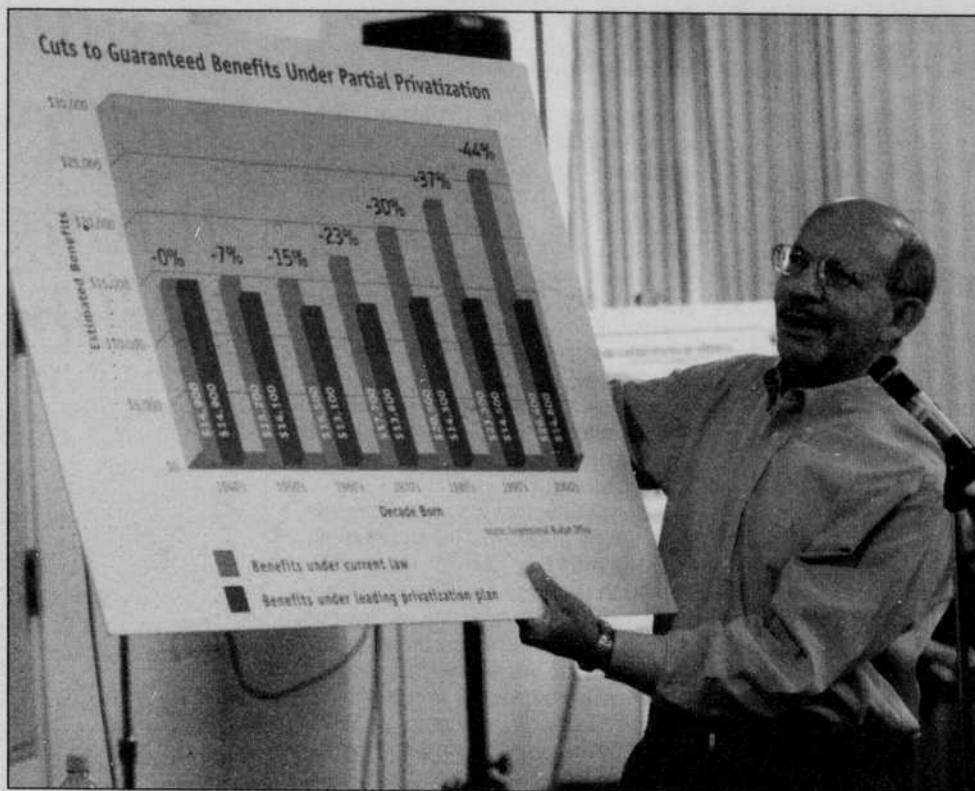


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Rep. Peter DeFazio talks about President Bush's proposed Social Security reform plan to a crowd of more than 300 at a town hall meeting Saturday morning at the Eugene Water and Electric Board Training Center and Community Room.

TIM BOBOSKY | PHOTOGRAPHER

SECURITY FOR THE FUTURE

In one of several town hall meetings, Rep. Peter DeFazio pushes to help the Eugene community look at potential shortfalls behind President Bush's plan for Social Security

BY MEGHANN M. CUNIFF
SENIOR NEWS REPORTER

President Bush's plans for revamping the Social Security system, still being unleashed, have raised questions about the future of the system under the proposed changes and have sparked a flurry of debate across the country about the state of the current system.

Bush touted his reform plan during his Feb. 2 State of the Union address, and this past weekend wrapped up a brief five-state tour dedicated to promoting the plan.

Under Bush's proposal, workers would have the option of diverting up to two-thirds of their payroll taxes into a private account that could be invested in stocks and real estate rather than contributing to the Social Security trust fund.

Created in 1935, the Social Security system was designed to provide an assured retirement fund to all workers. All employees and their employers in the United States pay a 6.2-percent tax that goes to the trust fund.

The Congressional Budget Office predicts the trust fund will be depleted by 2018, leaving a pay-as-you-go system that, by 2052, will only have enough funds to provide about 73 percent of the promised benefits. The Social Security Board of Trustees predicts that will come in 2042.

"With each passing year, fewer workers are paying ever-higher benefits to an ever-larger number of retirees," Bush said in his Feb. 2 address. The administration claims the current system is in crisis, and the only way to salvage it is through reform.

Rep. Peter DeFazio, D-Ore., refuted this claim during a town hall meeting Saturday morning at the Eugene Water and Electric Board Training Center and Community Room, saying Bush's proposal will do nothing to the Social Security system except "accelerate its depletion time."

DeFazio held a series of town hall meetings Saturday and Sunday across Oregon to give citizens a chance to ask questions about Bush's proposal and hear DeFazio's own proposal for Social Security.

DeFazio's plan for Social Security would lift the tax cap from \$90,000 to \$94,000, meaning anyone making less than \$94,000 would have to pay Social Security taxes. The increase in taxes would be more than enough to cover the projected shortfall.

"The power elite does not like my idea," DeFazio said in a phone interview.

More than 300 people attended the meeting and about 100 were turned away because the room was filled to capacity.

DeFazio fielded questions and urged attendees to write letters to the White House voicing opposition to Bush's Social Security outlook, which he said is based on the most pessimistic of economic assumptions.

DeFazio's argument is that the Congressional Budget Office's statistics do not signify a crisis, and the shortfall that has been projected to happen in about 40 years could easily be quelled with minor changes to the existing system.

DeFazio had various charts and a packet of handouts explaining his view on Bush's Social Security proposal and detailing his own.

DeFazio said Social Security is a crucial program in the United States: "That's why I want to, beyond a doubt, provide assurance that it will be there."

Eugene resident Charles Fischer called a chart DeFazio used to explain the reduction in benefits that would occur under Bush's plan misleading because it fails to take into account the amount of money that would be diverted to the proposed personal retirement accounts.

Fischer, an investment adviser with IMS Securities Inc. in Eugene, said in an interview that he feels both

political parties have been misleading the public with distorted information about the Social Security system and the different reform proposals.

"We need to have a real honest debate and pull ideas from both parties," Fischer said Monday.

Fischer said it is wrong to say the system is not in crisis when the trust fund will be depleted in less than 15 years. The assets needed once the trust fund is gone are not there, Fischer said — they only exist in the form of government "IOUs."

"The federal government has taken all the money out and spent it," Fischer said. "To claim that the money is there is wrong."

DeFazio said the claim that the money is not there fails to consider the true meaning of a government bond.

"If you believe the United States is still going to have a government, that the U.S. is still going to exist in the next 40 years, then there should be no doubt in your mind that Social Security will be there," DeFazio said in a phone interview.

University political science professor Joel Bloom said the claim that a depleted trust fund will put the Social Security system into a crisis is an erroneous one that ignores reasonable thinking.

"If you can't count on government bonds, then the entire national debt is worthless," Bloom said.

DeFazio said the methods used by supporters of Bush's proposal to explain the crisis the system will undergo are illogical and aimed at manufacturing a crisis when one does not exist.

Fischer said DeFazio's plan to raise the tax cap is not an adequate way to tackle the problem and ignores the fact that if the economy does grow, wages will increase, which will subsequently increase Social Security benefits and accelerate the trust fund's depletion rate.

But opinions on the state of the system differ greatly, as some say that, with inflation rates and economic growth considered, the amount

SOCIAL SECURITY REFORM

The president's individual resolve

In his quest to transform the nation's retirement system, President Bush is heartily proposing a plan that he says will help ease the future flow of red ink — a voluntary individual investment account.

How the account works

EMPLOYERS **WORKERS** Participant can divert up to 4 percent of their federal payroll tax — \$1,000 in the first year and \$100 more each year thereafter

6.2% Invested as before **4.0%** Individual accounts **2.2%** Invested as before

Current trust fund **Investment options** **Five options** would be broadly diversified and can be mixed.

Now running a surplus, a deficit is expected by 2018 or 2020

HIGHER-YIELDING MUTUAL FUNDS
Large companies
Small companies
International stocks

CONSERVATIVE BONDS
Corporate
Treasury

Possible sixth fund increases bonds and decreases stocks as participant gets older

BENEFIT **Retirement**
No withdrawals before retirement; no borrowing
If retiree falls below poverty level, fixed payments would come from a forced annuity
Others could spend, save or bequeath earnings

Financing the transition
Various estimates put cost to be between \$750 billion and \$2 trillion, which would likely be borrowed by the government

RETIREES

Current U.S. population by age

5.0 million people

Age 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100

Account eligibility in 2010 or later
Eligibility in 2009
No changes in benefits

SOURCES: Census Bureau; Social Security Administration, White House AP

WHAT ARE YOUR THOUGHTS ON PRESIDENT BUSH'S PLAN FOR SOCIAL SECURITY?



JENNA KRICHBAUM | freshman

"I think it should be more up to individuals and not so much towards the government because they seem to be kind of making a mess of it."



BILLY KELSO | junior

"I think privatization would help overall. I feel like should I know more. A lot of people have been talking about it ... and how much they're worried about it."



ALYSIA COX | senior

"I'm just kind of confused on the whole situation. (Bush) says it's in crisis but he also says other things are crises when they're not."



STEVE JOHNSON | senior

"I don't think it's in a crisis. I don't think an overhaul is really going to help anything. It's just going to make it more confusing."