

## Bait and Switch

**I**T TAKES ALMOST ACTUARIAL POWERS OF PROJECTION to be timely in a bimonthly magazine. At this writing, the president's personal account plan for Social Security appears to be sinking in the polls. Even Republicans in Congress (Lindsey Graham, Charles Grassley) have attempted damage control by separating the solvency issue from private accounts, characterizing the White House's focus on private accounts as a sideshow and a misstep.

But maybe solvency is the sideshow. Is the real agenda not just to fix Social Security, but to change the system completely?

When we went to war in Iraq, it was because Saddam Hussein was threatening us with weapons of mass destruction. Diplomacy would be dilatory. We needed to act quickly, unilaterally, and pre-emptively. Or die.

Or not. According to the March report from the presidential commission on intelligence failures leading up to the Iraq invasion, that intelligence was "dead wrong." Whether administration officials knew it and forged ahead anyway, or whether they just weren't skeptical enough, the commission didn't say, and didn't want to know. Maybe nobody will ever know for sure.

It's a little bit like those projections the Social Security trustees use to assess its future financial health: worst-case assumptions, best-case assumptions, intermediate assumptions. Worst-case, they lied; best-case, an honest mistake; intermediate, wishful thinking that went bad.

While I haven't heard anybody suggest that Social Security doesn't need fixing, there are a lot of very smart people who believe that personal accounts don't solve Social Security's fundamental long-term solvency problems. The solutions that will fix Social Security are not as drastic as the proposed overhaul. They're incremental and painful, but they pretty much leave the system itself alone.

It's also possible the system needs an overhaul. FDR's idea—a mandatory safety net to keep the elderly and disabled out of poverty—was fine for 1935, but demographics and economics have made the current system insupportable in the long run.

Maybe it really is time to rip the old program apart and come up with something more 21st century.

But why create a WMD-style crisis and a faux solution to make this point? If personal accounts and an ownership society really are what the times call for, why not do the homework and make the case? Where are the WMD?

The administration seems to be taking a similar approach to pension funding reform. I spoke to a human resources professional (not an actuary or a member of the Academy) the day after he testified before Congress on the subject in March.

"I love George Bush," he told me, "but the administration's proposal for private pension reform is death by a thousand cuts. If they were to just come out and say the whole DB system is a dinosaur and ought to be dismantled in favor of something new, fine. But doing it this way is just wrong."

At the end of January, Iraq held an election. It was a marvelous and brave thing, and it had even the most skeptical opponents of the Iraq war cheering. But if this was the administration's agenda all along, why didn't the president say so? Admittedly it would have been a tougher sell without the impetus of imminent demise. And tough sells are always risky. But when the sale is made, there's less chance for buyer's remorse.

If the Bush Social Security reform proposal ultimately goes down to defeat, as many predict it will, it may not mean that Americans are rejecting what may be a good idea whose time has come. It could be that they're just rejecting the alarmist oversimplification of complex issues.

Wouldn't it be pretty to think so.



EDITOR

*The opinions expressed here are the author's own and in no way reflect the position of the American Academy of Actuaries staff, its members, or even Ernest Hemingway.*

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