
The High-Voltage Plank in the GOP Platform

By Editor Test *Wed, Aug 29, 2012*

Social Security deserves our respect and protection, not our contempt or our scorn. Even if it does crowd out private annuities.

The 2012 GOP party platform was posted on *The New York Times* site yesterday. The section on Social Security pretty much reiterated the statement on the 2008 platform. (See the two below.) Both call for putting the program on a “sound fiscal basis” and “giving workers control over, and a sound return on, their investments.”

The 2012 platform stipulates, “No changes should affect any current or near-retiree.” As a Boomer, I was relieved to hear that; but why divide the country into Social Security haves and have-nots? The platform also charges, “Younger Americans have lost all faith in the Social Security system, which is understandable when they read the non-partisan actuary’s report about its future funding status.” (More about that in a moment.)

There’s no mention in the platform of tampering with the \$100 billion-a-year tax expenditure for employer-sponsored savings plans, but closing unnamed tax loopholes is one of the ways that Paul Ryan has said he hopes to reduce the federal budget deficit.

Security for those who need it: Ensuring Retirement Security (2012 Republican platform)

“While no changes should affect any current or near-retiree, comprehensive reform should address our society’s remarkable advances in longevity and allow younger workers the option of creating their own investment accounts as supplements to the system. Younger Americans have lost all faith in the Social Security system, which is understandable when they read the non-partisan actuary’s reports about its future funding status. Born in an old industrial era beyond the memory of most Americans, it is long overdue for major change, not just another legislative stopgap that postpones a day of reckoning. To restore public trust in the system, Republicans are committed to setting it on a sound fiscal basis that will give workers control over, and a sound return on, their investments. The sooner we act, the sooner those close to retirement can be reassured of their benefits and younger workers can take responsibility for planning their own retirement decades from now.”

Social Security (2008 Republican platform)

“We are committed to putting Social Security on a sound fiscal basis. Our society faces a profound demographic shift over the next twenty-five years, from today’s ratio of 3.3 workers for every retiree to only 2.1 workers by 2034. Under the current system, younger workers will not be able to depend on Social Security as part of their retirement plan. We believe the solution should give workers control over, and a fair return on, their contributions. No changes in the system should adversely affect any current or near-retiree. Comprehensive reform should include the opportunity to freely choose to create your own personal investment accounts which are distinct from and supplemental to the overall Social Security system.”

I don't understand the determination to dismantle Social Security just because of a temporary demographic bulge. If there's a deep well of antipathy toward Social Security among Americans, I'm not hearing or seeing it. Whenever I witness a demonstration of retirement income planning software, for instance, I can't help noticing that the red, blue, green or yellow bars of the illustrations always include inflation-adjusted Social Security income in the projections. Remove Social Security income, and we'll have to rewrite all the software.

The suggestion that Social Security doesn't give people a "sound return" on their money has never made sense to me. (What is a "sound return," exactly?) First of all, Social Security income is guaranteed. Guarantees are expensive, but worth it. Second, Social Security benefits are immune to deadly sequence-of-returns risk; it relieves the worry of retiring in the wrong year. Third, it's inflation-adjusted. At today's annuity prices, a new retiree would need at least \$300,000 to replace a modest \$1,800-a-month Social Security benefit. That's why, as a sole proprietor, I gladly wrote a five-figure check to Mr. FICA for 2011. It's a bargain. (Yes, Social Security crowds out the private annuity market. If that's the motive for dumping it, then we should have a debate on that specific question.)

As an armchair economist, I still can't figure out how the U.S. can "go broke" by taking money out of the economy via FICA taxes and immediately placing it back into the economy through the distribution of Social Security benefits—and thereby financing consumer demand, on which the health of the economy supposedly depends.

I must also question the accuracy of the GOP platform suggestion that "non-partisan actuaries" have thrown up their hands over the future of Social Security. Here's what the American Academy of Actuaries said in 2007 (and the AAA referred to this document in a recent release):

"The problems facing Social Security, when placed in the context of the enormous US economy, are not nearly as daunting as they might seem when presented in stark dollar terms. In the 70-year history of Social Security, the tax rate has increased from 2% to 12.4% of taxable payroll; the estimated increase required to fund the current system over the next 75 years is far less. Further, the need for such tax increases can be reduced, or even eliminated, by changes in benefits and other features; and any required changes can be phased in gradually. Does this mean we can do nothing and just wait to see what develops? While waiting will not destroy the system, there are advantages to acting now."