"SOCIAL SECURITY with PRIVATE SECURITIES"

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An Economic Evaluation of Several Proposals

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ABSTRACT

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Some of the many proposals to "fix" Social Security are subjected in this paper to a double-screening test: Do they offer (1) a guaranteed safety-net *plus* (2) a chance to make stock market profits?

Using these criteria, the following plans are found to pass the test:

THE ARCHER (GOP) PLAN

PRESIDENT CLINTON'S "USA" ACCOUNTS

THE FELDSTEIN et al (1999) PLAN
(with guaranteed option)

In the three plans that pass the double test--a guaranteed safety-net *plus* a claim on private securities--the baby boomers and their children will be able to enjoy both piece of mind and dreams of riches.

SOCIAL SECURITY with PRIVATE SECURITIES

An Economic Evaluation of Several Proposals

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The Social Security "crisis" has made for an active ferment of ideas the last few years. The initiating factor was the alarm that there would not be enough money to support the baby boomers, to say nothing of their children, when the time comes for their retirement. This required some re-examination of the entire system. It also evoked the interjection of pressure for "privatization" of some type or other and of some degree or other.

At the back of all this was the assumption that some kind of budgetary "surplus" existed. What to do with it? How much to use to fix Social Security? Give taxpayers a tax cut with the rest of the money? Or pay back some of the public debt? Or spend the money on social programs and perhaps, if and when necessary, even counteract deflationary tendencies in the domestic economy as well as in the global economy?

Lurking in the background there has been a fear that the Y2K bug would bite, and especially bite those on Social Security who might be living from hand to mouth, wholly dependent on receiving their monthly benefit checks and getting them cashed promptly, and finding supplies in the stores waiting for them to buy, as usual, for their daily existence.

CRISIS

It is easy to understand a feeling of insecurity among future retirees when we discover what provision some workers have made for their retirement outside Social Security. A survey of baby boomers in July 1999 showed that about 30% of the respondents do not have money saved for retirement and that nearly 40% fear that they will run out of money as a retiree.[1]

Amity Shlaes, of the editorial board of the Wall Street Journal, has told us, "Americans have more faith in their 401(k)s [their company pension plans] than they do in Social Security."[2]

The alarm was originally sounded that Social Security would go broke somewhere in the 2020's. Then the word came that 2032 was the crucial date -- and the baby boomers heaved a sigh of relief. Only after that date would benefits have to be cut down to the 70%-75 % range of currently promised levels. The buoyant economy was recognized in March 1999 as improving the solvency of Social Security (and also Medicare). The reasonable expectation then was that the system was fully safe to 2034 rather than 2032. The apparent reduction of the inflation rate and the corresponding CPI addition to benefits -- whatever its reliability -- also contributed to the improved forecast for benefits.[3]

Finally, it became evident that the continually booming economy would permit enactment of a rescue effort that would ensure expected benefits until about 2075 -- and the baby boomers' children could begin to breathe easily, if they had given any thought to the problem at all. The repair work still had to be done by legislation. In April, 1999, though, it appeared that the Kosovo crisis might jeopardize some of the surplus that was contemplated for exclusive Social Security use. The resolution of the Kosovo matter and the subsequent expectation of more and more surplus virtually guaranteed that Social Security would be "saved". The only question was the ultimate form of the rescue package.

It was recognized that a collapse or impairment of Social Security would have effects beyond the elderly population. It would certainly cause turmoil in the employment market. It has been shown, not surprisingly, that social security programs have contributed to the decline in labor force participation of older persons.[4]

Any major weakening of the Social Security program would throw many elderly people onto the labor market, causing displacement of some younger persons and swelling the unemployment rolls. At a time of tight labor markets, this could appear to be a blessing; but even then, there is a problem of blocking the normal progress of younger people. The boomer generation and their children have a right to expect that they will have opportunities in the labor market and that they will not have to compete suddenly with retired persons who have to go back to take jobs solely because the Social Security system has failed them.

By April 1999 it appeared that a compromise on Social Security was developing between the Democrats and Republicans, despite the hectic developments of the preceding year.[5]

If it is any consolation, other countries have also encountered problems with their social security plans. A good example is Brazil where, with all of its financial problems in 1998, retirees were enjoying a very liberal program. Reforms were put into effect and President Cardoso said in March 1999 that the country had recently begun collecting social security contributions from retirees.[6]

In summary, the original expectation was that the Social Security system would go broke in the 2020's. The vibrant economy caused this estimate to be revised to 2032, then 2034. By "broke" it was meant that the expected benefits would have to be reduced to the 70%-75% range of the expected level under the existing payroll tax and benefit provisions. The aim was to "fix" Social Security so that it would keep the expected level of benefits until 2075.

To reassure boomers and their children, it would be wise to set the 2075 fix promptly and leave controversial, relatively minor, changes for later debate and possible action.

REVISION OF THE PROVISIONS

Some revision in the current provisions--such as age required for various degrees of eligiblity for benefits, size of payroll tax, size of taxed wage or salary--is required to keep the Social Security fund fully adequate for currently promised benefits after 2034 unless some other source of funds is found. One of the proposed other sources is some degree of reliance on a stock and bond portfolio, a matter discussed later under "privatization".

Many revisions of a mundane sort have been proposed, such as postponing the age of entry, raising the income ceiling on Social Security payroll taxes, removing the special taxability of some outside income for retirees under 70. Some of these have provoked sharp objection. Although there is general agreement that Social Security must be fixed somehow there is much divergence of opinion on just what must be done and how much should be done. Labor is "vehemently opposed to radical revision" and it "gears up [in September 1998] for '99 debate on Social Security". [7] Apart from mundane revisions there is also the call for "privatization" which is a large and challenging subject in itself.

As a letter-writer in the Wall Street Journal has reminded us, the Social Security program is not an investment program; it is a social insurance program that provides a safety net.[8] The operative term is "safety net".

One of the provisions under discussion for a possible improvement in benefits is the penalty imposed on outside income for those taking Social Security benefits before age 70. Mr. Bob McTeer, President and CEO of the Federal Reserve Bank of Dallas has stated its practical effect clearly:

> "Today, workers age 62 to 64 lose 50 cents of Social Security benefits for each dollar they earn above $9,600. Those age 65 to 69 lose 33 cents for each dollar earned above $15,500."[9]

He also points out that their benefits beginning at age 70 or when they stop working are increased but often not sufficiently to compensate for what was lost; and, in any case, the complexity of the rules suggests that some seniors are not aware of the future benefit increase.

This provision was originally designed, in part, to reduce unemployment by taking seniors out of the labor force. Is it still good policy when there is a labor shortage? We must constantly ask ourselves whether all of the provisions of the Social Security system are supported by prevailing economic conditions. Anything that would unnecessarily aggravate a labor shortage is suspect.

We must remember that the idea is to "fix" Social Security, not "fix" the retirees so they can be squeezed into the available funds. The aim is to keep the present level of benefits, or even improve it, not to reduce benefits, as through delaying eligibility beyond existing enactments. That would be fixing Social Security by changing the demographics of eligible retirees, i.e., fixing the retirement population to match our funds instead of the other way around.

In summary, the main objective in the current review of Social Security is to ensure the viability of the system. It is important not to be diverted from that objective by a lot of secondary matters that will delay the the main result. It would be desirable to provide sufficient funds from current and prospective surpluses to maintain the existing level of taxes and benefits; and any secondary revisions should be deferred until that job is done.

PRIVATIZATION

In the midst of the "crisis" there arose cries for "privatization", essentially to have some or all of the funds invested in private securities rather than solely Treasury obligations; or let the individual make the decisions on how to invest the money; or both. This issue is tied to the "crisis" itself through the argument that the Social Security resources would be augmented by such private investments, hence less "crisis". It is well established statistically that the long-run return on equities is greater than on fixed-income securities like Treasurys. The main issue is what to do about the short-term volatility of stocks and their dividends. Can retirees live a quiet, secure life day after day and year after year with such a volatile source of income? A working person has some opportunity of adapting to volatility by getting a job, perhaps a part-time job, if occasionally necessary. Many retired persons have no such option, whether through age or ill-health or requirements of the job market. Much attention has been devoted to achieving some degree of privatization while overcoming this handicap of volatility.

We must not lose sight of one of the basic purposes of Social Security: to provide a safety net for improvident or unlucky persons. Private charity is fine but some provision is still required for holes in the charity net or for geographical spots where there is no-one able to give the necessary donations.

There is much to think about in evaluating these ideas. The parents of the baby boomers still remember the crash of '29 (1929, that is) and what happened to private wealth, to say nothing of the economy itself. The baby-boomers are perhaps bored with stories of their parents' and grandparents'personal disasters; and the Generation X kids can hardly be expected to be patient with tales of ancient history.

Beyond an adequate safety-net, there is a strong argument for some reliance on the superior income-producing capacity of private securities as a whole to bolster retirement income. Privately-owned and controlled accounts are desirable from many points of view as long as the safety-net is secure. These aims are represented by several of the plans that have ben proposed. [10]

President Clinton has been quoted as saying about private accounts: "I am open to the idea that if we can get a higher rate of return than we have been getting, while being fair to everybody, and guaranteeing that we'll be lifting the same percentage of people out of poverty...we ought to go for it."[11]

---A MAJOR GOVERNMENTAL MUTUAL FUND

The President early proposed a plan that had two distinct prongs: (1) Put the major part of the available surplus in a central fund that would invest in the stock market; and (2) provide matching funds for taxpayers' individual investment in "USA" accounts, which would resemble 401(k)s and IRAs.[12]

The plan in (1) is to have the government itself, or through independent agencies or perhaps through private contractors, invest some or all of the funds in the stock market. This is sort of a combination of public and private activity, and we can label it "governmental privatization" to distinguish it from outright privatization as for instance in a self-directed IRA account. A governmental agency would here be involved to some degree in the investment decisions.

Many voices have been raised against the governmental privatization plan. The titles of articles sometimes reveal the position taken:

Milton Friedman has an article entitled, "Social Security Socialism".[13] Martin and Kathleen Feldstein have a joint article headed, "Washington shouldn't be on Wall Street."[14]

Martin Feldstein has one entitled, "Clinton's Social Security Sham"[15]. He says, "Mr. Clinton's sleight of hand commits us to massive future deficits or tax increases or both."

Charles Krauthammer simply called it, "The worst idea of the decade."[16]

Chairman Alan Greenspan of the Federal Reserve Board claimed that, as summarized by a newspaper,"the idea would lead to well-intentioned bureaucratic meddling in markets at best and outright socialism at worst."[17]

On the other side, Robert Reich, former Labor Secretary under President Clinton, was quoted as pointing to the Federal Reserve Board as an example of a federal institution insulated from political interference.[17]

Alicia H. Munnell, a former member of the Council of Economic Advisers, was quoted as saying that the issue [in what we are calling "governmental privatization"] is less about whether it should be done than about how; and she concluded that the investing has to be done collectively because it is too expensive otherwise.[17]

The major concern is whether such a board could -- despite substantial safeguards -- dominate or influence the market itself or use it to pursue politically-motivated rather than wealth-maximizing objectives, at the expense of retirees. Would a federally run, undoubtedly massive, stock fund avoid pressures other than those of profit performance? Would it be as politically independent as, say, the Federal Reserve Board?

The existence of successful state-run or municipally-run pension funds that invest in bonds or stocks or both, is sometimes cited to allay concern about a government-run pension fund at the federal level. Yet some funds have encountered problems. The Securities and Exchange commission anounced in March 1999 that it would consider new rules to bar so-called "pay-to-play" practices in public pension funds. The aim of the agency would be to place restrictions on the ability of money managers to make campaign contributions to officials who oversee public funds.[18]

Some ideas can be gathered from various state pension funds that invest in the stock market. An example is Calpers, the pension fund that covers California state employees. (The University of California has its own system). In March 1999 the story was, "Calpers seeks new voices for Maxxam".[19] What was involved, among other things, was the environmental policy of the company. Places on the board of the company were at issue. Calpers was using its influence and voting its stock accordingly. In April 1999 Calpers added to its list of companies whose performance it was targeting. It focused on performance and dealt with such things as independence of board members.[20]

As indicated above, the Federal Reserve is cited as a semi-governmental agency that wields great economic power in an independent way. A major difference, though, is that the pension board would have to make a myriad of decisions on individual stocks and bonds that compete against one another for selection and thereby specifically affect particular individuals or firms; and would have to choose the brokers or dealers or funds that would receive massive amounts of money, hence earn the resulting commissions or profits. The Federal Reserve, on the other hand, paints with a broad brush although there are admittedly diverse individual impacts.

---RELIANCE MAINLY ON IRA-like ACCOUNTS

Going to the other extreme, a plan that would set up private accounts like IRA accounts under which the retiree would control all or most of the payroll-tax intake presents other problems. The question is whether this would expose individual retirees excessively to the vagaries of the stock market and would defeat the purpose and function of the Social Security system as a safety-net, even if the long-run returns were greater this way for retirees in the aggregate. This is related to the question of management "outsourcing", which is discussed in a later portion of this paper [21]. The relative consequences could be especially evident in plans with proportionately large private accounts. An inexperienced retiree [22] could easily be confused as to whether to take an aggressive stand [23] or a cautious one [24] in managing an account.

---PARTIAL PRIVATIZATION: THE ARCHER PLAN

A privatization plan sponsored by House Ways and Means Committee chairman Archer of Texas would establish financial market investment accounts, to be funded out of the budgetary surplus.[25] This plan has some features that evoked opposition from all sides.

Authors in the AARP [American Association of Retired Persons] Bulletin pointed out, "But the proposal quickly came under fire from Republicans and Democrats, worsening already slim prospects for overhauling Social Security during this session of Congress, in the view of many analysts."[26] As to whether reform is dead for this session of Congress, "...AARP is not ready to write its eulogy yet."[27]

Under the Archer plan, the investment accounts would be funded by a new tax credit of 2% of a worker's wages up to the prevailing cap. The funds would come out of general revenues expected from the general budget surpluses projected for the next decade. The worker could choose among 50 investment options provided that the funds are divided 60% in equities and 40% in bonds. The accounts would be handled privately but on retirement they would be transferred into the Social Security trust fund and converted into an annuity under which the retiree would receive monthly checks.

The plan would maintain the currently-enacted level of benefits but would make major changes in financing. It has been attacked by both liberals and conservatives. Conservatives object because it does not set up truly private accounts and it would not build significant private wealth beyond the basic benefits. Liberals object because of the fear of weakening Social Security financing and undermining public support for the basic program. [28]

A Fellow at the Heritage Foundation has written that the Archer plan "is far worse than anything President Clinton has proposed."[29]

The important point is that the Archer plan that was presented would preserve the current commitment level of Social Security benefits but would make major changes in financing. It would extend the full life of the Social Security program to at least 2075.

Following the disagreement on the Archer plan, it was reported that the plan to replace Social Security with a system of individual accounts "is being shelved by its Republican proponents, who have become fearful of the political risks."[30]
Its intent was to boost the long-term solvency of Social Security by establishing financial-market investment accounts. The polls, however, showed that 50% of Americans oppose investing in Social Security funds in the stock market, while 38% support the idea.[31]

Nevertheless, the House Speaker, J. Dennis Hastert, R., Ill., expressed the opinion, in an exclusive interview that appeared in theAARP Bulletin in May 1999, that a bipartisan deal could be reached this year on Social Security.[32]

---PARTIAL PRIVATIZATION: CLINTON'S "USA" ACCOUNTS

In the middle of April 1999 the Administration released details of its proposed "USA" [Universal Saving Account] accounts. The government would provide a contribution of $300 a year for couples who earn over $5000 and up to $40,000 a year, when it begins to phase out and disappears entirely at $100,000; and there are many other details. It was estimated that roughly 100 million U. S. workers would be eligible. 12% of the anticipated budget surpluses over the next 15 years would be set aside for this purpose.[33] Although the plan appeared later (in October 1999)to have been dropped from consideration, it is still worth examining because of its privatization features. Moreover, it may rise again.

Details of the Administration's proposals for the "USA" accounts had been postponed to April 1999 because of the war in Kosovo. One of the details reportedly then being worked on was to ensure against an incentive by employers to cut private benefits if Social Security benefits were improved.[34]

The income limitations on the proposed "USA" accounts have met with some opposition. The Wall Street Journal has editorially said, "So we guess the philosophy behind this idea is to transform the American dream into one of downward mobility."[35]

Senator Joseph Lieberman, Democrat, of Connecticut proposed a savings tax credit that is intended to be complementary (not competitive) with the Administration's "USA" account plan. He was joined by GOP Senators Santorum and Abraham.[36]

Unfortunately, any help to Social Security retirees through the Internal Revenue Code conflicts with another objective -- simplification of the Code. Sheldon S. Cohen, IRS commissioner under President Lyndon Johnson, was reported to have blasted the proposed USA account as "another gimmick to complicate the code".[37] He urged the White House to focus more on simplification.

Perhaps there has been a little misunderstanding. People are willing to endure complexity as long as it is in their favor. It then becomes a "fairness" provision, put into the code to achieve "equity" in relation to all the other people who are enjoying their own "loopholes".

The Wall Street Journal has editorially endorsed Social Security-related IRAs "as long as those accounts are truly individual and private."[38] The question is whether Rep. Archer's GOP plan or President Clinton's "USA" accounts (unlike the governmental mutual fund plan discussed earlier [39]) are candidates for this role.

The Archer (GOP) and Clinton ("USA") plans came fairly close together in substantive matters and the prospects for a resolution of the "fix Social Security" debate could have been expected to be quite good at the end of April 1999. The bottom line of the Archer plan was summarized as "Retirees receive pensions from their retirement accounts or Social Security, whichever is larger."[40] For the Clinton plan it was "Retirees receive traditional Social Security, plus whatever is in their investment".[40]

For all practical purposes, under either plan, the retirees would continue to get the rock-solid inflation-adjusted stipend plus anything more that the stock market or other private investment yields. The fiscal amounts vary: in the case of the Archer plan $1.8 trillion in general tax revenue would be provided over a 10-year period to shore up Social Security; the Clinton plan provides $2.8 trillion over 15 years. Under the Archer plan the workers would be given 2% of their salaries (up to the Social Security limit of $72,600 a year) to invest in stocks and bonds, the money coming from future federal budget surpluses and not from Social Security taxes; under the Clinton plan the workers would get an amount each year to invest as they chose. The important thing is that the retiree would be protected and enabled in either case. It would be a win for the retiree.

Unfortunately, for political reasons it appeared that the prospects of an early resolution did not look good in the last quarter of 1999.

In May 1999 it appeared that the movement for Social Security reform was stalled because of lack of adequate support for any particular plan. In addition to the controversial Archer and Clinton ("USA") proposals then under active discussion there were others. One alternative that had some bipartisan support was the Kolbe-Stenholm 21st Century Retirement Security Bill. It would take 2 percentage points of the worker's contribution and put them into "individual security accounts". Additional annual contributions up to $2000 could be made; and the government would make matching contributions for lower-income workers.[41] It would be important to ensure that at least the established benefit would be guaranteed no matter what might happen to the stock and bond markets.

---PARTIAL PRIVATIZATION: THE FELDSTEIN et al PLAN

A study of the National Bureau of Economic Research, conducted by Feldstein and others, has shown the feasibility of IRA-like accounts in which the benchmark benefit,--the benefit promised under current law--would be guaranteed, plus a chance of receiving substantially more as a result of profits from a stock-bond portfolio. In other words, currently promised benefits would be guaranteed; and there might also be an additonal benefit resulting from portfolio gains if they occurred at the same rate as in the past. The essence of this concluding guarantee-variant of the plan is summarized in one sentence:

> "Retirees can be insured against all downside investment risk at a very small cost to taxpayers through a government guarantee of the benchmark benefit."[42]

In essence, we may say that the government takes all of the downside risk; the retiree gets a portion of the upside gain, if any. Taxpayers as a whole (i.e., the government) will act like an insurance company "at a very small cost."

This plan has only a tinge of governmental mutual funding since the bulk of the benefit is structured traditionally and only a potential additional amount is contingent on fluctuations in the stock and bond markets and will be covered by a government guarantee (in the particular variant of the plan we are evaluating). This plan is not subject to the criticism of the governmental management of a major stock-bond benefit fund that was discussed earlier. Nor is it subject to the criticism that can be levelled against an all-IRA approach under which nothing is guaranteed.

---WHO WILL MANAGE THE IRA-LIKE ACCOUNTS?

If it turns out that the retiree is left in control of an IRA-like account, who will manage it? Here we may learn something from the theory of the firm. Demsetz has distinguished between the costs of using a price system and the costs of using a management system (PSC and MSC, resp.). [43]

This distinction may perhaps be applied to the current discussion of privatization of part of the Social Security fund. Should the Social Security system put the retiree in the position of going out to the market and making decisions on the basis of the various prices to be encountered or should there be a management unit (what we may call a Wealth Maintenance Organization--a WMO) eligible to manage the accounts?

If we think of the investor as a firm that cannot efficiently devote the time or resources required to do everything by itself, it is easy to see that "outsourcing" investment decisions could make a lot of sense. Outsourcing by business is a growing trend, according to a Conference Board survey [44]: the individual, acting as a wealth-maximizing firm, might well follow the trend.

CONCLUSION

The conclusion is: governmental-privatization (where the government invests a major portion of the Social Security fund in the stock and bond markets) has problems as a desirable solution; private IRA-tization of the basic benefit fund is extremely risky although feasible in the long run for those who are still building up a retirement fund for ultimate use, but not for those who will have to be drawing on it in the short term unless they have a government guarantee; private IRA-tization of a bonus benefit, as in the Archer plan and one version of the proposed "USA" accounts, might yield some substantial benefits; and the guaranteed-variant of the plan worked out by Feldstein and others at the National Bureau of Economic Research would fully meet the criteria of a guaranteed safety-net *plus* a claim on private securities.

At the end of October, 1999, President Clinton presented a plan that did not rely on the private-IRA-like idea but used budgetary interest savings through debt reduction to ensure safety-net benefits until about 2050.[45] The privatization debate will undoubtedly continue -- perhaps including the "USA" plan again -- in an effort to achieve the 2075 objective, even assuming that the newly-proposed interest savings idea passes muster from an accounting point of view.

The degree of privatization found to meet the double test here does not assume a freely-floating Social Security system that is divorced from any governmental structure. A free market does not mean anarchy. Henry Manne has aptly stated this thought in a different context:

> "Even the most perfect free-market economy will still exist in a political regime where the rules might change, where taxation will exist, where individuals commit crimes, and where both public regulation and private contracts will be subject to interpretive differences." [46]

In any case, under the plans that promise a guaranteed safety-net *plus* a claim on private securities, the baby boomers and their children will be able to enjoy both peace of mind and dreams of riches.

[ENDNOTES]

[1] Inman News Features, reported in Los Angeles Times, 7-25-99 [month-day-year] p. K6
[2] Wall Street Journal, 7-1-99, p. A22
[3] Wall Street Journal, 3-31-99, pp. A2, A10
[4] Jonathan Gruber and David A. Wise, "Social Security Programs and Retirement Around the World", NBER Working Paper No. 6134 August 1997
[5] Elliot Carlson and Robert Lewis, "Reform effort could go either way: Getting to 'yes' in Social Security", AARP Bulletin, April 1999, pp.3, 8.
[6] Wall Street Journal, 4-1-99, p. A17
[7] Wall Street Journal, 9-28-98, p. A30
[8] Wall Street Journal, 4-14-99, p. A2
[9] Wall Street Journal, 5-20-99, p. A20
[10] One such plan was proposed by Senator Moynihan (S. 1792). It has much merit, especially as modified by Yung-Ping Chen in "Improving on the Moynihan Plan", draft/manuscript 4-29-98, and in "A New Plan That Could Save Social Security", The Boston Globe, June 7, 1998, p. E7.
[11] Robert Lewis, "Private Accounts: yes or no", AARP Bulletin, September 1998, pp. 1, 10
[12] Time Magazine, 2-1-99, p. 25, "Social Security: Sticking his neck out".

The prospect of any such plan had immediatelly evoked opposition like that expressed in an article entitled, "Privatize Social Security? Not like this" by Amity Shlaes, a member of the Wall Street Journal's editorial board. Included is the statement, "A national 401(k) is the opposite of privatization. It invites an eager government into the one sector where it has never been allowed before--the markets." (Wall Street Journal, 12-7-98, p. A.30).

Henry Aaron and Robert Reischauer of the Brookings Institution have proposed a comprehensive plan and have given their ratings of various proposals. Brookings Review, Winter 1999, pp. 6-11.

[13] Wall Street Journal, 1-26-99, p. A18
[14] Los Angeles Times, 1-29-99, p. B9
[15] Wall Street Journal, 2-1-99, p. A20
[16] Time Magazine, 2-1-99, p.76
[17] Thomas Mulligan, "Clinton's investment plan - shrewd or socialist?" Los Angeles Times, 1-31-99, pp. C1, C14
[18] Wall Street Journal, 3-30-99, p. C21; 3-31-99, p. B12
[19] Wall Street Journal, 3-24-99, pp. CA1, CA4
[20] Wall Street Journal, 4-21-99, p. B10
[21] See the section below on "Who will manage the IRA-like accounts?"
[22] To discover the actual extent of experience would justify a major survey.
[23] See James K. Glassman and Kevin A. Hassett, "Stock prices are still far too low", Wall Street Journal, 3-17-99 p. A26.

[24] See a letter in the Wall Street Journal, 3-23-99, p. A23, with the heading,"Cautious exuberance is wiser."
[25] Wall Street Journal, 4-21-99, p.A6
In November 1999 Chairman Archer was pressing ahead with his plan according to the Wall Street Journal, 11-12-99, p. A1
[26] Robert Lewis, "Time a Factor: New plan floated on Social Security", AARP Bulletin, June 1999, pp. 3, 10, 11, at p. 3.
[27] Horace B. Deets, AARP Executive Director, Ibid. p. 21.
[28] Wall Street Journal, 4-29-99, p. A28
[29] Daniel J. Mitchell [Heritage Foundation], "GOP offers a Social Security plan worse than Clinton's", Wall Street Journal, 5-3-99, p. A22
[30] Time Magazine, 5-10-99, p. 94A
[31] Wall Street Journal, 4-21-99, p. A6
[32] AARP Bulletin, May 1999, p. 3
[33] Los Angeles Times, 4-14-99, p. C2 and Wall Street Journal , 4-14-99, p. A10, describe the Clinton ("USA") proposal. The President later dropped reference to this private account plan. Los Angeles Times, 10-24-1999, pp. A1, A26.
[34] Wall Street Journal, 3-26-99, p. A1
[35] Wall Street Journal, 4-15-99, p. A22
[36] Wall Street Journal, 4-19-99, p. A2 [This was a correction of an earlier item--in 4-16-99, p.A1--in which the newspaper had used the heading, "Dueling Tax Credits"]
[37] Wall Street Journal 4-28-99, A1
[38] Wall Street Journal 4-6-99, A26
[39] In the section headed "A Major Governmental Mutual Fund"
[40] Robert A. Rosenblatt and Janet Hook, Los Angeles Times, 4-29-99, p. A9
[41] Reported iin J.K.Lasser's Monthly Tax Letter, May 1999,v.9 #5, pp. 1, 2
[42] The NBER Digest, July 1999. "Reforming Social Security with Personal Accounts." This is based on Martin Feldstein, Elena Ranguelova, and Andre Samwick, "The transition to investment-based Social Security when portfolio returns and capital profitability are uncertain", NBER Working Paper No.7016, March 1999. Volatility of securities and risk preferences of various retirement groups are taken into account. The concluding sentence of the Working Paper reads, "We show that the extra risk to taxpayers in providing this guarantee is very small." Copyrighted 1999 by Feldstein et al.
[43] Harold Demsetz, "The firm in economic theory: a quiet revolution", American Economic Review, May 1997, v.87 #2, pp.426-429.
[44] The Conference Board, in an August 1999 announcement of "The 2000 Strategic Outsourcing Conference: Making Outsourcing a Competititive Advantage."
[45] Los Angeles Times, 1-24-99, pp. A1, A26, by Robert A. Rosenblatt, "Clinton rejoins battle to rescue Social Security." Los Angeles Times, 10-25-99, p. A12, "GOP Wary about Clinton's Plan for Social Security."
[46] Henry G. Manne, "The Judiciary and Free Markets", Harvard Journal of Law & Public Policy, v. 21 #1, Fall 1997, pp. 11-37 at p.12