CAPITAL COMMENTARY

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Test the Candidates on Social Security

Leadership. That's what we want, right? Well, one way you can evaluate the presidential and congressional candidates this year is to ask how well they explain the supposed crisis of Social Security and what they propose to do about it.

According to Robert Ball, a former commissioner of Social Security and the author of *Insuring the Essentials*, Social Security need not face a crisis at all ("Just a Little Maintenance," *Washington Post*, 7/18). The adjustments needed to keep the system strong and solvent for 75 years are not difficult to grasp, and a vast majority of Americans, it seems to me, would support the minor reforms if the president and Congress would lead the way.

Social Security (SS) financing comes from a tax on employee earnings and employer payrolls. Any financing gap in paying out SS benefits can be closed by some combination of lowering benefits and increasing the tax. Yet the needed adjustments are minimal, requiring a long-term increase of between one and two percent of payrolls. Ball's proposal, for example, consists of four parts.

First, impose the SS tax on annual earnings above $87,900. Today, earnings above that level are not taxed. This adjustment would take care of more than 1/4 of the needed increase in SS revenues over the next 75 years.

Second, change the way the cost of living adjustment (COLA) is currently calculated as the basis for annual increases of SS benefits. The current method is somewhat outdated. This change would mean a slightly smaller annual increase in benefits for SS recipients, but realistically so. This change would take care of about 1/6 of the increase needed to balance SS revenues and payouts for the next 75 years.

Third, Ball recommends that revenues from the estate tax after 2010 should go to SS. The estate tax is currently being phased out. By 2010, "only estates valued at $3.5 million or more will be taxed." President Bush wants to eliminate even that tax, but Ball has good reasons for arguing that the tax on larger estates should be maintained after 2010 and the revenues put into the SS trust fund. SS was built on a "legacy debt," because the first generation of recipients of SS benefits had paid little or no SS taxes before they retired. "There is no good reason," says Ball, "why future earners should have to pay the entire legacy debt." If the tax on estates worth more than $3.5 million is maintained and dedicated to SS, it would close another 1/4 of the projected SS deficit.

Finally, Ball proposes that a "failsafe mechanism" be established today in case the gap 50 years from now is not closed. If the first three adjustments are made, Ball projects that the SS trust fund will grow until about 2055. In fact, by that date, the SS system may be in balance and expected to remain so for many more years. But if by that time payments would begin to exceed SS revenues, it would be good if another change were triggered automatically due to foresight now. In other words, people could see it coming and not be surprised. Ball estimates that the rate of increase on each employee and employer around 2055 might need to be about 0.9 percent, or about $450 annually on earnings of $50,000. A substitute for that kind of "failsafe mechanism" to be triggered in 2055 would be an increase today of the SS tax by 0.2 percent, or about $100 annually on earnings of $50,000.

The point of all this is to say that the Social Security system can be fixed without complicated privatizations and without significant burdens on anyone. Surely those of us who are parents and grandparents would be willing to accept these minor changes so that a truly burdensome crisis does not fall on future generations due to our selfishness. Test the candidates on this one to see if they want to be leaders.

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