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New proposal hardens Social Security battle lines

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By Glen Johnson
ASSOCIATED PRESS

11:10 p.m. June 22, 2005

WASHINGTON – House Republicans are rallying around a new proposal they say would "stop the raid on the Social Security surplus."

Democrats go on the attack immediately, arguing that it amounts to little more than "privatization lite."

The rhetorical battle, continuing for its fifth month since President Bush declared the retooling of Social Security his top domestic priority, came as Republicans sought to regain momentum for the initiative. Democrats have declared it dead for the year and polls show no groundswell of support for the president's ideas.

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Republican Reps. Jim McCrery of Louisiana, Clay Shaw of Florida, Sam Johnson of Texas and Paul Ryan of Wisconsin announced Wednesday they were drafting a bill that would wall off the surplus payroll tax revenues Social Security is slated to receive until 2017. They propose transforming general IOUs – which the government places in Parkersburg, W.Va., as the money is spent on other government programs – into personal IOUs for each of the 110 million Americans



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who pay taxes into the program.

"The American people believe that there is something out there in West Virginia with their names on it," Shaw said during a news conference. "There is not now – but there will be if we pass this bill."

While the federal government would continue to spend the surplus tax money, the individual accounts would bear marketable Treasury bonds that give American workers a sense of ownership over their retirement money, as well as an inheritable asset should they die before they stop working, the congressmen said. A bill being introduced Thursday by Sen. Jim DeMint, R-S.C., has a similar thrust.

The government would continue to spend the excess revenues, a new bureaucracy would be required and the government's debt would still increase. Democrats said the plan was little different from Bush's call for personal savings accounts funded with a portion of the payroll taxes workers pay each year.

"They can twist themselves into any pretzel shape they want," said Sen. Charles Schumer, D-N.Y. "As long as privatization is on the table, there will be no compromise on Social Security."

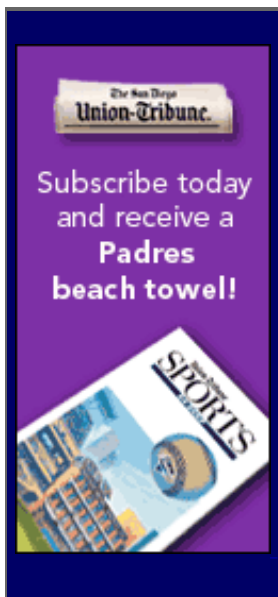
Rep. Richard Neal, D-Mass., a member of the House Ways and Means Committee, said: "I've been consistent and faithful to the idea that we shouldn't spend the Social Security surplus on other initiatives. But it strikes me as being disingenuous that you can rip out of the budget almost \$2 trillion in tax cuts over the next decade and then say that Social Security is in crisis."

The House Republicans said their measure will not contain any of the politically painful cost-cutting steps – higher taxes, an increase in the retirement age or curbs in benefits – needed to ensure long-term solvency for Social Security.

Officials said that under the proposal, for an initial three-year period, surplus Social Security funds would be used to establish individual accounts for willing younger workers. The money would be in the form of "marketable Treasury bonds," according to a written description, with the interest rate set by the government.

The legislation will establish an advisory board to recommend changes to Congress to take effect after three years, officials said. Democrats argue that at that time, Republicans will attempt to transform the accounts into ones similar to what Bush has been unsuccessful in selling.

McCrery, Shaw, Johnson and Ryan are member of the Ways and Means Committee, which is working on an omnibus bill aimed at addressing the overall issue of retirement security. They said their measure will likely be folded into it, and even Democrats concede it could pass the House.



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Rep. Bill Thomas, R-Calif., the committee chairman, was intimately involved in drafting the bill, and House Majority Leader Tom DeLay, R-Texas, issued a statement calling it a "positive first step toward strengthening retirement security for future generations."

Ron Bonjean, a spokesman for House Speaker Dennis Hastert, R-Ill., also called the proposal a good first step but declined to say whether the speaker would schedule the bill for a floor vote.

Hastert is concerned about having his members cast a vote on a politically sensitive program without assurance the Senate will follow suit.

When Schumer and Sen. Max Baucus, D-Mont., were asked to gauge the chances of any accounts proposal passing their chamber this year, they had a near-simultaneous response.

"Zero," each said.

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