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## Getting Old Without a (Safety) Net

By Peter S. Fisher

Not long ago, America provided poorly for the elderly. Getting old, for a large share of people, meant falling into poverty, or being forced to continue to work till you dropped dead on the job. No matter that you had worked hard for a living, provided for a family. When you got old, you were told: “You’re on your own, good luck.”

In the Social Security Act of 1936, the American people acknowledged for the first time their collective responsibility to ensure that the elderly could live out their lives in some measure of dignity. The Social Security system that we created was a major achievement, dramatically reducing poverty among senior citizens. Without their monthly Social Security check, 53 percent of Iowans over 65 would be in poverty today, instead of only 7 percent; 179,000 Iowa elders are lifted out of poverty by those checks.

With that promise of a Social Security check, we all are guaranteed a secure base of income in retirement, for as long as we live. That promise is now threatened. But the biggest threat is not from the wave of baby boomer retirees. To be sure, they will strain the system when they begin collecting benefits in large numbers in 2012. But it is not difficult to restore the system to a sound footing. All it takes is some combination of a small increase in the FICA tax rates, raising the income level on which taxes are paid, bringing all government employees into the system, or other minor adjustments. These measures would restore the Social Security trust fund to the level needed to pay full benefits for the next 75 years.

No, the real threat comes from the campaign by those on the right to privatize the system. Their goal is to transform Social Security from an insurance plan, providing guaranteed lifetime benefits, to millions of savings accounts, with your retirement put at risk in the stock market. Now let’s be clear: Private savings are a wise thing to supplement your basic Social Security benefit. Everyone should be investing to do that, and there are already many tax-advantaged opportunities out there. But the reason you can afford to risk some of your money in the stock market is that you have that bedrock of Social Security to fall back on. Removing that bedrock will force many elderly — the unlucky, those who get bad advice or make bad investment choices, or those who simply outlive their savings — into poverty.

We are told that private accounts would let us keep our retirement savings and pass the excess on to our children. But we are not told the flip side: If our retirement nest egg isn’t large enough, we could well outlive it. With a private account, you have what you have on the day

you retire. There is no guarantee of an inflation-protected annual benefit. If you live too long, or you retire during a down market, you'll end up poor. (To be sure, you could use your savings at retirement to purchase a lifetime annuity; but then you haven't got a bequest. You can't have it both ways.)

Then we are told that the system will be bankrupt, flat busted, and private accounts are the way to keep us from the brink of disaster. This is unforgivable demagoguery. The system cannot go bankrupt; the worst that could happen, if we for some reason refuse to undertake the small measures needed to replenish the trust fund, is that benefits 40 to 50 years from now would be only 70 to 80 percent of what they should be (though still larger than they are now, even after correcting for inflation).

Finally, some would have us believe that private accounts are the solution to this Social Security shortfall. Far from it. Private accounts do nothing — not one thing — to replenish the trust fund. We would still face the same options: raising tax rates, increasing the cap on wages, raising the retirement age, or cutting benefits.

The president's insistence on private accounts makes it clear that his real agenda is not strengthening the Social Security system, but dismantling it. It is an ideologically driven campaign to repeal the crown jewel of the New Deal and return to the America of the 1920s. What he's really saying to the young people of America is: "You're on your own; your retirement is at the mercy of financial markets, and if it doesn't work out, that's life in the ownership society. You might own a nest egg, you might own a trailer in your son's back yard, or you might own a bed in the poorhouse. Good luck."

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