

FACE OFF:

DO WE NEED SOCIAL SECURITY REFORM?

Social Security needs help; proposed plan provides new potential

Bush's plan for Social Security would cause more harm than good

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With the coming generation of retiring baby boomers, Social Security funds are on their way to nonexistence, leaving college students with the responsibility to pay almost twice their fair share into Social Security and not get what they put in back out; this problem undeniably calls for social security reform.

While Democrats argue that Social Security is in no need of change, the fact that funds are running out for Social Security is indisputable. For example, former President Bill Clinton spoke to the Democratic Leadership Committee on Dec. 3, 2002, about social security reform.

"When I left office," he said, "there was enough money to keep Social Security going until 2053, enough money to keep Medicare going until 2027, through half the life of the baby boomers. I don't know what the latest numbers are going to show but they won't be good."

Wishing to downplay the fact that there is a problem with our Social Security system, many Democrats want to leave Social Security as it is, yet the real issues will disappear. Suppose we developed a "Leave Social Security As It Is Plan." Once this bill was passed, promised retirement benefits would be cut by 16 percent for today's 30-year-olds, 29 percent for today's 20-year-olds and 35 percent for today's newborns.

Not only would retirement benefits be cut, payroll taxes would have to go up by roughly 40 percent in 2041. No congressman would go rushing to sign this bill, yet the effects will be the same without reform.

Many find Social Security reform a daunting issue to comprehend, yet the principles are really quite basic. First of all, Social Security's promised benefits are rising faster than its revenues, which means we are going to have great difficulty paying them. The President's commitment to reform Social Security will allow younger workers to invest a portion of their taxes into personal retirement.

Personal retirement accounts would be voluntary and the money would go into a mix of bond and stock funds that would have the opportunity to earn a higher rate of return than the current system could ever provide. For example, a young person who earns an average of \$35,000 per year over his or her lifetime would have nearly \$250,000 saved in his or her account upon retirement. This would provide a supplement to a worker's traditional Social Security check, or to pass on to his or her children.

A common complaint about this new form of Social Security is that it requires initial borrowing because part of the taxes which did go into the existing system would be taken to pay for the younger generation's private accounts instead of new retirees.

Yet since the system is nearly broke, we will have to borrow funds either way to pay for new retirees. With private investment accounts, we have a chance to steer a better course for the retirement of future generations and to pay back accrued debts, because individuals will be paying for their own retirement.

There is no perfect plan for Social Security, but there is a serious problem with the current system and it must be attended to; Bush's plan for social security reform provides real assets of ownership rather than the undependable promises of the current system.

There is a new hot-button issue in the media, as well as a new topic of debate among Washington insiders: Social Security, and namely the privatization thereof. While many may see this as the only way to fix an apparently broken system, in actuality it is a dangerous—and far too drastic—innovation.

First off, a rundown of the President's idea for Social Security reform: As it stands now, a certain percentage of each worker's paycheck is taken out in the form of a Social Security tax. This money, rather than being set aside, is used to pay for the current generation of retirees. So far so good, right? Right.

Now the problem: with the "baby-boomer" generation getting ready to retire, coupled with advances in medical technology extending life expectancies, it puts a larger burden on the corresponding generation of workers.

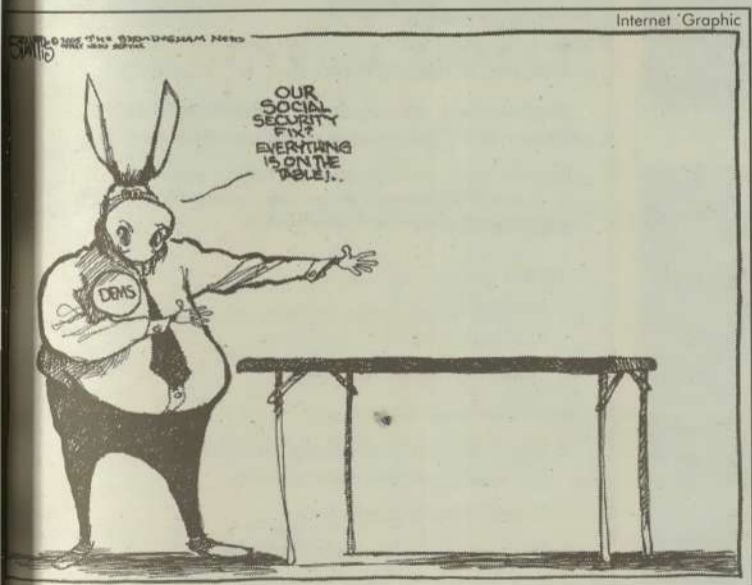
Because of this, Bush "the 43rd" has declared a new proposal to fix the Social Security "crisis." Among other things, one of the proposal's highlights is to allow the creation of private savings accounts, which workers would pay a certain amount of money into (to be accompanied by, and correspond to, a tax cut) to be used when they retire. So, for example, if 10 percent of someone's wages are now taken out for Social Security tax, after Bush's proposal, only five percent would be taken out; the other five percent would be funneled into their private savings account.

What would be done with this money? The Bush administration suggests it be invested in the stock market. I ask this: would it be considered sound financial advice for a family, down on their luck, to use their money to bet at a craps table? Probably not. It's fine in theory, until we understand that the Social Security program was created, as a result of the Great Depression, as a security net for Americans to fall back on during their "Golden Years." Is this something we should be tinkering with?

Another concern is in the arithmetic. If the 10 percent that a worker is paying now is being used to pay for the retirees who are retiring now, what would happen when this cut is implemented? Now five percent is supposed to cover where 10 percent was before?

At this point the government is faced with one of two options: either cut benefits to retirees or get money to make up for it. The prior is barely an option, and would be complete political suicide, so that leaves them with a negative balance, and where does that money come from? It will be the workers who have to make up for it by having their programs cut or paying more in their taxes.

So while it may be that privatizing Social Security would give us the most freedom, we must ask ourselves if this is a freedom that we really want. There is nothing wrong with admitting that we cannot shoulder the burden for something alone, and we should fall back on a government-run system designed to help people in our exact situation. Another way to look at it: while this freedom may allow us the opportunity to improve our futures, it also gives us the opportunity to screw it up.



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