



## WHITE HOUSE WATCH: On The Edge Of Social Security Truths

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WASHINGTON (Dow Jones)--U.S. President George W. Bush on Friday relaunched his effort to drum up political support for revamping Social Security but skated very close to some awkward truths while doing so.

During an appearance in Westfield, N.J., Bush correctly pointed out the current surpluses in the Social Security program are being diverted to pay for general government spending.

He also said his plan to offer personal savings accounts might not offer enough of a return for any future cuts in current guaranteed benefits.

On the issue of what happens to the money in the entitlement program, Bush spelled it out.

"This is a pay-as-you-go system. In other words, it says when you retire, somebody is going to have to pay for your benefits. This is not a...savings account. One of the myths of Social Security is that your money is going into it and the government is holding it and saving it for you. That's not the way it works," Bush said.

"Your money is going into the system and it's getting spent - some of it on retirement benefits, other parts on just general government. And there's an IOU, a paper IOU accumulating," he added.

What made the remarks particularly relevant is the dramatic shift in fiscal policy since Bush took office in 2001.

Under his watch, the government has gone from running a surplus to running record-beating deficits. The administration's profligacy with taxpayer funds was again reinforced when the Congressional Budget Office issued its own analysis of Bush's fiscal year 2006 earlier in the day. It came to the conclusion the president underestimates the cumulative five-year budget forecast by about \$100 billion, although its current year budget forecast is more optimistic than the White House's.

In the escalating argument over what to do about Social Security, Democrats have keyed in the fact that financing the transition to personal savings accounts will take trillions in new borrowing.

House Minority Whip **Steny Hoyer**, D-Md., pounced on the issue in the wake of Bush's remarks.

The American people "have yet to hear the president explain how he would address the Achilles heel of his proposal: The fact that the federal government would be forced to borrow

nearly \$5 trillion over 20 years - much of that from foreign countries - to establish such accounts," Hoyer said.

"It is time for President Bush to face reality, to scuttle this privatization proposal, and to work with Democrats to arrest the exploding budget deficits and debt that are plundering the Social Security Trust Fund," he added.

Rep. John Spratt, D-S.C., piled on.

While the administration is talking about the need to borrow hundreds of billions annually to pay the transition costs, he said that if the White House could halt the flood of red ink, the problem wouldn't be so large.

"The administration claims that it is making headway on the deficit, but CBO's analysis runs the president's budget out 10 years and shows that his budget will not even come close to balance," Spratt said.

"On the contrary, CBO's analysis shows that under the administration's policies, the annual deficit never falls below \$229 billion over the next ten years, and all \$2.5 trillion of the Social Security Trust Fund surplus will be borrowed and spent to cover deficits in the Administration's budgets," he added.

Concerns over the deficits were goosed higher when Federal Reserve Board Chairman Alan Greenspan said earlier in the week that unless they were brought under control, the country's long-term economic outlook may be endangered.

Then there is the issue of the personal savings accounts.

Bush said the rude truth at the moment is that the government's guaranteed future benefits are an illusion, and personal savings accounts will help people wind up with a total nest egg that is close to what Social Security says it will deliver.

"First of all, the government can't meet its promises. But one way for a younger worker to come close to what the government has promised is to be able to take a portion of the money and get a better rate of return on your own money than that which the Social Security system gets," Bush said.

Up to now, White House officials have vigorously denied Bush's plan will cut overall benefits. When pressed on the matter, White House spokesman Scott McClellan took to saying there won't be any money to pay future benefits in any case so comparisons are useless.

But Democrats have been reaping political hay on the matter, and Senate Minority Leader Harry Reid, D-Nev., did so again.

"Instead of talking about ways to save Social Security, this time Republicans are talking about a privatization plan that cuts benefits, adds trillions in debt and does nothing to strengthen the program. That is unacceptable," Reid said.

In a written statement, Reid expanded on this and said Bush's plan would cut benefits "by one-third or more."

Back on his main talking point, Bush said his first priority is simply to convince the American people that Social Security must be reformed.

"Well, I'm going to keep telling people we've got a problem until it sinks in, because we've got one. The facts are irrefutable. You can't dodge whether we have a problem or not," Bush said.

The president said that once he drives that point home, lawmakers on both sides of the aisle will see the light.

"See, the next follow-on question to that is, if you've got a problem, what do you Republicans and Democrats and a few independents intend to do about it up there? Are you going to sit around and play politics? Or are you going to get at the table and do your duty as public servants?" Bush said.

So far, this strategy hasn't played out like the White House had hoped. While the polls show the barrage of verbal rhetoric about Social Security bombarding the country has convinced people the entitlement program is in trouble, they still don't like the Bush's plan.

Reid's counter is that the Republicans want to wreck the program while the Democrats are offering a "Fix It, Don't Nix It" solution.

Exactly what that solution is remains unclear but with support fading for Bush's plan, the pressure isn't on the Democrats at the moment.

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