

IS SOCIAL SECURITY A SAFETY NET, OR AN INVESTMENT?

What better time can there be but a non-election year for some voracious mudslinging as Republicans and Democrats gear up to fight over a plan that would allow stock investing inside of “private” Social Security accounts? The actual issues at stake have almost nothing to do with what you will hear on TV and read in the press. The two political parties are fighting over ideological control of the national mindset. The electoral “mandate” received in November 2004 is what inspired Social Security to be put forth as an effective way that conservative ideologues can perhaps redefine what America is all about.

The first real question is what is Social Security supposed to be: insurance against the risk of poverty or a retirement program for all Americans? If it is social insurance, a floor beneath which all Americans are not to sink, the question of allowing private investment accounts has no relevance. If Social Security is a pension fund, stocks clearly have a place. Whatever the answer to this question is, I can see nothing but a bad deal for middle and upper income workers as they will never receive a decent return. In my view, Social Security is merely another form of taxation, a transfer program from workers to non-workers.

In 1993, anxious pharmaceutical companies and health insurers lined up \$10 million to fight the newly elected Clinton administration’s program to revamp the health care system. They launched a very successful public relations campaign which featured two characters, Harry and Louise, who complained about how their lives would be under the new system, because they were to be denied the freedom to choose how, where, and when to spend their health care dollars. It made health care reform sound just plain anti-American and no politician could stomach wearing this label. Consequently, health care costs have escalated since then while quality has declined, except, of course, for those who can afford not to participate in the insurance system.

Fast forward to 2005. Conservative think tanks have joined up with corporate lobbying establishments and various banks/brokerage firms, to “educate” the public about the benefits of privatizing Social Security accounts. It seems like a good idea as most pension funds do invest a portion of their money in stocks. Over the last 50 years, stocks have outperformed U.S. Treasury government bonds. If you have the next 50 years to wait until cashing in your pension, it seems logical that you would be better off having some money in stocks. This begs the question of whether or not Social Security is a retirement plan. I wonder why no one wants to field that hot potato!

The well oiled media machine will assure us that by taking more risk with stocks, we will be rewarded by larger pension payouts. The truth of the matter, acknowledged by everyone, is that investment accounts will have no effect on the solvency of Social Security, nor will it prevent the necessity of sharp downward adjustments in *benefit* dollars. The future living standard of retirees has little to do with whether Social

Security is invested in stocks or bonds. The crucial fact is that because the number of children per family has declined precipitously over the last 50 years, there will not be enough young American workers to provide the goods and services to retirees at anything like what we consider today to be reasonable prices.

The cost of goods required by retirees, such as medical services, drugs, and retirement care will go up steeply as the supply of those goods does not keep pace with demand. Concurrently, the prices that young people will pay for retirees' assets, such as real estate, stocks, and collectibles, will go down, because there will be fewer people bidding for investment assets. One solution to this consumer price increase and investment asset value decrease squeeze is that people will have to work longer. Estimates predict that the retirement age will rise from 62 to 73 by mid-century. This scenario is little questioned by experts on either side of the Social Security debate.

Behind the "privatization" debate, conservatives and liberals are really clashing over the basic issue of the purpose of the American government. Is it responsible for taking care of its poor and lower income working class people? The legacy of the New Deal was that it is our duty as a coherent society to provide citizens with work, health and educational opportunities.

This legacy is the target of the current initiatives to privatize Social Security. By dismantling, one brick at a time, the basic concept that the government is responsible for the welfare of its people, conservatives hope to reduce government's role in all aspects of our lives. From health care to education, from media access and the protection of the environment, the underlying agenda is to reshape how we think of the government's responsibility for the common good.

Preparations for this privatization effort go back to 1998. Certain large corporate business donors decided that the best way to prevent future tax increases on businesses would be to convince the American public to invest their payroll taxes in self-directed retirement accounts. This would let each worker "control" his/her own destiny, thus letting them off the hook for providing retirement benefits.

Indeed, we have seen a sharp fall off in companies who guarantee set monthly retirement payouts. Buried in *The Wall Street Journal* (Feb. 28, 2005) was a short quote from a White House insider. He succinctly stated the position that the more people who become stock owners, through private Social Security investment accounts, the better it would be for his party, perhaps, making that party "a true and permanent national majority".

What is really at stake in the Social Security debate is not if or how much of our payroll tax ends up going into stock. The important outcome is what kind of society we wish to be: are we a nation of individuals looking out for our own good or are we a diverse but coherent society intent on protecting its weaker members? Should we have some of our Social Security funds in stock? Sure, why not? But if we leave out our less fortunate citizens, we may not get much satisfaction when we go to spend it!

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