
To the Editor

D.J. TICE DID AN EXCELLENT JOB (“FIXING Social Security: Are Conservatives Up to the Job?” Spring 2003) of *defining* the Social Security problem, but he didn’t get down to specifics of how to *fix* that problem. Social Security is a fairly easy system to fix; contrary to the hand wringing that accompanies most discussions. But he is right when he says it will take political stamina.

There’s no argument about what’s going to happen: baby boomers will retire and only two workers will be paying into the system for each retiree, payments will consume the surpluses, and Social Security will truly be broke.

As a U.S. senator in the 1980s, I made nineteen suggestions—some of which were adopted—for solving the problem. Here are two that weren’t. They’re politically sensitive, but would do the job.

1. Change the way “bend points” are indexed. Social Security benefits are determined by averaging a retiree’s top thirty-five years of working (zero for each year less than thirty-five). For a worker whose average wage is \$4,500 a month, the benefit would be:

- 90 percent of the first **\$606** (\$545.40)
- 32 percent from \$606 to **\$3,653** (\$975.04)
- 15 percent over \$3,653 [or \$847 in my example] (\$127.05)
- Total benefit (\$1,647.49)

The bend points are \$606 and \$3,653. They rise yearly with the Wage Inflation Index. If the index was changed to price inflation (CPI), not the higher wage index, that alone might make Social Security sound. Additionally if

indexing of the bend points was cut in half for three to four years—that would do the job for sure.

2. The other big dollar item is the COLA (the annual Cost of Living Adjustment). Even at modest inflation, it makes a very big difference in the long term. As I recall the numbers, in 1990, the top third get about 60 percent of all Social Security payments; the middle third get 30 percent, and the bottom third get about 10 percent.

Top Third

Year 1	No COLA
Year 2	25 percent of COLA
Year 3	50 percent of COLA
Year 4	75 percent of COLA

Middle Third

Year 1	50 percent of COLA
Year 2	75 percent of COLA
Year 3	75 percent of COLA
Year 4	Full COLA

Bottom Third

Year 1	Double COLA
Year 2	Double COLA
Year 3	Double COLA
Year 4	Full COLA

This lowers the overall base for calculation forever. There can be all kinds of permutations including an “other income” test for a four-year period, denying a COLA if there is substantial other income.

What about individual accounts that could be invested in the stock market through the Social Security System? I think that is a superb idea, but if such funds were taken out of present Social Security withholding, it would accelerate the system’s problems. Instead, allow participants to elect to have additional funds withheld—say up to 2 percent of gross earnings for their individual

accounts. Allowing such individual accounts simultaneously with fixing the system could well make the fixing more politically palatable.

To answer D.J. Tice's question: are conservatives up to the job? Here's one conservative who was in 1982 and still is, I believe. We now have a president who may well have the will to complete the job.

If you want a really tough task, try fixing Medicare. It's a far more intractable problem and program costs are growing far faster than Social Security.

Rudy Boschwitz
U.S. Senator (R-Minn.) 1978-91

D.J. TICE ARTICLE IS AN EXCELLENT OUTLINE of the facts behind the coming Social Security funding crisis and the potentially painful policy options that Americans must consider. I was especially impressed by his adept explanation of the Social Security trust fund and the lack of any real assets.

Mr. Tice ends by noting that what is needed now is the political courage to press the debate. However, more is necessary than that. In order to really make a difference, both courage and vision are required. The real question is whether conservatives are willing to make Social Security reform a vehicle to change society, or if they will be content merely to fix the existing retirement system.

For better or worse, Franklin D. Roosevelt changed American government because he and his advisers thought big and saw the wider implications of their actions. Similarly, conservatives should see Social Security reform as more than just a budget issue. It is also a way to allow Americans at every income level the opportunity to build wealth, and to actively participate in our economy.

Studies show that investing and saving change behavior. People become more future-oriented and willing to defer today's pleasure in order to achieve bigger goals.

Just as important, they become less alienated and more a part of their society. Properly structured, personal retirement accounts could not only provide better retirement security, they could help to revitalize communities and to fight poverty.

Mr. Tice points out that personal retirement accounts won't solve Social Security's problems, but instead will help to make the solution possible. That may be so, but a reform that mainly focuses on avoiding budget deficits misses a real opportunity. Conservatives and others need to have the vision to see that Social Security can mean more to our society than just a retirement check.

David C. John
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D.J. TICE MAY BELIEVE HE IS OFFERING TIPS to conservatives on how best to approach Social Security reform. His analysis of the challenge, however, is not for conservative eyes only. Tice correctly points out the demographic pressure that will soon overwhelm the Social Security system as the baby boom generation retires. He debunks the fallacy of the "trust fund" by revealing that, with or without a "lock box," there is no money in this fund—only a pile of IOUs. He thoughtfully makes the case for personal accounts as part of Social Security's future.

In making his case, Tice is careful to acknowledge that there are costs to reform—including the costs associated with a transition to private accounts within Social Security. He is quick to stress, however, that significant benefit cuts, tax increases, or both will be required simply to shore up the existing system. In fact, according to the Social Security Trustees, over the next seventy-five years the unfunded obligation of the current system runs in excess of \$23 trillion (in today's dollars). By creating a

pre-funded private account within Social Security, these long-range costs can be brought down substantially.

Tice's column makes it clear that efforts to simply salvage the current pay-as-you-go Social Security system will essentially result in future workers paying more and getting less. Surely, whether conservative or liberal, politicians ought to agree that we need to do better than that for our children and grandchildren.

Timothy J. Penny
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Bipartisan Commission to
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FOR ANYONE INTERESTED IN THE HISTORY and background of Social Security and how the current dilemma came about—and what possible solutions might be in the future—D. J. Tice's recent article should be required reading.

The issue of fixing Social Security is serious and it is not an issue of *if*—but *when*. Tice's analysis is the best I have ever seen. The current “pay-as-you-go” system won't work and must be changed. Tice makes an excellent presentation on why this is the case.

He has done all Social Security watchers a big favor.

Dick McFarland
*Retired Chairman
RBC Dain Rauscher*

FREDERICK HESS (“TRUST US,” THEY Explained: Racial Distrust and School Reform, Spring 2003) reports a 2002 survey in which 56 percent of African American parents graded their public schools a “C” or lower. As a school superintendent, I know that our minority children are indeed falling behind. Minnesota's education commissioner reports the achievement gap between black and white students is among the widest in the nation, an unacceptable situation.

Hess is right in that we should work with African American leaders to support small reforms first: the 2002 No Child Left Behind Law (reporting of all students' learning will improve achievement); increase those preparing for teaching; help schools terminate the ineffective and reward the effective teachers; expand non-traditional educational leaders (who don't owe political allegiances to inside interest groups); make it easier to remove ineffective principals because effective principals are key to student achievement; expand accountability for performance; reduce the procedural problems with special education mandates; and increase public school choice options.

Charter schools are supported by African Americans in numerous polls and should be available to all parents. I'd like to see the legislature make it easier for school boards to convert more schools to charter schools, freeing educators to try new ideas and improve student learning. More flexible and performance-oriented schools might better serve students who are not achieving at their best.

But, something was missing in Hess' discussion of minority mistrust. Classroom teachers see the causes of low student achievement across the board—poor attendance, lack of motivation or effort, little understanding about the value of a good education for life. John McWhorter (*Losing the Race, Self-Sabotage in Black America*, 2000), reports that attitudes in the black community work against students wanting to do well in school. John Ogbu (*Black American Students in an Affluent Suburb: A Study of Academic Disengagement*, 2003) quotes black students about why they generally perform more poorly than white students. They describe minimum effort by students, even in affluent black families. If accurate, this does not bode well for minority achievement.

Our schools need black leaders and parents to help us reverse students' self-defeating attitudes. Dealing with unmotivated students requires solutions beyond the supports that classroom teachers can provide. All of us are responsible to teach young people that school achievement can be trusted as a path to success and opportunity. Schools must be held more accountable, but so must students and parents, because the stakes are so important for all of us and our nation's future.

Mary Ann Nelson
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Fridley School District

NO, "TRUST US" IS NOT AN ADEQUATE answer to the concerns of African Americans that conservatives will be faithful allies in the quest for education reform. Heck, it's not even an adequate answer to exhausted white classic liberals like me, horrified that our good intentions to protect the vulnerable, expand the franchise, and get everyone to work like hell, have been distorted by a caretaker caste that feeds on the very people our progressive forebears sought to advance.

Neither will free-market rhetoric persuade those who understand such principles have historically exploited them, that the road from the Reagan-Bush economics will lead their children to less dismal classrooms. And I wouldn't count on principled critique of Great Society programs or valorization of Gingrich, Weber, and Lott to allay concerns that those who barred the schoolhouse doors and lunch counters really, truly, had good hearts and good intentions equal to those of civil rights activists who risked their lives or spent irreplaceable

hours on behalf of people whose condition they did not share. Gingrich et al could, after all, preach "opportunity conservatism" only after the revolution in race law and policy.

Hess is correct, that simply mimicking the left's positions won't work, either, **for the kids**. The left's good intentions have fallen prey to dangers inherent in and warned of by Marxian theory: they cannot represent themselves, so we perpetually represent them. The vanguard has become the education establishment, and their wealth lies in control of the systems established to provide for protection, enfranchisement, and productivity. A "subaltern" class of elevated, exalted collaborators today pleads the case of the well-intended representatives.

My private thinking is that neither right nor left principles go unembarrassed with regard to this issue. But to the extent that the political left is an obstacle to school reform and school choice, we should deconstruct the effects—rather than the intentions or past actions—that over-reliance on leftist organizations has had on children and the schools we give them. Certainly there are plenty of African Americans who understand what Marx taught: examine whose interests are served by any policy. Under current policies, how many African American kids get the high-hanging fruits picked by the Clinton and Jackson children?

Or the Lott and Gingrich children, for that matter.

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