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**EDITORIAL**

**Read the Fine Print**

**T**he more we learn, the worse it gets.

Last Wednesday, as President Bush prepped for his State of the Union address, [a White House official gave reporters a background briefing](#) on some of the details of Mr. Bush's Social Security privatization plan. Almost point for point, whatever the president said that sounded good sounded bad when the details were filled in.

For instance, Mr. Bush said, "Personal accounts are a better deal," because "your money will grow, over time, at a greater rate than anything the current system can deliver." But the privatized system actually contains hidden costs that could leave retirees with less. Your Social Security benefit would be reduced, dollar for dollar, by the amount of money you deposit into your private account and an additional charge amounting to 3 percent plus the rate of inflation. All the money that is drained off would presumably go to pay for the enormous upfront government borrowing - \$4.5 trillion over the next 20 years - that privatization would require.

That means people whose private accounts steadily earned three percentage points over inflation throughout their working lives would wind up with exactly what they would have gotten if Social Security remained untouched. Anyone who earned less than that would end up with less than is offered by the current system. When asked what would happen to the people who would not have enough income to avoid poverty, the administration official said, "I'm not sure if I'm understanding your question."

The benefit cut is only the beginning. There is still the problem of strengthening Social Security's finances. On its own, establishing private accounts does nothing to solve the long-term shortfall in the system. The president alluded to this fact when he said, "We must pass reforms that solve the financial problems of Social Security." He dutifully listed various benefit cuts that would do the trick, without taking the politically risky step of endorsing any of them.

Neither the president nor his aides have been willing to acknowledge the extent of benefit cuts that would be needed. And no wonder: All in all, they would leave the average worker with a government benefit worth only about 10 percent of his or her preretirement earnings. (Currently, Social Security replaces about 35 percent, on average.)

Various proposals to strengthen the current system's solvency via modest tax increases and benefit cuts - without resorting to costly private accounts - could guarantee a government benefit that replaces about 30 percent of preretirement income on average. But for all his talk about "an open, candid review of the options," the president refuses to consider any plan that excludes private accounts or includes tax increases, no matter how small. His stance makes severe benefit cuts unavoidable.

Even the feel-good tidbits in the president's speech really fail to stand up to close examination. Mr. Bush assured listeners that the government would prevent people from making bad decisions by restricting their investments to a conservative mix of stocks and bonds. But the more restrictions

there are, the harder it would be for people to achieve the outsized returns that the administration has generally promoted to sell the public on private accounts.

And the much-touted promise that the private accounts could be passed on to one's heirs, as it turns out, is also less than it seems. That works entirely only if you die before you retire. Under a scheme that is going to take a while for the public to digest, the White House wants to require new retirees to use their private accounts to buy annuities large enough to keep them above the poverty line for the rest of their lives. The most they could leave to heirs, then, would be what is left over after the annuities are purchased.

Mr. Bush is expending tremendous energy to sell his plan - daily impairing his own credibility and shredding whatever confidence remains in the country's fiscal outlook. Members of Congress would do him - and their constituents - a favor by reining him in and moving on to more pressing matters.