

Social Security issue in hibernation

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WASHINGTON — A year ago, restructuring Social Security to include personal investment accounts was President Bush's top domestic priority, touted in his State of the Union address and promoted in dozens of town hall appearances across the country.

Now, the president barely mentions Social Security. Key players inside and outside government don't expect any action on it this year, and maybe not until Bush is out of office.

Nothing illustrates the change better than what has happened to some key players.

A year ago, Brad Woodhouse was the communications director for Americans United to Protect Social Security, a coalition organized to oppose personal investment accounts. Now he's heading publicity efforts to derail the budget reconciliation bill pending in Congress.

Similarly, Michael Tanner's title last year was director of the Cato Institute's Social Security project. Now, it is director of Cato's health and welfare studies, though he still heads the largely dormant Social Security project.

The same has happened elsewhere.

"The fact that everybody has moved on is an indication that this issue has flat-lined," Woodhouse said.

Sen. Charles Grassley, R-Iowa, chairman of the Senate Finance Committee, told the U.S. Chamber of Commerce in November that the issue had become so polarized that he didn't think it could be addressed until the beginning of a new president's term.

White House press secretary Scott McClellan insisted at a Jan. 3 briefing that Bush has "made it very clear he's never going to quit trying to save and strengthen Social Security."

A few days later, Al Hubbard, chairman of the president's National Economic Council, said Bush was "not going to walk away from that, because, unfortunately, it's a problem that's not going to go away until it's addressed by government leaders."

Advocates on both sides expect Bush to mention Social Security in his Jan. 31 State of the Union address, but they don't expect it to be the centerpiece of his domestic agenda this time.

Bush launched his Social Security drive the day after his 2004 reelection and barnstormed the country, making more than three dozen speeches on the subject through last July.

He proposed allowing workers born in 1950 or later to divert up to 4 percentage points of their 12.4 percent payroll taxes into private retirement accounts. He also supported reducing future benefits on a sliding scale, depending on income. But the president never offered Congress a detailed plan.

With polls showing dwindling support, Congress dragging its heels and Bush on vacation most of August, the issue began to fizzle.

Then came Hurricane Katrina, and the president's entire domestic agenda suddenly was under water. By year's end, restructuring Social Security was in the deep freeze.

What happened?

Sean Tuffnell, director of an education project on Social Security for the Dallas-based National Center for Policy Analysis, which supports private accounts, said the public received and believed two messages last

year: Bush's warnings that Social Security was in financial trouble and opponents' claims that private accounts would reduce benefits.

Both sides acknowledge that Social Security has a financial problem. As the nation's 78 million Baby Boomers begin to retire, the Social Security surplus will dwindle. By 2017, the system will begin taking in less money than it pays out, and by 2041 it will be able to pay only 74 percent of scheduled benefits, according to the system's trustees.

But Bush's personal accounts had a problem, too. He acknowledged that those accounts, by themselves, would do nothing to address the Social Security system's financial problem. Analysts went further, saying that diverting payroll taxes would deplete the trust fund faster.

"What the president was talking about as a solution wasn't responsive to the problem," said John Rother, policy director for AARP, the huge seniors organization that vigorously opposed Bush's plan.

Despite Bush's predictions that compounding interest rates could provide a better return for workers on their

investment than the benefits scheduled under Social Security, many people worried that their benefits would be cut.

"People fear loss more than they value potential gain," said David John, the lead Social Security analyst at the conservative Heritage Foundation. "That was something I don't think those of us who supported reform understood as well as we should have."

Bush made a series of key political miscalculations, Rother said. Foremost was the premise that the 2004 election gave Bush a mandate to restructure the program.

Additionally, Rother said, "He didn't bring Democrats in. It was not a unified approach, it was a divide-and-conquer approach."

And with Democrats solidly against the president's plan, Bush ran into deep divisions among Republicans and "never had strong support within his own party," Rother said.

Tanner said that, although the Social Security issue is not dead, "every indication I have is that there will be just enough effort to keep it alive, but not to pass anything" this year. Instead, he predicts

those who support restructuring will analyze what went wrong and devise strategies to bring the issue back in 2007, if it seems politically feasible, or in 2009 if a Republican wins the White House.

The Heritage Foundation's John said Social Security restructuring is not "dead and buried because we still have a problem we have not fixed. Until something is done, or disaster hits, this is something that is going to come up again and again."

But John said he does not expect congressional action this year.

Saying that the public still is concerned about Social Security's long-term problems, Tuffnell, of the National Center for Policy Analysis, is one of the few advocates who believes something might happen on the issue this year.

He also challenged the conventional wisdom that Republicans will be loath to tackle the issue — it often is called the third rail of politics, "touch it and you die" — in an election year. He points to the passage of welfare reform in 1996, also an election year.