

AMERICANS FOR



TAX REFORM

POLICY BRIEF

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George Bush's Freedom and Prosperity Social Security Plan

FACT SHEET

Principles for Social Security Reform

- Modernization must not change existing benefits for retirees or near-retirees.
- The Social Security surplus must be locked away only for Social Security
- Social Security payroll taxes must not be increased.
- The government must not invest Social Security funds in the stock market.
- Modernization must preserve the disability and survivors components.
- Modernization must include individually controlled, voluntary personal retirement accounts, which will augment the Social Security safety net. These accounts will earn higher rates of return, have parameters of safety and soundness, and help workers build wealth that can be passed on to their children.

Freedom and Prosperity for Workers

The key principle of reform, the one that makes all of the others work, is that Bush would establish the freedom for workers to each choose to save and invest a portion of their Social Security payroll taxes in their own, personal, Social Security retirement accounts. Because private investment returns are so much higher than what Social Security promises, workers will actually end up with substantially higher benefits overall with personal accounts. At the same

time, to the extent workers shifted to the accounts in place of part of Social Security, an equivalent portion of the system's long-term deficits would be eliminated as well.

Bush's personal account proposal is, in fact, the most progressive idea in the entire 2000 campaign, for it gives lower income workers their only real chance to participate in the booming capital markets, along with higher income workers. The result would be a more equal distribution of wealth and income.

Other Countries with Personal Accounts

Personal account options for Social Security have already been adopted, in whole or in part, in countries, including Chile, Great Britain, Australia, Argentina, Mexico, Peru, Hungary, Poland, Kazakhstan, Sweden, Colombia, El Salvador, Bolivia, Uruguay, Russia and China. Many other countries are developing and adopting personal account options as well. Shouldn't American workers have this same freedom to choose personal account prosperity?

Americans Support Personal Accounts

- --Reuters-Zogby International poll, June 2000 -- Americans support a personal account option for Social Security 65% to 27%
- --CNN-USA Today-Gallup poll, January 2000 -- Americans support a personal account for Social Security 62% to 33%
- --Zogby International poll, August 1999 -- Majorities of Hispanics, African Americans, Independents, and Republicans each support a personal account option for Social Security, with the largest majorities among Hispanics and African Americans. More Democrats support a personal account option than oppose it.

Sen. Joseph Lieberman on a Personal Account Option

In an interview in 1998, Sen. Joseph Lieberman (D-Conn.) boldly supported a personal investment account option for Social Security, saying, "A remarkable wave of innovative thinking is advancing the concept of ... personalization of retirement plans." He added that with personal accounts, "we have a chance not only to do something right, but to give people more confidence about what their retirement years will be like." Lieberman continued, saying "We're going to see again a kind of old Democratic Party/New Democratic Party split on this. I think in the end that individual control of part of the retirement/Social Security funds has to happen."

In 1999, after Lieberman became Chairman of the Democratic Leadership Council, the group published the New Progressive Manifesto, which declared "We must ...gradually convert

Social Security from a transfer program to a new system of individual private savings supplemented by modest public pensions for the needy.”