Texas Congressman Proposes "Permanent" Fix for Social Security

Congressman Sam Johnson (R-Texas), chairman of the House Ways and Means Social Security subcommittee, presented his plan, the "Social Security Reform Act," on Thursday, which he called "a plan to permanently save Social Security."

His proposal involves the same solutions often proposed by others trying to keep Social Security from going broke: cutting benefits, raising the retirement age, adding "means" testing, and cutting or eliminating altogether the COLA — Cost of Living Adjustment.

According to Michael Linden, an associate director at the liberal Center for American Progress, the cuts to benefits would be severe — between 11 percent and 35 percent — and they would include those already receiving Social Security benefits. Social Security actuaries who analyzed Johnson's plan (at his request) came up with different numbers: Cuts would range from 17 percent to 43 percent but over a longer time period and with the same conclusion: everyone in Social Security (with the exception of the lowest-income participants) would take a hit under Johnson's plan.

Nowhere in Johnson's plan is any mention of privatizing the program, which is surprising, as it was a topic of discussion during the Republican presidential debates. Rand Paul, Mike Huckabee, Rick Perry, and Ted Cruz all expressed their support for privatizing Social Security as the best way to solve its myriad problems.

Here are some of those problems:

• Money that is taken out of an earner's paycheck is spent immediately by the government on other programs, leaving government bonds in its place. Those bonds will shortly have to be redeemed for the program to continue, which in effect is a tax increase on every taxpayer in a slow-motion bailout.

• The timeline tracking the program's decline and eventual demise is simple mathematics: In 2010 the program's costs began exceeding the program's noninterest revenues. By 2033 the program's "assets" will be depleted, making it impossible to continue meeting promised benefits.

• There's the significant loss to the economy as workers start taking Social Security long before their ability to contribute has ended. The program takes millions of capable, skilled and experienced workers out of the workforce prematurely.

• The taxes received by the Social Security Administration are immediately copped by Washington and spent on other programs. It is not "invested" as so many participants still believe.

• Most importantly it is turning a nation of individuals into dependents on government. Not only is it unconstitutional (despite the Supreme Court's ruling that it is) but morally reprehensible as well.

It's legal plunder, pure and simple, as Frederic Bastiat noted:

> But how is this legal plunder to be identified? Quite simply. See if the law takes from some persons what belongs to them and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.

That's the primary advantage of privatizing the program: It puts people back in charge of their own earnings, their own decisions about their futures, without the use of force or the threat of force.

Another advantage is that it would redirect nearly $1 trillion from disappearing into the federal treasury every year and moving it into investments that would benefit the economy. That's what citizens of Chile discovered when its welfare program was privatized: Their personal savings/investment/retirement accounts were responsible for generating the equivalent of 40 percent of the country's gross economic output.

In addition, privatization would eliminate a major disadvantage of the present program: Not only is there no vested interest in their contributions into Social Security, there is no enforceable right to collect the benefits. The government is free to change the rules at any time (see Johnson's proposal above). When a Social Security recipient dies, that benefit stream dies with him. There is no benefit that his heirs would receive. Private accounts would, at death, be passed on to the owner's beneficiaries.

There would be an enormous savings in overhead. At present the Social Security Administration's yearly budget is $12.5 billion and the agency employs 65,000 desk jockeys disbursing benefits, answering questions, and straightening out messes the bureaucracy itself created. Those responsibilities would be handled vastly more efficiently and effectively in the private sector.

Rep. Johnson's plan proposes a "permanent" fix for the fatally flawed program. There is no such thing. Just ask Charles Ponzi or Bernie Madoff.

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at* *badelmann@thenewamerican.com.*