<table>
<thead>
<tr>
<th><strong>Pro &amp; Con Arguments:</strong> “Should Social Security Be Privatized?”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRO Privatized Social Security</strong></td>
</tr>
<tr>
<td>1. When Social Security began in 1935, the contributions of 17 workers paid for the benefits of one retiree. In 2035 the estimated ratio will be 2.1 workers per beneficiary. Allowing individuals to contribute to their own private accounts may reduce future loss of money from fewer worker contributions. [3]</td>
</tr>
<tr>
<td>2. Using the existing system to avert the pending collapse of Social Security will require deep cuts in benefits, heavy borrowing, or substantial tax hikes. A better solution is to switch to private investment accounts that will be funded with existing payroll tax thereby avoiding any benefit cuts or tax hikes.</td>
</tr>
<tr>
<td>3. A medium income worker born on or after 1964 can expect a 1.93%-2.71% rate of return with the existing Social Security system. [4] Privatizing Social Security will put more money in the pockets of retirees. From 1926 to 2002, returns from S&amp;P 500 investments average 6.9%-9.0%. [19]</td>
</tr>
<tr>
<td>4. Private retirement accounts will give a worker contractual rights to retirement benefits, a right missing from the current Social Security system. In the 1960 US Supreme Court case <em>Flemming v. Nestor</em>, a retiring legal immigrant eligible for Social Security benefits, who paid into the system for 19 years, was denied his Social Security retirement money after being deported as a member of the Communist Party.</td>
</tr>
<tr>
<td>5. Putting Social Security into private accounts does not expose retirement money to risk. These federally regulated personal accounts would allow individuals to invest only in diversified, approved mutual funds and not in single stocks or highly volatile stocks.</td>
</tr>
<tr>
<td>6. Switching to personal retirement accounts would not result in burdensome transaction costs since the year-over-year growth rate over time of these investments will offset any extra costs the accounts incur.</td>
</tr>
<tr>
<td>7. In the past, budget surpluses in Social Security were</td>
</tr>
<tr>
<td><strong>CON Privatized Social Security</strong></td>
</tr>
<tr>
<td>1. Moving Social Security into private accounts would cause substantial reductions in traditional Social Security benefits. Privatization would, over the next 47 years, reduce benefit levels by as much as 44% below 2005 levels. [6]</td>
</tr>
<tr>
<td>2. Getting a privatization system started is too costly. The transition costs of setting up new personal accounts while continuing to provide benefits to Social Security's current beneficiaries would require an extra $1 trillion to $2 trillion. [7]</td>
</tr>
<tr>
<td>3. Private accounts would reduce special insurance protections, such as disability and survivor's insurance, that are also provided by Social Security. Cuts will have to be made to these programs in order to fund private retirement accounts.</td>
</tr>
<tr>
<td>4. Privatizing Social Security, which essentially is putting peoples' retirement money at the whim of the stock market, will weaken the federal retirement system through potentially risky investments.</td>
</tr>
<tr>
<td>5. Putting their Social Security funds into private investing accounts exposes US workers to be victims of unscrupulous stock brokers and of their own investment choices.</td>
</tr>
<tr>
<td>6. Many people either do not know, or do not want to know, how to make the sound decisions about their own long-term investments that private accounts require.</td>
</tr>
<tr>
<td>7. The upfront costs of setting up the individual accounts and of advising individuals of the system would take away any fiscal benefits that moving toward privatization could bring.</td>
</tr>
<tr>
<td>8. Social Security is a program that provides benefits through one, centralized process dictated by the US government. Moving benefits into individual private accounts creates a decentralized system that will have to take into account the millions of diverse</td>
</tr>
</tbody>
</table>

used by the federal government to fund other
government spending. Keeping retirement money in
private accounts will prevent it from being diverted
for non-Social Security purposes. [5]

8. Privatizing Social Security into individual investment
accounts would boost economic growth by injecting
money back into America's failing financial system.

9. Removing the requirement of the federal
government to provide retirement benefits reduces
the bloated bureaucracy of the US government.

10. The maximum Social Security tax in 1935 was $60;
as of 2009 it is $11,000. Privatizing Social Security
will alleviate this excessive taxation since private
accounts will be taxed through the normal process
of income taxation.

11. Given the pending crisis, many young workers
assume they will never see the money they are
putting into the current Social Security program.
Private accounts will be a transparent system that is
more accurate an account of the relationship
between today's earnings and future benefits.

12. Privatizing Social Security would empower
individuals to have control over their own retirement
investment decisions, taking the US government out
of citizens' financial retirement decisions.

13. Social Security was established at a time when
people had a shorter life expectancy. The only
viable option for a population that is living longer is
to put Social Security into personal investment
accounts.

14. The present Social Security system fails workers
who have a disproportionately shorter life
expectancy rate since they cannot collect on
benefits paid. Personal accounts will provide the
option to bequeath assets to heirs upon death, an
option currently missing from Social Security.

15. Social Security taxes are weighted to balance the
system for all levels of wage earners. Private
accounts will create disproportionate returns since
higher-wage will have more money to take bigger

opinions, preferences, and expectations of individual
investors, making the program too bureaucratic and
unwieldy.

9. Privatization of federal retirement benefits has
proved disappointing in other countries. Private
retirement accounts in the UK that started in 1988
have had management fees and marketing costs eat
up an average of 43% of the return on their
investments. [7]

10. Putting money from Social Security into private
accounts means moving retirement savings from a
simple, easy to comprehend system into a complex
structure of investment portfolios and stock market
shares that is more difficult to understand.

11. Invested private Social Security accounts will not
benefit the US economy but will put billions of
dollars in brokerage and management fees into the
pockets of Wall Street financial services
corporations.

12. Instead of upsetting the system through a new plan
like privatization, future budget shortfalls can be
fixed within the system. The current system will work
by reducing benefits, increasing taxes, and/or
raising the retirement age.

13. Social Security paid benefits to over 39 million
retired workers in 2008. Creating and managing this
many individual private retirement accounts would
generate more, not less, bureaucracy. This
enterprise would require costly hiring and training
tens of thousands of new government employees. [8]

14. Because private accounts would be financed by
taking money out of Social Security, privatization
would increase Social Security's funding gap and
move forward the date of the system's insolvency up
from 2037 up to 2030.
risks for higher yield investments than can low- and moderate-income workers.