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Social Security's generation gap

By Robert B. Reich

My grandfather lost all of his savings in the Great Crash of 1929. He never trusted the stock market after that. But he kept working, and by the time he retired, he had a tiny nest egg. It still wasn't enough to retire on. He and my grandmother relied on the Social Security checks they got every month. Granddad died at the ripe old age of 91.

Only years later did I understand that those checks didn't come from Granddad's own payments into Social Security. They came from the Social Security contributions of my father and mother's generation, made during their working lives.

That's the way President Franklin Roosevelt (and his Labor secretary, Frances Perkins) organized the system. Each generation's Social Security payments guarantee that the previous generation is secure in its retirement.

My father just celebrated his 91st birthday. He's still in good health, thank God. Dad served in World War II and, like so many of their generation, he and Mom postponed having children until the end of the war. I arrived in 1946, right at the start of the postwar baby boom.

When I was growing up, they ran two clothing stores. Like Granddad, they worked hard and managed to save some money for retirement. But, to this day, their Social Security checks come in mighty handy. That money comes from my generation's payments into Social Security.

Now President Bush (another postwar boomer, born just 12 days after me) wants to "fix" Social Security by allowing young workers to divert a portion of Social Security payments into the stock market.

But that won't fix anything. Even if you believe that the Social Security system will run out of money sometime this century, you're not going to fix the system by diverting trillions of dollars out of it.

The president's plan will only make matters worse. It will mean less money to pay for his and my generation's retirement -- and also less money in the kitty for future generations.

I don't believe Social Security needs fixing anyway.

In the early 1990s, when I was Labor secretary, I was a trustee of the Social Security Trust Fund. So I know how those estimates about the future are made. If you assume that the economy will grow this century at about the same yearly rate that it has grown during the past 100 years --

even including the Great Depression of Granddad's generation -- the Social Security system will have enough money to pay all retirees what they've been promised for the next 75 years at least.

Yes, we postwar boomers are a big demographic bulge. When all of us retire, the government may have to dip into general revenue for a time, in order to pay us the Social Security that we're due.

But that's only fair. After all, as we've worked and paid into Social Security, the system has accumulated far more money than it needs to pay out to today's retirees. The government has been using that surplus to reduce the size of the budget deficit. So we're owed. This hardly means the Social Security system will go broke over the longer term.

But the president's plan would break the bank, and also break Social Security's intergenerational compact. And it would subject younger workers to the risk that they'll face retirement with nothing.

Under the Bush plan, future Social Security payments for our two boys -- now ages 20 and 23 -- would be cut by whatever amount they divert from their payroll taxes into private accounts. (Actually, it would be an even bigger amount -- that amount adjusted upward for inflation plus 3% interest a year, just as though the government has lent them the money and demands repayment when it comes time for them to retire.)

That means that if the boys have bad luck in the stock market, they might be out of luck, period. Social Security won't be there to cushion them against poverty in old age.

When he lost his savings in the Great Crash, Granddad discovered that the stock market can be a giant casino. (My generation made a similar discovery on a much smaller scale when the dot-com bubble burst in 2000.) That's why Social Security was brought into being -- to make sure every retiree has at least a guaranteed minimum monthly check that he or she can rely on.

There should be no generational divide on Social Security. It's a good deal for everyone. I want our boys to be able to depend on Social Security when they retire, just as their grandparents and great-grandparents relied on it -- and just as I'll depend on it in a few years.

Why dismantle something that has worked so well?

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