Op-Ed
WHAT THEY DON'T TELL YOU ON SOCIAL SECURITY REFORM
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WASHINGTON - IT'S WHAT POLITICIANS DON'T EMPHASIZE ABOUT THEIR IDEAS THAT COUNTS. TAKE SOCIAL SECURITY. For more than four years, President Bush has trumpeted the idea of personal investment accounts grafted onto the best retirement safety net we've ever had. He has yet to utter a syllable about how he would finance the transition once tax revenue intended to fund current benefits is diverted to create such accounts.

He's happy to emphasize the free lunch aspects - no benefit cuts for those 55 or younger, an all-voluntary scheme, a benefits floor, and even no increase in payroll taxes (though his spokesmen resist saying whether that applies to increasing the income ceiling of $87,700).

For this reason, Bush should be watched like a hawk at his domestic policy summit this week. If he doesn't start emphasizing what he has been ignoring all these years, it's a decent bet that he's more interested in the politics of Social Security than its actual repair.

Bush, however, is not alone. Not emphasizing the points that would cause American eyebrows to twitch is the defining feature of all the plans offered. Take the two best-known ideas from Bush supporters in the Republican Party - one from Senator John Sununu of New Hampshire and the other from Senator Lindsay Graham of South Carolina.

Sununu offers the ultimate free lunch - no benefits cuts and no tax increases, ever. Down the road Sununu even offers the biggest tax cut in history - knocking the worker-employer payroll tax down from 12.4 to barely 4 percent.

What he doesn't emphasize are the assumptions on which this nirvana is based. To make it work, the scheme assumes that federal spending growth is cut by more than a third across the board, on average, for each of the next eight years. It then assumes that every dollar of what is now a surplus is kept within Social Security to help fund the transition costs for each of the next 14 years - instead of being in effect embezzled to mask the true size of the government's massive and growing operating budget deficits. Needless to say, Sununu doesn't emphasize the debt explosion that will occur on the operating side.

Sununu also doesn't emphasize his proposal's assumptions about the explosion in general revenue in the form of higher corporate tax collections that are in turn based on assumptions about economic and asset value growth that are counted on simply because of all this "new" retirement investment.

Finally, Sununu doesn't emphasize that his proposal assumes that the government will increase the national debt by still more in order to raise the money to pay off the intragovernment notes issue when the Social Security surplus is raided to help fund the operating deficit mess. It is a proposal (his House GOP ally is Paul Ryan of Wisconsin and his Senate allies include Pennsylvania's Rick Santorum) whose assumptions up front are more important than its promises.

Graham gets credit for being willing to discuss raising the ceiling on income subject to the payroll tax to help fund transition costs, which he says should not be funded with additional debt. In general, he has been suggesting a willingness to talk about a near- doubling of the ceiling to around $150,000.

However, Graham does not emphasize that the proposal he made at the end of 2003 does not include this at all. Moreover, he has used a figure of $1 trillion for the transition costs over a decade, not emphasizing that all current discussions involve estimates double that figure.

Graham also does not emphasize that he is assuming, without specifics, major federal spending cuts to make his idea financially workable. In particular, he doesn't emphasize that his legislation assumed cuts in spending to the tune of tens of billions of dollars every year (at least 1.5 percent of payroll revenue) to be identified by a commission.

Finally, while Graham like all would-be "reformers" stresses voluntarism as a key selling point, he does not emphasize that his proposal would increase payroll taxes for those who choose not to play the equities markets with any of their Social Security tax dollars. There would be a 2 percentage point increase in the payroll tax that would escalate over time.

All these things are not emphasized because they detract from the attractiveness of partially privatizing the system. These nonemphasized facts have one thing in common: They impose hidden costs that may be greater socially, and are certainly greater politically, than the benefits of privatizing.

They also emphasize how assumption is central to the privatizers. The rest of us know that assumptions are the mothers of something unpleasant.

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