

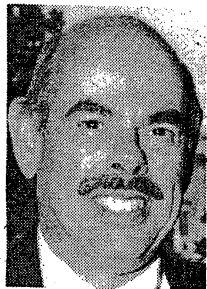
# Beverly Hills Weekly

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## guest column



### Draft Social Security

We are required to lend our retirement money to the government, but will we get anything in return?

By Congressman Henry Waxman

Imagine Enron asked you for a \$50,000 loan to fund bonuses for its executives and, in return, offered you a "worthless IOU" that it had no plans to repay. Easy decision, right? Thanks, but no thanks.

But that's exactly the deal the Bush Administration and leading congressional Republicans are forcing on nearly every American worker. And they're not taking no for an answer.

Here's what is happening. Most of us make contributions to the Social Security program through the "FICA" deductions on our paychecks. These taxes are credited to the Social Security trust funds and are used to fund Social Security benefits for current retirees. In addition, since the money raised from FICA taxes easily exceeds the cost of these benefits, the trust funds have an actual surplus of over \$1 trillion. This is the nest egg for future retirees.

In 1999, President Clinton and a bipartisan congressional majority agreed that the Social Security trust funds should be carefully preserved, not diverted to pay for either current government spending, or future tax cuts. Both President Bush and Vice President Gore made promises to put Social Security contributions in a "lock box" protected from government spending or tax cuts during the 2000 campaign.

But now that last year's tax cut and the economic recession have sent the country back into budget deficits, the federal government will have to borrow over \$2 trillion from the trust funds over the next decade.

If you have a pay stub nearby as you read this, take a long, hard look at the box for FICA deductions. For the next ten years, you will be loaning roughly \$3 for every \$10 in the box to the federal government to finance the upcoming \$2 tril-

lion loan.

In exchange, the Social Security trust funds on your behalf receive special government obligations. And, by law, these securities are a commitment backed by the full faith and credit of the United States government to make the trust funds whole.

But this is the key point: senior Republican officials in the Administration and Congress are now indicating that the loans will never be paid back.

One of the most influential Republican senators has called the bonds held by the Social Security trust funds "worthless IOUs." The House Republican Majority Leader said the trust funds are "empty."

Even worse, Treasury Secretary Paul O'Neill, whose job it is to pay the debts owed to the trust funds, said the trust funds have "no assets." And even though the surplus in the trust funds are expected to continue to grow to reach a peak of \$7.2 trillion in 2026, White House spokesman Ari Fleischer recently stated that the Social Security system is "going bankrupt" and that workers paying into the system will get "nothing in return."

The only way the government securities in the trust funds constitute "worthless IOUs" or "no assets" is if the federal government doesn't repay the funds it has borrowed. In effect, the Bush Administration is requiring us to lend our retirement money to the government at the same that it is saying we will get "nothing in return."

A lot is at stake. By 2026, the government will have borrowed an amount equal to nearly \$50,000 for each American currently paying FICA taxes. If this money is repaid, with interest, the Social Security program will remain solvent until 2041. But if the government reneges, Social

Security benefits must be cut in 2017, just 15 years from now.

The government's failure to repay funds it borrows from the trust funds also would result in a massive transfer of wealth. In essence, the Administration is using Social Security contributions from low- and middle-income Americans to fund last year's tax cut. Over half the benefits of these tax cuts, when they are fully phased in, go to the wealthiest 1 percent of Americans.

The Bush Administration is putting everyone who pays FICA taxes in an absurd position. It's requiring American workers to lend the government over \$2 trillion over the next decade, even though the Administration doesn't have any plan to pay it back. And since the President's spokesman says the system will go bankrupt, we won't even be able to say we weren't warned.

That's wrong no matter how you look at it, and it's a double whammy to families already worried about the security of their 401(k) retirement plans. If the Bush Administration isn't going to repay Social Security, the government has no right borrowing from Social Security in the first place.

As the branch of government with authority to legislate how the trust funds are used, Congress needs to insist that if Americans are going to be forced to hand over their Social Security contributions to pay for government spending and tax cuts, every commitment must be honored and every dime must be repaid. ■

*Congressman Henry Waxman (D-Los Angeles) represents the 29th District, which includes Beverly Hills.*