seniors. Martin Corry, director of federal affairs for the American Association of Retired Persons, frets, "With a reduction in the payroll tax, that money has to be made up, or, unfortunately, it leads to difficult trade-offs."¹² (That's fancy talk for, "Open up the Alpo, Grandma!")

One Way for Bush to Plug the Hole in His Plan: Cut Benefits

Bush himself seems open to cutting benefits. As the *Wall Street Journal* reported: "Asked whether a reduction in guaranteed benefits is inevitable to make the shift to personal accounts affordable, Mr. Bush replied: 'That's what I call a transition cost.'"¹³ You may call it a transition cost, Governor. The people whose benefits you're going to cut are going to have a few other words to describe it.

In an outburst of candor, Bush's chief economic adviser, Larry Lindsey, admitted that Bush's plan would "absolutely" cut benefits. Under Bush's plan, Lindsey said, "reductions in the guaranteed amounts of benefits that will go to plan participants are absolutely obvious. So I will say it." According to *Newsweek*, "Bush doesn't exactly stress [Lindsey's statement]. Or the fact that if you pick the investment option and do badly, your combined stock and guaranteed benefit would be less than the regular Social Security package."¹⁴

As my kids would say, "Duh."

Another Way for Bush to Plug the Hole in His Plan: Raise the Retirement Age

One way he might deal with the huge cost is to raise the retirement age. Bush admitted as much on *Meet the Press*. When Tim Russert asked him, "Would you look at raising the eligibility age for the boomer generation?" Bush replied, "Yeah . . . as part of a trade-off or as part of an opportunity for the boomers and the preboomer-boomers to be able to manage their own accounts."¹⁵

Great. Raising the retirement age to seventy or seventy-five may be fine for the trust-funded offspring of the Eastern elite aristocracy. It may not be a problem for people (and I'm not naming names here) who've never worked a day in their life; folks who have cruised through life on their Poppy's name and their family's connections and their cronies' money. But what about a waitress, who carries heavy trays every day? Bush wants her to work till she drops? What about farmworkers who stoop and sweat in the sun so yuppie swine like W can have garden-

fresh salads at the country club? What about cops who get shot at, or firefighters who breathe toxic fumes, or garbage men who lift hundreds of heavy garbage cans every day?

Bush's Plan Would Be Especially Rough on African-Americans, Women, and Working Families (What a Surprise!)

Of course, Bush's entire plan would be harder on African-Americans than white folks, since nearly 80 percent of African-American seniors depend entirely on Social Security for their retirement income. (The figure is about 60 percent for white seniors.) Since they're more dependent on Social Security, African-Americans would be more exposed to the risks of stock market fluctuations.¹⁶

Women would be similarly threatened, since women are more likely to rely on Social Security for their primary source of retirement benefits. And it's not just lefty liberals who have sounded the alarm about how women will be hurt by privatization. John Mueller is the senior vice president and chief economist of Lehman Bell Mueller Cannon, Inc., and a former adviser to former Bush cabinet member and Bob Dole running mate Jack Kemp. He testified before the House Social Security Subcommittee that "the largest group of losers from 'privatizing' Social Security would be women. This is true for women in all birth-years, all kinds of marital status, all kinds of labor-market behavior, and all income levels." Mueller came to that conclusion after conducting a comprehensive study on Social Security privatization for the Center for the Preservation of Social Security and Medicare.¹⁷

Here, as a public service, is George W. Bush's *real* plan for Social Security:

Plan A:

1. Invest in the market (ask Poppy's brother and other Wall Street insiders for hot tips);
2. If your investment tanks, get bailed out by big-money boys. (This works better if you are wise enough to choose a father who

is president of the United States; if you haven't had the foresight to have such a Poppy, see Plan B.)

Plan B:

1. Invest in the market;
2. If your investment tanks, develop a taste for Alpo.

What Do the Experts Say?

By now, your head is likely spinning. And while I care deeply about Social Security, and spent a great deal of time studying it when I was a senior aide to the president, I don't pretend to be an expert. But here's what a bunch of smart folks who have looked at Bush's plan have to say about it:

- *Without the details, the Bush plan looks like its "numbers don't add up."* The Center on Budget and Policy Priorities' Robert Greenstein said that "In the absence of any more detail, it simply looks like the numbers don't add up until he provides more detail on how could he finance a plan like this."¹⁸
- *Bush could "fundamentally alter" Social Security "without guaranteeing its financial security."* The *Washington Post* says that if Bush's economic assumptions are wrong—which several economists seem to think they will be—"he would fundamentally alter the character of the highly popular program without guaranteeing its financial security." The *Post* added that "Several analysts are skeptical that the stock market will do as well in the future as Bush suggests."¹⁹
- *Even Bush's adviser acknowledged the Bush plan will deplete the trust fund.* Bush's chief economic adviser, Larry Lindsey, acknowledged that Bush's Social Security plan would deplete the cash surplus in a few years. Lindsey said that the Treasury Department would then have to make good on Social Security bonds. Moreover, Lindsey acknowledged, the government may need to dip into general revenues—i.e., rely on budget surpluses—to cover the cost of transitioning to private accounts in 2030.²⁰