

Would you permit the family treasurer to calculate the shortfall of the general fund by first adding in the IOUs accumulating in the college account?

As the children grew up and more of them entered college, how would you convert the IOUs into tuition money? Wouldn't you have to do it by upping the assessments on those then paying into the general fund?

Well that, as far as I can see, is what is happening to the so-called Social Security trust fund. Theoretically, that fund now contains reserves of some \$170 billion and the reserves will grow by an additional \$70 billion this year, peaking, 40 years from now, at a stunning \$12 trillion.

Actually, as the Institute for Policy Innovation points out in a recent report, "The federal government has already borrowed and spent the \$170 billion in reserves; it will borrow and spend the \$70 billion collected this year; and, at least until the federal budget debt is eliminated, it will borrow and spend all the reserves generated in the future."

It's even worse than that, according to the IPI, based in Lewisville, Texas. Far from assuring benefits for future retirees, every dollar in the mythical reserves "actually creates approximately two dollars in liabilities in addition to the dollar owed to current workers in future Social Security benefits — one dollar owed by the government to the trust fund for the reserves it has borrowed and one dollar owed by the government in deferred interest payments on the borrowed reserves. These federal liabilities can be repaid from only one source: future taxpayers."

It may be that the chief benefit of the Moynihan proposal is that the debate that has surrounded it has revealed the Social Security shell game for what it is.

One additional problem hasn't even entered the debate, and that is the particular unfairness of the system to black taxpayers. Paul Pryde, a Washington financial consultant, explains:

"Social Security payroll taxes are regressive, in that everybody pays the same rate (7.65 percent) on the first \$51,300 of earnings. Thus low-income workers pay a higher percentage of their earnings than high-income workers. Since blacks are both more likely to be in the low-income group and also more likely to die at an earlier age (and therefore draw out less of their contribution), poor blacks are in effect subsidizing rich whites.

"Black people, who have hardly been heard from in the Social Security debate, ought to be in the forefront of those pushing for Social Security reform."


Which prompts this thought: Moynihan's proposal might force us to look more realistically at Social Security, but it in no way constitutes reform. Indeed, there are those who see his call for a reduction in payroll taxes as a threat to the benefits of baby boomers as they reach retirement age. IPI disagrees:

"Cutting payroll taxes and the size of the reserve reduces future federal liabilities and increases the likelihood that future Social Security obligations will be honored in full. Factoring in the positive economic effects of lowering payroll taxes, this becomes even more likely."

That may, as IPI freely admits, be hard to believe. What isn't is that the bulging Social Security trust fund is, in fact, a bundle of IOUs. Either current taxpayers will redeem those chits through some combination of increased taxes and reduced federal spending, or our children will.

William Raspberry is a columnist syndicated by the Washington Post Writers Group.

Dear Sir - Either you are not very well informed or you are not very truthful when you write about William Raspberry



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Social Security Fraud Strikes Blacks Harder

You can get plenty of argument over whether Sen. Patrick Moynihan's proposal to cut Social Security taxes is a good idea or a dreadful one. What is past arguing is that the Social Security system is a fraud, its so-called surpluses a fiction and its long-term reliability a matter of serious doubt.

The fraudulent nature of the enterprise is obscured by the official language in which it is discussed. There is the "trust fund" that supposedly guarantees present-day contributors that their benefits will be available in their retirement years; there is the interest the fund earns on money it lends to the Treasury, and there is a huge and growing surplus in the Social Security account.

These contentions may not all be deliberate lies. But they fall far short of truth as the word is ordinarily understood.

Imagine that your extended family has started a fund to pay for such things as family reunions, a lake-side cottage and the regular purchase of lottery tickets. Now imagine that someone comes up with the bright idea of establishing within the fund a separate account for college tuitions. Everybody would pay in, via a separate, earmarked contribution and be eligible for payouts as their children entered college.

That, so far, is the idea of the Social Security trust. But suppose that some combination of rent increases, bad luck on picking lottery numbers and a reluctance to increase assessments resulted in depletion of the main fund.

No problem. There's lots more money in the college account than is needed to cover current tuition costs. So the fund borrows from the college account, substituting IOUs for the borrowed cash. It might even issue additional IOUs as interest on the loans.

Some questions: How confident would you be in the solvency of the college fund?

The bulging Social Security trust fund is, in fact, a bundle of IOUs.

If Sen. Baker took money out of your bank account & spent an 100 million dollars you'd wonder you just say "I don't think that was my pie" I don't think you would

Did you know that the Bush-Rosenberg and the 50 of them will cut tax payers billions? when they call "400 Billion" and the 50 of them will cut tax payers billions?

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