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Outside view: The case for Ryan-Sununu

By Lawrence J. Spiwak
Outside View Commentator

Washington, DC, Apr. 12 (UPI) -- As the debate ratchets up over the Social Security debate in Washington, people have lost sight of the fundamental problem facing U.S. workers: simply stated, when the average monthly Social Security payout for single retirees currently is \$920 a month, and when even the Social Security Administration warns that these meager benefits will be reduced by 27 percent when the system collapses in 2042 (with additional reductions in benefits each year thereafter), any argument that Social Security really provides a meaningful "safety net" is laughable.

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Yet, once we understand how the current program is so systemically flawed, we should not be surprised by this stark fact. There is no Social Security "lock box"; instead, we have a "pay-as-you-go system" where the number of people paying into the system is shrinking and the number of people receiving benefits is exponentially exploding.

As such, the real debate should be about how we can increase, and certainly not reduce, Social Security benefits in an economically responsible fashion.

Some argue that we should increase the payroll tax, both in terms of actual percentage rate and the amount of payroll currently subject to Social Security. However, when automatic withdrawals between federal, state and FICA taxes total an average of about one-third of U.S. workers' paychecks, not to mention the health-care contributions and other deductions that make consumers' take-home pay even less, it is already difficult enough for most Americans to get by without an additional tax increase for which they receive no benefit in return.

Others argue that we should push back the age at which citizens can receive their Social Security benefits. This, too, is unacceptable. Forcing our seniors to continue to work into their 70's, particularly those who based their careers on manual labor, just to avoid eating cat food certainly is not my vision of a kindler and gentler United States.

The one solution that merits serious consideration is the Personal Social Security Retirement Accounts. While some would have our seniors believe that this is a radical new idea, this is not a not a new concept. As Franklin D. Roosevelt himself publicly stated, while the federal government should initially bear a majority of the cost of the system, the system "ought ultimately to be

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supplanted by self-supporting annuity plans."

As always, the devil of implementation lies in the details. While many, including President George W. Bush, have advocated the use of some form of personal accounts, it appears that the most economically and, more importantly politically, rational personal accounts proposal is by Sen. John Sununu, R-N.H., and Rep. Paul Ryan, R-Wis.

What is important to note is that the Ryan-Sununu plan is not a call for the complete privatization of the Social Security system, where folks are tasked with setting up a new Social Security savings account with their broker whenever they can scrounge up some extra cash after they meet their living expenses.

Instead, Ryan-Sununu is a proposal to make the existing Social Security system work more efficiently by allowing a portion of current Social Security contributions to be invested into a variety of various funds overseen by the U.S. government -- much like how the successful existing Thrift Savings Plan works for federal government employees (who can hardly be considered to be a high-salaried group by any standard) -- while at the same time guaranteeing people in the United States that they will, at minimum, receive the same amount of benefits under the existing system.

But what about the transition costs? Won't the Ryan-Sununu plan add to the growing Social Security shortfall?

Actually, no. According to the official score by the Chief Actuary of Social Security, the large personal accounts in the Ryan-Sununu plan are sufficient to completely eliminate the Social Security deficit over time, without any benefit cuts or tax increases. The Ryan-Sununu accounts, in fact, produce a permanent surplus in Social Security by

themselves and over time effectively reduce the Social Security payroll tax from 12.4 percent to 4 percent.

And best of all, by eliminating the unfunded liability of Social Security, the Ryan-Sununu plan achieves the largest reduction in government debt in world history. As such, the argument that we need to fix solvency first by raising taxes and reducing benefits before we can talk about personal accounts makes no analytical sense.

Like it or not, we simply cannot put our collective heads in the sand about the problems facing Social Security. Instead, real ideas and real solutions are required. Say what you will about the Ryan-Sununu proposal, but at least it is a constructive start in this direction and deserves our attention and consideration.

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(Lawrence J. Spiwak is president of the Phoenix Center for Advanced Legal and Economic Public Policy Studies, an international non-profit think tank based in Washington. The views expressed in this article do not represent the views of the Phoenix Center, its adjunct fellows, or any if its individual editorial advisory board members.)

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